# Bringing down Oil Import Bills

***This editorial is based on “Cutting Crude Import Bill is no Easy Task” which was published in The Hindu BusinessLine on 11/06/2022. It talks about India’s current import dependence for oil and the initiatives that have been/can be taken to reduce oil-import dependence.***

**For Prelims:** Ethanol Blending Programme (EBP), Oil and Natural Gas Corporation (ONGC), CoP 25, Green Energy, Renewable Energy

**For Mains:** India’s Crude Oil Import/Consumption - Initiatives that have been and can be taken to cut down imports

India’s energy needs are enormous with a **daily consumption of around 5 million barrels** and a **refining capacity of 250 mmtpa** (million metric tonnes per annum), which is the third-largest in the world.

To maintain energy security and to fulfill the objective of providing energy justice to each of its citizens, Indian energy companies buy from all major oil producers in the world. On an average, India has the unique distinction of **servicing 60 million visitors at its petrol pumps** every single day.

Now, due to the ongoing **Russia-Ukraine conflict**, the U.S. announced the banning the import of Russian oil which led to the surge in international oil prices by a 14-year high. The surge in oil prices, however, does not imply a decline in requirements.

Therefore, it is important for the government to ensure access to affordable energy to our citizens. Encouraging domestic production of oil and transitioning to alternate sources of energy are two of the viable solutions that can be taken to overcome this problem.

## India’s Oil Import/Consumption

### What is the Current Scenario?

- 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.
- Inferring from the latest data available under the **Petroleum Planning and Analysis Cell (PPAC),** India’s oil import dependence based on consumption was **85% in 2019-20**, which **declined marginally to 84.4% in 2020-21.**
    - It **rose again to 85.6%** in 2021-22.
- According to 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.**
    - Further, improved oil recovery and **enhanced oil recovery technologies** are being inducted for enhancing recovery from matured 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.**

## How Focussing on Energy Generation from Wind can be Helpful in this Context?

- Wind power generation developed on the foundations of the **Electricity Act, 2003** and the establishment of a robust home-grown manufacturing base.
  - More recently, the Ministry of New and Renewable Energy (MNRE) set a target of **installing 5 GW of offshore capacity by 2022** and 30 GW by 2030.
- While both solar and wind are susceptible to intra-day and seasonal variability, from a technological and resource perspective as well as from the commercial angle, **wind is a better bet in helping India achieve its RE aspirations.**
  - However, lately, there is a policy overdrive in favour of solar, which is resulting in a decline in wind capacity addition.

    - While there is a short-term tariff advantage, in the long term it is **essential to have a balanced diversified resource mix**.
- Wind is more desirable in India's power basket due to **higher capacity utilisation and throughout the day generation of power.**
    - It also complements solar, providing a **more consistent and viable generation profile.**

## Conclusion

Despite the initiatives for reducing India's oil import dependence, the situation remains dismal. India will need to work its policy around this reality. The strategy should be that key **energy uses, like for cooking and transport, shift to other sources like green energy.** On their part, the policymakers have to ensure that all stakeholders are on board and there is no policy flip-flop.

***Drishti Mains Question***

"Energy is the life blood of economic stability, and the only way to emerge as a true superpower is by attaining energy security through policies promoting use of domestic resources and creating an ecosystem to accelerate production." Discuss.

### UPSC Civil Services Examination, Previous Year Questions (PYQs)

**Q. In the context of global oil prices, "Brent crude oil" is frequently referred to in the news. What does this term imply? (2011)**

1. It is a major classification of crude oil.
2. It is sourced from the North Sea.
3. It does not contain sulphur.

Which of the statements given above is/are correct?

(a) 2 only

(b) 1 and 2 only

(c) 1 and 3 only

(d) 1, 2 and 3

**Ans: (b)**

**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)**