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# NSE-IGX Natural Gas Derivatives & GIXI Benchmark — UPSC Notes

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CURATED &amp; WRITTEN BY

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# NSE-IGX Natural Gas Derivatives & GIXI Benchmark — UPSC Notes

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## ✎ WHY IN NEWS

The National Stock Exchange of India (NSE) received SEBI approval on April 1, 2026 to launch exchange-traded natural gas derivatives linked to the Gas IndeX of India (GIXI) — India's first such instruments to serve as a domestic pricing benchmark, replacing reliance on international indices like TTF or Henry Hub.



## UNDERSTANDING NATURAL GAS DERIVATIVES

**Derivatives** are financial contracts whose value is derived from an underlying asset. In commodity markets, gas futures and options allow:

- **Producers** to lock in selling prices (hedging against price fall)
- **Consumers** (CGD companies, fertiliser plants) to hedge against price rise
- **Traders** to take speculative or **arbitrage** positions

Until April 2026, Indian gas market participants had no domestic exchange-traded hedging mechanism — they either bore price risk or used informal OTC (over-the-counter) contracts.

## THE GIXI (GAS INDEX OF INDIA)

### What Is GIXI?

GIXI is India’s domestic natural gas price benchmark, operated by the **Indian Gas Exchange (IGX)**.

### Methodology

- **Transaction-based index:** Prices are weighted averages of actual trades executed on IGX — not survey-based like some legacy global indices
- Reflects real-time supply and demand at **6 regional delivery hubs:**

HUB	REGION
Suvali / Hazira	Western (Gujarat)
Mhaskal	Western
Dabhol	Western (Maharashtra coast)
Mallavaram / Gadimoga	Southern (Andhra Pradesh)
KG Basin delivery points	Eastern/Southern offshore

### Significance

- Domestic pricing avoids basis risk (mismatch between Indian gas prices and international prices)
- Enables price transparency for long-term gas supply contracts
- Supports the government’s “One Nation One Grid” natural gas integration vision



## INDIAN GAS EXCHANGE (IGX)

### Background

- **Established:** June 15, 2020 (as a gas trading platform); fully operational as a Gas Exchange: December 10, 2020
- **Launched by:** Then-Minister of Petroleum Dharmendra Pradhan
- **Ownership:** Wholly owned subsidiary of **IEX (Indian Energy Exchange)**
- **Regulator:** **PNGRB (Petroleum and Natural Gas Regulatory Board)** for the gas market; **SEBI** for derivatives
- **Market participants:** Gas producers (ONGC, RIL), importers (Petronet LNG), CGD companies (IGL, MGL, GAIL Gas), industrial buyers

### Products Traded on IGX

- Daily contracts (spot)
- Monthly contracts (short-term)
- Long-duration contracts (6-month, annual) (in development)

## THE NSE DERIVATIVES LAUNCH

### What SEBI Approved (April 1, 2026)

- Exchange-traded **futures and options** on natural gas, priced against GIXI
- Allows standardised, exchange-cleared contracts — reducing counterparty risk vs OTC deals
- Expected to improve participation from financial institutions (not just physical market players)

### Who Benefits

PARTICIPANT	BENEFIT
CGD companies (IGL, MGL)	Hedge retail gas price volatility
ONGC / RIL (producers)	Lock in revenues against price decline
Fertiliser companies	Manage feedstock cost
Power plants (gas-based)	Reduce generation cost uncertainty
Financial investors	New commodity asset class



## INSTITUTIONAL CONTEXT: IEX AND INDIA'S ENERGY MARKETS

### Indian Energy Exchange (IEX) — parent of IGX:

- India's largest power exchange (electricity trading)
- Also owns IGX (gas) and attempts to create an integrated energy trading ecosystem
- SEBI-regulated as an exchange

### NSE (National Stock Exchange):

- Largest stock exchange by trading volume in India
- Operates commodity derivatives segment under SEBI's jurisdiction
- Launching gas derivatives expands commodity product portfolio beyond crude oil, gold, and base metals

## UPSC RELEVANCE

### GS Paper 3 — Economy

- Commodity derivatives markets and their role in price risk management
- Natural gas sector reforms: pricing, infrastructure, CGD expansion
- PNGRB's regulatory role; connection to Pradhan Mantri Ujjwala Yojana (LPG → piped gas transition)
- City Gas Distribution (CGD) network expansion as an economic reform

### GS Paper 2 — Governance

- SEBI's regulatory jurisdiction over commodity derivatives
- Multi-regulator coordination: SEBI (derivatives) + PNGRB (gas market)

### Mains Keywords

- Price discovery mechanism, hedging, basis risk, commodity exchange, CGD network, PNGRB, piped natural gas



## ★ FACTS CORNER — KNOWLEDGEPEDIA

### NSE-IGX NATURAL GAS DERIVATIVES:

SEBI approval: April 1, 2026 to NSE

Index: GIXI (Gas IndeX of India)

Index operator: IGX (Indian Gas Exchange)

IGX owner: IEX (Indian Energy Exchange)

GIXI hubs: 6 regional (Suvali, Hazira, Mhaskal, Dabhol, Mallavaram, Gadimoga, KG Basin)

First: Exchange-traded gas derivatives with domestic benchmark in India

### IGX TIMELINE:

Gas trading platform: June 15, 2020

Fully operational as exchange: December 10, 2020

Launched by: Dharmendra Pradhan (Minister of Petroleum)

### KEY DISTINCTIONS:

GIXI = domestic benchmark (transaction-based)

TTF = Dutch benchmark (NW Europe); Henry Hub = US benchmark

Regulator: SEBI (derivatives) + PNGRB (gas market)

Sources: [SEBI](#), [Indian Gas Exchange](#), [Business Standard](#)

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