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Gas sector must follow the ‘carrier first, commodity later’ principle for growth – PwC Survey

- *Over 90% of the survey respondents favour public private partnerships and viability gap funding as a means for gas infrastructure development.*
- *More than half of the survey respondents indicated that the share of natural gas will be in the range of 10–15%, while 25% agreed with International Energy Agency’s (IEA) estimate of 8%.*

New Delhi, March 22, 2016: The PwC survey conducted on the eve of 2nd Indian Oil Gas Conclave 2016 of the Indian gas sector indicates a strong consensus that gas storage, transmission and distribution infrastructure development will spur gas demand in the future. More than 90% of the survey respondents support the ‘carrier first, commodity later’ principle as the approach for gas sector development.

According to the survey, the public private partnership (PPP) model has the capacity to boost capital infusion in infrastructure development. More than 95% of the respondents recommended that the PPP model should be followed to attract private sector participation and investment for the development of capital-intensive gas transmission projects which have a long gestation period.

Majority of the respondents indicated that the share of natural gas will be in the range of 10–15%, by 2040 while 25% agreed with International Energy Agency’s (IEA) estimate of 8%. However, stakeholders were unanimous in their projection that with government intervention in terms of regulatory reforms and infrastructure development, the share could go up to 15%.

Around 50% of the respondents believed that LNG holds the largest potential for meeting India’s gas requirements and believe that the time is right for investments into equity gas in view of the projection that LNG prices will remain low in the medium to long term.

As per Deepak Mahurkar Leader Oil & Gas, PwC India, “The demand is here in India, and investors are keen to tap the opportunity. With the recent favourable policy announcement the aspirations of stakeholders has shot up.”

The survey also revealed that most players (82%) believe that the Indian gas market is not mature enough for the unbundling of the gas transmission and gas distribution segments. The experiences of developed gas markets globally, and particularly in the EU, have demonstrated that for gas markets to be competitive, gas transmission and distribution segments need to be unbundled. This will ensure non-discriminatory access to the network and deter vertically integrated companies from taking undue advantage of their monopolistic position, thus preventing conflicts of interest.

While the forecast for the natural gas sector remains grim, government intervention in terms of infrastructure development and regulatory changes could go a long way in the development of this sector. With the global focus shifting to climate change, the significance of natural gas has grown manifold and it is within the government's policy options to usher growth of this sector by bringing in necessary policy reforms.

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