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EDITORIAL ANALYSIS

India's Energy at the Crossroads — West Asia Conflict and the Price of Dependence

 **BUSINESS STANDARD**

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India's Energy at the Crossroads — West Asia Conflict and the Price of Dependence

 Business Standard

17 March 2026

GS2

GS3

BS

Business Standard

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



INTERVIEW ANGLE

"With Kharg Island struck and 22 Indian-flagged ships stranded near the Strait of Hormuz, India faces a full-scale energy security crisis. What structural reforms should India undertake to reduce its vulnerability to West Asia disruptions — and how should it balance its relationships with the US, Iran, and Gulf states?"

WHY IN NEWS

A US-led strike on Iran's Kharg Island — the hub through which Iran exports 90% of its crude — sent global oil prices surging 7% in a single day on March 15, 2026. Twenty-two Indian-flagged ships with 611 seafarers are stranded in the Strait of Hormuz, and India's oil import bill is set to balloon significantly as West Asia's most serious military escalation in decades unfolds.

THE EDITORIAL ARGUMENT

India's energy security has never looked more fragile. The West Asia crisis of 2026 is not merely a geopolitical event happening at a distance — it is a direct economic emergency for a country that imports over 88% of its crude oil, with nearly 60% of that coming from the Gulf region. Business Standard's editorial argues that the crisis exposes a structural vulnerability that India has long acknowledged but never adequately addressed: the dangerous over-reliance on a single geopolitically volatile region for its energy lifeline. The time for incremental reform is over — India needs a fundamental reorientation of its energy mix, its strategic petroleum reserves, its diplomatic hedging, and its trade routes.

WHAT HAPPENED: THE ESCALATION TIMELINE

The US-Israel conflict with Iran — triggered by Iran's alleged development of a nuclear device — escalated rapidly in March 2026:

March 2026: US and Israeli airstrikes targeted Iranian military infrastructure

Kharg Island struck (March 15): The US bombed Iran’s primary oil export terminal. **Kharg Island handles ~90% of Iran’s crude oil exports**, located northwest of Bushehr in the Persian Gulf

Strait of Hormuz chokepoint: Iran threatened to close the Strait — through which **20% of global traded oil** (approximately 20 million barrels per day) transits daily. India is the world’s 3rd largest oil importer

22 Indian-flagged ships carrying cargo and crew are stranded on the western side of the Strait, with 611 Indian seafarers aboard. India’s External Affairs Ministry is in active engagement

Oil prices jumped 7% on the Kharg Island news; analysts warn of \$120/barrel if the Strait closes

India’s oil companies had in January 2026 signed a one-year agreement to import **2.2 million tonnes of LPG from US Gulf Coast** — about 10% of India’s LPG needs — partly as contingency planning

INDIA’S ENERGY EXPOSURE: THE NUMBERS

Parameter	India’s Dependence	Context
Crude oil import dependency	~ 88% of total crude needs	One of world’s highest
West Asia share of India’s oil imports	~ 60%	Gulf, Iraq, Saudi Arabia, UAE
LPG import dependence	~ 60% of domestic demand	Rising with Ujjwala Yojana expansion
LNG import dependence	~ 50% of requirements	Qatar is largest supplier
Indian workers in Gulf	~ 9 million	UAE, Saudi Arabia, Kuwait, Qatar, Oman, Bahrain
Remittances from Gulf	~ \$40 billion/year	~3% of India’s GDP
Ships stranded at Hormuz	22 Indian-flagged ships, 611 seafarers	Active diplomatic priority

The macro-economic impact of a \$10/barrel oil price rise:

India’s **Current Account Deficit (CAD)** widens by ~**\$10 billion**

Inflation rises: crude oil feeds into petrol, diesel, LPG, aviation fuel, fertilisers, plastics

Rupee depreciates — foreign exchange outflows increase for oil payments

Fiscal deficit expands: if government absorbs price rise (subsidies), fiscal slippage follows

KHARG ISLAND: WHY IT MATTERS

Kharg Island is Iran's most important oil infrastructure asset — a fortified island in the Persian Gulf that serves as the loading terminal for virtually all Iranian crude oil exports. Iran exports approximately **1.6 million barrels per day** (of its 3.3 million barrels/day production capacity — the remainder is constrained by existing sanctions).

Before the strike, Iran was the world's **7th largest oil producer**. With Kharg's loading infrastructure damaged:

- Iran's export capacity has been severely reduced

- Global oil markets lose 1–1.5 million barrels/day of supply

- Opec+ (dominated by Saudi Arabia and UAE) faces pressure to increase output — but spare capacity is limited

India's Chabahar Port stake: India has invested significantly in **Chabahar Port** in Iran's Sistan-Balochistan province — India's gateway to Afghanistan and Central Asia, bypassing Pakistan. US sanctions waivers that had protected India's Chabahar investment are now under threat. Chabahar is also strategically linked to the **International North-South Transport Corridor (INSTC)** — India's alternative trade route to Russia and Central Asia.

INDIA'S STRATEGIC DILEMMA

India faces a genuinely difficult diplomatic triangulation:

With the United States: India is a key Quad member and the US is India's largest trade partner. The US expects alignment — or at least non-opposition — to its Iran policy. India's continued energy trade with Iran during US sanctions has previously strained bilateral ties.

With Iran: India has deep civilisational, historical, and economic ties with Iran. Chabahar Port is a strategic asset. Iranian oil has historically been available at a discount. India needs Iran's cooperation for connectivity to Afghanistan and Central Asia.

With Gulf states (Saudi Arabia, UAE): India's largest oil suppliers and home to ~9 million Indian workers. India-Saudi Arabia and India-UAE relations are at a historic high. The Gulf states are not uniformly aligned with Iran — most are anxiously watching the conflict.

With Russia: Since the Ukraine war began in 2022, India pivoted significantly to discounted Russian crude oil — at times buying over 2 million barrels/day from Russia, making Russia India's largest crude supplier. The Drishti IAS editorial notes that restoring Russian oil purchases to maximum capacity — despite US CAATSA (Countering America's Adversaries Through Sanctions Act) pressure — may be India's most pragmatic short-term energy solution.

INDIA'S STRATEGIC PETROLEUM RESERVES (SPR): NOT ENOUGH

India maintains **Strategic Petroleum Reserves** at three underground rock caverns:

Vishakhapatnam (Andhra Pradesh): 1.33 million metric tonnes

Mangaluru (Karnataka): 1.5 million metric tonnes

Padur (Karnataka): 2.5 million metric tonnes

Total: ~5.33 million metric tonnes — approximately **9.5 days of India's consumption**

The IEA (International Energy Agency) recommends member countries maintain at least **90 days** of reserves. India's SPR covers less than 10 days — exposing the country to acute supply-shock vulnerability. Phase 2 SPR facilities at Chandikhol (Odisha) and Padur (expansion) are under development but not yet operational.

THE IMEC FACTOR

The **India-Middle East-Europe Economic Corridor (IMEC)** — announced at the G20 New Delhi Summit in September 2023 — was designed precisely to reduce India's logistics vulnerability by creating an alternative trade corridor through the Arabian Peninsula (India → UAE → Saudi Arabia → Jordan → Israel → Europe). The West Asia conflict has halted IMEC momentum — the Israel corridor segment is paralysed by the ongoing war.

THE WAY FORWARD

The editorial offers a multi-pronged prescription:

Short-term (0–6 months):

Immediately maximise Russian crude oil imports within diplomatic bounds

Activate emergency LPG imports from US Gulf Coast (already contracted at 2.2 MT)

Issue crew safety guidelines for ships in the Strait; evacuate non-essential vessel crew

Fast-track SPR Phase 2 construction

Medium-term (1–3 years):

Diversify crude basket: increase Latin American (Venezuela, Brazil), African (Nigeria, Angola), and North American (US WTI) sourcing

Accelerate India's domestic upstream oil and gas exploration (OALP — Open Acreage Licensing Programme)

Build SPR to at least 30 days' coverage (immediate target)

Long-term (5–15 years):

Accelerate the clean energy transition — every MW of domestic solar/wind/nuclear reduces import dependence

Develop green hydrogen as a strategic replacement for fossil fuel imports

Cement INSTC to reduce maritime chokepoint dependence for goods trade

UPSC RELEVANCE

Kharg Island (Iran, Persian Gulf, 90% of Iran's crude exports); Strait of Hormuz (20% of global oil trade, ~20 million barrels/day); India's crude oil import dependence (~88%); India's SPR (5.33 million metric tonnes, ~9.5 days, three sites: Vishakhapatnam + Mangaluru + Padur); IEA 90-day reserve standard; CAATSA (US sanctions on Russia buyers); Indian workers in Gulf (~9 million); Chabahar Port; INSTC; IMEC announced G20 New Delhi 2023.

MAINS GS2:

India's foreign policy balancing act (US-Iran-Gulf-Russia); India's strategic interests in West Asia; impact of global geopolitics on India's energy security; Operation Rahat precedent (Yemen 2015).

MAINS GS3:

India's energy security framework; strategic petroleum reserves; oil price shock transmission to inflation, CAD, fiscal deficit; diversification of energy sources; role of renewable energy in reducing import dependence.

★ FACTS CORNER — KNOWLEDGEPEDIA

WEST ASIA CONFLICT 2026 — INDIA EXPOSURE:

Indian ships stranded near Hormuz: **22 ships, 611 seafarers** (as of March 16, 2026)

Oil price jump after Kharg strike: **7%**

India's crude oil import dependence: **~88%**

West Asia share of India's oil imports: **~60%**

LPG import dependence: **~60% of domestic demand**

\$10/barrel oil price rise: widens India's CAD by **~\$10 billion**

KHARG ISLAND:

Location: Persian Gulf, northwest of Bushehr, Iran

Function: Iran's primary crude oil export terminal

Iran's exports through Kharg: **~90%** of all crude exports

Iran oil production: ~3.3 million bbl/day (exports: ~1.6 million bbl/day)

STRAIT OF HORMUZ:

Width: ~33 km (navigable shipping lane: ~3 km each way)

Daily oil transit: **~20 million barrels (~20% of global traded oil)**

Countries depending on Hormuz: India, China, Japan, South Korea, Europe

INDIA'S STRATEGIC PETROLEUM RESERVES:

Total capacity: **~5.33 million metric tonnes (~9.5 days of consumption)**

Locations: Vishakhapatnam (1.33 MT) + Mangaluru (1.5 MT) + Padur (2.5 MT)

IEA standard: **90 days** (India falls far short)

Phase 2: Chandikhol (Odisha) + Padur expansion — under development

INDIA'S GULF INTERESTS:

Indian workers in Gulf: **~9 million** (UAE, Saudi, Kuwait, Qatar, Oman, Bahrain)

Annual remittances from Gulf: **~\$40 billion** (~3% of India's GDP)

Operation Rahat (2015, Yemen): INDIA's largest overseas evacuation — 4,640 Indians + 960 foreigners

OTHER RELEVANT FACTS:

CAATSA: Countering America's Adversaries Through Sanctions Act (US) — can sanction countries buying Russian weapons/oil

IMEC: India-Middle East-Europe Economic Corridor; announced G20 New Delhi, September 2023; India → UAE → Saudi → Jordan → Israel → Europe

Chabahar Port: India's gateway to Afghanistan + Central Asia via Iran; key asset in INSTC

INSTC: International North-South Transport Corridor; India-Russia-Central Asia via Iran; 7,200 km

India's Russian crude imports (post-Ukraine 2022): At peak, ~2+ million barrels/day; Russia became India's top supplier

LPG US import agreement (Jan 2026): India signed 1-year deal for 2.2 MT LPG from US Gulf Coast (~10% of India's LPG needs)

Sources: Business Standard, Drishti IAS, Indian Century, PIB

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