

INDIA'S EVOLVING ENERGY DIPLOMACY

Relevant for: International Relations | Topic: India's Foreign Policy evolution and changes

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The recent decision of the Organisation of Petroleum Exporting Countries (OPEC) to allow a muted increase in production in the first quarter of next year was welcomed by petroleum and natural gas minister, Dharmendra Pradhan, because of what it means for price stability rather than the hope it means cheaper oil.

India stands to gain because oil producers need to generate revenues necessary to maintain the investment levels to ensure steady oil supply. India's relations with the largest oil producers, notably the Persian Gulf monarchies and Russia, also increasingly revolve around them ploughing their earnings into India's oil and gas sector. New Delhi's ambitious plans for energy transition partly depend on the financial status of the largest OPEC members — a partnership OPEC acknowledged at the recent India-OPEC institutional dialogue. Mr Pradhan was notably more interested in potential OPEC investments in India than the ups and downs of oil production.

Despite OPEC's earlier production cuts and its projected increases, global prices have remained in the \$40 to \$50 a barrel range. Thanks to record foreign exchange reserves, India today can absorb somewhat higher global oil prices, and shift focus on attracting the massive investments needed for its natural gas and renewable energy plans. Implicit is the recognition oil is rapidly ceasing to be a strategic commodity. The real challenge for India's energy diplomacy is preparing the ground for a post-oil future in a manner that ensures oil markets abet rather than disrupt this larger transition.

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