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Small-scale LNG price competitive with diesel, LPG in India: CEEW

New Delhi, 6 April 2021: Small-scale liquefied natural gas (ssLNG) could be delivered at prices competitive with diesel and liquefied petroleum gas (LPG) used in industry, according to an independent study released today by the Council on Energy, Environment and Water (CEEW). Considering a one-way distance of 200 km and the average 2017-18 LNG import price, the study estimates the delivered price of natural gas to be USD 11.11 (INR 815) per million British thermal units (mmBtu), as compared to the average industrial prices of USD 24.04 (INR 1,764)/mmBtu for diesel and USD 16.62 (INR 1,219)/mmBtu for LPG. Small-scale LNG offers an opportunity to replace as many as 5.8 million metric standard cubic metres (mmscmd) of LPG and 7.3 mmscmd of diesel in industrial facilities in states within 600 km of an LNG terminal.

Small-scale LNG systems transport liquefied natural gas from LNG import terminals in containers and re-gasify the fuel at consumer sites, instead of relying on transmission pipelines. In locations currently served by city gas distributors, who enjoy infrastructure exclusivity and charge high prices, ssLNG can offer a cheaper alternative. At the same time, they can enable new CGD networks in locations without existing gas transmission pipelines. In fact, ssLNG can accelerate the government's mission to connect 100 new cities to natural gas.

Hemant Mallya, Senior Programme Lead, CEEW, said, "Small-scale LNG could bridge gaps in natural gas coverage by catering to consumers without pipeline connections or those unable to procure gas from city gas distributors (CGDs) at economical prices. It also offers a better alternative to piped gas for consumers with fluctuating fuel needs, such as construction sites and mines. Further, small-scale LNG could help industrial MSME customers transition to a cleaner fuel to address air quality issues. Finally, scaling up ssLNG would be critical to service fuel stations that will support the use of LNG in heavy-duty vehicles — an initiative being promoted by the Government of India."

According to the CEEW study, the biggest contributors to the delivered price of ssLNG are truck loading charges, transport costs, and the Value-Added Tax (VAT) levied by states. VAT has the highest impact on price and varies greatly between states that currently operate LNG terminals. Reducing VAT to 3 per cent (as in Maharashtra) from 14.5 per cent (as in Kerala) could bring down the delivered price of natural gas by up to 8-10 per cent.

Sabarish Elango, Research Analyst, CEEW, said, "As a scalable, flexible, price-competitive fuel alternative, small-scale LNG could contribute significantly to India's plans to achieve a 15% share for natural gas in its primary energy mix by 2030. To scale up ssLNG in India, critical challenges such as the risk of transport disruptions, low consumer awareness, and the limited volume of gas that can be supplied need to be addressed. Further, to encourage investments in ssLNG, the government should issue a public note to clarify that while CGDs have the exclusive right to operate their own pipeline infrastructure in the areas they serve, this does not prevent ssLNG providers from operating in the same areas."

The CEEW study makes several recommendations for the promotion of ssLNG use and the expansion of natural gas access in India. These include standards for intermodal containerised transport of LNG, special railway tariffs for LNG transport, provisions in the Sagarmala initiative for the use of ssLNG as a fuel in waterway transport, and reduced VAT on natural gas consumption for small consumers.

The study, "Small-scale LNG for expanding natural gas access in India", can be accessed [here](#).

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About CEEW

The Council on Energy, Environment and Water ([CEEW](http://ceew.in)) is one of Asia's leading not-for-profit policy research institutions. The Council uses data, integrated analysis, and strategic outreach to explain – and change – the use, reuse, and misuse of resources. It prides itself on the independence of its high-quality research, develops partnerships with public and private institutions, and engages with wider public. In 2021, CEEW once again featured extensively across ten categories in the 2020 Global Go To Think Tank Index Report. The Council has also been consistently ranked among the world's top climate change think tanks. Follow us on Twitter [@CEEWIndia](https://twitter.com/CEEWIndia) for the latest updates.