



India's Oil Dependence

For Prelims: Oil Dependence, European Union, Oil and Natural Gas Corporation, CoP26 commitments, Renewable Energy

For Mains: India's Oil Dependence and related steps taken

Why in News?

Russia has for the second month in a row remained India's top oil supplier in November 2022 surpassing traditional sellers Iraq and Saudi Arabia.

- Russia now makes up for 22% of India's total crude imports, ahead of Iraq's 20.5% and Saudi Arabia's 16%.
- The [European Union](#) ban on imports of Russia's seaborne oil from 5th December has driven Russia to seek alternative markets, mainly in Asia, for about 1 million barrels per day.

What is the Current Scenario of India's Oil Import/Consumption?

- [India is the world's third-largest oil consumer](#) at around 5 million barrels a day, behind the US and China. The oil demand is growing at 3-4% a year in the country.
 - By this estimate, in a decade, India could be consuming about 7 million barrels a day.
- According to the Petroleum Planning and Analysis Cell (PPAC), **India imported 212.2 million tonnes of crude oil in 2021-22**, up from 196.5 million tonnes in the previous year.
 - For April 2022-23, the oil import dependence was around 86.4% against 85.9% in the corresponding year-ago period.
- It has been **argued that due to increasing demand**, the consumption of oil has gone up, which has marginalised the efforts being made to increase output.
 - Higher crude oil import bill is expected to dent the macroeconomic parameters.

What Initiatives have been taken to Cut down Crude Oil Imports?

- In March 2015, the Prime Minister of India inaugurated the '**Urja Sangam 2015**' — India's **then biggest global hydrocarbon meet** aimed at shaping India's energy security.
 - All the stakeholders were urged to **increase the domestic production of oil** and gas to **reduce import dependence from 77% to 67% by 2022** and further to **50% by 2030**.
- The government has also introduced various policies for increasing domestic production of oil and natural gas under the **Production Sharing Contract (PSC) Regime, Discovered Small Field Policy, [Hydrocarbon Exploration and Licensing Policy \(HELP\)](#), New Exploration Licensing Policy (NELP)**, etc.
 - However, an underlying issue with domestic oil production is that oil and gas projects — from exploration to production — **have a long gestation period**.
 - Besides, **pricing and tax policies are not stable** and the oil and gas business **requires huge capital**, so **investors are often wary of taking risks**.

- The Government of India promotes the [Ethanol Blending Programme \(EBP\)](#) with the aim of reducing the country's dependence on crude oil imports, cutting carbon emissions and boosting farmers' incomes.
 - The Government has advanced the **target for 20% ethanol blending in petrol** (also called **E20**) to 2025 from 2030.

What can be Done to Reduce India's Oil Import Dependence?

- **Encouraging Domestic Production:** It must be kept in mind that India's demand for oil is only going to go up as we go for 10% GDP growth and that India will continue to be an oil economy for many more years to come.
 - The only way India can reduce its dependence on imports is to increase the size of India-owned exploration and production assets overseas. That is what China has done.
 - The public sector oil giant [Oil and Natural Gas Corporation \(ONGC\)](#) is also taking various steps to increase the production by redevelopment of existing matured fields and development of new/marginal fields.
- **Alternate Green Sources:** Another way out for India is to expand its basket and focus on [green energy](#). With the economy gaining momentum, demand for power is on the upswing. With the [CoP26 commitments](#) in place, the demand for [Renewable Energy](#) is at an all-time high, which calls for substantial capacity addition.
 - The wind sector gained momentum, thanks to private investments and government initiatives coupled with regulatory support.
 - However, backed by global supply of solar cells and modules and favourable policies, solar power emerged more competitive than wind power.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. The term 'West Texas Intermediate', sometimes found in news, refers to a grade of (2020)

- (a) Crude oil
- (b) Bullion
- (c) Rare earth elements
- (d) Uranium

Ans: (a)

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