

Geostrategic Significance of Energy: A Glimpse of India-Russia Relations

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Abstract

History bears witness to how resources have become the object of many conflicts and wars between nations. The roots of imperialism and colonialism are embedded in the need for resources. Examples of these resources are both renewable and non-renewable resources such as water, minerals, fossil fuels and natural gas. Out of all these what stands prominent is energy derived from non-renewable resources. With modernization stepping into every aspect of civilized life, energy becomes the criteria to distinguish a developed country from an underdeveloped or developing country. A country brimming with fossil fuels and other natural gases shapes the foreign policy of other nations through export or making others inescapably dependent on it. It is said, then the geostrategic importance of these energy sources increases the status and position of that nation in the global power structure. In this backdrop, the geostrategic importance of Russia in power structure has been analyzed in this paper. For the burgeoning population and sky-rocketing energy requirements, the energy available in India has not been adequate. For this reason, since independence India has been compelled to be dependent on other energy surplus countries. India's growing and deepening relationship with a reliable Russia can be explained in this light. With exit of western investments in Russia for exploration of energy the Indian companies have stepped in for new explorations and increasing production. This mutuality has strengthened their relations despite tumults in global politics and ongoing Russia's special operation in Ukraine. This geostrategic importance of energy in the friendship between India and Russia will continue till India attains self-sufficiency in producing energy.

Key words

energy, India, Russia, energy diplomacy, energy cooperation

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The authors declare the absence of conflict of interests

For citation

Rout Madhusmita, Sethy Bhagyadhar. (2022). Geostrategic Significance of Energy: A Glimpse of India-Russia Relations. *Управление и политика*, 1(3), С. 88–100.

The criteria of being respected as a great power lies in the amount of energy a country consumes. The more the energy a country uses, the more it ascends on the scale of greatness and power status. Gone are the days when India was regarded as a poor and underdeveloped country that sought security and protection from other nations. Things have dramatically changed on the global scene. India is now acknowledged as one of the fastest growing economies in the world. Energy consumption is considered as one of the key elements in attaining such a spiraling growth rate. India's growth experience is somewhat different from developed countries as the growing energy requirements of the burgeoning population are leading to energy insecurity, precipitated by the voluntary nationally-determined limit on the wanton use of fossil fuel-based energy, as agreed to at the Paris summit on climate change. Every nation as India is caught in a dilemma between the government responsibility to meet the ever-increasing energy needs for its growing population and the moral obligation to all humanity to reduce emission of carbon dioxide in the atmosphere to the level of 1.5 degree Celsius at the pre-industrial age. Sustaining the present economic growth in India requires an increase in energy security coupled with energy efficiency and with an effective policy of reducing CO₂ impacts. Energy security has emerged as an important concern for the policy makers in India as it is vital to achieve its global obligation to reduce emission of carbon dioxide and to meet the energy requirements of its population by achieving the targeted economic growth of 9-10% in the coming years.

India's energy consumption increased by 4.5% and production by 3.72% from 1981 to 2010. India accounts for 2.4% of the world's total annual energy production, but consumes about 3.3% of the world's total annual energy. With a targeted growth rate of 10% to 9% and an estimated energy elasticity of 0.56 (for the period 2001 to 2010), the energy requirement in the country is expected to grow at 5.6% in the coming 5-6 years. Though primary energy consumption has increased significantly in absolute terms, India's per capita consumption

of energy continues to be lower than many emerging economies. The Government of India in its mid-term review of the Tenth Five Year Plan recognized the fact that under-performance of the energy sector can be a major constraint in achieving a growth rate of 8% GDP during the plan period. It has, therefore, called for acceleration of the reforms process and adoption of an integrated energy policy.

However, the relationship between energy and economic growth has different implications. Energy growth influences economic growth, and not vice versa. Increase in energy consumption is important to enhance and sustained economic growth but not without damaging environmental implications. And the policies aiming at energy conservation may retard economic growth. Contrarily, if economic growth influences energy consumption, energy conservation policies may be attempted with little or no significant impact on economic growth. Similarly, if there is bi-directional causality, a combination of these policies may be attempted. If there is no causation between growth and energy consumption, they are independent, and the policies have to be attempted in each without bothering implications for the other.

The International Energy Agency (IEA) last released a world energy outlook special report on India in 2015. Seven years later, it is remarkable to consider the changes that have taken place. The global energy sector has shifted a great deal over that period, particularly in terms of efforts to strengthen policies to tackle the threat of climate change. The growing number of net-zero emissions pledges by countries and companies reflects the increasing sense of urgency and accelerating momentum around clean energy transitions. Recently, the COVID-19 pandemic brought unprecedented disruptions to our societies and economies, with major consequences throughout the energy world. The damage to lives and livelihoods – and too many parts of the energy sector – will last for years to come. Focusing on India's energy system in particular, we may highlight two extremely positive developments. The first is India's success in bringing electricity connections to hundreds of millions of its citizens in recent years. This is a monumental achievement that has improved the material well-being of a huge number of people.

The second encouraging development is the way in which India has grasped the transformative potential of renewable energy, and solar energy in particular.

As this report shows, the growth of India's renewable energy sector has been highly impressive – and India is set to lead the world in areas such as solar power and batteries in the coming decades.

Additionally, India has promoted the adoption of highly-efficient LED lighting by most households; and prompted a massive expansion in renewable sources of energy, led by solar power. The gains for Indian citizens and their quality of life have been tangible. However, the COVID-19 crisis has complicated efforts to resolve other pressing problems. These include a lack of reliable electricity supply for many consumers; a continued reliance on solid biomass, mainly firewood, as a cooking fuel for some 660 million people; financially ailing electricity distribution companies, and air quality that have made Indian cities among the most polluted in the world.

India is the world's third-largest energy consuming country, thanks to rising incomes and improving standards of living. Energy use has doubled since 2000, with 80% of demand still being met by coal, oil and solid biomass. On a per capita basis, India's energy use and emissions are less than half the world average, as are other key indicators such as vehicle ownership, and steel and cement output. As India recovers from the COVID-induced slump of 2020, it is re-entering a very dynamic period in its energy development. Over the coming years, millions of Indian households are set to buy new appliances, air conditioning units and vehicles. India will soon become the world's most populous country, adding the equivalent of a city the size of Los Angeles to its urban population each year. To meet growing electricity demand over the next twenty years, India will need to add a power system the size of the European Union.

The increasing urgency of adhering to the global target set by the Paris summit to prevent climate change from becoming an apocalypse has remained one of the greatest challenges for policy makers in India. India has so far contributed relatively little to the world's cumulative greenhouse gas emissions in comparison to the developed world. But the country is already on an economic ride to enter the club of industrialized nations in the near future. This article's analysis is based on a detailed review of existing or announced energy reforms and targets. These include the aims of quadrupling renewable electricity capacity by 2030, more than doubling the share of natural gas in the energy mix, enhancing energy efficiency and transport infrastructure, increasing domestic coal output,

and reducing reliance on imports. Progress towards these policy goals varies across our report's different scenarios, none of which provide a forecast.

The Stated Policies Scenario (STEPS) gave a balanced assessment of the direction in which India's energy system is heading, based on current policy settings and constraints and an assumption that the spread of COVID-19 would largely be brought under control in 2021.

The India Vision Case is based on a rapid resolution of today's public health crisis and a more complete realization of India's stated energy policy objectives, accompanied by a faster pace of economic growth than in STEPS.

The Delayed Recovery Scenario analyses potential downside risks to India's energy and economic development in the event that the pandemic is more prolonged.

The Sustainable Development Scenario explores how India could mobilize an additional surge in clean energy investment to produce an early peak and rapid subsequent decline in emissions, consistent with a longer-term drive to net zero, while accelerating progress towards a range of other sustainable development goals.

Energy as the kingpin of Russia's rise to super power status

Energy is a mainstay of Russia's foreign policy and an essential source of its current political power and international prestige. Without its ability to produce and supply energy, Russia would not have the status it has today. It would not have the same influence as a G8 member, command the attention of the United States as it does, or have the same privileged relations with several leading European Union countries, notably Germany. It would also be of less interest to China. Russia has the world's largest natural gas reserves, the second largest coal reserves and seventh largest oil reserves. It is the largest exporter of natural gas and since 2009 has been periodically overtaking Saudi Arabia as the world's largest oil producer. It currently supplies around 30% of the oil and 25% of the gas to EU consumers, and is also a significant global force in the nuclear power industry.

Russia's use of energy resources as a source of power projection reflects a change over the past 20 years that has seen a significant decline in emphasis on

the role of nuclear weapons. From the late 1960s, when the former USSR became an increasingly important oil and gas supplier to Western Europe, and up to the end of the Soviet period, energy relations had a different place in Moscow's foreign policy. A symbol of reduced political tensions, they provided a source of hard currency for the USSR and an important tool of commercial engagement, particularly with West Germany. For the USSR to have used them for political purposes in a system of mutual restraint imposed by nuclear weapons would have destabilized security relations with the West and damaged the Soviet economy. Now that Russia's power is derived far less from military power than in the days of the USSR, the energy sector has become as a tool of soft power and more flexible influence.

In broad terms, the energy sector serves a source of economic attraction for neighbors and partners, a significant factor in bilateral relations with neighbors that can be traded for economic and political benefit and sometimes takes the form of coercion, and a means of achieving economic and political influence through non-traditional and sometimes non-transparent mechanisms. Russia's energy relations can be used in different ways to exert influence at different levels of intensity. Their influence is strongest in the Commonwealth of Independent States (CIS), but also extends far into Europe. There is pronounced influence in some EU countries, particularly Germany and several new member states whose dependence on Russian energy supplies developed during Soviet times on the basis of Soviet-built infrastructure and favorable pricing arrangements.

Russia and India: tied together by an energy cord

India and Russia have a long-standing relationship, and securing an economic and energy partnership is important from both the diplomatic and geopolitical perspectives. Russia has a vital role in ensuring India's energy security in the coming decades. India imports oil, mostly from the volatile region of the Middle East. However, to sustain current high rates of growth, India needs to secure and diversify its energy sources. Russia is an obvious choice in this respect.

Both India and Russia have a long history of cooperation in the energy sector, and the prospects for the development of the energy dialogue are as promising now as they were during the period of friendship between the Soviet Union

and India. Since the late 2000s, the Russia-India energy partnership has been enjoying a renaissance. India and Russia have implemented a wide range of long-term and large-scale joint projects in the energy sector, first and foremost in the nuclear sphere.

Furthermore, in order to cement comprehensive ties and bring them to a new level corresponding to the changing global economic environment, the intensity of their relations in the energy sector is very important. Russia and India are in dire need of innovative and novel approaches here. At present India-Russia cooperation in the energy sector is centered on nuclear energy and oil investments. Russia accounts for less than 1% of India's energy imports, while India's energy imports from Russia are under US\$1 billion. Indian oil companies have multiple investments in Russian oil fields, reportedly exceeding US\$10 billion.

Relations in the energy sector should be diversified in new areas such as LNG, natural gas mobility, renewable energy, financial markets for energy and hydroelectricity and nuclear technology cooperation. Scientist exchange programs should also be launched for sharing scientific knowledge between the two countries.

India's daily consumption of oil totals 4.8 million barrels per day, and is projected to increase to 8.7 million barrels per day by 2040, according to International Energy Agency data. India already relies on imports for 85% of its oil requirements. This makes Russia, the world's third largest oil producer and second largest exporter, a natural partner for India. Energy investments in each other's energy sectors would enable India to protect itself against spikes in energy prices and to decrease its overwhelming dependence on Middle East countries, while giving Russia long-term access to buyers. At present, multiple and diversified dependence on many countries has emerged as one of the global strategies to avoid being bullied by the invidious pressure tactics of any nation.

The recently concluded COP26 meeting in Glasgow has reaffirmed the belief that developing countries will remain reliant on fossil fuels for some time to come. This is complicated by the decreasing space for financing fossil fuel-related projects. Twenty countries, including the USA and Canada, have pledged to stop funding fossil fuel energy projects and focus on clean energy projects. This is likely to create market distortions and volatility.

India's problem in the case of oil and natural gas is price spikes and short-term fluctuations caused by geopolitical factors. For Russia, the problem is low oil prices denting the government's income. These issues can be resolved through investments – upstream Indian investment in Russian energy supplies and downstream Russian investment in Indian energy markets.

Indian investments in Russia: current and future

Indian oil companies already have multibillion-dollar investments in Russian oil fields at Sakhalin, Vankor (Vankorneft) and Srednebotuobinskoye (Taas-Yuryakh). However, these investments cover only a small part of India's oil requirements and need to be scaled up. A partial solution to India's energy problems would be to invest directly and acquire a 5-10% stake in Rosneft and Gazprom. These are both dividend paying companies – a spike in oil and gas prices would increase the profits of these companies, and the dividend flow to shareholders (including India) would partly offset the higher import bill.

India has taken a positive step towards increasing its engagement in the Russian energy industry by opening the India Energy Office (IEO) in Moscow which houses five large Indian Public Sector Units (PSUs). IEO, inaugurated in March 2021, aims at finding new business opportunities in Russia, building capacity and import and export petroleum products.

Investments from India will also benefit Russia. West European nations, which have been long-time buyers of Russian oil and gas, have seen their energy needs decline as their populations' age and consumption becomes more efficient. The increasing reliance on renewable energy contributes further to the decline in their use of oil and gas. China, which is an important market for Russian oil and gas, is expected to follow a similar trend. Investment by Indian energy companies in Russia can help secure access to newer markets.

Russian investments in India

Russia's Rosneft has already acquired a controlling stake in the 20-million ton per annum Essar Refinery, in a bid to secure future market access for its oil. But this investment only covers oil, not natural gas. Russia is now facing com-

petition for gas export markets from the USA, which is exporting shale gas to Western Europe, a traditional Russian market. Russia therefore needs to look at other markets such as India for its gas. Just as Rosneft has invested in an oil refinery, Gazprom can partner with Indian public firms that plan to build at least ten Liquefied Natural Gas (LNG) terminals. Further, India wants to bring piped gas to 70% of its population, which will require dozens of city gas distribution networks – this may also be an investment opportunity. Apart from securing market access, these investments will also protect Russia in case of a downturn in energy prices, since margins in the retail business are much more stable than raw material prices.

Oil and gas trade between India and Russia remains significantly low, despite Russia being the world's third largest producer and India the third largest consumer. The most obvious reason for this pertains to the shipping distance, cargo delivery time and cost escalation as a result of long geographical distances between the two countries. India's energy engagements with Russia, other than the direct purchase of oil and gas, are through Oil and Natural Gas Corporation (ONGC) Videsh limited (hereinafter OVL) direct investments in Russian energy projects.

Apart from Sakhalin-1, OVL holds a 100% stake in Russia's Imperial Energy Corporation and a 26% stake in the Vankor field. Also, a 23.9% stake in Russia's Vankor field and a 29.9% stake in the Taas-Yuryakh field are jointly held by the consortium of Oil India Limited, Indian Oil Corporation and Bharat Petro Resource Limited.

In the aftermath of the Ukraine crisis, Russia's offer to supply India with cheaper crude oil (US\$35 less than the international market price), was criticized by the West. However, Indian companies significantly increased their volumes of oil imports from Russia. India's total import of Russian oil despite buying additional volumes in March 2022 remained less than 1% of its total oil import. These figures increased to 18% in May 2022 according to a report published by CREA.

The Western exit from Russian oil projects could become a big opportunity for Indian oil companies to step in and directly invest in Russian energy projects to secure the country's long-term energy needs. ExxonMobil's decision to sell its 30% stake from Sakhalin-1 needs to be carefully thought through, and India's

OVL could consider increasing its stakes in Sakhalin-1. Similarly, OVL or a joint consortium of companies led by OVL could consider buying Shell's 27.5% stake that it intends to sell in Russia's Sakhalin-2 project. OVL already maintains the technical expertise required for drilling in these harsh terrains. Therefore, such investments would significantly strengthen and diversify India's energy supply chains and reduce the country's dependency on Middle East countries for oil imports.

The meeting between President Vladimir Putin and Prime Minister Narendra Modi at the September 2022 summit of the Shanghai Cooperation Organization (SCO) in Samarkand, Uzbekistan, captured the change that is occurring in the partnership between Russia and India. India, while it has long depended on Russia and still regards it as an important country, increasingly seeks to set the terms of their engagement.

In the aftermath of Russia's special military operation in Ukraine on February 24, 2022, this relationship is poised to undergo an even greater transformation for four reasons:

- Russia's pursuit of ever-closer ties with China.
- The greater importance for Russia of its ties with China than with India.
- Russia's diminished importance for India's foreign policy agenda.
- India's growing security relationship with the United States.

The rebalancing of Russian-Indian relations cannot be said to have reached a new status quo, and they will likely undergo significant changes in the years to come. These will likely result from the erosion of the pillars on which the relationship has rested for decades: arms trade, economic ties, and congruent geopolitical interests. Russia, long the preeminent supplier of arms to India's military, is already facing competition in this marketplace, not least because of India's commitment to diversifying its sources of supply and other exporters' hunger for lucrative arms deals. Russian arms manufacturers will have to compete with technologically more advanced suppliers such as France, Israel, and the USA, as well as with India's own defense industry, all the while remaining under tough Western sanctions. Despite the increase in India's purchases of Russian oil since the imposition of Western sanctions on Russia, the commercial relationship between the two countries, which already accounts for a small

fraction of their overall foreign trade, is still marginal to both and virtually certain to remain so.

Conclusion

The geopolitical pillar of Russian-Indian relations is also poised to be weakened by forces beyond Moscow's control. The breakdown in relations with the USA has propelled Russia to seek ever-closer ties with China at the same time as the rivalry between India and China has intensified. Maintaining parallel partnerships with Beijing and New Delhi is likely to prove a difficult challenge for Russian diplomacy, especially in the event of increasing tensions, not to mention conflicts, between India and China. If there are more clashes along the Sino-Indian border in the years to come, or even a full-scale war, this may become too difficult to manage at all.

Russia is becoming a marginal player in this triangular dynamic for reasons ranging from the size and prospects for its economy to a poor innovation record and demographic prospects. While their respective relationships with Moscow will remain important for Beijing and New Delhi, they will also be of declining value to both. Russia will find that being a junior partner to China while managing a legacy relationship with India reduces its room for tactical and strategic maneuvers. Without a major improvement in its own strategic position, which appears unlikely as long as it follows the foreign and domestic policy path cut by Putin, Russia could face a difficult choice between its "no limits" friend, China, and its oldest and most valuable Asian partner, India. The dynamics within this triangle will likely follow one of the two following scenarios, with similar outcomes, albeit on different timelines. In view of the unfolding of a new cold war between the USA and Russia, it is platitudinous to hold that Russia is more likely to strengthen and deepen its relation with China to the discomfiture of India. China will try to take advantage of Russia's weakness and is likely to see Russia play a transformed role of a pawn in the chess of its global strategy. Since the USA is hostile to both China and Russia, in the pursuit of its global strategy China is likely to go with Russia to a certain extent, but also to marginalize Russia. This is evidenced by the fact that during the cold war China never hesitated to part ways with the former USSR to court friendship with the USA. This is

well known to Russia. Its relationship with India is based on mutual trust and commitment seen since the days of cold war. In view of the growing status of India in the global realm, Russia considers India not as a liability, but as an asset to be relied upon during adversities. This is clearly shown by the support in the Security Council and UN that India gave Russia during ongoing special military operation in Ukraine. Russia's friendship and closeness with China will never be at the cost of its strengthened relationship with India.

Получено в редакции: 15 октября 2022 г.

Принято к публикации: 2 декабря 2022 г.

УДК: 327

Геостратегическая роль энергетики: взгляд на индийско-российские энергетические отношения

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Аннотация: История дает много примеров тому, что природные ресурсы часто становились причиной международных конфликтов и войн. Потребность в ресурсах находится в основе империализма и колониализма. Ресурсы могут быть как возобновляемые, так и невозобновляемые, такие как вода, минералы, ископаемое топливо и природный газ. Среди всех ресурсов отчетливо выделяется энергия, получаемая из невозобновляемых источников. В результате модернизации во всех сферах жизни общества, энергетика становится одним из критериев, позволяющим отличить развитую страну от неразвитой или развивающейся. Богатые ископаемыми ресурсами и природным газом страны оказывают влияние на внешнюю политику других стран через экспорт и формирование зависимости. Исходя из посылки, что геостратегическое значение источников энергии определяет статус и роль государств в глобальной структуре власти, автор анализирует геостратегическое значение России в мире. Индия не имеет достаточных энергетических ресурсов для удовлетворения увеличивающихся потребностей растущего населения, поэтому после обретения независимости Индия вновь попала в зависимость от богатых ресурсами стран. Автор рассматривает развитие и углубление отношений между Индией и надежным партнером Россией. После ухода западных инвесторов из России, Индия заняла их место в сфере освоения и производства ресурсов, что укрепило двусторонние отношения, несмотря на изменения в глобальной

политике и продолжающуюся специальную операцию на Украине. В статье делается вывод, что геостратегическое значение энергии для дружбы между Индией и Россией сохранится до тех пор, пока Индия не станет самодостаточным производителем энергии.

Ключевые слова: энергетика, Индия, Россия, энергетическая дипломатия, энергетическое сотрудничество

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