

India stares at steep rise in oil import bill

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As the war in West Asia enters its third week with no immediate signs of de-escalation, India stares at a massive ballooning of its energy import bill with global prices surging amid supply disruptions in the market.

Higher energy prices add to country's import bill as New Delhi relies on overseas supplies for about 90 per cent of its crude oil needs, 60 per cent of LPG demand and roughly half of its LNG requirements.

Global oil prices are likely to jump further on Monday as US has hit Iran's prime oil export hub, Kharg Island, through which Tehran exports almost all its crude oil. Benchmark Brent settled over \$100 a barrel on Friday from around \$65 per barrel prior to the beginning of the conflict.

"It is in Asia where signs of market duress are most evident. Half of the crude oil processed in Asia in 2025 came from the Middle East Gulf region. But duress is spreading. The longer the Strait of Hormuz remains effectively shut, the worse the impact on physical supplies, inventories and prices — and not just in Asia," said Jim Burkhard, Vice President and Global Head of Crude Oil Research, S&P Global Energy.

According to experts, India's net oil import bill could rise by \$56-64 billion annually assuming global crude averages \$110-115 per barrel in FY27. "Each \$10 per barrel increase in the average crude oil price results in a \$14-16 billion increase in net oil imports. If the oil price moves to an average of \$110-115 per barrel in FY27, then the increase in net oil imports would be to the tune of \$56-64 billion," said Ica Chief Economist Aditi Nayar.

She added that every \$10 per barrel increase in average crude prices could widen the current account deficit (CAD) by 30-40 basis points, while raising wholesale price index (WPI) inflation by 80-100 basis points and consumer price index (CPI) inflation by 40-60 basis points, assuming a full pass-through into retail fuel prices.

If crude prices were to climb to \$120 per barrel, India's oil trade deficit could expand to \$220 billion, pushing the current account deficit beyond 3 per cent of gross domestic product (GDP) and potentially weakening the rupee, according to DSP Mutual Fund.



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Impact at home

India is already feeling the strain of supply shortages, prompting the government to

prioritise energy availability for households over commercial and industrial users, a move that has begun to affect businesses.

The government has prioritised gas allocation for domestic piped natural gas (PNG) and compressed natural gas (CNG) for transport, while cutting supplies for fertiliser sector, power plants and refineries.

Domestic PNG users in India have also been prohibited to hold LPG connection, as the country faces acute LPG shortage. The government has also requested consumers to avoid panic buying and use digital platforms to book cylinders.

Some dealers argue the technical issues faced while booking LPG cylinders are largely due to panic buying by consumers. "Because of the surge in bookings, the server has been going down, which is why customers feel there is a problem," said Amit Bhati, owner of B.L. Indane Gas Agency in Faridabad, adding that customers due for refills after 25-30 days are continuing to receive their cylinders.