Ensuring Liquefied Petroleum Gas (LPG) Supply Amid the West Asia Crisis

March 7, 2026 • vajiramandravi.com

Liquefied Petroleum Gas (LPG) Latest News

- Amid the ongoing West Asia conflict, disruptions in maritime movement through the Strait of Hormuz—a crucial global energy chokepoint—have threatened India's supply of Liquefied Petroleum Gas (LPG).
- Given that over 80% of India's LPG imports pass through this route, the Government of India has invoked emergency provisions under the **Essential Commodities Act, 1955** to safeguard domestic cooking gas supplies for over 33 crore households.
- The Ministry of Petroleum and Natural Gas (MoPNG) has directed all oil refiners in India to maximise LPG production and prioritise domestic consumption, preventing diversion to petrochemical manufacturing.

Government's Emergency Directive

- **Invoking the Essential Commodities Act, 1955**:
    - The government issued the order under –

        - Section 3 of the Act
        - Petroleum Products (Maintenance of Production, Storage and Supply) Order, 1999
    - These provisions allow the government to regulate production, supply, and distribution of essential commodities during emergencies.
- **Key provisions of the Order:**
    - Refining companies must maximise LPG production.
    - Propane and Butane streams must be used only for LPG production.
    - Refiners are prohibited from diverting these streams for petrochemicals.
    - All LPG produced must be supplied to public sector Oil Marketing Companies (OMCs).
- **Role of public sector OMCs:**
    - The three major OMCs responsible for domestic LPG supply are Indian Oil Corporation, Bharat Petroleum Corporation Limited (BPCL), and Hindustan Petroleum Corporation Limited (HPCL).
    - These companies supply almost the entire LPG demand of Indian households.

India's LPG Demand-Supply Dynamics

- **High import dependence:**
    - The country's LPG consumption in 2024-25 was around 31 million tonnes of LPG, of which just about 13 million tonnes was the domestic production, which translates to import dependency of around **58%.**
    - The disruption in Hormuz shipping lanes therefore creates significant supply vulnerability.
- **Sources of LPG imports:** India traditionally imports LPG from **West Asian** countries such as: Saudi Arabia, United Arab Emirates, Qatar, and Kuwait.
- **Strategic importance of the Strait of Hormuz:**
    - The **Strait of Hormuz** is among the world's most critical energy **chokepoints**.
    - For India, 80% of LPG, 40% of crude oil, and over 50% of LNG imports pass through it.
    - Any disruption here poses serious energy security risks.

Diversifying Energy Supply Sources

- **LPG import agreement**: India recently signed an LPG supply deal with the **United States**.
- **Key features of the agreement:** 2.2 million tonnes LPG imports in 2026, around 10% of India's annual LPG imports, and supply from the US Gulf Coast. This agreement aims to reduce India's dependence on West Asian suppliers.
- **Engagement with global traders:** India is also coordinating with international traders and suppliers (Vitol, Trafigura, ADNOC Trading). The objective is to secure additional crude oil and LPG cargoes from alternative markets.

Energy Security and Strategic Reserves

- **Current oil and fuel stocks:**

    - Indian refiners currently have crude oil stocks to last around **25 days**, and around half of these would be replenished on an ongoing basis as supply from non-Hormuz regions continues unabated.
    - India also has **strategic petroleum reserves** that are currently estimated to hold crude reserves for another week or so of the country's daily oil consumption of 5.6 million bpd.
    - Additionally, Indian refiners have sufficient stocks of major fuels like petrol, diesel, and LPG for another 25 days' of domestic demand.
- **Strategic Petroleum Reserves:** India maintains emergency reserves at facilities such as Visakhapatnam, Mangaluru, and Padur Strategic Petroleum Reserves. These reserves act as a **buffer** against external supply shocks.

Impact on Natural Gas and LNG Supply

- **Vulnerability in LNG supply:** India's cushion is thinner in the Liquefied Natural Gas (LNG) sector because LNG stockpiling is technically difficult. India is the world's **4th**-largest LNG importer.
- **Supply disruptions:** Petronet LNG Limited has issued force majeure notices to supplier (QatarEnergy), and domestic gas off-takers. QatarEnergy has also indicated a possible production halt due to the conflict.
- **Domestic gas allocation:**
    - Natural gas in India is allocated based on priority sectors, including city gas distribution (PNG & CNG), fertiliser industry, power sector.
    - If shortages worsen, the government **may reprioritise** allocation to ensure supply to critical sectors.

Challenges for India

- **Limited domestic LPG production**: Despite large refining capacity, propane and butane production is limited.
- **LNG storage constraints**: Unlike crude oil, LNG storage infrastructure is limited, reducing the ability to build strategic reserves.
- **Global price volatility**: Conflict situations often lead to spikes in energy prices, affecting fiscal stability and subsidies.

Way Forward

- **Diversification**: India must expand imports from the US, Africa, and Latin America to reduce reliance on West Asia.
- **Expanding**: Strategic Petroleum Reserves (SPR) and exploring LNG storage solutions is essential.
- **Boosting**: Domestic gas exploration and refining efficiency can increase LPG availability.
- **Transition**: Accelerating adoption of electric cooking, **Biogas** and compressed biogas (CBG), and Green hydrogen.
- **Cooperation**: Strengthening maritime security and diplomatic coordination to ensure safe sea lanes of communication (SLOCs).

Conclusion

- The government's decision to invoke emergency provisions reflects a proactive effort to safeguard India's energy security and household welfare during a volatile geopolitical situation.
- While short-term measures such as maximising LPG production and diversifying imports provide temporary relief, **long-term resilience** will depend on energy diversification, strategic reserves, and accelerated transition to alternative fuels.
- Strengthening these pillars is critical for **insulating** India's economy and citizens from future global energy shocks.

Source: IE