

India's Energy Security Amid Global Conflicts - Explained

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Energy Security Latest News

- India's energy security is in focus due to rising geopolitical conflicts in West Asia, which have exposed vulnerabilities in its import-dependent energy supply chains and macroeconomic stability.

Introduction

- Recent geopolitical conflicts, particularly in West Asia, have exposed the fragility of global energy markets and their immediate transmission effects on domestic economies like India.
- India, importing over 85% of its crude oil, faces acute vulnerability to external shocks.
- The sharp rise in Brent crude prices during conflicts and projected macroeconomic impacts, including slower GDP growth and rising inflation.
- This underscores that energy security today extends beyond cost efficiency to resilience and strategic diversification.

Changing Definition of Energy Security

- Traditionally, energy security was understood as ensuring access to affordable fuel. However, the evolving geopolitical landscape has fundamentally altered this definition.
- Today, it encompasses:
 - **Resilience against supply disruptions**
 - **Diversification of suppliers and routes**
 - **Macroeconomic stability amid price volatility**
- The Russia-Ukraine conflict served as an early warning, exposing the risks of overdependence on a single supplier.
- Europe's response, cutting reliance on Russian gas from 45% to 12% and accepting underutilised LNG infrastructure, demonstrates a shift toward "insurance-based" energy planning rather than pure efficiency.

Impact of West Asia Conflict on India

- The ongoing tensions in West Asia have amplified risks for India due to its heavy reliance on maritime oil routes.
- The **Strait of Hormuz**, a critical chokepoint through which nearly 25% of global oil passes, plays a pivotal role in determining price stability and supply continuity.
- India imports roughly **45% of its crude through this route**, making it highly susceptible to disruptions.
- Such geopolitical shocks can quickly translate into domestic inflationary pressures and economic slowdown.
- Additionally, operational risks have increased, as seen when Indian LPG carriers required naval escort under **Operation Sankalp** during heightened tensions.

India's Energy Demand and Global Position

- India is now the **world's third-largest oil consumer**, and its demand trajectory continues to rise. According to projections:
 - Oil demand expected to reach **5.74 mb/d in 2025** and **5.99 mb/d in 2026**
 - Demand growth (~130 kb/d) surpasses China's (~80 kb/d)
- This positions India as a key driver of global oil demand growth. In a scenario where OECD demand is declining, India's consumption becomes strategically significant for global energy markets.

Diversification of Energy Imports

- India has demonstrated considerable agility in adapting to supply shocks.
- A notable shift has been the rise in Russian oil imports, from just 2% before 2022 to nearly **36% in FY2024-25**, making Russia India's largest supplier.
- Simultaneously, India maintains a diversified import basket including Iraq, Saudi Arabia, UAE and the United States.
- This diversification strategy reinforces the concept of **"optionality"**, India's ability to switch suppliers based on geopolitical and economic conditions.

Structural Challenges in Energy Security

- Despite adaptive strategies, several structural vulnerabilities persist:
- **High Import Dependence**
 - India's crude oil import dependence reached **89.4% in FY2024-25**, with domestic production remaining limited. This exposes the economy to fluctuations in global prices, freight costs, and exchange rates.
- **Geographic Constraints**
 - Even with diversified suppliers, logistical realities such as chokepoints (e.g., Strait of Hormuz) cannot be bypassed. Maritime risks continue to constrain strategic flexibility.
- **Emerging Risks from Energy Transition**
 - While transitioning to renewable energy reduces fossil fuel dependence, it introduces new vulnerabilities:
 - Dependence on critical minerals like lithium, cobalt, nickel, and rare earths
 - China's dominance (over 90% in rare earth processing)
 - India's limited domestic processing capacity (<5% of projected needs by 2035)
- Thus, the energy transition shifts dependency rather than eliminating it.

Global Comparative Strategies

- Other major economies have adopted proactive measures to enhance energy security:
 - **China:** Long-term LNG contracts (~25 million metric tons annually)
 - **South Korea:** Secured oil supplies bypassing chokepoints
 - **Japan:** Strategic reserves equivalent to 254 days of consumption
- These approaches emphasise long-term planning, stockpiling, and route diversification, areas where India still needs to scale efforts.

Strategic Path Forward for India

- To strengthen energy security in a conflict-prone world, India must adopt a multi-dimensional strategy:
 - **Expand Strategic Petroleum Reserves (SPR):** Build larger buffers against supply shocks
 - **Reduce Oil Intensity:** Promote EVs, public transport, and fuel efficiency
 - **Enhance Maritime Security:** Strengthen naval capabilities to secure trade routes
 - **Develop Critical Mineral Ecosystem:** Invest in domestic mining, refining, and international partnerships
 - **Strengthen Supply Chain Resilience:** Reduce overdependence on single countries

Source: **TH**

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