

ET Q&A

SANDEEP KUMAR GUPTA

CHAIRMAN, GAIL

‘Nat Gas Must Come Under GST’

The government will need to make bold policy interventions if the country is to achieve its goal of more than doubling the share of natural gas in the energy mix to 15% by 2030, said GAIL chairman Sandeep Kumar Gupta. In an interview to ET’s **Sanjeev Choudhary**, the former finance chief of Indian Oil Corporation, who took over as the chief of India’s largest gas marketer and transporter in 2022, said the government should mandate the use of natural gas in refineries and steel making, and make emissions a factor in the merit order for electricity despatch to help gas-based power compete with coal-based supply. He also said natural gas should come under the goods and services tax (GST) regime, production-linked incentive (PLI) should be extended to LNG-powered vehicles and GST on CNG-powered vehicles should be slashed to 5% from 28%, on a par with electric vehicles (EVs). Edited excerpts:

How does the global gas market look?

The global gas market is well supplied and there is no concern about LNG prices. The OPEC+’s arbitrary production cuts, however, have an impact on LNG prices that are linked to crude oil. The situation can correct if the producer group reviewed its decision and took responsible action.

Global LNG export capacity is set to rise significantly over the next few years and that would put pressure on prices.

Is domestic gas demand rising?

There is no major uptick, especially in the power or the fertiliser sector. In city gas, though, there is some increase. Until refineries, steel and power shift to gas in a big way, the domestic demand wouldn’t expand significantly.

What can be done to boost gas demand?

Some policy interventions would be needed if we are to meet our goal of 15% gas in the domestic energy mix by 2030. Gas must be brought under GST, which will solve the problem of stranded input credit claims. The absence of input credit makes gas more expensive than competing liquid fuels. The gas should attract no more than 5% GST.

The 14% central excise duty on compression should go away as it is not a manufacturing activity. If we get tax relief, we can reduce CNG prices or offer incentives to drivers to convert to CNG.

About 80% of our gas-based power plants remain idle as they can’t make it to the merit order. When the country has set an ambition to raise

the share of gas in the energy mix and there is a climate challenge, the merit order despatch should factor in not just the cost of production but also the emissions. The moment emissions

are factored in, gas-based power will begin displacing otherwise cheaper coal-based power.

The government will need to mandate the use of natural gas in refineries, steel and other industries for environmental reasons. It should be mandatory for industries to use less-emitting natural gas for a certain percentage of their fuel requirements. Refiners have a large capacity to use natural gas, but their fuel decision today is guided by just economics.

Are you concerned that EVs can take away some of your markets?

The Centre is very supportive of EVs. States are also going full throttle. This will compromise the demand for CNG in those areas. The kind of incentives available to EVs should be extended to LNG and CNG vehicles. PLI for LNG vehicles should be given. GST on CNG vehicles is 28% today while that on EVs is just 5%. India’s electricity grid is largely grey today so gas should get support as a transition fuel.

What is your larger ambition for GAIL?

Our ambition is to make GAIL an integrated company in the gas value chain, a company of global standing.

We are seeking more authorisation for pipelines to complete the national gas grid. We are also planning to add big gas or ethane-based petrochemical facilities. There is a huge potential for petrochemicals in India as we import a great amount. But margins aren’t there. So, we would need tariff protection and fiscal incentives from the states to invest in new facilities.



ASHWANI NAGPAL

Toyota develops bio waste fuel for future

SWARAJ BAGGONKAR
Mumbai, April 10

TOYOTA IS LOOKING beyond the traditional fuel options available in India to tap other green alternatives, such as bio waste fuel to be in line with the government's initiative of reducing dependence on imported oil.

The Japanese automaker, which is currently offering petrol, diesel and battery electric in a limited manner as fuel options on its products in India and hydrogen for other global markets, is working on a range of solutions for generating biogas for the long term.

Speaking to FE, Vikram Gulati, country head and executive vice-president for corporate affairs and governance, Toyota Kirloskar Motor said: "India has immense potential for biofuels. These are not just from food grains and sugarcane but also from waste products. A lot of biofuel can be gener-

AUTO GIANT'S GREEN MOVE

- Toyota exploring bio waste fuel for India
- Aims to reduce dependence on imported oil
- Focuses on biogas generation from waste



- Independently working on biogas initiatives

- Suzuki collaborates for compressed biogas in Gujarat

- Govt mandates blending of CBG in CNG

ated from biowaste like parali (paddy straw) and cow dung is also another."

"So much can be done from molecules, enzymes and yeast which can help us explore this field in a big way," Gulati said. The

biogas initiative, which will help power its CNG vehicles, is in addition to the fully electric and hydrogen cars being worked upon by Toyota for the Indian market.

Last year, Toyota's global partner Suzuki Motor Corporation

began work on compressed biogas (CBG) derived from cow dung. This fuel can be used for its CNG models. Suzuki inked a pact with the National Dairy Development Board and Gujarat-based Banas Dairy to set up four biogas plants in Gujarat with an investment of Rs 230 crore.

The project is aimed at making fuel for automobiles by refining methane from biogas, which is generated by fermenting cow dung. The four plants will become operational in 2025.

Though Toyota and Suzuki share technologies, engines and product platforms in India, the two companies are working independently of each other as far as biogas fuel is concerned.

"It is something that they (Suzuki) are doing independently and we are also working on it independently," Gulati added. Toyota has four products powered by compressed natural gas (CNG)

including the Urban Cruiser Hyrider and Rumion.

"Whether it is ethanol or compressed biogas (CBG) these are fuels which are indigenous which can help spur economic growth in the rural areas and give self-reliance in energy in the fastest way," Gulati added.

The CBG segment has witnessed significant interest from India's corporate sector in the recent past. Reliance Industries said in its last annual general meeting that it plans to set up 100 CBG plants to convert agri-waste into gas. Natural gas company GAIL and ethanol-maker truAlt Bioenergy announced establishing 10 CBG plants.

The Centre last year mandated the blending of CBG in CNG and also in PNG to promote its consumption. From being a voluntary initiative in FY25, the blending of CNG using CBG will be increased to 5% from FY29 onwards.