India LNG Market Assessment, By Infrastructure [LNG Liquefaction Plants, LNG Regasification Facilities, LNG Shipping], By End-use [Power Generation, Industrial, Residential and Commercial, Others], By Region, Opportunities and Forecast, FY2018-FY2032F

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Report description:

India LNG market is expected to observe a CAGR of 6.58% during the forecast period FY2025- FY2032, rising from USD 15.86 billion in FY2024 to USD 26.41 billion in FY2032. The necessity for LNG in India expedited for several reasons, including industrial growth and a continuous population increase. Natural gas is regarded as an alternative to traditional fuels, which is essential to minimizing carbon footprint. Additionally, as per the Institute for Energy Economics & Financial Analysis, India is planning for a surge in the natural gas proportion with a goal of 500 million metric standard cubic meters/day (MMSCMD) by 2030. This requires a huge growth of more than 170% in a short period of time from India's current natural gas consumption status of 185 MMSCMD in FY2023-FY2024.

With local production failing to fulfill the demand, India relies significantly on LNG imports, thereby making long-term contracts with foreign nations to assure energy security and price stability in turbulent global markets, which in turn is expected to aid India's growth in the LNG market over the forecast years.

Rise in Need for Environment-friendly Fuel is Significantly Boosting the Market Growth

The need for environmentally friendly fuel is pushing the demand for LNG in India. With the authorities aiming to raise the level of LNG by 2030, it is positioned as an essential alternative to standard fuels. It may replace diesel and petrol in transportation, thereby decreasing reliance on imported crude oil. Infrastructure development, blended with economical pricing, is vital for more LNG adoption as it promotes India's shift to an environmentally friendly fuel-based economy.

For instance, in May 2024, Shell Energy India Pvt Ltd. announced plans to expand its business by supplying LNG as a transportation fuel and cooperating with other companies for the development of LNG infrastructure. Shell opened a truck loading facility at its Hazira LNG terminal, which will allow Shell to provide green energy to more off-grid customers. In addition, increasing

fuel options for heavy-duty fleets will, in turn, help Shell play its part in reducing toxic emissions and transitioning to a gas-powered economy.

LNG Consumption in the Fertilizer Sector is Accelerating the Market Growth

The increasing demand for LNG in India's fertilizer sector has contributed significantly to the growth of the LNG market. Moreover, the use of LNG will increase as the fertilizers sector develops to meet the needs of India's growing population. The development is in line with the government's objective of self-reliance in fertilizer production, which will increase the use of LNG in the near future.

In July 2024, total natural gas consumption in India stood at 6,120 cubic millimeters (mm3). According to the information from the Petroleum Planning Analysis Cell, the fertilizer industry is the largest user, accounting for 29% of total consumption, followed by City Gas Distribution (CGD) at 21%, energy at 12%, refineries at 9%, and petrochemicals at 5%.

Increase in Number of LNG Regasification Plants is Expediting Market Growth

LNG consumption in India is being strengthened by the increasing number of regasification plants. With the emergence of new facilities, the country's ability to import and process LNG will increase, resulting in increased energy demand in energy, fertilizers, and other industries.

For instance, in March 2022, Western Concessions Pvt Ltd, a wholly owned subsidiary of H-Energy (formerly H-Energy Gateway Pvt Ltd), constructed India's first Floating Storage and Re-Gasification Unit (FSRU)-based LNG storage terminal in India at Jaigarh Port in Ratnagiri District, Maharashtra.

The project was implemented in two phases, consisting of an FSRU, which has a production capacity of 6.0 million metric tonnes per annum (MMTPA) and had already been produced and tested, and an onshore LNG terminal with a final capacity of 8.0 MMTPA. After the completion and stabilization of the first phase, the second phase was implemented. Moreover, the LNG terminal at Jaigarh is connected to the national gas grid at Dabhol, which passes through a 56 km-long natural gas pipeline. The project aligned perfectly with the government's intention to increase the share of natural gas in the country's energy mix, thereby supporting India's goal of establishing energy security.

Government Initiatives are Amplifying Market Prosperity

The Indian government is actively promoting the use of LNG by supporting various projects. The aim is to increase the share of LNG in the energy mix by 2030. With the use of LNG in the country's energy mix, it has seen huge improvements in energy security, a reduction in greenhouse gas emissions, and the transition to a gas-based economy.

For instance, in December 2023, the Indian government announced that it is expanding its LNG ambitions by commissioning a long-range liquid gas pipeline, Indian Oil Corporation (IOC)'s Ennore-Tuticorin pipeline. It will improve gasification capacity and aid in the expansion of LNG infrastructure. At the same time, it abides by the government's ambition to increase the share of natural gas within the energy mix to ensure energy security by supporting cleaner energy and preparing for a greener future.

Western India to Lead the Market Significantly

The LNG market is dominated by western India due to better pipeline connectivity and infrastructure. In Gujarat and Maharashtra, the consumption levels are highest, supported by the Indian government's development of a national gas pipeline grid. Currently, there is a handful of LNG-receiving terminals that are operational to meet the country's increasing energy demand, such as Dahej, Hazira, Mundra in Gujarat, Dhabol in Maharashtra, etc. Since India aims to increase the share of natural gas, the focus on expanding infrastructure for LNG in the region is expected to support and boost LNG consumption.

The natural gas markets remain largely confined to the states closer to pipeline infrastructure. Hence, Western India enjoys several connectivity advantages and will continue to do so over the forecast years.

Future Market Scenario (FY2025 - FY2032)

- India's LNG imports are expected to double by 2030, reaching over 40 million metric tons per year, due to the continuous rise in demand from the electricity, manufacturing, and transportation sectors. It, in turn, is expected to cater to extensive opportunities for market expedition over the forecast years.
- The growing demand for LNG from different sectors contributes to its growth, like authorization of City Gas Distribution (CGD) structure development allocated by the Petroleum and Natural Gas Regulatory Board (PNGRB), which, in turn, is anticipated to result in ample opportunities for market growth in the future.
- Moreover, substantial investments in research and development by the Indian government to develop highly advanced LNG

technologies are expected to lead to ample growth for the market in the forecast years.

Key Players Landscape and Outlook

LNG market players in India are competing among themselves to gain a significant edge in the market. Moreover, India aims to reduce its dependence on fossil fuels by constructing LNG terminals, such as Hazira LNG Terminal, Dhamra LNG Terminal, Kochi LNG Terminal, etc., thereby contributing to sustainable development.

The Indian government, for instance, aims to raise the share of natural gas in the country's energy balance as a part of its effort to decrease dependence on fossil fuels. Other new LNG terminals are under construction and are expected to add to India's LNG import capacity.

The Indian government is developing small-scale LNG units to help ensure cleaner energy access in those areas without pipeline infrastructure, thus encouraging the utilization of LNG in many sectors and meaningfully contributing toward the country's energy transition.

In August 2024, GAIL (India) Limited announced that it would begin importing liquefied natural gas in two new contracts that will start in 2026. The company has signed deals to import 1 million tons of LNG annually from Dutch trader Vitol and 0.5 million tons a year from UAE's Abu Dhabi National Oil Company (ADNOC) Gas for a ten-year period. To import this LNG, GAIL has added a new cryogenic ship to its list. It is aimed at promoting energy security and maintaining a sustainable environment.

Table of Contents:

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