



## Red Sea Disruptions and India's Oil Import Dynamics

**For Prelims:** [Red Sea](#), Persian Gulf, [International Energy Agency](#), India's Oil Import Dynamics, [PAT \(Perform, Achieve and Trade\)](#), [Ethanol Blending Program](#), [FAME scheme](#)

**For Mains:** Status of Oil Imports, Government's Recent Initiatives to Control Surging Oil Demands

**Source:** [IE](#)

### Why in News?

The recent turmoil in the [Red Sea](#) has sent ripples through [India's oil import dynamics](#), triggering notable changes in its reliance on conventional suppliers like the US.

### Why is India Moving its Oil Imports Away from the US?

- For a while, the US has consistently ranked among **India's top five crude suppliers**, with domestic refiners procuring an average of 205,000 barrels per day (bpd) of crude in 2023.
  - However, recent data indicates that Indian refiners did not acquire any US crude in January 2024.
- [Red Sea troubles](#) escalated **freight rates**, rendering US crude economically unviable for Indian refiners. Consequently, Indian refiners reverted to traditional suppliers in the **Persian Gulf (West Asia)**.
  - Recently, Chemical tanker MV Chem Pluto was struck by a drone attack, approximately 200 nautical miles off Gujarat's coast.
    - MV Chem Pluto is a Liberia-flagged, Japanese-owned, and Netherlands-operated chemical tanker.
    - It had started its journey carrying crude from Al Jubail, Saudi Arabia and was expected to arrive in **New Mangalore, India**.
  - It is believed to have been carried out by [Houthi rebels based in Yemen](#), citing protest against Israel's actions in Gaza.



## Who are the Top Crude-Oil Suppliers for India?

- **Status of Oil Imports:** India currently is the 3rd largest consumer of oil behind the US and China. It imports **85% of its oil needs** and this dependence is likely to rise as domestic production falls.
  - **India will overtake China** as the biggest driver of global oil demand in 2027. Diesel will be the single largest source of demand growth, accounting for almost half of the rise in the nation's demand ([International Energy Agency](#)).
- **Major Oil Suppliers:**
  - **Russia:** Russia is currently **India's largest supplier** of oil. Russian oil imports to India surged to 1.53 million barrels per day (bpd) in **January, 2024**.
    - India capitalised on discounted Russian offers following Western sanctions on Russia (due to [Russia-Ukraine Conflict](#)), displacing traditional suppliers.
    - The **Urals crude oil grade of Russia** has become a cornerstone of India's energy diversification efforts.
  - **Iraq:** Iraq is the **second-largest** source of crude supplier to India, with imports reaching 1.19 million bpd in January 2024, the highest since April 2022.
    - India's efforts to diversify oil procurement channels aim to mitigate geopolitical risks and ensure a stable energy supply.
  - **Saudi Arabia:** Saudi Arabia is India's **third-largest** oil supplier and exported approximately 690,172 bpd of crude oil to India in January, 2024 maintaining its position as a key player in India's energy security landscape.
  - **UAE:** Oil imports from the UAE surged by 81% in January, 2024 reaching around 326,500 bpd.
    - Abu Dhabi is India's **fourth-largest supplier of crude oil**.

## What are Government's Recent Initiatives to Control Surging Oil Demands?

- **Managing Demand:**
  - **Promoting Energy Efficiency:** Schemes like [PAT \(Perform, Achieve and Trade\)](#) incentivize industries to reduce energy consumption.
    - Star labelling for appliances helps consumers choose efficient options.
  - **Fuel Diversification:** Initiatives like the [Ethanol Blending Program \(EBP\)](#) aim to blend **20% ethanol with petrol by 2025**, reducing gasoline dependence.
    - Similarly, [Compressed Natural Gas \(CNG\)](#) is promoted for vehicles.

- **Electric Mobility:** [FAME scheme](#) is a subsidy programme aims to support electrification of public and shared transportation
  - By 2030, the government intends to have an electric vehicle (EV) sales penetration of 30% for private cars, 70% for commercial vehicles and 80% for two and three-wheelers.
- **Boosting Domestic Production:**
  - **Attractive Exploration Policies:** Production Sharing Contract (PSC) regime, Discovered Small Field Policy, and Hydrocarbon Exploration and Licensing Policy (HELP) aim to attract investments in oil and gas exploration.
  - **Technological advancements:** ONGC is investing in [Enhanced Oil Recovery \(EOR\)](#) techniques aimed to extract more oil from existing fields.

## Way Forward

- **Diversifying Biofuel Development:** Beyond ethanol blending, the government can invest in research and development of advanced biofuels **derived from algae, agricultural waste, and municipal solid waste.**
  - These biofuels can be used in transportation and industrial sectors, reducing the need for fossil fuels.
- **Promoting Public Transportation and Active Mobility:** Integrated public transportation systems with **efficient last-mile connectivity** can encourage more people to opt for sustainable modes of travel and reduce the demand for oil-based transportation fuels.
- **Green Building Standards:** Mandating [green building standards for residential and commercial constructions](#) can reduce energy consumption for heating, cooling, and lighting.
  - Incorporating energy-efficient designs and materials in buildings can lessen the reliance on fossil fuels for electricity and heating purposes.
- **Towards Hydrogen Economy:** Developing India as a hydrogen economy can offer a **clean alternative to traditional fossil fuels.**
  - Hydrogen fuel cells can be utilised in various sectors including transportation, manufacturing, and power generation.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### Prelims:

**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)**

### Mains:

**Q. Write a note on India's green energy corridor to alleviate the problem of conventional energy. (2013)**

**Q. "Access to affordable, reliable, sustainable and modern energy is the sine qua non to achieve Sustainable Development Goals (SDGs)". Comment on the progress made in India in this regard. (2018)**

