

Indian Commercial Vehicle Industry

CNG penetration loses steam as gas prices escalate

DECEMBER 2022



CNG penetration in the CV sector has witnessed some decline in the current fiscal, especially in the MCV truck segment.

Rising CNG prices in the wake of higher gas prices globally, has been the key deterrent towards CNG penetration.



- After witnessing a spike last year, the Indian commercial vehicle (CV) industry has witnessed a contraction in the penetration of compressed natural gas (CNG) driven vehicles over the recent past.



- The decline has been most pronounced in the medium commercial vehicles (MCVs) in the goods carrier segment, wherein CNG penetration reduced to 27% in 8m FY2023, from 38% in FY2022.



- The contraction in CNG vehicle sales in the current fiscal has largely been on account of the increase in CNG prices over the past year, against largely stable diesel prices. This is likely to continue over the near to medium term given the ongoing geo-political challenges, especially the Ukraine-Russia war, and its impact on global gas prices.



- Accordingly, the operating costs for CNG vehicles increased by ~20% over the past year and is even higher vis-à-vis comparable diesel variants in certain cities like Delhi and Mumbai by 5-20%. Coupled with limited overloading prospects for CNG trucks, the economic case for its adoption has become far less compelling. However, the increase in gas prices has not been secular, and certain cities continue to maintain a marked price differential between diesel and CNG. This has resulted in varied trends in CNG penetration across regions in the current fiscal.



- Accordingly, CV OEMs are also increasingly focusing on introducing new models in the electric vehicle (EV) space in select segments and have slowed down the pace of introduction of CNG models. OEMs are also investing in alternate technologies such as hydrogen fuel.



- Notwithstanding the recent decline witnessed in CNG penetration, medium term prospects remain favourable given the improving CNG fuelling infrastructure in the country, and general push for cleaner vehicles.

Agenda

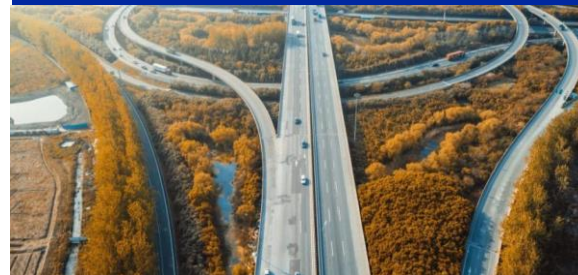
1 Current Trends in CNG Adoption



2 Segmental Trends



3 Key Challenges



4 Way Forward & Outlook





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