



पेट्रोलियम एवं प्राकृतिक गैस विनियामक बोर्ड

Petroleum and Natural Gas Regulatory Board

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Press Release

Natural Gas Adoption through Synergy between PNGRB & State/UTs

As part of India's transition toward a cleaner and more sustainable energy future, and in line with the Prime Minister's vision of increasing the share of natural gas in the country's energy mix, the expansion of the City Gas Distribution (CGD) network through Piped Natural Gas (PNG) connections has emerged as one of the key performing areas. Spearheaded by entities authorized by the Petroleum and Natural Gas Regulatory Board (PNGRB), the CGD network now spans 307 Geographical Areas (GAs), covering nearly 100% of the country's geographical area except island, touching around 784 districts across 34 states and Union Territories.

Government has undertaken a series of policy and regulatory measures to catalyze growth in this sector. These measures range from allocating administered price domestic gas and easing supply mechanisms to mandating PNG provisions in government and defense residential complexes, granting Public Utility status to CGD projects, and directing the CPWD and NBCC to include PNG provisions in all government residential complexes. The above has helped keep the price of domestic piped natural gas and CNG attractive for conversion of consumers from LPG and liquid transport fuels.

PNGRB has set a Minimum Work Programme (MWP) target of 12.63 crore PNG Domestic Connections, 18,336 CNG Stations and 5.46 lakh Inch-Km pipeline infrastructure to be achieved by 2034. To achieve the target, a strong and coordinated synergy between the States and the entities is imperative. Recognizing the crucial role of state governments in enabling effective last-mile connectivity and sustainable energy access, PNGRB has been engaging extensively with various state authorities to address key policy and infrastructural challenges in the CGD sector and to promote collaborative efforts for fast-tracking the implementation of natural gas infrastructure projects to facilitate use of clean & sustainable energy in the states.

Advocacy for Natural Gas

PNGRB leadership including the Chairperson PNGRB, has held several meetings with Chief Ministers/ Lt Governors/ Chief Secretaries of states, viz Assam, Maharashtra, Andhra Pradesh, Uttarakhand, Madhya Pradesh, Uttar Pradesh, Himachal Pradesh, Bihar, Tamil Nadu, Rajasthan, Jammu & Kashmir, Andaman & Nicobar Island, amongst others. These high-level engagements focused on key policy and operational issues critical to CGD sector. The discussions emphasized the importance of rationalizing VAT on domestic natural gas and Compressed Natural Gas (CNG) to make clean fuels more economically viable for consumers. States were encouraged to formulate and implement comprehensive state CGD policies to streamline approvals and enhance infrastructure development. Necessary assistance were also offered to states.

State CGD Policy

Over the past two years, continued engagement and dialogue with State government authorities have led to the formulation of State CGD policies across various states. Recently, CGD policies/directives for the promotion and use of natural gas were notified by the States of Madhya Pradesh, Bihar, and Rajasthan. As of July 2025, 11 States/UTs namely Punjab, Uttar Pradesh, and West Bengal (only laying policies), and Assam, Tripura, Tamil Nadu, Puducherry, Karnataka, Madhya Pradesh, Bihar, and Rajasthan (with comprehensive CGD policies) have taken steps in this direction.

These states account for more than 55% of the country's total population and approximately 60% of its households of the country. PNGRB has assigned a minimum target of 7.85 crore out of the total 12.63 crore PNG connections, and 10,131 out of 18,336 CNG stations to be completed by 2034 in these States. The policy will have a significant impact on India's energy consumption, economy, and environment. The states of Madhya Pradesh, Bihar, and Rajasthan together represent a population of nearly 29 crore and around 6 crore households. This policy will undoubtedly support the promotion and usage of clean fuel.

VAT on Natural Gas

The high and differential VAT rates on natural gas across states poses a significant challenge to the uniform growth and affordability of the natural gas ecosystem in India. These disparities create an uneven playing field, discouraging investment in states with higher tax rates and ultimately impacting the end-user prices for domestic as well as commercial/industrial consumers. While some states levy VAT as low as 5% on natural gas, others impose rates exceeding 20%, leading to substantial cost variations. The selling price of Domestic PNG in the country

varies from approx ₹ 45/SCM in Tripura to ₹ 63/SCM in Uttarakhand. Similarly, CNG price varies from approx ₹74.60/kg in Puducherry to ₹103.80/kg in Uttarakhand. Rationalizing VAT across states is critical to fostering a stable, competitive, and inclusive natural gas market, which is essential for accelerating India's clean energy transition and ensuring affordable access to sustainable fuel for consumers in all the regions.

Recently, the Government of Bihar notified a reduction in VAT on CNG and PNG from 20% to 12.5% and reduced the VAT rate on PNG for industrial use from 20% to 5%. This tax relief is expected to lower consumer prices, making CNG and PNG more accessible for households, public transport operators, and industries. It will have impact on approximately 1.9 crore households and 38.41 lakh potential PNG consumers across the state. The Government of Chhattisgarh has also notified a reduction in VAT on natural gas from 14.5% to 5%. Overall, the reduction in VAT would drive higher gas consumption, enhance CGD network viability, support industrial competitiveness, and contribute to cleaner air and energy sustainability in the state.

The rationalization of VAT and the implementation of effective CGD policies across states have promoted the adoption of CNG vehicles, with the number on the road rising steadily from 58.61 lakh in March 2023 to 81.95 lakh by March 2025. As per the Vahan Dashboard, a growth of nearly 25% in CNG vehicle registrations was recorded in FY 2024-25 compared to FY 2023-24. This translated into an increase of around 21% in gas sales in FY 2024-25, along with the addition of approximately 1,206 CNG stations across the country. This consistent rise shows strong adoption of CNG vehicles, driven by increasing demand for cost-effective and eco-friendly transportation alternatives.

PNGRB has been actively promoting the adoption of PNG as a clean and sustainable fuel. In FY 2024-25, approximately 21 lakh new domestic PNG connections were added, contributing to an 11% increase in gas sales across the country.

In July 2025, a meeting between the Chairperson, PNGRB with Chief Secretary of Tamil Nadu marked a key turning point in the state's push for clean fuel adoption in public transportation. The discussions held during this meeting prompted the Metropolitan Transport Corporation (MTC) to initiate plans for converting 1,000 diesel buses to Compressed Natural Gas (CNG), reflecting a strong commitment to sustainable and eco-friendly urban mobility. Maharashtra is already converting its SRTC's bus fleet to LNG technology.

Over the past two years, PNGRB sustained efforts and continued dialogue with state governments have led to VAT reductions on natural gas in Andhra Pradesh,

Assam, Bihar, Chhattisgarh, Dadra & Nagar Haveli & Daman & Diu and Rajasthan.

The concerted efforts of PNGRB, in close coordination with state governments and central authorities, is facilitating in the development of the City Gas Distribution (CGD) network across the country. These developments will be force multiplier towards realizing India's vision of a gas-based economy, ensuring energy security, environmental sustainability, and equitable access to clean fuel across all regions.