Energy reforms in India are a job half-done

India can look forward to some relief on the oil price front. Saudi oil minister, Khalid Al Falih, has declared it is “inevitable” that the Organisation of the Petroleum Exporting Countries (OPEC), and thus the cartel’s partner Russia, will increase production. The degree to which global crude prices will fall and over what time frame is unknown. Therefore, the impact on India’s political economy, recently shaken by the inflationary and fiscal fallout of $ 80 a barrel oil, remains unclear. Any drop in prices can only be welcomed by the Narendra Modi government. Brent crude prices have dipped to $ 67 dollars in expectation.

Saudi Arabia and Russia successfully persuaded OPEC to cut production by 1.8 millions per day to force up prices in 2016. Prices rallied further when Venezuela’s production collapsed, US shale oil exports stalled on transport bottlenecks, Washington announced sanctions on Iran, and Chinese demand spurted. Collectively, the result was to see prices spike. India, among others, has been suitably reminded of its continuing vulnerability to external oil prices.

Saudi Arabia and Russia now agree oil prices need to moderate. The two understand that overly expensive crude leads to a shift towards other energy sources and an inevitable price collapse. Riyadh has also promised the US to ensure oil prices fall after Iran is sanctioned. The next few months will see whether Riyadh and Moscow will be able to impose their will on OPEC hard-liners such as Iraq and Iran. Or whether the US can lay new rail tracks and pipelines to push out more of its shale surpluses. India and China are reportedly considering jointly buying more US oil and gas. While this is partly about trying to avoid trade sanctions by a mercantilist President Donald Trump, this addresses the Saudi-Russia axis not oil dependency.

The spring oil crisis actually strengthened a sense that the days of $ 100 a barrel are over. Even with so many things going wrong, oil futures markets remained tepid. Nonetheless, as the world’s fastest growing oil importer India needs to be doubling down on diversifying its dependency on the black stuff. Sadly, energy reforms remain a job half-done. The natural gas sector struggles to fund the infrastructure needed to make it a serious part of the energy mix. Solar and wind markets are so volatile as to scare away investors. Nuclear power is a black hole. The much-touted electric vehicles policy is out of charge. It is hoped that when oil prices begin to sag again, New Delhi will not be diverted from genuinely converting its many ideas regarding energy diversification and green energy into reality.

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