Keynote Address: From Fundamentals to Financial Resilience: India’s Oil & Gas Market

Good morning. It is my proud privilege and also a pleasure to be here.

1. I thank the Multi Commodity Exchange (MCX) for inviting me to the Global Commodity Conclave 2026.

2. As commodity markets expand, the baseline for institutional excellence also increases. Beyond monitoring transactional growth, as a regulator, our core mandate is to ensure that the market institutions remain agile partners, directly serving the shifting realities of India's production economies and financial systems, today and over the long term.

3. The theme for this session, **"From Fundamentals to Financial Resilience: India’s Oil & Gas Market,"** recognizes a crucial issue. It recognizes that physical supply of oil & gas is only half the story; the other half is how we manage the financial risks that come with it.

4. I would, therefore, like to structure my brief remarks around three simple themes: <u>the macro reality facing our energy sector, the foundational role of native risk management, and what responsible market participation looks like from a regulatory standpoint.</u>

<u>The Macro Landscape and the Reality of Volatility</u>

5. **Oil and gas are the foundational lifelines of India’s economic engine**, directly impacting everything from industrial manufacturing to the daily lives of our citizens. Therefore, in an increasingly volatile & fragmented global landscape, **energy security is no longer just about securing physical barrels of oil or cubic meters of gas from sudden, external geopolitical supply shocks**; **it is equally about securing price predictability.**

6. Over the last few years, the global oil and gas markets have experienced intense structural shifts. Geopolitical realities, shifting supply chains, and sharp demand fluctuations have made **price volatility a permanent feature** of the energy landscape, rather than a passing phase.

7. For an economy like India, this isn't just an abstract financial chart. Our rapid economic growth continues to expand our energy demand exponentially. We are a nation dependent on energy imports to fuel our industries, our transport networks, and our households.

8. When global price swings are severe, they exert **immediate pressure** on our domestic industry margins, our corporate balance sheets, and our broader macroeconomic stability. In this environment, **operating without a disciplined framework to mitigate risk is no longer a matter of choice**.

<u>The Need for Native Risk Management and Trusted Benchmarks</u>

9. The need for resilience is clearly reflected on our trading floors; the trading volumes in oil and gas derivatives from April to July this year stand at around Rs. 33 lakh crores, demonstrating just how actively the industry is leaning on market infrastructure to navigate these volatile times.

10. This is where the relevance of transparent price discovery and deep derivatives markets becomes clear. **India is no longer just a passive price taker in global markets.** As our consumption grows, **our capacity to manage our own risks must grow alongside it.**

11. To achieve true financial resilience, **we need robust, native risk management frameworks**. While global pricing references remain important, India's unique domestic demand patterns and regional constraints require domestic benchmarks that the industry can implicitly trust.

12. Transparent price discovery does not eliminate volatility, because physical supply and demand factors cannot be wished away. **What a liquid derivatives market actually does is to act as a shock absorber.** It transfers that volatility cleanly and efficiently from those who cannot afford to bear it to those who can.

13. Strong commodity benchmarks do something even deeper: **they build long-term market confidence. When stakeholders trust that a benchmark price reflects true underlying fundamentals, capital allocation becomes highly efficient.** It gives corporate treasuries the confidence to commit long-term capital to critical infrastructure projects, from pipelines to storage networks.

<u>**Balancing Global Standards with Domestic Reality**</u>

14. To my mind, **a successful derivatives ecosystem cannot operate in a vacuum.** It requires a balance. **India's commodity markets must continue to adopt global best practices** — whether in clearing safety, technological resilience, or risk containment—**while remaining firmly aligned with our domestic market requirements.**

15. **The ultimate success of our commodity exchanges will not be judged merely by the trading volumes generated or the number of lots flipped. It will be judged by the quality of commercial outcomes—specifically, how effectively real physical hedgers are protected from financial distress.**

16. This assumes even greater significance as we encourage wider participation from physical value chain participants, small and medium enterprises (SMEs), and downstream consumers. **For these entities, hedging is not a speculative tool;** it is a corporate governance **necessity to protect their businesses from sudden price shocks.**

<u>**SEBI's Focus: Scaling the Ecosystem Responsibly**</u>

17. Let me conclude with a few words on our regulatory philosophy. **SEBI remains deeply committed to market integrity, continuous innovation, and investor confidence.**

18. As technology and new products reshape how markets function, our conversation cannot just be about expanding the scale of trading. **It has to be about scaling responsibly**. It is about how trust can be strengthened in an increasingly complex digital trading environment, and how the entire ecosystem can remain sustainable for physical businesses and financial participants alike.

19. **By providing a sophisticated platform for price discovery and risk transfer, the derivatives market acts as a vital buffer for our national energy security through institutionalised hedging.** Effective hedging turns unpredictably & volatile energy costs into manageable, fixed business variables, ensuring that sudden international price spikes do not choke our domestic industrial sectors & lives.

20. Recognising this immense macroeconomic sensitivity, **SEBI's focus is aimed at developing the oil and gas derivatives market into a highly robust, reliable protective shield** for India. We are committed to fostering a market ecosystem for all participants that moves beyond superficial speculative volumes, **focusing instead on deep, native liquidity and reliable domestic benchmarks that the stakeholders can implicitly trust.**

21. **A mature derivatives ecosystem must continuously expand its horizon** to match domestic economic aspirations. To that end, **SEBI in the recent past has approved <u>Indian Natural Gas Futures</u>,** a product pegged directly to the Indian Gas Exchange (IGX), thus introducing an authentic price signal that captures real, local gas dynamics on Indian soil.

22. Alongside this localized shift, **SEBI's approval of <u>Brent Crude Oil based Futures</u>** is a vital strategic development, as it allows our domestic oil refiners and marketing companies to hedge their physical risks directly against the dominant European physical baselines. Because the vast majority of India's imported crude is commercially tied to Brent-linked European benchmarks, this product removes the structural 'basis risk' that previously plagued domestic treasuries. By supporting a domestic price signal for natural gas while bridging access to international physical oil baselines, these structural approvals empower corporate treasuries to hedge localized and global energy risks on a single platform.

23. **SEBI continuously emphasizes that sustainable market depth is built on the bedrock of investor education, actively collaborating with exchanges to run targeted awareness programs that demystify commodity derivatives for physical market participants. Our focus is on shifting the perception of commodity markets from speculative trading avenues to essential prudential tools, ensuring that enterprise owners and hedgers fully understand the mechanics of risk management, product suitability, and clearing safety.**

24. **I strongly urge the industry leaders, corporate treasurers, and value chain stakeholders present here today to look at exchange-traded derivatives not as complex trading instruments, but as essential tools for financial survival.** Engage with the markets, build internal capacity, and participate with a view towards long-term resilience.

25. I congratulate MCX for organizing this conclave. I am certain that the deliberations over the next few days will help chart a practical path forward for India's energy markets. I wish the deliberations all success.

Thank you & Jai Hind.