

NATURAL GAS LOSING OUT TO CHEAPER LIQUID FUELS

High Gas Prices Dampen New Industrial Demand

City gas distributors turning to propane and other substitutes to retain customers

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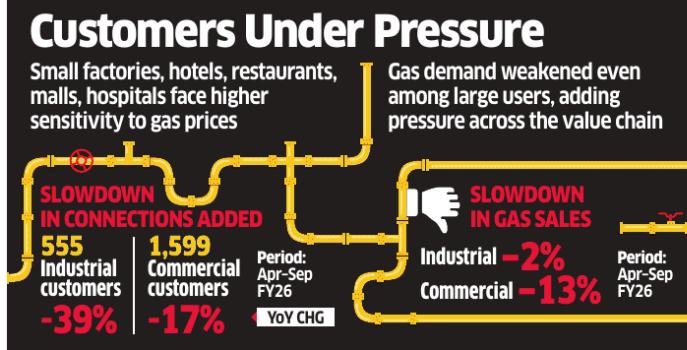
New Delhi: City gas distributors are finding it increasingly difficult to acquire new industrial and commercial customers as natural gas remains costlier than competing liquid fuels.

In the first half of this financial year, new factory connections fell 39% year-on-year while additions in the commercial segment declined 17%, according to data published by the Petroleum and Natural Gas Regulatory Board.

City gas companies added only 555 new industrial customers and 1,599 commercial customers during April-September. Commercial customers include hotels, restaurants, malls and hospitals.

Natural gas lost price attractiveness for industrial users this year as competing fuels such as crude-derived LPG became cheaper. Crude oil prices are down about 17% on average in 2025, keeping liquid fuels competitive, while imported liquefied natural gas (LNG) prices have remained broadly unchanged from last year. This divergence has blunted gas demand growth.

"It's been hard to persuade new



customers because the current cost economics favour alternative fuels. They don't want to pay the installation fee for natural gas supply when they know they can't recover it quickly," said an industry executive, who did not wish to be identified.

While natural gas struggles to compete with dirtier fuels (coal) or fuel oil even in normal times, the problem worsens when crude prices fall sharply without a corresponding decline in LNG prices, making LPG more attractive for factories. Some city gas distributors are responding by offering substitutes. Gujarat Gas, a state-run distributor, is expanding into propane distribution to retain customers in Gujarat, where relatively cheaper propane is displacing natural gas. In certain pockets, subsidised wood briquettes—about a third cheaper than gas—are also gaining traction, further easing into gas sales.

As a result, city gas distributors sold 2% less gas to industrial customers during April-September compared with a year earlier, even as sales to commercial customers increased 13%. Industrial users remain the second-largest consumer segment for city gas distributors after CNG. Of the 8,352 million standard cubic metres (mmscm) of gas sold by city gas companies in the first half of the fiscal, 28% went to industrial customers and 62% to CNG, with the rest split between households and commercial users.

Gas consumption by large users such as power plants, refineries, fertiliser makers and steel producers also declined this year. Smaller industries supplied by city gas distributors increasingly switched to propane as prices stayed lower, reinforcing the broader pressure on gas demand.

Buy natural gas futures at ₹375 with stop-loss at ₹350

Akhil Nallamuthu

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Natural gas futures, currently trading at ₹375 per mmBtu, lost nearly 23 per cent last week. But from a broader picture, the contract has been rallying since the final week of August.

COMMODITY CALL.

The uptrend began on the back of the support at ₹230; after the contract marked a high of ₹494.90 on December 5, it saw a sharp decline and is now hovering around ₹375.

The 50 per cent Fibonacci retracement level of the recent uptrend lies at ₹362. Therefore, the price band of ₹362-375 is a support band.

A rally from the current level can potentially lift natural gas futures to ₹550 first



and then possibly to ₹600.

On the other hand, if the contract breaches the support at ₹362, it can extend the decline to ₹330, a support. Subsequent support is at ₹300.

Overall, we expect natural gas futures to regain traction and move up from the current level.

TRADE STRATEGY

Buy natural gas futures (December) now at ₹375. Place the stop-loss at ₹350. When the contract rises to ₹475, raise the stop-loss to ₹425. Book profits at ₹550.



Petrol, diesel costliest in Andhra, cheapest in Andaman & Nicobar

A litre of petrol in Amaravati costs Rs 109.74, while it comes for comes for Rs 82.46 in Andaman & Nicobar Islands

NEW DELHI: Petrol and diesel are costliest in Andhra Pradesh largely because of the highest VAT the state charges, while smaller states and Union Territories such as Andaman & Nicobar Islands have the lowest fuel prices, according to information furnished in the Rajya Sabha on Monday.

A litre of petrol in Amaravati, the capital of Andhra Pradesh, costs Rs 109.74, making it the costliest in the country, while the same fuel is priced at Rs 82.46 per litre in the Andaman & Nicobar Islands, the government told Parliament. The wide disparity is largely due to

differences in state-level taxes, Minister of State for Petroleum and Natural Gas Suresh Gopi said in a written reply.

Gopi explained that retail fuel prices comprise central excise duty and Value Added Tax (VAT) or local taxes levied by states and Union Territories, in addition to freight costs.

Variations in VAT rates are the primary reason for differing fuel prices across regions.

Andhra Pradesh levies the highest VAT on petrol at Rs 29.06 per litre, compared with just Rs 0.82 per litre in the Andaman & Nicobar Islands. This is in addition to the cen-

Closer Look

» Andhra Pradesh levies the highest VAT on petrol at Rs 29.06 per litre, compared with just Rs 0.82 per litre in the Andaman & Nicobar Islands

» A similar trend is seen in diesel prices. Diesel in Amaravati sells at Rs 97.57 per litre, including a VAT of Rs 21.56/litre, while in the Andaman & Nicobar Islands it costs Rs 78.05 per litre, with VAT at only Rs 0.77/litre

tral excise duty of Rs 21.90 per litre. As a result, petrol prices in Andhra Pradesh remain significantly higher than in most other states.

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including a VAT of Rs 21.56 per litre, while in the Andaman & Nicobar Islands it costs Rs 78.05 per litre, with VAT at only Rs 0.77 per litre.

Several other states also record high petrol prices. Ker-

alas report relatively lower prices. Diesel prices broadly mirror this pattern, with Andhra Pradesh, Kerala and Telangana among the costliest, and the Andaman & Nicobar Islands, Delhi and Goa among the cheapest.

Gopi noted that the Centre had reduced excise duty by Rs 13 per litre on petrol and Rs 16 per litre on diesel in November 2021 and May 2022, benefits that were passed on to consumers. Oil marketing firms cut retail prices by Rs 2 per litre in March 2024. Although excise duty was raised by Rs 2 per litre in April 2025, this hike was not passed on to consumers. AGENCIES