

Oil & gas industry expects GST relief, LPG under-recovery compensation

The oil and gas industry expects the upcoming Union Budget to address compensation for underrecoveries on the sale of cooking gas cylinders and provide goods and services tax (GST) relief for exploration activities, say experts.

The oil-marketing companies (OMCs) are likely to seek compensation for under-recovery on the sale of liquefied petroleum gas (LPG) cylinders, which is expected to be around ₹30,000 crore on LPG (domestic) sales, after adjusting for the one-time grant announced in August 2025, said Prashant Vashisht, senior vice-president and co-group head, corporate ratings at Icra.

The sector wants a reduction in cess on crude oil, restoration of tax holidays for new blocks and exemption of exploration activities from GST, said Vashisht. The industry has also asked the government to lower GST rates or exemptions for pipeline construction materials, CNG, and biogas.

“The midstream industry is requesting the removal of the 2.5 per cent Customs Duty on LNG imports to make natural gas more widely used as a fuel. The industry incumbents also want natural gas and petroleum products to be included under GST to enable free flow of tax credits,” said Icra.

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