

# India's energy security amid conflicts

The conflict in West Asia has shown how geopolitical shocks can transmit to India's domestic economy, given that the country imports over 85% of its crude needs. In a fragmented energy market, India's edge lies not in self-sufficiency but in optionality.

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The conflict in West Asia has demonstrated the speed with which geopolitical shocks have been transmitted to India's domestic economy. The head of the International Energy Agency has described the current goeconomic crisis as more severe than the combined shocks of 1973, 1979 and 2022.



The price of Brent crude oil rose to \$109.03 per barrel after hitting highs of around \$120 during the conflict. At a domestic level, India is projected to see its economy slow from 7.4% growth in FY26 to 6.5% in FY27 with a projected increase in inflation from 2.3% to 4.4% due to the impact of disruptions observed in the energy supply chains.

Energy security can no longer be defined solely as purchasing fuel at the lowest possible price. It now rests on resilience, diversification, and protection of macroeconomic stability. The RussiaUkraine War was the first major warning to the preexisting energy market order. It exposed the perils of energy dependence overnight.

Europe once relied on Russia for 45% of its gas imports. By 2025, that had fallen to 12%. Europe did not respond by chasing efficiency, it did so by buying insurance. Gas consumption by European Union (EU) countries fell by 20% between 2021 and 2024, while the combined imports of gas and liquified natural gas (LNG) declined by 18%.

Even when average LNG terminal utilisation was only 52% in the first half of 2025, Europe accepted spare capacity as the price of security.

While the war in Ukraine revealed the reliance on pipelinebased supplies, the conflict in West Asia demonstrated the reliance on sea transportation.

The Strait of Hormuz, through which approximately 25% of the world's crude oil is transported, has once again become an extremely important chokepoint, transmitting price shocks rapidly across global markets.

Other powers have adapted differently. China has locked in nearly 25 million metric tons of LNG per year through contracts, South Korea has secured 273 million barrels of crude oil that will transit from outside the Strait of Hormuz, while Japan has stockpiled 470 million barrels, which is equivalent to 254 days of consumption.

Gulf shore exporters have regained much of their bargaining power due to spare capacity. The International Energy Agency (IEA) forecasts a contraction of 80 kb/d in the global demand for oil on average in 2026, with a decrease of 236 kb/d for OECD (Organisation for Economic Cooperation and Development) and 254 kb/d for Middle East, while nonOECD demand still rises 152 kb/d. In this weaker market, India's demand growth becomes strategically valuable.

The potential threat of disruption of the Indian oil imports is real and immediate, since the country imports over 85% of its crude needs, with roughly 45% of its imports transiting through the Strait of Hormuz.

For years, India has depended heavily on imports. But the country has handled repeated shocks better than many comparable importers. It is now the world's third largest oil consumer.

According to OPEC's forecast, India's consumption is expected to reach 5.74 million barrels per day (mb/d) in 2025 and 5.99 mb/d in 2026, while the IEA projects that Indian crude demand will rise approximately 130 kb/d, compared with 80 kb/d for China.

As Chinese demand becomes flatter and more cyclical, India has become one of the few large engines of incremental oil demand.

Before 2022, Russia supplied barely 2% of India's crude imports, however, by FY2024-25, that figure was around 36%, making Russia India's largest supplier. Flows from Russia picked up again as Gulf disruptions intensified.

Now, India's import basket also includes countries such as Iraq, Saudi Arabia, UAE, and the United States, while remaining geographically diversified. In a fragmented energy market, India's edge lies not in self-sufficiency, but in optionality.

India has managed successive shocks well. First, India's crude oil dependence is extremely high, reaching 89.4% in FY2024-25. During that period, India produced only 28.7 million metric tons of crude oil domestically. As a result, fluctuations in crude oil prices, freight rates, and currency exchange rates continue to be a concern.

Second, geography still constrains strategy. Significant reductions in flows along Gulf sea lanes occurred due to tensions in 2026, and Indian LPG carriers, carrying a combined cargo of 97,000 metric tonnes required naval escort under Operation Sankalp. Diversification cannot bypass chokepoints.

Third, the energy transition creates fresh vulnerabilities. India's expansion into solar, batteries, electric vehicles (EV), and storage may reduce oil use over time. However, the reliance on lithium, cobalt, nickel, copper, and rare earths may increase in the future.

India's dependence on critical minerals is tied to processing networks dominated elsewhere, especially by China, which controls over 91% of global rare earth production, while India cur-

rently processes less than 5% of its projected 2035 batterygrade mineral requirements domestically. While India has adapted to the new oil order with considerable agility, having such tactical flexibility does not provide security in the longterm.

The next phase must focus on increasing larger strategic reserves, reducing the oil intensity in transport, strengthening maritime resilience, and ensuring security for supply chains of critical minerals. The real question is no longer whether India can switch suppliers during crises, but whether future crises will carry lower economic costs when they occur.