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EDITORIAL ANALYSIS

West Asia on the Boil — US Miscalculations and India's Energy Security Crisis

 **BUSINESS STANDARD**

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SUBJECTS COVERED**IR****ECONOMY****GS PAPERS****GS2****GS3****CURATED & WRITTEN BY****Bharat Choudhary**

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 Business Standard

23 March 2026

GS2

GS3

BS

Business Standard

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



INTERVIEW ANGLE

"India imports 88% of its crude oil, primarily from the Gulf. With the Strait of Hormuz effectively constrained, what short and medium-term policy options does India have to manage energy security?"

WHY IN NEWS

Business Standard published an editorial analysing the widening US-Iran conflict entering its fourth week, highlighting how Gulf states declaring force majeure on energy exports is creating cascading economic consequences for India — including a weakening rupee, fuel shortages, rising crude costs, and a widening current account deficit.

The Conflict's Expansion

The US-Iran confrontation has escalated far beyond initial expectations:

DEVELOPMENT	IMPACT
US military strikes on Iranian targets	Iran fighting sustained asymmetric war
Gulf states force majeure	Qatar, Iraq, Kuwait, and Bahrain suspended energy exports
Infrastructure damage	Qatar estimates 5 years to revive energy infrastructure
Geographic spread	Conflict now affects multiple Gulf states beyond Iran

India's Energy Vulnerability

India is acutely vulnerable to Gulf instability:

PARAMETER	DATA
Crude oil import dependence	~88%
Gulf share of India's crude imports	~60%
LPG import dependence	~60%
Natural gas imports (LNG) from Qatar	~40% of LNG imports
Strategic Petroleum Reserve (SPR)	~5.33 million metric tonnes (~9.5 days consumption)
Daily crude consumption	~5.5 million barrels per day

Cascading Economic Impact on India

The editorial identifies multiple economic transmission channels:

1. Rising Crude Prices

With Gulf supply disrupted, the **Indian basket crude price** has risen above Brent benchmark levels due to India's heavier reliance on Gulf grades. Every \$10/barrel increase in crude adds approximately **Rs 60,000-70,000 crore** to India's annual import bill.

2. Weakening Rupee

Higher crude imports widen the **current account deficit (CAD)**, putting downward pressure on the rupee. A depreciating rupee further inflates the cost of dollar-denominated oil imports — creating a vicious cycle.

3. Cooking Gas Shortages

India imports approximately 60% of its LPG requirement, primarily from the Gulf. Force majeure declarations by Gulf suppliers directly threaten domestic cooking gas availability, with potential political ramifications given the PM Ujjwala Yojana's universal coverage promise.

4. Fiscal Pressure

The government faces a choice between:

- **Raising retail fuel prices** (politically costly)
- **Absorbing costs through subsidies** (widens fiscal deficit)
- **Cutting excise duty** (reduces tax revenue)

None of these options are economically comfortable.

India's Energy Security Options

TIMEFRAME	OPTION
Immediate	Draw down SPR (9.5 days), negotiate emergency supplies from non-Gulf sources
Short-term (1-3 months)	Increase imports from Russia, US, Africa; emergency LPG procurement
Medium-term (6-12 months)	Accelerate domestic oil exploration; fast-track renewable capacity
Long-term	Diversify energy mix; expand SPR to 90 days (as recommended by IEA)

The NATO Dimension

The editorial notes a significant geopolitical consequence: the US-Iran confrontation has widened the breach between NATO and the US. European allies, dependent on Gulf energy and reluctant to open a second front while managing the Russia-Ukraine conflict, have not fully backed US military action. This potentially weakens NATO's collective security architecture — creating opportunities for Russia in Eastern Europe.

India's Diplomatic Balancing Act

India must navigate between multiple interests:

- Maintaining strategic ties with the US while importing oil from sanctioned sources
- Protecting Indian diaspora in the Gulf (~9 million Indians)
- Securing Chabahar Port access (India's gateway to Afghanistan/Central Asia via Iran)
- Managing CAATSA sanctions risk from Russia defence purchases while diversifying energy sources

UPSC RELEVANCE

India's crude import dependence (88%), SPR locations and capacity, Strait of Hormuz, CAATSA, force majeure.

MAINS GS-2:

India's West Asia policy; impact of Gulf instability on Indian diaspora; India-Iran-US trilateral dynamics.

MAINS GS-3:

Energy security — vulnerability assessment; fiscal impact of crude price shocks; diversification of energy sources.

★ FACTS CORNER — KNOWLEDGEPEDIA

INDIA'S ENERGY SECURITY:

Crude import dependence: ~88%

Gulf share of crude imports: ~60%

SPR capacity: ~5.33 million metric tonnes (~9.5 days)

SPR locations: Visakhapatnam (AP), Mangaluru (Karnataka), Padur (Karnataka)

SPR Phase 2 (proposed): Chandikhol (Odisha), Padur expansion

GULF CONFLICT IMPACT:

Force majeure: Qatar, Iraq, Kuwait, Bahrain suspended energy exports

Qatar infrastructure recovery estimate: 5 years

Indian basket crude: trading above Brent

Every \$10/barrel increase = ~Rs 60,000-70,000 crore additional import bill

STRAIT OF HORMUZ:

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

Daily crude flow: ~20 million barrels (~20% of global traded oil)

Countries on strait: Iran, Oman, UAE

INDIAN DIASPORA IN GULF:

Total: ~9 million Indians

Annual remittances: ~\$40 billion

Operation Rahat (2015, Yemen): evacuated 4,640 Indians + 960 foreigners

KEY ENERGY TERMS:

CAATSA: Countering America's Adversaries Through Sanctions Act

Chabahar Port: India's gateway to Afghanistan/Central Asia via Iran

IEA recommendation: 90 days of import cover in SPR

PM Ujjwala Yojana: 10 crore+ LPG connections to BPL families

OTHER RELEVANT FACTS:

India is world's 3rd largest oil consumer (after US and China)

India's largest crude supplier: Russia (~35%), followed by Iraq, Saudi Arabia, UAE

India's refining capacity: ~254 MTPA (5th largest globally)

ONGC Videsh: India's overseas oil exploration arm

Sources: [Business Standard](#)

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