Indian Economy · GS - III

The European energy crisis highlights the importance of diversifying energy sources and strengthening energy security. Examine the lessons India can draw from Europe's experience to reduce its vulnerability to global energy price shocks.

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MARKS	WORD LIMIT
10	~150 words

Answer Hint

Energy security, import dependence, crude oil and LNG prices, geopolitical conflicts, inflation, current account deficit, energy diversification, strategic petroleum reserves, renewable energy, ethanol blending, green hydrogen, domestic exploration, energy efficiency, international energy partnerships.

Model Answer

1. Introduction

Europe's experience of energy price shocks demonstrates how geopolitical conflicts and excessive dependence on particular suppliers can disrupt industries and raise inflation. India faces similar risks due to its dependence on imported crude oil and natural gas.

2. Implications for India

1. **Macroeconomic stability:** Higher oil prices can increase the import bill, widen the current account deficit and intensify inflation.

2. **Industrial competitiveness:** Expensive energy raises production and transportation costs.
3. **Energy security:** Disruptions in international supply routes can affect the availability and affordability of energy.

3. Lessons and Measures for India

1. **Diversification:** Expand sourcing across countries and regions to reduce supplier concentration.
2. **Strategic reserves:** Strengthen strategic petroleum reserves to manage short-term disruptions.
3. **Domestic alternatives:** Promote solar, wind, nuclear power, biofuels and green hydrogen.
4. **Efficiency:** Encourage energy-efficient industries, public transport and electric mobility.
5. **Long-term resilience:** Expand domestic exploration and maintain stable international energy partnerships.

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4. Conclusion

India must balance affordable energy, economic growth and climate commitments. Diversification, strategic reserves and clean-energy investment can reduce external vulnerabilities and strengthen long-term energy security.