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Dynamics of India's Changing Geo-Politics of Oil

By Sara Chawla¹

Abstract

The geopolitics of the world or a specific country, with regard to oil and its consumption, is highly dependent on the ever-changing circumstances at the global level. The strategisation of a resource that runs the international community of over 195 nations has huge and numerous factors around the world when change is proposed by experts in the field. Historical backgrounds, existing literature, extensive research and unbiased analysis are a few out of many other elements that are required to undertake a study as vast as the one related to geopolitics of oil, especially when the future of the countries is based upon such studies. The formulation of the content above with regard to the changing geopolitics of oil in India and otherwise on the international level is grounded on the sources in the public domain. The sources used to form the literature are secondary in totality, no primary source of collecting data was utilised in any way. The analysis of the study undertaken opens with a brief introduction to form the basis of further discussion. To outline the core of the details, changing the geopolitics of oil at a global level follows the introduction. Furthermore, the requirement for the world to strategise the future geopolitics with regard to oil is discussed and analysed, following which, the changing geopolitics in India at present is taken into account. The hurdles which could potentially delay the plans made by the Indian administration in said context are explained before suggestions are proposed to overcome the obstacles. The Conclusion offers closure to the undertaken research into such an extensive subject matter that forms one part of the major global issues today.

Key-Words:

World geopolitics, Indian geopolitics, Oil depletion, Future of energy, Future of oil market

¹ 4th Year Student at Rajiv Gandhi National University of Law, Patiala (Batch of 2024).

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Introduction

Oil is considered to be a luxury in the modern economies of the world today. It is a commodity that allows the nations to run and to world efficiently on a global level. The economies would not have the speed and power boost that they have if it was not for a resource like oil. The countries participate in the international market if they have the requirement for either market or for the resource itself, even though they do not possess any other element to give them a position in the global trading system². India and China are among the top three economies which form the demand for more than 4% of the oil reserves in the entire world³.

Crude oil is the base from which several other by-products of the same originate. The origin of the crude oil itself is a question of study even now since there is a lack of fossil remains that would hint at the very first occurrence of crude oil on the earth. The only expertise that the scientists offer is that it took millions of years for the biological factors to bring crude oil into existence. It is believed that the dead organisms on the sea floor carbonised, and when the atmospheric elements resulted in deposits of sand and sediments on to the dead plants and animals, the lack of oxygen led to the chemical changes which brought crude oil into existence. Since the process was so gradual that a million years passed before such a creation could be unveiled, it is common knowledge that crude oil is a non-renewable resource, i.e, it is finite and cannot be recreated.

Changing World Geopolitics of Oil

The world economies are characterised by the consistency of change and modification, i.e, the various economies that dominate the globe are ever-changing, they do not remain static for long. Numerous circumstances become the factors that act as a catalyst to such changes in the international community. Oil and its reserves are one factor that has gained prevalence in global issues at present. In other words, today the economies need to change their geopolitics due to the

² Bloomberg 2018, "Speculators Rattle China Oil Futures as Prices Break From World", <https://www.bloomberg.com/asia> (accessed on 21/07/2022).

³ British Petroleum, "Statistical Review of World Energy-2012", <https://iopscience.iop.org/article/10.1088/1742-6596/1111/1/012078> (accessed on 20/07/2022).

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non-renewable resource of crude oil and its remaining reserves in the world⁴. As briefly stated in the introduction, crude oil is a finite resource, that is, it is not renewable in any form, and any of its by-products cannot be manufactured alternatively and without crude oil itself. It has become a huge concern in the international community because the oil reserves have been depleting rapidly as a result of increased demand for the same in the under-developed, developing and developed nations. It is a commodity that has become a luxury in certain economies and has also become a necessity in others. Oil and its by-products, like petroleum, contribute to about 95% of transportation around the world⁵, it is also used majorly for generating electricity and energy. The global societies consisting of labourers and manufacturers add to the domestic economic growth of their nation by working efficiently with the help of the convenience and speed that oil and energy offer. Without the oil reserves, it would be nearly impossible for the countries to recover their lost efficiency and ease of progression⁶.

The aforementioned privileges of crude oil led to the observation by the global leaders with regard to producing alternatives to oil. The depletion of the oil reserves did not come as a surprise for the experts and for the international community since it was already established that such reserves would eventually run out, however, the realisation of the dependence of the countries on such a non-renewable resource did come as a hard pill to swallow. The nations around the world have no choice other than finding alternatives to oil if they want to survive in the modern era, the loss of progress till now is not an option for such developing and developed economies. A change in the geopolitics around the world is essential where oil is concerned, the global leaders require firmly rooted solutions to the issue of running out of oil reserves.

For decades now, the Middle East has acted as a major reserve for crude oil throughout the world⁷. The majority of the countries like in the western part are entirely dependent on the Middle East for procuring the required amount of oil for their economies. It was a long passage of time before the international community felt the need for more oil reserves in territories other than the ones in the Middle East. The experts started to observe changes in the dynamic of the countries in the Middle East where their relationship with the parts of the world was concerned. For instance, issues and

⁴ Charu Rastogi, "Changing Geo Politics of Oil and its Impact on India", https://www.sciencedirect.com/science/article/pii/S1877042814030833?ref=pdf_download&fr=RR-2&rr=7338ff5dcb5a3384, accessed on 21:07/2022.

⁵ Ibid.

⁶ Barnette, Thomas, "Death to Resource Wars" - <https://nation.time.com>, accessed on 21/07/2022.

⁷ Singapore, "Southeast Asian Studies" - <https://www.iseas.edu.sg/tr12007.pdf>, accessed on 20/07/2022.

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conflicts arose between the United States of America and the Muslim nations⁸, therefore creating tensions between buyers and suppliers of crude oil and its by-products. Following such examples, oil reserves and refineries were established in countries like Russia, Alaska, etc.⁹ so that the dependence on the reserves in the Middle East could be broken. The said refineries and reserves as established in territories other than the Middle East also offered a reprieve from the uncertainties that could arise out of war situations involving the countries possessing a majority of the oil reserves. The geopolitics of oil throughout the world changed from being dependent on the Middle East to being mostly self-dependent or dependent on ally nations for a commodity as essential as oil.

India's Changing Geopolitics of Oil

As stated briefly in the discussion above, India is one of the three top buyers of oil in the world. Due to the density of its population, India requires at least 4% of the total oil reserves in use. India is a developing nation and therefore, requires oil and its by-products for almost all of its domestic activities. More than 85% of the Indian population is a part of the agricultural sector¹⁰, therefore requiring power supply and oil to use advanced technology in order to increase efficiency. Where India consumes preposterous quantities of oil, it does not contribute even 1% where reserves are concerned¹¹. In other words, India does not produce or reserve oil, it merely consumes it. Such one-sided usage of a non-renewable resource can prove to be perilous for the Indian population once the oil reserves deplete entirely.

The aforementioned issue of depleting oil reserves can become the potential downfall of a country like India which neither has the funds nor the resources that could efficiently act as alternatives to oil¹². Therefore, it has to be acknowledged by the Indian administration that a change in geopolitics is essential to remain afloat among global leaders. Experts around the world warned about the oil reserves running out decades ago so that the nations would have ample time to find and produce

⁸ Arab News, "Geopolitical Tensions Continued to Dominate the Oil Market" - <https://www.arabnews.com/node/2056141/amp>, accessed on 21/07/2022.

⁹ Billon & Khatib, "Terrorism, War and US Geo Politics in the Persian Gulf" - <https://www.geog.ubc.ca/>, accessed on 21/07/2022.

¹⁰ Ministry of Home Affairs, "2012/2013 Annual Report" - <https://www.mha.gov.in/document/annual-reports/annual-report-ministry-of-home-affairs-2012-2013>, accessed on 21/07/2022.

¹¹ Planning Commission-2007 - <https://planningcommission.nic.in>, accessed on 21/07/2022.

¹² Niti Aayog, "2018/2019 Annual Report" - <https://www.niti.gov.in/sites/default/files/2019-11/AnnualReport2019.pdf>, accessed on 21/07/2022.

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appropriate alternatives. One such replacement of oil is energy which can be produced by using biomass from the waste collected from households. It is a potential resource that could completely replace oil in India and in other parts of the world as well¹³.

Energy is a renewable resource which is produced from biomass. It has been aiding countries including India to gradually act as an alternative to oil. Liquified petroleum gas is one example of the energy that could save the Indian economy from collapsing once the oil reserves deplete completely¹⁴. Natural gas can replace petroleum so as to provide some relief to the fast-emptying oil reserves throughout the world. Another alternative to oil is the reduction in demand for the by-products of crude oil, however, such a suggestion is taken to be impractical since the Indian population is majorly in the sectors that require annual labour using machinery¹⁵. Also, the people below the poverty line in India outnumber the people living luxurious lives, therefore making it impossible for the Indian government to reduce the demand for oil when it is already at its minimum.

India is an economy that needs a strong foreign policy to formulate strategies for when the oil reserves would run out. It is important for the Indian administration to acquire foreign guidance and help with the constraints that it would have to go through to stabilise its development and progress once the life-support offered by oil is cut-off. Foreign investors in energy generation instead of oil consumption can offer huge support to the Indian leaders. Capitalisation of units that could aid in supplying energy as an alternative to oil would act as a head-start for the economy to prepare for when the oil reserves are depleted. The Indian government needs to bring the private sector into the generation and supply of energy if it wants to reduce its dependence on a finite resource. Production of alternatives by both the public and private sectors is essential for capital formation and investments in projects involving renewable resources. The government needs to shift its funding from other projects to the ones that could bring energy supply into existence as an efficient resource be used instead of crude oil.

¹³ The Economist, "Is it the End of the Oil Age?" - <https://www.economist.com/leaders/2020/09/17/is-it-the-end-of-the-oil-age>, accessed on 21/07/2022.

¹⁴ Equity Oil and India's Energy Security. Strategic Analysis, volume 29, no. 3.

¹⁵ Ibid.

Hurdles to India's Changing Geopolitics of Oil

When an issue arises on a national or international level, there are numerous solutions to it. However, just like the subject matter has the scope for resolving the problem, there are also hurdles that do not allow for the workability of the proposed solutions. The depleting resource of oil is one issue that has wreaked havoc on the entire international community today.

India has the option to convert its consumption from being oil-based to energy-based, however, the infrastructure needed for the same is not present in the country¹⁶. Another option that India has is to cut down on its consumption of oil, however, it was not taken to be a practical solution since the large Indian population living in areas below the poverty line is already exempted from the usage of oil in excess. It is merely the mediocre and upper-class Indians who consume the by-products of crude oil. Another issue that arises in terms of consuming energy instead of oil is regarding the storage units. India is not equipped with the infrastructure that would allow the storage of energy, and it serves to be a huge setback for the Indian administrators who felt the need to act upon the need to replace oil with energy. Another obstacle that is not allowing India to fulfil its plans to prevent an oil crisis in the near future is that energy produces half of the electricity that the country requires¹⁷, that is, even if oil is replaced by energy, the economy would not be able to function without the procurement of power supply for the activities ensuring its progress at present. Energy can be generated, but the generation of electricity from the said resource is the hurdle that India's leaders are working to overcome.

Besides the hurdles discussed above, India is also struggling with an economy that does not have sufficient circulation of money flow. Lack of funding is a persistent issue that has been delaying India's plans to strategise changes in its geopolitics of oil for years now. India requires foreign partners who could support its goals, however, it is difficult to achieve since the international leaders are themselves struggling with economies that were riddled by irreparable losses post-covid era¹⁸. India has no choice but to modify its territorial units so as to formulate appropriate geopolitical strategies in relation to oil and the potential crisis in the future. Overcoming the aforementioned

¹⁶ Malkar, "India's Energy Security and the Gulf", <https://www.academicexcellence.com/>, accessed on 21/07/2022.

¹⁷ Government of India, "Export-Import Database" - <https://commerce.nic.in>, accessed on 21/07/2022.

¹⁸ FICCI & E.Y. (2011), "India's Energy Security: Key Issues Impacting Indian Oil and Gas Sector" - <https://www.ey.com/>, accessed on 21/07/2022.

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hurdles to India's laid-out plans is the ultimate hurdle itself since most of the factors seem to be outside the control of the administrators. The lashes suffered by the leading economies around the world due to the Covid-induced lockdowns serve as the biggest obstacle since India cannot pursue any of its goals without sufficient funding and investments¹⁹. However, where there are hurdles, there are also solutions to them, and if such suggested solutions are taken into account by the leaders, then it is not a very difficult task to prevent future crises.

Suggested Solutions to the Hurdles Obstructing India's Changing Geopolitics of Oil

After numerous studies undertaken within the Indian territories, many solutions were suggested to overcome the hurdles that have delayed India's plans to amend its geopolitics in relation to oil and its depleting reserves. India itself cannot be an oil reserve due to its unfavourable infrastructure. It is a consumer of oil, and because of having a huge population, it has great demand for the non-renewable resource. Where China is parallel with India in its demand for oil, its imports override those of India. Since the latter neither has the resources, nor the funds to effectively replace oil in its consumption, it has to restructure the entire geopolitics to feel prepared for the potential crisis that would arise out of the depletion of oil reserves. For this purpose, India needs to divide its geopolitics into several models which could track the accomplishment of the government in the matter²⁰.

First and foremost, India needs to resolve its issue of funds and investments. It needs to formulate a stringent foreign policy which would help with the obstacles that India is facing at present. It needs to acquire support from foreign investors who would resolve the issue of insufficient funds²¹. India requires capital for the units that could start generating energy so as to establish an alternative to oil where economic activities are concerned. Its foreign policy needs to ensure sufficient investments for undertaking projects to effectively replace oil.

Secondly, India needs to seek storage units for preserving energy so as to gradually reduce the consumption of oil. Storage of energy has always been one of the greatest issues that India phased with ever since the depleting oil reserves had come into the focus of global leaders. It is significant

¹⁹ Worldbank, "GDP Current US\$- China, USA and India" - <https://data.worldbank.org>, accessed on 21/07/2022.

²⁰ TERI, "The Energy and Resource Institute", <https://www.teriin.org/>, accessed on 21/07/2022.

²¹ Planning Commission (2002-07), "Tenth Five Year Plan" - <https://planningcommission.nic.in>, accessed on 21/07/2022.

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for India to arrange storage units for energy from the suppliers of oil²². Crude oil forms the component from which energy is attained, however, such generated energy cannot be preserved for long in the infrastructure that India is equipped with, and therefore, storage units need to be sought by the Indian government from the foreign organisations supplying it with oil requirements.

Thirdly, the issue of public units in India is observed to be inefficient for the generation of energy as an alternative to oil. The government-owned units that supply oil to the population are insufficient and inefficient in taking over the project of generating and supplying energy as a replacement for oil. As for the solution to the aforementioned problem, it would be highly significant for the Indian government to bring in the private units dealing with oil supplies to work jointly with the public units in the form of joint ventures²³. The highly competitive nature of the private units would offer efficiency in their functioning and the same would serve as an incentive for the public units to work more efficiently.

The three models discussed above as steps to achieve the goal of alternating oil with a more renewable resource. The suggestions are the ones which have been provided by various experts who undertake regular studies into the global standing of India's geopolitics in matters concerning other nations at the time. Oil and the potential oil crisis is one of the prevailing global issues rattling international relations at present, and therefore analysis and observations became vital for such experts to advise the Indian administration. There are solutions to the problem that the international community is going through at a particular point in time, but when such a problem is taken to be from the perspective of a specific country, hurdles arise. The said hurdles or obstacles are screened by the national leaders and then the solutions to those elements obstructing progress are formulated. the said pattern has been followed in the above discussion wherein the problems being phased by other countries were explained with relation to changing geopolitics of oil, then the issue was taken up for discussion from the perspective of Indian administration, from the study of the Indian perspective, hurdles to the modification of the geopolitics of India were analysed before solutions were suggested to overcome the aforementioned hurdles, and such suggestions become the absolute support for a nation like India that has to restructure its entire geopolitics of oil to gain its standing in the international community alongside the global leaders.

²² Ibid.

²³ Ministry of Commerce, "2012/2013 Annual Report", <https://commerce.nic.in>, accessed on 21/07/2022.

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Conclusion

When a global problem arises, the different nations and economies have different associated issues to resolve. Similarly, for some countries, the problem becomes easier to resolve than is the case with other countries. For instance, reduction of oil consumption is an issue for the Indian population, but such a reduction in demand for oil became an issue in the western nations. After the Covid-induced lockdowns, the western part of the world became used to work-from-home mode of economic activities, and the same could not be said for other economies. Western societies found it an issue to preserve the oil imports when the supply of the same exceeded the demand²⁴. The people of such economies reduced the consumption of oil for transportation purposes since the employment became majorly online, cutting down the oil consumption for commutes. A problem with storage arose in the said countries where the demand had suddenly seen a drastic decline.

Along similar lines, India has always demanded more than feasible quantities of oil in the form of imports, and it did not have a very significant impact on the storage units during the pandemic. However, oil did become a potential source of glory for the nation when Russia made India its partner for oil trading once its other partners sanctioned it for invading Ukraine in 2022. Since Russia could not trade in US dollars, its other option was to use Indian Rupee for business transactions with India. This became a huge opportunity for the Reserve Bank of India to bring the Indian currency into the international market, it would also reverse the depreciation of the Rupee which it has been suffering from for years now²⁵. The oil trades with Russia and India's goal to make the Rupee glorious once again form the most recent ploy in amending its geopolitics of oil.

²⁴ Economic Times, "The Geo Politics News", <https://economictimes.indiatimes.com/topic/geopolitics/news/5>, accessed on 21/07/2022.

²⁵ Financial Express, "Geopolitical Risks Overdone", <https://www.financialexpress.com/opinion/geopolitical-risks-overdone-rbis-fx-reserves-will-shield-bop-from-any-oil-shock-due-to-rising-geopolitical-tensions/2442956/lite/>, accessed on 21/07/2022.