Indian Economy · GS - III

Examine the major challenges posed by India’s dependence on imported crude oil. How can trade diversification and the transition towards cleaner energy strengthen India’s energy security?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 20/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Import dependence, crude oil price volatility, trade deficit, current account deficit, geopolitical risks, supplier diversification, refining capacity, ethanol blending, renewable energy, electric vehicles.

Model Answer

Introduction

Petroleum is vital to India’s transport, industry and economic growth. However, substantial dependence on imported crude oil exposes the economy to external price shocks and geopolitical uncertainties.

Challenges of Import Dependence

1. **Trade deficit:** High crude oil imports increase expenditure on imports and can widen the trade deficit.
2. **Inflation:** Rising fuel prices increase transportation, production and logistics costs.
3. **External vulnerability:** Conflicts, sanctions and disruptions in shipping routes can threaten supply security.
4. **Currency pressures:** A higher oil import bill can increase demand for foreign currency and put pressure on the rupee.

Strategies to Strengthen Energy Security

- **Supplier diversification:** Maintain multiple reliable sources of crude oil and strengthen strategic petroleum reserves.
- **Refining and exports:** Improve refinery efficiency and sustain competitiveness in refined petroleum exports.
- **Alternative fuels:** Expand ethanol blending, sustainable biofuels and other domestic substitutes.
- **Clean energy transition:** Accelerate renewable energy deployment, electrification of transport and charging infrastructure.
- **Demand management:** Promote public transport, fuel efficiency and energy conservation.

Conclusion

India needs a balanced strategy combining diversified imports, resilient petroleum infrastructure and cleaner domestic energy. This can reduce external vulnerability while supporting economic growth and environmental sustainability.

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