Indian energy diplomacy, energy security and contemporary oil market

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Plan of the Presentation

1. energy diplomacy, energy security
2. Energy market of India
3. Diplomatic activities of India to secure energy security
4. Competition against China
5. Conclusions
1. energy diplomacy, energy security (1)

- Energy security in three schools of international relations (realism, liberalism, dependency theory)
- International Energy Agency—“the uninterrupted availability of energy sources at an affordable price”.
- Planning Commission, Integrated Energy Policy: Report of the Expert Committee, New Delhi 2006.—“We are energy secure when we can supply lifeline energy to all our citizens irrespective of their ability to pay for it as well as meet their effective demand for safe and convenient energy to satisfy their various needs at competitive prices, at all times and with a prescribed confidence level considering shocks and disruptions that can be reasonably expected”.
1. energy diplomacy, energy security (2)

• Energy diplomacy-> „the use of foreign policy to secure access to energy supplies abroad and to promote (mostly bilateral, that is, government to government) cooperation in the energy sector” (Andreas Goldthau)
2. Energy market of India (1)

- Oil -> 23% in energy mix
- Thirst for Oil
- India is becoming the center for oil demand growth
- India will become the third biggest oil consumer in ???
2. Energy market of India (2)

• Double risk for India:
  1. Security of supply,
  2. market conditions (prices: level and fluctuations)
2. Energy market of India (3) sources of supply

Figure 5. India crude oil imports by source, 2015

Source: United Nations/World Trade Organization International Trade Center
3. Diplomatic activities of India to secure energy security (1)

- Diversification of oil supply sources
- Strong position of private companies
- Middle East, Africa, Central Asia, South America
- Package projects (energy + military cooperation)
- Strong competition against Chinese companies
3. Diplomatic activities of India to secure energy security (2)

Critics

• Market forces are effective and state intervention is not needed
• FDI reduce investment in local industry
• Investments go to West-unfriendly countries (implications for foreign policy of India!)
3. Diplomatic activities of India to secure energy security (3)

Transport

• choke points-> Strait of Hormuz
• Reaction-> development of new pipelines
4. Competition against China (1)

- *latecomer syndrome*
- Advantage of Chinese companies-> financial strength, fast decision making
- Indian case-> market based decision making
- Expansion of Indian companies (successful in absolute terms & restrict in comparison to Chinese companies)
4. Competition against China (2)

- India & China *Memorandum of understanding* from 2006 about cooperation in oil & gas sector
- Cooperation has occasional character
- Western companies (technological advantage) are “better partner”
Conclusions

1. India is important player in the global energy market (demand, source of investment, producer of petrochemical products)
2. Long list of investments in foreign assets
3. But, the rise of Chinese enterprises is faster
4. Energy diplomacy subordinated to the foreign policy
5. Mix result for energy security