

## On the Edge

The ongoing conflict between Iran and the US over the Persian Gulf impacts is felt far and wide beyond the conflict area. In the rising price of cooking gas in New Delhi, or in the idling factories of Guangzhou. When you know the economy runs on the fuel that you don't control, anxiety increases. The US–Iran conflict has reminded the world, once again, that energy security is not an abstract policy concern. For most developing nations, it is the difference between growth and stagnation, between keeping the lights on and watching them go out.

One of the contributing factors in the increasing vulnerability in energy security is the available sea routes and geopolitics being played around them that choke the supply lines, which puts most of the regions in the waiting game, scrambling for alternative routes, unplanned and zig-zag decision-making. A country like India, which is the world's fifth-largest economy, has the largest population with an ambition to rise. India is one of the most import-dependent major economies in the world when it comes to energy. It imports approximately 89 percent of its crude oil, 50 percent of its natural gas, and over 20 percent of its coal. Every barrel of oil that keeps India's factories running, its cities lit, and travel thousands of nautical miles across some of the world's most geopolitically contested waters.

### Understanding the Scale of Dependence

The scale of dependence makes the case more unique. India's total imports of crude oil and petroleum products in 2025-26 stand at 292.3 MMT (million metric tonnes) a slight increase from 287.88 MMT in the previous year. The volume went up, but the import bill (in dollars) may likely fall year-on-year, because of fluctuation in the crude prices, which dropped significantly in 2023-24. Overall, the dependence on crude is around 88-89% of total consumption, which is not a declining trend. At the same time, due to impressive economic growth, India's oil demand growth is projected between 2024 and 2030, with consumption projected to increase by 6.6 million barrels per day (mb/d) by 2030 as per the US Energy Information Administration (EIA).

The rising import volumes, continuous price volatility, and a structural dependence, as most of the Indian refineries are designed to refine the crude coming from West Asia. In the context of geopolitical turbulence across West Asia and contested maritime chokepoints — energy security is not only an economic concern but a strategic imperative for India's policymakers.

### The Ocean Routes

Given the fact that India's energy supply chain is fundamentally maritime, as approximately 85% of crude oil and 55 percent of natural gas passes through Sea Lines of Communication (SLOCs), which is vulnerable to blockade, conflict and disruptions. One of the important sea routes in the news is the Strait of Hormuz, a 21-mile passage between Iran and Oman, one of the key ocean communication nodes for India's energy supply chain. Most of the countries in West Asia, including Iran, Iraq, Kuwait, Qatar and Bahrain, rely on the Strait to deliver the vast majority of their oil exports, making them stranded at sea. The current impasse between the USA and Iran has led to crude oil prices soaring and has had a wide range of impacts across the country. "Brent crude rose from \$72 per barrel in late February 2026 to a peak of \$127.5 in early April before stabilising near \$108 by May, reflecting the volatility induced by geopolitical tensions.

### Chart Fluctuations in Crude Oil Price

Data Source- Combined- IEA (International Energy Agency). CNBC, Oilprice.com

One of the immediate effects was the rationing of LPG gases used for domestic consumption at the household level. It has also impacted the flagship scheme of the Government of India, Pradhan Mantri Ujjwala Yojana (PMUY), which provides a 14.5/5 kg LPG cylinder to below poverty households, encouraging them to switch from forest-based fossil fuel consumption to gas-based consumption. Approximately 45–50% of India's crude oil imports and 80–90% of its liquefied petroleum gas (LPG) imports pass through the Strait of Hormuz, making it critical for India's energy security. Although the majority of crude oil imports are happening away from the Strait of Hormuz, the vulnerability factor on the supply chain through the current ocean route still has a major impact. Alternative bypass routes exist — Saudi Arabia's East-West Pipeline and the UAE's Habshan-Fujairah line — but together they offer only 3.5 to 5.5 mb/d of spare export capacity, nowhere near a full substitute for the Strait. Recent Iranian strikes on Fujairah's oil facilities have further undermined confidence in even these workarounds.

Additionally, the Strait of Malacca, the narrow waterway between Malaysia, Singapore and Indonesia, is the world's busiest shipping lane and any disruption here would sever India's energy links with Russia, Southeast Asia and trans-pacific suppliers. At present, the route serves as a major hub for exporting crude into refined petroleum products for Southeast and East Asian markets. It also helps in exploiting the price arbitrage: buying discounted Russian crude, refining it into diesel and jet fuel, and re-exporting mostly to Europe. When the West Asia war struck, Russian oil supplies to India nearly doubled to 2.25 million barrels per day, while shipments from West Asia slumped 61% to 1.18 million bpd. Some of these re-export flows transited Malacca.

As of now, the current waiver to import crude oil from Russia highly depends upon the dexterity of Indian diplomats that how much and how they can negotiate the waiver to import the Russian oil, making the current supply line from the Strait of Hormuz is more vulnerable. This will also lead to the strategic dilemma: replacing cheap Russian crude with pricier Middle Eastern or Atlantic Basin barrels would increase India's fuel import costs, risk domestic inflation,

and erode the margins of state refiners. Indian Oil Corporation's gross refining margin (GRM) declined from \$19.5/bbl in FY2022–23 to roughly \$4.8/bbl by FY2024–25 — a dramatic deterioration that limits the financial capacity to absorb supply shocks. In August 2025, the Trump administration imposed secondary tariffs of 50 percent on India in response to continued Russian oil procurement. Separately, US sanctions on Rosneft and Lukoil, along with threats of secondary sanctions on Indian companies, have begun forcing Indian refiners to reduce their Russian exposure. Indian crude imports from Russia began declining in late 2025 as a result.

#### Diversifications

Over the years, India has diversified its import base of crude oil, as of now India imports from 40 different countries, ranging from Asia, South America, Russia, and from central Asian countries, etc. India's supplier base was 26 countries in 2006-7; it now stands at 40 countries. Overall import has also diversified from 55% to 70% non Hormuz routes. By comparison, Japan draws 90–95 percent of its oil from the Gulf and South Korea draws over 70 percent. In relative terms, India's diversification is impressive. But absolute import dependence at 88–89 percent remains a structural weakness that no routing diversification fully resolves.

#### Way out and Recommendation

It seems the established alternatives for secure energy supply routes without a geo-political hindrance would be difficult to find in the ongoing conflict. However, India continues to diversify its energy supply lines from other countries. Investment in the refineries to refine the different types of crudes from light to heavy, along with investment in strategic reserves for oil, can be a few of the steps to weather out the energy supply chain conflict due to geopolitics in the West Asian region. Securing an investment in some of the maritime ports along the routes, like Chabahar Port (Iran):Duqm Port (Oman), Sittwe Port (Myanmar), Sabang Port (Indonesia), Agalega Island (Mauritius), etc., could be another intervention to look after. A direct gas pipeline from the West Asian region can be further explored. However, the pipeline dream also depends upon how India can manage its disputes with neighbouring countries for a better economic future. Long-term supply agreements with multiple anchors: Iraq and the UAE for Gulf crude, Nigeria and Angola for Atlantic Basin oil, and the US for LNG and light crude. Government-to-government oil storage swaps could also provide emergency buffers. Government commitment to “Panchamrit” at COP26 includes achieving 500 GW of non-fossil fuel capacity by 2030 and net-zero emissions by 2070 could also be accelerated. The 2026 West Asia price shock — pushing crude to \$120/barrel in a matter of weeks — is not an outlier. It is a preview. India's energy security strategy must move beyond reactive diversification toward proactive resilience: deeper reserves, broader refinery flexibility, stronger alliances, and a faster renewable transition.

By

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