



## Indian Gas Exchange: IGX

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### Why in News

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Recently, India launched its **first gas exchange** which has been named as the **Indian Gas Exchange (IGX)**.

### Key Points

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- **IGX:**
  - The IGX is a **digital trading platform** that will allow buyers and sellers of natural gas to trade both in the **spot market and in the forward market for imported natural gas** across three hubs —Dahej and Hazira in Gujarat, and Kakinada in Andhra Pradesh.
    - The **spot market** is a public financial market in which financial instruments or commodities are traded for immediate delivery.
    - A **forward market** is an over-the-counter marketplace that sets the price of a financial instrument or asset for future delivery.
  - However, domestically produced natural gas will not be sold on the exchange. The price of domestically produced natural gas is decided by the government.
- **Benefits:**
  - IGX is expected to facilitate transparent price discovery in natural gas, and facilitate the growth of the share of natural gas in India's energy basket.
  - It removes the requirement for buyers and sellers to find each other to ensure a fair price deal.
  - Shorter and longer contracts period will allow buyers and sellers greater flexibility.
    - The exchange allows much shorter contracts. i.e. for delivery on the next day, and up to a month. Ordinarily contracts for natural gas supply are as long as six months up to a year.

- **India's Import Dependence:**
  - The natural gas imports are set to become a larger proportion of domestic gas consumption as India moves to **increase the proportion of natural gas** in the energy basket from 6.2% in 2018 to 15% by 2030.
  - Also, India's **domestic production of gas has been falling** over the past two fiscals as current sources of natural gas have become less productive.
  - Domestically produced natural gas **currently accounts for less than half of India's natural gas consumption**. While imported natural gas accounts for the other half.
- **Regulations:**
  - Currently, the pipeline infrastructure necessary for the transportation of natural gas is controlled by the companies that own the network.
  - State-owned **Gas Authority of India Limited (GAIL)** owns and operates India's largest gas pipeline network, spanning over 12,000 km.
- **Government Initiatives:**
  - The Indian gas market has multiple price bands for assets including **pre-NELP, NELP**, High Temperature and High pressure (HTHP) and Deepwater and Ultra Deep Water blocks.
  - India has **long-term gas contracts with many countries** like Qatar, Australia, Russia and the US, and has **made investments abroad in strategic assets** in Mozambique, Russia and other countries.
  - India has taken **various ongoing projects** to strengthen the gas infrastructure in the country like **Urja Ganga, Eastern India grid, Indradhanush project** in the North-east, **Dhamra-Dahej pipeline**, coal gasification and CBM policy.

## Way Forward

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- An independent system operator for natural gas pipelines needs to be created. This would help ensure transparent allocation of pipeline usage, and build confidence in the minds of buyers and sellers about neutrality in the allocation of pipeline capacity.
- Natural gas can be included in the **Goods and Services Tax (GST)** regime to avoid buyers having to deal with different levies such as **Value Added Tax (VAT)** across states, when purchasing natural gas from the exchange.
- IGX which prices gas fairly may lead to the government stepping away from pricing domestically produced gas and move towards more market-oriented pricing.

**Source: IE**