

City Gas Distribution (CGD) is the distribution of natural gas in piped form to various kinds of users at locations not necessarily close to the gas fields. This gas is pumped out of fields and transported through thick pipelines to city gas stations. From city gas stations, it moves through thinner pipelines to houses, petrol pumps and industrial units.

The increase in gas supplies and gas transmission infrastructure in India, as well as emphasis on use of less polluting fuels, is expected to provide a fillip to CGD in the next few years.

CGD in India has been largely nascent till now, with very few cities – the ones generally close to gas blocks – supplied by piped gas. But, there has been evident change in city gas/CNG consumption pattern in India over the last few years.

The consumption in India’s domestic sector is substantially low compared to that in developed economies like the US and the UK. This only demonstrates the potential for huge expansion and growth in this area.

The growth is driven by market and environmental factors, like the Supreme Court verdict mandating introduction of clean fuels in key cities to curb pollution levels.

The Government’s intention is to connect all cities with populations of over 2.5 mn by 2012 and then proceed to cover cities with populations between 1 mn and 2.5 mn in a phased manner.

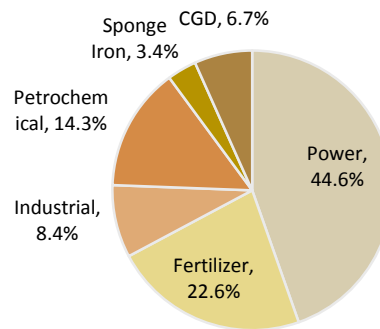
Exhibit 1: Railways share in traffic (2008-09)

	Natural Gas	Diesel	Petrol
Transportation Costs			
Cost per km (INR)	0.42	0.64	1.20
Emissions *			
Carbon Dioxide	117,000	136,250	285,700
Nitrogen Dioxide	92	1,632	4,081
Sulphur Dioxide	0.6	1,121	204
Particulates	7	1,021	41

* Emissions are pounds of air pollutants produced per bn BTU of energy

Source: Energy Information Administration, US; Crisil Infrastructure Advisory

Exhibit 2: Natural gas demand break-up for 2008-09



Total Demand = 177.4 mmscmd

Source: Indian Infrastructure

This primer by o3 Capital discusses the various aspects of the City Gas Distribution story, which has all the potential of being a best-seller, depending on whether more private players get involved, for which established players like GAIL and Reliance will have to cede ground.

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