Indian Economy · GS - III

Examine the significance of crude oil supplier diversification for India's energy security. How should India balance geopolitical pressures, affordability and strategic autonomy in its energy policy?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 20/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Import dependence, supplier diversification, Russian crude, U.S. oil, Venezuelan sanctions, price volatility, strategic autonomy, energy diplomacy, renewable energy, strategic petroleum reserves.

Model Answer

Introduction

Crude oil is essential for India's transport, industrial and economic activities. High import dependence makes energy security a strategic priority. Calls by the United States for India to purchase more American and Venezuelan oil illustrate the interaction between energy trade and geopolitics.

Significance of Diversification

- **Supply security:** Multiple suppliers reduce dependence on individual countries and particular transport routes.
- **Economic stability:** Access to competitively priced crude can help manage inflation, the current account deficit and fiscal pressures.
- **Diplomatic flexibility:** A diversified import portfolio can strengthen India's bargaining position.

Challenges

Supplier choices are influenced by crude quality, refinery compatibility, freight costs, payment arrangements and sanctions. Replacing one supplier with another may raise costs, while excessive dependence on any single source creates vulnerabilities.

Way Forward

1. Evaluate purchases on commercial terms while complying with applicable international and domestic legal requirements.
2. Expand strategic petroleum reserves and strengthen supply-chain resilience.
3. Diversify import sources and transport routes.
4. Accelerate renewable energy, electric mobility, energy efficiency and domestic exploration.

Conclusion

India should pursue a pragmatic, diversified energy strategy guided by affordability, reliability and strategic autonomy. Reducing oil dependence over time is as important as diversifying the countries from which oil is purchased.

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