

Indian Oil Diplomacy

Introduction

India is one of the world's largest energy consumers. As the country's economy grows, its need for oil also increases. To ensure stable and affordable oil supply, India uses its "oil diplomacy", which refers to forming strategic partnership with major oil producing nation. This diplomacy strengthens energy security and supports long-term development driven by its high dependence on imports (over 80% of its crude oil needs).

What is Indian oil diplomacy?

Indian oil diplomacy is a strategy designed to meet the country's needs in the oil, gas, and energy sectors, based on India's valuable traditions and geographical position. Any idea of "Indian oil diplomacy" suggests that India builds strong strategic international relations as part of its foreign policy to ensure the continuous supply of oil. Nearly more than 85% of India's economy depends on imported oil, which makes Indian oil diplomacy a highly important national priority. To ensure diversification, strategic partnerships, and strategic security, India makes use of a stable and economically secure global oil market and energy security. This diversification is not built randomly, but is firmly tied to India's national interests ensuring affordable energy for its 1.4 billion people and supporting the country's economic growth.

When Did India's oil Diplomacy Effectively Start?

India's oil diplomacy effectively started in the 1970s. Because, India's domestic oil production was too low and India could not produce enough oil for its growing population and economy. India started depending heavily on imported oil by the early 1970s, India had to import large amounts of crude oil from the Middle East. 1973's Oil Crisis "Arab Oil Embargo", when global oil prices suddenly shot up, India realised it must build strong political and economic relationships with oil-exporting countries to ensure energy security. Because of these reasons, India began active diplomacy with Saudi Arabia, Iraq, Kuwait, Iran, and other Middle Eastern nations.

Example: 1973 Oil Crisis

The 1973 oil crisis was an important event in economics and energy markets, characterized by a sudden and sharp rise in crude oil prices and widespread fuel shortages. This crisis occurred mainly due to an oil embargo imposed by the Arab members of the Organization of Arab Petroleum Exporting Countries (OAPEC) on nations that supported Israel during the Yom Kippur War. The embargo put severe pressure on economies, especially in the United States, which had become increasingly dependent on foreign oil. This crisis highlighted the interconnection between geopolitics and global economic stability, leading to significant changes in energy policies around the world.

Global Event (Russia-Ukraine War in an About India)

Before the Russia Ukraine war, India depended mainly on Middle Eastern countries such as Saudi Arabia, the UAE, Iraq, and Kuwait for its crude oil needs, while imports from Russia remained very limited due to Western sanctions and existing trade patterns. However, after the war began on 24 February 2022, global oil prices rose sharply as the West imposed strict sanctions on Russia. To avoid the impact of high fuel costs, India increased its imports of

discounted Russian crude, which helped control domestic fuel prices, reduce import expenses, and strengthen the country's energy security. By 2025, India continues to purchase Russian oil at reduced prices while maintaining strong supply links with the Middle East, resulting in a more diversified oil diplomacy and better protection against global price volatility. The war has also encouraged India to rethink and refine its energy security strategies for the future.

Key Partners in India's Oil Diplomacy

Saudi Arabia and UAE

Saudi Arabia and the UAE are India's largest and most stable suppliers of crude oil. They provide a major portion of India's total oil imports. Because of long-term trust, geographical closeness, and steady supply, these two countries play a central role in India's energy security.

Iraq and Kuwait

Iraq and Kuwait are long-standing partners that supply India with large volumes of crude oil. Their importance lies in reliability and long-term contracts. They help India diversify its oil sources so that the country is not dependent on only one region.

Russia

Russia has become a strategic supplier because it offers oil at discounted prices during global market volatility. Buying cheaper oil helps India reduce its import bill. India and Russia also have strong political relations, making energy cooperation easier.

United States

The United States is not a major crude supplier for India, but it is important for energy technology, clean energy cooperation, and strategic petroleum reserves. The United States helps India modernize its energy systems and improve long-term energy security.

Strategies India Uses in oil Diplomacy

Long-term supply contracts

India signs multi-year agreements with certain countries to ensure a regular and stable supply of crude oil. Even if there is a war, crisis, or sudden price increase in the global market, India's oil supply does not stop.

Joint ventures with foreign oil companies

Indian companies like ONGC, IOCL etc. collaborate with foreign oil companies to explore, extract, or refine crude oil together. India gets a share of the actual oil produced and also gains valuable experience and technology from foreign partners.

Diversification of oil sources

Earlier, India depended mainly on a few countries for its oil needs. Now it imports oil from many regions Gulf countries, Russia, Africa, and the United States. If any one country faces a crisis, India's oil supply does not get disrupted.

Development of strategic petroleum reserve

India has built large underground storage facilities where the country stores crude oil sufficient for several months. Even if there is a war, natural disaster, or supply disruption, India can run for 60–90 days using its own reserves.

Investments in overseas oil fields

Indian companies invest money in oil extraction projects located in foreign countries. India receives a share of the oil produced there, often at a lower or stable cost, strengthening long-term energy security.

Impact on India's Economy

Stable Economy

India's oil diplomacy ensures a continuous and predictable supply of crude oil through long-term contracts, diversified sources, and strategic reserves. This stability keeps fuel prices, industrial production, transportation costs, and inflation under control, allowing the economy to function smoothly even during global crises or conflicts.

Lower Import Costs Through Discounted Oil

India buys crude oil at discounted rates but after Russia-Ukraine war these reduce about discount India's overall oil import bill as a result. Petrol, diesel price, saves money, Indian refineries there are which supports economic growth.

Management Control

The management control is the process through which an organization by that all activities are carried out efficiently, correctly, and in adjustment with its goals. It involves monitoring performance, comparing objectives and taking corrective actions when necessary.

Reduction of Global price Shock

The India economy is India reduce the impact of global shocks by change its oil imports. Instead of depending on only one region, because India buys oil from multiple countries like gulf, Russia, USA. This variety ensures that even if prices rise or supply gets disrupted in one area due to war or sanctions and also India gets bargaining power and better pricing.

Improved Energy Security

Indian oil diplomacy is an India strengthens its energy security by building strategic petroleum reserves (SPR) and maintaining strong oil partnership with many countries. These reserves store enough oil for 60–90 days, so that the country can function even if global supply is disrupted by war or sanctions. This protects the economy and keeps services running without interruption.

Boost to Trade and Strategic Relation

Indian oil diplomacy is an India strengthens its relations with major global partners like Russia, USA, Saudi Arabia, the UAE, Iraq, and Kuwait, creating more trade deals. Secure investment opportunities and better geopolitical positioning boosting long-term economic benefits.

Growth of Refinery and Petrochemical sector

Indian oil diplomacy helps the country but crude oil is better price and also large quantities. This supports growth of India's refining and petrochemical industries. Increase in export revenue, Indian refineries process crude oil and export petrol, diesel, and other products to many countries. creates jobs, and becomes a major refining hub in Asia.

Conclusion

Indian decision to buy crude oil from Russia during the Ukraine war proved advantageous in several ways. India's oil diplomacy has become an extremely important pillar of the country's economic and strategic planning. By importing oil from multiple countries, securing discounted crude oil, and building long-term energy partnerships, India has effectively protected itself from global price fluctuations, wars, and supply disruptions. These strategies have strengthened India's energy security, kept the economy stable, supported the growth of the refinery and petrochemical sectors, and enhanced India's strategic position on the global stage. Overall, effective oil diplomacy has made India's economy more resilient, competitive, and prepared for the changing global energy environment.

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