



New Facilities Under Strategic Petroleum Reserves

Why in News

Recently, under the [Strategic Petroleum Reserves \(SPR\)](#) programme, the government has given approval for establishing **two additional facilities**.

- In 2020, [India filled its strategic petroleum reserves](#) in view of the [slump in crude prices](#).

Key Points

▪ New Facilities:

- The new facilities will be **commercial-cum-strategic facilities** with a total storage capacity of **6.5 MMT** (Million Metric Ton) underground storages at:
 - **Chandikhol, Odisha** (4 MMT)
 - **Padur, Karnataka** (2.5 MMT)
- They will be built in [Public Private Partnership](#) mode under **phase II** of the SPR Programme.

▪ Existing Facilities:

- Under **Phase I of the Programme**, Government of India has established petroleum storage facilities with total capacity of **5.33 MMT at 3 locations**:
 - **Visakhapatnam, Andhra Pradesh** (1.33 MMT).
 - **Mangaluru, Karnataka** (1.5 MMT).
 - **Padur, Karnataka** (2.5 MMT).
- The petroleum reserves established under Phase I are **strategic in nature** and the crude oil stored in these reserves will be **used during an oil shortage event**, as and when declared so by the Government of India.

Strategic Petroleum Reserves

▪ About:

- Strategic petroleum reserves are **huge stockpiles of crude oil** to deal with any crude oil-related crisis like the risk of supply disruption from natural disasters, war or other calamities.
- According to the agreement on an **International Energy Programme (I.E.P.)**, each [International Energy Agency \(IEA\)](#) country has an **obligation to hold emergency oil stocks equivalent to at least 90 days of net oil imports**.
 - In case of a severe oil supply disruption, **IEA members may decide to release these stocks to the market** as part of a collective action.
 - **India became an associate member** of the IEA in 2017.
- The **concept** of dedicated strategic reserves **was first mooted in 1973 in the US**, after the [OPEC \(Organization of the Petroleum Exporting Countries\)](#) oil crisis.

- Underground storage is, by far, the **most economical method** of storing petroleum products because the underground facility **rules out the requirement of large swathes of land, ensures less evaporation** and, since the caverns are built much below the sea level, it is **easy to discharge crude** into them from ships.
- The construction of the Strategic Crude Oil Storage facilities in India is being managed by [Indian Strategic Petroleum Reserves Limited \(ISPRL\)](#).
 - ISPRL is a wholly owned subsidiary of Oil Industry Development Board (OIDB) under the Ministry of Petroleum & Natural Gas.
- After the new facilities get functional a total of **22 days (10+12)** of oil consumption will be made available.
- With the strategic facilities **Indian refiners also maintain crude oil storage (industrial stock) of 65 days.**
- Thus, Approximately a total of **87 days (22 by strategic reserves + 65 by Indian refiners)** of oil consumption will be made available in India after completion of **Phase II of the SPR programme.** This will be very **close to the 90 days mandate by the IEA.**
- **Need of SPRs in India:**
 - **Build Sufficient Capacity:**
 - The **current capacity of this is not sufficient** to tackle any unpredicted event that occurs in the international crude market.
 - 86% of the country is dependent on oil with **nearly 5 million barrels of oil consumption in a day.**
 - **Energy Security:**
 - The **fluctuation in the price of crude oil in the international market** leads to a dire need for India to make petroleum reserves to ensure the country's energy security and avoid monetary loss.

Way Forward

- The demand is to look for assets of energy sources present abroad. **India should buy and store the oil in the host countries** as Indian assets and retrieve them when required like China.
- India **should distribute its oil contracts in several countries so as to avoid the monopoly** of any one region.
 - For example, currently **India is importing most of the oil from the [Gulf region](#).**
- The oil is the central source of energy but is limited, therefore **alternative sources need to be looked upon.**
- Indian oil imported in the ships consisting of 90% foreign ships; is also an issue to be looked upon. **India needs to acquire its own ships to transport oil.**

Source: PIB