



## 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)**

[Source: TH](#)

PDF Reference URL: <https://www.drishtias.com/printpdf/india-s-oil-dependence>