

ENERGY COOPERATION AS THE BACKBONE OF INDIA-RUSSIA TIES

Relevant for: International Relations | Topic: India - Russia

India has been at the forefront of the transformation of global energy and striving to diversify its trade relations. With its abundant energy sources and appetite for trade diversification, Russia could be an ultimate long-term partner. But the bilateral ties require more support from both government and corporate leaders to grasp its potential in this field.

In September, at the 6th Eastern Economic Forum (EEF) in Russia's Vladivostok, Indian Prime Minister Narendra Modi in a virtual address said, "India-Russia energy partnership can help bring stability to the global energy market."

India, Russia friendship has stood test of time: Modi

Indian and Russian Energy Ministers announced that the countries' companies have been pushing for greater cooperation in the oil and gas sector beyond the U.S.\$32 billion already invested in joint projects. India's Minister for Petroleum and Natural Gas Hardeep Singh Puri referred to Russia as the largest investor in India's energy sector.

The novel coronavirus pandemic is still far from over but an economic recovery has been underway. India, Asia's third-largest economy, has expanded by more than 20% in the June quarter on a year-to-year basis and is expected to grow by around 9% by the end of 2021. The rate is expected to be higher than China's 8.5%, assuming the effective suppression of COVID-19.

The distinctive feature of this recovery is that it is advanced by the quest for energy transformation and environmental concerns. India has been increasingly leaning toward green transition since the recovery started, and its appetite has been growing.

'India-Russia face common threats from Afghanistan'

One of the examples of cooperation between the two countries in energy transformation is the joint venture between India's Reliance Industries Ltd. and Russia's Sibur, the country's largest petrochemicals producer. Set up in Jamnagar, Gujarat, the venture now leads the first butyl and halogenated butyl rubber production facility in South Asia. The facility became operational in 2019 and achieved a total throughput within the first year, establishing itself as a significant supplier of butyl rubber in the Indian market previously wholly dependent on imports. A joint venture will produce up to 120 ktpa of butyl rubber, 60 ktpa of which could be further converted to halogenated butyl rubber to meet the growing demand from domestic tyre manufacturers.

In an interview, Alexander Petrov, Sibur member of management board heading the Plastics, Elastomers and Organic Synthesis Division, said in an interview, "Reliance Sibur Elastomers is not only supplying most of the butyl rubber consumed in the country but is also exporting its products." He added, "Sibur is bringing to India unique technology, which is not commercially available in the market and the most advanced in terms of [an] ecological footprint. The project will tremendously support the growth of India's auto industry by securing uninterrupted critical raw material supply. This is of particular importance in the current pandemic, multiplying the risks of global supply chains disturbance."

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Apart from accounting for most of the Indian butyl rubber market, Reliance Sibur Elastomers exports its products to Asia, Europe, the United States, Brazil and other countries. The venture is also promoting halogenated butyl rubber, which is a more premium product.

The project is a clear manifestation of the “Make in India” and “Atmanirbhar Bharat” initiatives, representing a practical example of technology transfer from Russia to India.

India is one of the fastest-growing markets for butyl rubber and halogenated butyl rubber due to its rapidly expanding car manufacturing industry pushing for electric vehicles. Further to this, India is emerging as a critical refining hub in Asia to boost its petrochemical capacity. Currently, the country has an installed capacity of more than 249.36 mtpa, with local companies planning to significantly expand the capacity by investing more than U.S.\$27 billion by 2021.

India-Russia defence trade worth \$15 billion in three years: Russian official

Over the past years, India’s refineries have been expanding towards petrochemicals to capture additional value, the International Energy Agency wrote in the *India Energy Outlook 2021* report in February. The agency estimates that the country’s ethylene production is set to grow by two-thirds over the period to 2030.

Russia’s Gazprom and India’s ONGC Videsh Ltd. (OVL) and the Indian Oil Corporation signed separate memorandums of understanding at Vladivostok. Mr. Puri also met with Sibur’s Management Board Chairman Dmitry Konov at the event.

In efforts to transition to green energy, India has recently achieved a significant milestone of completing the countrywide installation of 100 gigawatts of total installed renewable energy capacity, excluding large hydro. It now aims to hit 175 GW of renewable energy target by December 2022. If achieved, that would be close to half of India’s current total installed power capacity. Furthermore, according to the survey of the government in New Delhi, “additional investments in renewables up to the year 2022 would be about \$80 billion”.

Commitment to net zero emissions could positively impact the country’s growth trajectory. A recent Deloitte report has forecasted that India could gain U.S.\$11 trillion in economic value over the next 50 years by limiting rising global temperatures and realising its potential to ‘export decarbonization’.

Russia to deliver first stealth frigate by mid-2023

However, unknowns of climate change and threats of a new pandemic suggest that the country should accelerate its energy transition. Russia, one of the key global players across the energy market, could emerge as an indispensable partner for such a transition. Notably, both countries have an extensive record of bilateral cooperation in the energy domain.

Russian companies have been involved in the construction of six nuclear reactors in the Kudankulam nuclear power project at Tamil Nadu. Of these, unit 1 and unit 2 have been operating at total capacity. Unit 3 is still under construction. Previously, Russian President Vladimir Putin claimed that Russia is ready to build a dozen reactors in India over the next 20 years. Furthermore, India and Russia secure the potential of designing a nuclear reactor specifically for developing countries, which is a promising area of cooperation.

India's nuclear power generation capacity of 6,780 MW may increase to 22,480 MW by 2031, contributing to the country's efforts to turn to green energy.

The sanctions cloud over India-U.S. ties

A few years ago, Rosneft invested U.S.\$12.9 billion in India's second-largest private oil refiner, Essar Oil, renamed Nayara Energy, marking it one of the most significant foreign investments in years.

In September, almost all of Russia's major energy companies were interested in projects in India, Russia's Energy Minister Nikolai Shulginov said at the Vladivostok forum in September, adding that he sees prospects for energy cooperation in all areas.

However, the current bilateral exchange rate needs to accelerate for India to grasp its potential from energy transformation.

Despite significant progress, coal remains India's most important source of electricity production, and it does not spell good news for the environment.

1971 Indo-Soviet pact most consequential international treaty by India since Independence: envoy

To meet its growing energy demand and succeed in green transformation, India needs approximately U.S.\$500 billion of investments in wind and solar infrastructure, grid expansion, and storage to reach the 450 GW capacity target by 2030. Therefore, more efforts are needed to expand cooperation with such partners as Russia.

Dmitriy Frolovskiy is a political analyst and consultant on policy and strategy in the Middle East and Central Asia, and has written about Russia's foreign policy. His writings have been featured in Foreign Policy, The Hill, the Carnegie Moscow Center blog, Al-Jazeera, and other outlets

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The advancement of Hindutva offers residual space to symbols of Buddhism and downplays its revolutionary potential

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