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Natural Gas Supply Regulation Order 2026: India Invokes Essential Commodities Act Amid West Asia Crisis

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▼ On this Page

- 01 **The Essential Commodities Act — India's...**
- 02 The Priority Allocation Framework
- 03 Who Must Comply
- 04 Why West Asia Conflict Disrupts India's...
- 05 The Larger Policy Problem — India's...

✎ WHY IN NEWS

The Ministry of Petroleum and Natural Gas notified the **Natural Gas (Supply Regulation) Order, 2026** under the **Essential Commodities Act, 1955** on **9 March 2026**, directing all natural gas producers, importers, pipeline operators, and city gas distributors to follow a mandatory priority-based allocation framework after LNG supply disruptions linked to the **West Asia conflict** caused multiple suppliers to invoke **force majeure** clauses.

India imports approximately **45–50% of its natural gas needs** in the form of liquefied natural gas (LNG), predominantly through the Strait of Hormuz. When military conflict escalates in the Persian Gulf, India's gas-dependent sectors — from domestic cooking (PNG) and transport (CNG) to fertiliser production and power generation — face a direct supply vulnerability. The **Natural Gas (Supply Regulation) Order, 2026** is India's legal mechanism for managing that vulnerability: it does not create new gas supply, but it determines who gets what gas is available, in what order, at what cost to whom.

THE ESSENTIAL COMMODITIES ACT — INDIA'S EMERGENCY ECONOMIC INSTRUMENT

The **Essential Commodities Act (ECA), 1955** is a central legislation that empowers the government to control the production, supply, distribution, and pricing of commodities declared “essential.” The Act was originally designed for food commodities but has been applied to petroleum products, fertilisers, and pharmaceuticals across different crisis periods.

Under Section 3 of the ECA, the Central Government may issue control orders for any essential commodity if it is satisfied that such action is necessary to maintain or increase the supply, or to ensure equitable distribution and availability at fair prices. Petroleum and its products were included in the Schedule of Essential Commodities; natural gas and LNG are regulated under this framework when invoked.

The **Natural Gas (Supply Regulation) Order, 2026** is issued under this authority. It does not require fresh parliamentary approval — it is a subordinate legislation issued by executive order.

THE PRIORITY ALLOCATION FRAMEWORK

The Order establishes a four-tier priority system for natural gas allocation under supply constraints.

Priority Sector I — receives 100% of its average consumption from the previous six months, subject to operational availability. This tier covers domestic piped natural gas (PNG) for household cooking, compressed natural gas (CNG) for transport, LPG production (including shrinkage gas requirements), and essential pipeline operational fuel for compressors.

Priority Sector II — fertiliser plants receive at minimum **70% of their average six-month consumption**. Fertiliser plants are placed here because urea and DAP production is directly linked to agricultural input supply, and a prolonged shortage would affect the kharif sowing season.

Priority III and IV — power plants, industrial consumers, and export-oriented units receive allocations on a pro-rata basis from what remains after Priority I and II needs are met.

The Order explicitly states that its provisions **override existing Gas Sale Agreements (GSAs) and commercial contracts** where there is any inconsistency — effectively suspending private contracts in favour of the government's allocation directive.

WHO MUST COMPLY

The Order directs mandatory compliance from all entities in the gas supply chain: **ONGC** (Oil and Natural Gas Corporation), **Reliance Industries**, **Oil India Limited (OIL)**, **Vedanta**, **GAIL (India) Limited**, all LNG terminal operators, all pipeline operators, and all **City Gas Distribution (CGD)** entities operating under licences from the **Petroleum and Natural Gas Regulatory Board (PNGRB)**.

WHY WEST ASIA CONFLICT DISRUPTS INDIA'S GAS SUPPLY

India's LNG import vulnerability is structural. Of India's total natural gas consumption, approximately 55–58% is domestically produced (primarily from the KG-D6 basin operated by Reliance-BP and ONGC's older fields). The remaining 42–45% is imported as LNG, predominantly from:

Qatar (RasGas/QatarEnergy) — India's largest LNG supplier under long-term contracts

USA — growing share under flexible contracts

Australia, UAE, Russia — supplementary sources

The primary shipping route from Qatar and the broader Gulf passes through the **Strait of Hormuz** — the same strategic chokepoint that carries ~20% of the world's traded oil. When conflict threatens Hormuz transit, LNG tanker operators invoke force majeure clauses in their supply contracts, suspending their obligation to deliver. Multiple suppliers did exactly this in March 2026.

India has limited LNG storage infrastructure. As of 2025, it has **eight operational LNG terminals** — **Dahej** (largest, ~17.5 MMTPA capacity, being expanded to 22.5 MMTPA), **Hazira, Dabhol, Kochi, Ennore, Mundra, Jaigarh**, and others — but their combined storage provides only approximately 15–20 days of strategic buffer at normal consumption rates. This is significantly less than the 90-day oil strategic petroleum reserve (SPR) that India has been building.

THE LARGER POLICY PROBLEM — INDIA'S GAS INFRASTRUCTURE GAP

The **Natural Gas (Supply Regulation) Order, 2026** is a crisis management instrument. The structural problem it is managing is India's underdeveloped gas pipeline network and its lack of a **strategic gas reserve** equivalent to its SPR for crude oil.

India's gas pipeline network, while expanded significantly under the **One Nation One Grid** programme, still has significant geographic gaps — particularly in eastern and northeastern India. The **City Gas Distribution (CGD) rollout** has extended PNG and CNG to more urban centres, but the **National Gas Grid of 35,000 km** (partially operational) leaves large parts of the country reliant on LNG spot imports that are inherently more vulnerable to supply disruptions.

UPSC RELEVANCE

Essential Commodities Act 1955, Natural Gas (Supply Regulation) Order 2026, PNGRB, GAIL, LNG terminals (Dahej, Hazira, Dabhol, Kochi, Ennore), Strait of Hormuz, force majeure, City Gas Distribution, Priority Sector allocation.

MAINS GS-3:

Energy security in India; natural gas sector — infrastructure, imports, pricing; Essential Commodities Act and government price/supply controls; India's vulnerability to West Asia conflict; strategic petroleum and gas reserves.

★ FACTS CORNER — KNOWLEDGE PEDIA

THE ORDER — CORE FACTS:

Instrument: Natural Gas (Supply Regulation) Order, 2026

Issued under: Essential Commodities Act (ECA), 1955, Section 3

Issuing ministry: Ministry of Petroleum and Natural Gas

Trigger: LNG supply disruption due to West Asia conflict; multiple suppliers invoked force majeure

Date of notification: 9 March 2026

Key provision: Overrides existing Gas Sale Agreements where inconsistent

Coordination mechanism: GAIL and Petroleum Planning and Analysis Cell (PPAC) manage gas pooling and redistribution

PRIORITY ALLOCATION FRAMEWORK:

Priority I (100%): Domestic PNG, CNG for transport, LPG production, pipeline compressor fuel

Priority II (min. 70%): Fertiliser plants

Priority III–IV: Power plants, industry, exports — pro-rata from balance

INDIA'S NATURAL GAS PROFILE:

Domestic production share: ~55–58% of total consumption

Import share: ~42–45% as LNG

Largest LNG supplier: Qatar (RasGas/QatarEnergy) — long-term contracts

Other suppliers: USA (flexible contracts), Australia, UAE, Russia

Primary import route: Strait of Hormuz

LNG TERMINALS IN INDIA (8 OPERATIONAL AS OF 2025):

Dahej (Gujarat): ~17.5 MMTPA (expanding to 22.5) — largest; Petronet LNG

Hazira (Gujarat): 5 MMTPA — Shell Energy India

Dabhol (Maharashtra): 5 MMTPA — GAIL/NTPC (Konkan LNG)

Kochi (Kerala): 5 MMTPA — Petronet LNG — underutilised due to pipeline gap

Ennore (Tamil Nadu): 5 MMTPA — Indian Oil LNG Pvt Ltd — first East Coast terminal

Mundra (Gujarat): Adani/GSPC

Jaigarh (Maharashtra): H-Energy FSRU

Additional terminals at Chhara (Gujarat) under development

KEY ENTITIES:

GAIL (Gas Authority of India Limited): Principal gas transporter; operates National Gas Grid

PNGRB (Petroleum and Natural Gas Regulatory Board): Regulates CGD licences and pipeline tariffs

National Gas Grid target: 35,000 km (One Nation One Gas Grid)

OTHER RELEVANT FACTS:

India has a Strategic Petroleum Reserve (SPR) for crude oil (~9.5 days consumption) but no equivalent strategic gas reserve

LNG storage buffer at Indian terminals: ~15–20 days at normal consumption

ECA 1955 covers both petroleum products and natural gas — executive order, no Parliament needed

Force majeure: contractual clause allowing parties to suspend obligations due to extraordinary events beyond their control

Sources: [SCC Online](#), [LiveLaw](#), [The Tribune](#), [PIB](#)

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