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EDITORIAL ANALYSIS

Going Downhill – LPG Price Surge and India's West Asia Energy Vulnerability

THE HINDU

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INTERVIEW ANGLE

"How should India rethink its energy security architecture given its deepening structural dependence on West Asian hydrocarbons?"

THE CORE ARGUMENT

Commercial LPG cylinder prices have surged over 10% in major Indian metros in early April 2026, with aviation turbine fuel (ATF) costs spiking alongside. The trigger: the US-Iran conflict has effectively stalled 20–30% of global LPG supply transiting the **Strait of Hormuz**, causing Saudi Contract Prices (SCP) — the global LPG benchmark — to surge 44%. The Hindu argues that while such geopolitical shocks are temporary, India's extreme dependence on West Asian energy is a **structural fiscal and national security vulnerability** that demands a systemic response rather than reactive price management.

India imports approximately **60% of its crude oil** from West Asia and about **20% of global oil** transits the Strait of Hormuz — the world's most critical energy **chokepoint**. Any disruption there translates almost immediately into inflation, current account pressure, and fiscal stress from government subsidy commitments.

THE STRAIT OF HORMUZ — INDIA'S ENERGY LIFELINE

METRIC	DATA
Indian crude imports from West Asia	~60% of total
Oil through Strait of Hormuz (global)	~20% of global supply
LNG through Strait	~25% of global LNG trade
Indian LPG import dependence	~60% of domestic consumption is imported
Saudi Arabia share of Indian crude	~18–20%

CASCADING DOMESTIC IMPACT

The price chain from Hormuz disruption to Indian household:

- ❶ **Crude oil prices spike** → refineries face higher input costs
- ❷ **LPG prices rise** (linked to Saudi CP benchmark) → affects 300+ million household cylinder consumers
- ❸ **ATF prices rise** → airline ticket prices increase → tourism and business travel constrained
- ❹ **Diesel prices pressured** → transport costs rise → food inflation worsens
- ❺ **Government subsidy bill increases** → fiscal deficit pressure
- ❻ **Rupee depreciates** (oil import bill in USD widens) → imported inflation amplifies

INDIA'S DIVERSIFICATION STRATEGY — PROGRESS AND GAPS

India has made meaningful progress in energy diversification:

INITIATIVE	STATUS
Russia crude imports	Surged to 35–40% of total (post-2022 Ukraine war discount)
Strategic Petroleum Reserves	3 sites (Visakhapatnam, Mangaluru, Padur) — 5.33 million tonnes capacity
Renewable energy target	500 GW by 2030 — reduces oil demand for power generation
Ethanol blending	15%+ achieved; E20 target for 2025–26
LNG terminal capacity	Expanded; Petronet LNG, Shell, and new terminals planned
Solar energy	85+ GW installed; reduces diesel generator use

Gaps: Renewable energy primarily displaces coal in power generation — not oil in transport and cooking fuel. The structural dependence for liquid fuels (LPG, petrol, diesel, ATF) remains high.

POLICY PRESCRIPTIONS

The editorial argues India needs:

- ❶ **Accelerated EV transition** to reduce petrol/diesel dependence
- ❷ **Biogas/CBG expansion** to reduce LPG import dependence (GOBARdhan scheme)
- ❸ **IEA-coordinated strategic reserve releases** during crisis periods
- ❹ **India-Gulf bilateral energy security pacts** with supply assurance clauses
- ❺ **Faster domestic upstream development** (OALP — Open Acreage Licensing Policy)

UPSC RELEVANCE

GS Paper 3 — Economy and Environment:

- India’s energy security — import dependence, strategic reserves, diversification
- Subsidies — LPG subsidy (PAHAL/DBT scheme), fiscal implications
- National Biofuel Policy 2018 — ethanol blending road map
- Renewable energy transition — INDC/NDC targets

GS Paper 2 — International Relations:

- India-Iran relations: Chabahar Port as strategic asset even during conflict
- India’s West Asia policy — “extended neighbourhood”
- OPEC+ and Saudi Arabia-India energy partnership

UPSC RELEVANCE

“India’s energy security cannot be achieved through reactive policy alone. Structural diversification — across geographies, fuels, and delivery mechanisms — must become as central to India’s strategic planning as military readiness.”

FACTS CORNER

- **Saudi Contract Price (SCP):** Monthly benchmark set by Saudi Aramco for propane and butane (LPG components); global LPG pricing is indexed to SCP
- **Strait of Hormuz:** 33–39 km wide at its narrowest; connects Persian Gulf to Gulf of Oman; Iran controls the northern coast
- **PAHAL scheme:** Direct Benefit Transfer (DBT) for LPG subsidies; world’s largest such scheme (launched 2014)
- **GOBARDhan:** Galvanising Organic Bio-Agro Resources Dhan; promotes compressed biogas from cattle dung and agricultural waste — reduces LPG imports
- **OALP:** Open Acreage Licensing Policy; allows companies to carve out their own exploration blocks — aims to boost domestic upstream
- **SPR (Strategic Petroleum Reserve):** India’s 3 SPR sites hold ~5.33 million tonnes — equivalent to ~9.5 days of imports; IEA recommends 90 days of net import cover
- **Chabahar Port:** Indian-developed port in Iran; allows India to bypass Pakistan to access Afghanistan and Central Asia; strategic value persists even during US-Iran conflict

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