



## **A survey of India's energy prospects in the Middle East region**

**Kabir Taneja**

Takshashila Scholar (2013-2014)

## EXECUTIVE SUMMARY

Oil and natural gas are expected to remain India's main source of energy in the coming two to three decades, and India needs to steadily increase and secure energy supplies for high economic growth. Due to the lack of significant domestic reserves of oil and natural gas, India has looked towards the geopolitically challenging Middle East region to fulfil its requirements throughout much of its independent history.

This document surveys India's strengths and weaknesses in dealing with countries of this region. It presents a historical perspective about India's relations with all the major oil and natural gas rich countries in the Middle East. The aim of this publication is to present the Indian government with options for managing its energy driven relations with the Middle East.

Securing the supplies of oil and natural gas from the Middle East is and will continue to be closely linked with the military security of the region. In today's security environment, energy security and the military aspect of geo-politics are separated by a blurry line. Hence, India's stand on energy dealings in the region will be both, a cause and an effect of the geopolitics of the Middle East. In the time to come, New Delhi's influence in that part of the world will also undergo changes as global shifts in geopolitics and geoeconomics create a new world order.

This study has been organised as follows: *Chapter 1* assesses India's global energy demands. *Chapters 2* through *6* individually deal with the geopolitics of a sub-region in the Middle East and its impact on India's energy situation. These five chapters are arranged in their order of importance for India's energy security. *Chapter 7* looks at the role of mid stream networks like sea lines and pipe lines in securing supplies from the Middle East. *Chapter 8* sheds light on the changing role of US as the main security provider in the region. Finally, *Chapter 9* puts forward ways in which India can leverage its extremely unique position of 'not being unfavourable' to any of the disparate nation-states in this energy-rich region.

---

Kabir Taneja is a Scholar with the Takshashila Institution, an independent think tank on strategic affairs and public policy contributing towards building the intellectual foundations of an India that has global interests.

To contact us about the research write to [scholars@takshashila.org.in](mailto:scholars@takshashila.org.in) or visit [takshashila.org.in](http://takshashila.org.in)

## CHAPTER 1: Survey of India's energy demands

Availability of energy is one of the most important factors governing the revival of the Indian economy. Achieving any level of energy security is a mammoth task for a country where, according to the International Energy Agency, more than 288 million people live without electricity supply, or under the “energy poverty line”<sup>1</sup>.

Realising its significance, India currently uses every means of producing energy possible to fulfil its energy deficits. However, more than 66 percent of the country's total commercial energy production is expected to be provided by two main fuel sources, namely coal and petroleum products (fossil fuels).

The Twelfth Year plan (2012 – 2017) set by the Planning Commission has predicted the demand for coal to reach 980 MT, out of which production by 2017 is expected to touch 795 MT. In 2013, due to loss in domestic coal production India's energy sector was dealt a severe blow as thermal power plants struggled to tap economical options to purchase from within the huge domestic coal sector. As a result, India, which has an estimated 2,93,497 million tonnes of geological resources of coal, was importing coal from foreign providers such as Indonesia and South Africa, at lower costs than available in domestic market.

The second important source that contributes to India's energy mix is oil and natural gas. India, unlike many other regions around the world, has not been blessed with abundant reserves of crude oil while its demand for oil and gas has surpassed domestic production for decades now. Lack of new discoveries, other than comparatively minor ones in the state of Rajasthan, have forced India to look abroad to fulfil its hunger for energy, specifically oil. Today, India imports more than 80 percent of its oil needs. To put it further into perspective, it imports nearly 2.6 million barrels per day (bpd) at a cost fluctuating in and around \$110 per barrel, as it stood around the end of 2013.

The situation remains similar for natural gas, even though reserves for the same are much higher in than crude oil reserves. With the advent of shale gas, this fuel source has revolutionised the global energy sector, specifically over the past half a decade. However, the excruciatingly slow movements in Indian bureaucracy on energy policy matters, has managed to make a gas rich country into an importer. The discovery of natural gas in the Krishna-Godavari basin has been embroiled in a price war between the big corporations active in finding the reserve.

---

<sup>1</sup> Shahidur R. Khandker, Douglas F. Barnes and Hussain A. Samad, “Energy Poverty in Rural and Urban India” World Bank, Policy Research Working Paper 5463, November 2010. [goo.gl/emlojP](http://goo.gl/emlojP)

India's Reliance Industries (RIL) and UK's BP have curtailed production of natural gas from the famous KG – D6 basin which is known to be home to up to 14 trillion cubic feet of gas.

The discovery, which was made in 2002, was one of the world's largest during that time (albeit subsequently eclipsed by discoveries in Brazil). However constant policy hurdles and retrospective price changes by the government clouded the RIL led field for a long time, which led to lost domestic gas production for a few years.

Amongst the policy failing and bureaucratic delays, India has allowed a 100 percent Foreign Direct Investment (FDI) in the oil and gas sector since the late 1990s. However, due to its reputation as a highly bureaucratic and difficult country to do business in, not many foreign corporations have shown significant interest in investing in India.

Due to the frailty of its energy sector, India has looked towards the Middle East region to fulfil its requirements throughout much of its independent history. Buoyed by robust economic growth over the past two decades, India has emerged as one of the most dependable buyers of oil and natural gas from the Middle East countries.

### **India's oil and gas imports from the Middle East & elsewhere**

The Gulf region along with the larger West Asian geography is India's biggest supplier of crude oil. Out of India's top six providers for the black gold, three are from the Gulf sharing a large chunk of the pie with Iran.

The Kingdom of Saudi Arabia is India's single biggest source of oil as of 2012-13. India imported 25.9 million tonnes of crude from Saudi alone in 2008-09, which increased to 32.6 million tonnes in 2011-12. The government in Riyadh has given its backing to New Delhi and offered full support to the country's bulging energy needs.

In the middle of 2012, Iraq toppled Iran as India's second biggest supplier of oil due to the Western sanctions imposed on Tehran with regard to its alleged nuclear weapons programme (as is discussed in detail later in this paper). Iran's oil exports dropped from 21.8 million tonnes in 2008-09 to 17 million tonnes in 2011-12. Due to this loss of import capacity, India increased imports from Iran's politically and economically struggling neighbour Iraq, and it increased imports from Saudi Arabia further and upped the imports from the tiny emirate of Kuwait.

Kuwait exported 14.7 million tonnes of oil to India in 2008-09 which increased to 17.6 million tonnes in 2011-12. This was a few thousand barrels more than what the age-old Indian ally in Iran was not able to export to its biggest buyers such as India, Japan, South Korea, China and so on.

## **A SURVEY OF INDIA'S ENERGY PROSPECTS IN THE MIDDLE EAST REGION**

India's vast requirement for hydrocarbons has taken it to all corners of the world. For example, over the past decade India has also made strides in securing hydrocarbon reserves and supplies in Africa. Nigeria has now become one of the top six oil suppliers to India.

Oil imports from Nigeria have increased four times since 2008-09 from 10.5 million tonnes to 14.1 million tonnes in 2011-12. Another region from where India is looking to increase imports of oil and gas is Latin America. Venezuela has seen an increase in energy trade with India over the last five years, not just in getting supplies, but investing in the region's energy sector as well. Indian public sector giant ONGC and private sector behemoth RIL have led the country's investment drive in the Latin American country. Caracas is the biggest supplier of crude oil to refineries owned by RIL, such as the one in Jamnagar which is one of the world's biggest, since 2012.

India's natural gas sector on the other hand is expected to have a significant presence in North and Latin America as well, adding to the country's diversification of hydrocarbon assets. GAIL India Limited has recognised the potential of shale gas and is now waiting for policy amendments in the United States to allow companies to export the natural gas directly from their shores.

Other frontiers where India is looking to expand in the future includes the South China Sea region, Australia and even the Arctic. New Delhi became an observing member of the Arctic Council in 2013 and has showed interest in partnering with Russia to participate in exploration and production of hydrocarbons around the North Pole, which is fast becoming ice-free due to global warming.

Even with such diversification, however, much of India's hydrocarbon imports will remain situated within the West Asian region for the immediate future. Countries such as Saudi Arabia, Iraq, Iran, Kuwait and Qatar and will remain the main source of oil and gas for India, due to geo-political understandings and economic sensibility, thanks to geographic proximity.

The security situation in the "Middle East" region and its surroundings has a direct effect on India's economy and society. Beyond energy trade, millions of workers from India work in the region and are responsible for significant currency infusion into India. More than a million Indians work in Saudi Arabia alone in all fields from oil and gas to manual labour. The next few chapters are a survey of the geopolitics of the Middle East region, viewed through the prism of their impact on India's energy requirements.

## CHAPTER 2: Geopolitics of the Gulf Co-operation Council (GCC) and its impact on India's energy situation

Even though India had built bridges between the Arab world and itself throughout the 1950s and 60s, very few of these were pursued beyond the means of energy trade during this period of time. Reasons for this were based in and around economics. From the start, trade in other sectors between India and the Gulf has had a gaping deficit.

The Gulf is known to have more than 50 percent of global oil reserves. The Gulf also supplies India with the bulk of its oil supplies. The Gulf Cooperation Council members include Bahrain, Kuwait, Qatar, Oman, UAE and Saudi Arabia where the union is headquartered in the capital city, Riyadh. Out of the GCC, Saudi Arabia is the largest producer of oil and one of the top two in the world. On the eastern coast where it borders Qatar, Saudi Arabia's state oil company, Saudi Aramco, operates the world's largest conventional oil field named Ghawar. Even though the House of Saud keeps the data and statistics of its oil fields largely confidential, Ghawar is a field which is expected to operate at a high production level for another half century at least. Along with Ghawar, fields such as Qatif, brought online in 2008 have a capacity of approximately 800,000 barrels per day production.

Saudi Arabia has always been receptive to India's interests in the region. It has remained India's top crude oil supplier for many years, providing around a quarter of the country's annual needs, and has constantly provided answers to India's energy security worries. Saudi Aramco, the country's state oil company, has previously given New Delhi assurances on supply which is backed by the country's intensive exploration and production programs.

The Gulf countries have the single biggest influence on global crude price as far as commodity trade is concerned, barring external factors such as political turmoil, war and so on. Saudi Arabia, as one of the two biggest oil producers along with Russia, has traditionally backed India in its energy security requirements. Aramco has told India that Saudi Arabia has unmatched hydrocarbon reserves and the geographical proximity between the two countries make them "natural partners". The Saudi King's visit to India in 2006, which saw the signing of the 'Delhi Declaration' to strengthen strategic and economic ties between the two, was reciprocated by Indian prime minister Dr Manmohan Singh in 2010. During his visit the "Riyadh Declaration" was signed which announced further measures to strengthen relations between the two states.

Former CEO of Saudi Aramco, Abdallah S Jumah, in 2007, said that his company saw Saudi Arabia as India's "backyard strategic storage" due to the ease of energy trade conducted between the two countries<sup>2</sup>.

---

<sup>2</sup> "Holistic View Called Best for Energy", *Aramco Expats*, December 6, 2007. [goo.gl/A43MZe](http://goo.gl/A43MZe)

## A SURVEY OF INDIA'S ENERGY PROSPECTS IN THE MIDDLE EAST REGION

However, Riyadh has also over the past many years asked India to try and balance out the trade deficit that usually occurs between states in an energy trade situation that India usually finds itself in with its suppliers.

**Table 1: Bilateral Trade figures between India and Saudi Arabia (in million US \$)**

Year (April - March)	Imports from Saudi Arabia	Exports to Saudi Arabia	Total Trade
2007-2008	19470	3711	23181
2008-2009	19972	5110	25082
2009-2010	17098	3907	21005
2010-2011	20385.3	4684.4	25069.7
2011-2012	31060.1	5683.3	36743.4
2012-2013 (Apr - Dec)	24779.9	6859.7	31639.6

Data: Department of Commerce, Government of India

India amounts for 7.8 percent of Saudi Arabia's global annual exports. 90 percent of the country's exports comprise of oil and other products related to hydrocarbons. Even though Riyadh maintains a tight control of its hydrocarbons sector as it is absolutely vital for the country's future, the liberalisation of the support industries for its energy sector provides ample opportunity for Indian industries whose exports at the moment revolve predominantly around agriculture and related products.

The other members of the GCC are as vital as Saudi Arabia to India, if not more. Kuwait, despite its small size is still one of the top oil suppliers to India. It was the fifth largest supplier of crude to India in 2011-2012 and second biggest GCC provider after Saudi Arabia, accounting for roughly 10 percent of India's oil imports. In November last year, Kuwait's prime minister Sheikh Jaber-Al-Mubarak Al-Hamad Al-Sabah visited New Delhi and signed many contracts and partnership agreements in the energy sector via long-term supply contracts and joint ventures in petroleum and petrochemical sectors covering downstream and upstream.

These new understandings and bilateral agreements between Saudi Arabia and Kuwait in the past five to ten years are designed to move on from the traditional buyer-seller relationship prevalent in most of India's relations with GCC states. Breaking this trend, as mentioned earlier, is part of India's strategy to increase its own exports in the region.

However, with India's economy now in a better shape with average GDP growth predicted between 5 to 6 percent even during turbulence in the global economy, long term deals between the GCC and India will be standing successes for all parties involved in the long run. Furthermore, the trade deficit may also narrow down at a steady pace as current trends shown in Table 1 suggest.

Another GCC relation for India which has become very important for its energy security is the tiny state of Qatar. Putting aside its geographical size, Qatar has come up as an important player in west Asian politics and economics. New Delhi has a purchase agreement with Doha for supply of 7.5 million tonnes of Liquefied Natural Gas (LNG) over the next 25 years. The first shipment arrived on Indian shores in 2004. India has also added additional capacity of 1.25 million tonnes extra per annum as it tries to plug its wide power deficit with millions of people still without access to basic power supply.

Due to India's thirst for natural gas, imports from Qatar have risen significantly from around \$2.6 billion in 2006 to \$12 billion in 2012. This figure is expected to significantly rise as gas imports are expected to go up and talks about pipelines between India and Qatar still continue. Even though India has its own significant natural gas reserves, Qatar is still expected to provide much of the country's supplies in the near future as development of India's own gas fields crawls at a slow pace due to policy and regulatory hurdles.

The trade balance again is uneven due to dependence on the Gulf's hydrocarbon resources. Even though New Delhi exports engineering, textile and agricultural products the export numbers share the same story as almost every other GCC country. Other members such as Bahrain, UAE, Oman and so on are not large contributors to India's energy security but share increasing trade with India as part of the GCC group, specifically states such as the UAE, whose economies are booming.



### CHAPTER 3: Geopolitics of Iran and its impact on India's energy needs

India and Iran share a relation that goes well beyond the current borders that define them as states. Post-1947, as energy slowly started to become a crucial area of worry for New Delhi, Iran became one of its prominent partners predominantly based on India's energy needs and accurately backed by the argument of the civilisational link between the two.

Iran holds the world's fourth largest reserves of oil, and the second largest reserves of natural gas. However, much of its energy sectors have remained underdeveloped due to continuous political upheavals over the past century. Through the 1960s and much of the 70s, Iran, led by the rapid development of its major oil fields such as Marun (discovered in 1963), Ahwaz and Aghajari (discovered in 1938), was able to produce high quantity of quality oil during this time<sup>3</sup>. In the 1970s India even opened a new shipping consortium along with its friends in the Iranian government to make trade of oil easier and for the company to be a symbol of Indo-Iranian friendship.

Iran was the second biggest oil provider to India for much of the previous decade, behind Saudi Arabia. As much as 16 percent of India's annual oil imports were being sourced from Iran before the country's alleged nuclear weapons program brought upon sanctions from the West which crippled its ability to both produce and export.

To put things in perspective, in 1979, the year of the Islamic revolution in the country, Iran was producing 6 million barrels of oil per day. While this number remained steady through the 1990s, in 2011 production fell to 3.6 million out of which 2.2 million was exported. This fell further in 2012, with production down to 2.7 million barrels out of which 1.3 million were exported or stored.

New Delhi maintained a line of open friendship with Tehran during this financial, political and economic isolation of the state. Although the Indian government continued to find ways to buy oil from Iran, as a signatory to various international financial accords, it became difficult for New Delhi to transfer payments. Due to these constraints, coupled with unavailability of trade-support such as insurance services from global providers and inability to lease oil tankers for transportation, India's oil imports from Iran dropped by nearly 26 percent in 2012-13. The financial sanctions also blocked nearly \$4 billion in payments from India to Iran, which are lying in a UCO Bank branch in the city of Kolkata. While Tehran has suggested methods including third-party transfers as it looked to increase fund infusion in its crumbling economy,

---

<sup>3</sup> "Iran analysis", U.S Energy Information Administration, July 22, 2014. [goo.gl/F4WHFR](http://goo.gl/F4WHFR)

New Delhi was hesitant of breaking any financial treaties and laws which may find it on the wrong side of the United States.

Tehran suggested that India let its banks open branches in New Delhi so that payments can be easily deposited in accounts, a method both countries were using via Halkbank in Turkey before sanctions shut that route as well. However, warnings by the Financial Action Task Force (FATF), an inter-governmental organisation to curb money-laundering (which blacklisted Iran) of which India is signatory since 2010, made sure that Iranian banks were unable to open branches in the capital. However in light of recent talks between Iran and the West, Tehran was able to access some of its funds in the UCO Bank as financial sanctions were temporarily eased.

Nonetheless, even as India worked around the international blockages, supplies from Iran which were feeding Indian refineries as well started to trickle in again in the later part of 2013. Facilities such as Mangalore Refinery and Petrochemicals Ltd (MRPL) refinery started to import Iranian oil again taking advantage of understanding between US and India combined with the attractiveness of a falling value of the Indian rupee. Meanwhile, Mumbai based Essar Oil was one of the few customers of Iranian crude which was still managing supplies despite sanctions and transportation challenges.

In 2014 the landscape around Iranian sanctions has started to change. Tehran has advertised its will to deepen energy relations in the past and is now looking to re-open its market to foreign oil & gas companies in order to develop its fields. However, even as India has over the past two decades showed and studied investment interests in areas such as exploration and production, trans-national pipelines and so on with Iran, almost no such idea found its way to reality.

With the news of thaw between the West and Iran, news of international oil companies lining up to do business in Iran started to make rounds. The new President of Iran, Hassan Rouhani, while at the 2014 World Economic Forum also met with energy companies as sanctions were to be eased against it; however, no Indian companies were present to take advantage of this diplomatic and economic opening. India, which has been unable to go beyond its import-export-mind-set, found itself lose a major vantage point in tapping Iran's energy resources if it had shown foresight and been opportunistic and bolder in its policies during the peak of the sanctions.

With the expected opening up of Iran, energy security will be linked to the military security of the region more so than ever before, specifically if Tehran maintains its stand of practicing nuclear technology and power development under guidelines of the IAEA and the United Nations. However, if a stalemate between Iran and the P5+1 continues or, in an event of a war, India will have to plan for alternate sources of supply.

## CHAPTER 4: Geopolitics of Iraq and its impact on India's energy needs

Iraq has gone through constant political turmoil since its modern history post-1921. The country holds the second largest known oil reserves in the world and former Ba'athist President, Saddam Hussein, controlled much of the country's oil wealth till his ouster by American hands in 2003.

India had a healthy relationship with the Saddam regime; oil trade between the two countries, along with bilateral ties, remained brisk even during Iraq's heavy-handedness in its neighbourhood during the 1980s and early 90s. India's support for the Saddam regime was subtle yet existent, and this strategy mostly revolved around maintaining energy security for a fragile and struggling pre-liberalisation Indian economy.

After the American invasion of the country in 2002, the ouster of Saddam's regime and setting up of a new relatively independent government in Baghdad, oil trade between India and Iraq flourished as Baghdad looked for both sale of its crude oil and foreign investments to re-develop its damaged oil fields after the American led campaign post 9/11 to dislodge Saddam's government.

In 2001-02, India was importing 76,000 barrels per day (bpd) of crude oil from Iraq. Iraq faced major infrastructural and security related challenges in getting its oil fields up and running after the end of the US led invasion. Between 2002 and 2004 Iraqi oil exports to India came down from an average of 84,000 bpd to 78,000 bpd. The security situation in regions of its main oil fields, including the largely autonomous Kurdistan, which forms a major chunk of northern Iraq has remained largely fragile with frequent bombings even though oil installations have largely been spared. On the back of the country's return to healthy outflow of crude oil, India increased its imports from 14.960 million tonnes in 2009-10 to 24.51 million tonnes in 2011-12.

Between these developments many bilateral visits have also taken place between diplomats of the two countries which has also resulted in the Indian private sector showing keen interest in investing in Iraq's large energy industry. India's former External Affairs Minister, Mr Salman Khurshid, became the first Foreign Minister to visit Iraq since 1990 in June 2013. Mr Khurshid's visit was followed by India's then Oil Minister, Mr Veerappa Moily, within a month of his meetings in Baghdad. Mr Moily led a 25 member delegation to strengthen India's energy security requirements via Iraq's availability as a large-scale exporter of crude oil.

India's Reliance Industries (RIL) has also shown a keen interest in setting up a 3,00,000 barrels per day refinery at the Al Nasiriya oil field<sup>4</sup>. RIL is one of the six companies globally shortlisted for the project and has said that it will make "every effort" to secure the deal.

---

<sup>4</sup> "Reliance Industry plans aggressive bid for Iraq refinery project", *The Economic Times*, June 6, 2013. [goo.gl/URycgU](http://goo.gl/URycgU)

Baghdad has already presented India with a host of lucrative deals in order for New Delhi to increase imports from the country even further. The Iraqi government has also said that it is willing to double the credit period on crude sales to 60 days if India plans to import more in 2014<sup>5</sup>.

---

<sup>5</sup> Nidhi Verma, "Iran offers longer credit to Indian oil buyers", *Reuters*, Nov 11, 2012. [goo.gl/67G4qw](http://goo.gl/67G4qw)

## CHAPTER 5: Geopolitics of Israel and its impact on India's energy needs

Post-independence, India's pro-Arab stance led to the recognition of existence of the Israeli state only in 1950. However, it was not before 1992 when India formally began full diplomatic relations with Tel Aviv, which have flourished since.

As India faced global isolation during the 1971 conflict, Israel took this as an opportunity to try and break the Indo-Arab bond, as the Indian armed forces struggled to prepare for an armed conflict with Pakistan which could affect security on both its eastern and western borders. Israel's then Prime Minister, Golda Meir, became an unexpected protagonist of the Indian argument which had failed to raise much support otherwise.

Under Meir, Israel secretly got one of its weapons manufacturers to supply India with a limited stock of mortars and much needed ammunition, along with a few personnel to help with the new equipment. With New Delhi not being in a position to play diplomacy, it asked Israel for further assistance in areas such as weaponry, and Meir promised to keep helping<sup>6</sup>.

Relations between the two countries are now becoming more diverse and dynamic, with trade flourishing, specifically in areas such as defence. Trade had peaked to \$4.44 billion in 2012, which then saw a decrease in growth rate due to weak global financial conditions.

The one sector which has spearheaded India-Israel ties in the 21<sup>st</sup> century has been defence. India, which is one of the world's largest importers of military equipment, found a new partner in not just purchase of technology, but joint cooperation in developing new defence technologies as well. During the Kargil War, Tel Aviv was willing to supply New Delhi with hardware such as laser-guided bombs and unmanned aerial vehicles (UAVs), and prior to this, in the aftermath of India's nuclear test in 1998, Israel stepped up its defence exports while most of the world applied sanctions. From 2000-2010, the defence trade between India and Israel is estimated to be near \$10 billion<sup>7</sup>.

Over the past few years, New Delhi has now also shown interest in investing in Israel's energy sector. In 2012, more than 15 trillion cubic feet of natural gas was discovered in the Israeli oilfield called Leviathan. This discovery garnered interest within the Indian energy community as role of natural gas increased in the domestic economy.

However, ONGC Videsh, India's overseas oil and gas investment company, reportedly found an advisory in the Ministry of External Affairs which did not favour its plans to do business in the Israeli energy sector. Reason behind these apprehensions came from predicting strong opposition from New Delhi's Arab allies.

---

<sup>6</sup> Gary J Bass, *The Blood Telegram*. New York: Knopf, 2013, P. 140.

<sup>7</sup> Efraim Inbar and Alvite Singh Ningthoujam "Indo-Israel Defence Cooperation in the 21st Century", Gloria Centre Global Research in International Affairs, December 22, 2012. [goo.gl/ff2264](http://goo.gl/ff2264)

Previously, Kuwait Petroleum Corporation had cancelled a personnel-training contract with Indian Oil Corporation (IOC) after it learnt of the Indian company's close ties with Israeli firms<sup>8</sup>. In November 2013, the MEA froze invitations sent to Israeli firms who were expected to participate at the Petrotech energy conference in New Delhi. The foreign ministry blamed the petroleum ministry for not consulting it while sending out these invites, which, according to them, could have turned into a "diplomatic disaster" due to the heavy participation of companies and diplomats from Arab nations<sup>9</sup>.

Such events offer constant reminders of the juggling act that India has to play in the region, specifically when it comes to its energy security policies. Indian companies have taken a few steps back in their plans to invest in Israeli energy sector. However, ties between the two countries are expected to only rise in the future and energy companies from India will find their way in doing business with Israel.

The defence dynamic single-handedly takes Indo-Israeli ties on an upward trajectory. However, commercial business in other sectors such as energy, agriculture and so on will remain a tricky trapeze act. But the fact that India's then Foreign Minister, Mr S M Krishna, visited Israel in 2012 to celebrate 20 years of establishing diplomatic ties between the two states followed by then Chief of Air Staff and Chairman of Chiefs of Staff Committee Air Chief Marshal, N A K Browne, in January 2013 means that Arab apprehensions will only deter India's relations with Israel only till a certain extent.

---

<sup>8</sup> "Mea in a quandary over Israel gas", *The Sunday Guardian*, November 24th, 2012. [goo.gl/JiTzDN](http://goo.gl/JiTzDN)

<sup>9</sup> Pranab Dhal Samanta, "MEA 'freezes' invites to Taiwan and Israel for oil conferences", *The Indian Express*, November 14, 2013. [goo.gl/rBv26X](http://goo.gl/rBv26X)

## CHAPTER 6: Geopolitics of Syria and its impact on India's energy situation

India has had good relations with Damascus throughout its post-independence history. As part of making strong ties in the Gulf, even though Syria had not a lot of natural resource wealth to offer, New Delhi maintained close links with the Ba'ath Party of Syria which has held the country's presidency since the 1960s.

As the civil war intensified during 2012-2013 in Syria, New Delhi diplomatically sided with its ally Moscow against any Western military intervention, calls for which had been growing for months. During this period, Assad government diplomats made trips to India to try and garner support not just from the Indian government, but the entire BRICS (Brazil-Russia-India-China-South Africa) group of nations. Damascus looked for New Delhi's support to stall any incoming large scale military assistance for the now largely fractured opposition forum known as the Syrian National Coalition (SNC). Dr Bouthaina Shaaban, Political Advisor to Assad on her visit to New Delhi said that India was "an important country for the political process on Syria"<sup>10</sup>.

The Deir Ezzor region, which borders with Iraq, became home to tussles within opposition alliances and independent Islamist groups after the ouster of government control. Syria's oil infrastructure, which is not as prolific as its neighbour Iraq and other regional members, had started to fall under rebel control as early as November 2012<sup>11</sup>.

In April 2013, India's ONGC Videsh lost control of its oil investments in Syria's Deir Ezzor region, as the oil field where India (along with China and others) was part of a conglomerate which had invested, was overrun by rebel fighters, suspending all exploration and production activities in that part of Syria. The field in question is part of Himalaya Energy Syria B.V, a joint venture between ONGC Nile Ganga BV, a wholly owned subsidiary of OVL and Fulin Investments Sarl, a subsidiary of China National Petroleum Company International (CNPCI), holding 50 percent shares each. The fields are operated by Al Furat Petroleum Company (AFPC), jointly owned by Syrian Petroleum Company (50 percent), the National Oil Company of Syria, Shell Syria Petroleum Development Co. (31.25 percent) and HESBV (18.75 percent). The consortium exercised its force majeure right after discussions with the Syrian government and shifted its corporate office to Dubai till the political situation in the country was solved.

Even though the loss of production from the Al Furat fields is financially not a serious problem for all partners involved in the project (roughly 30,000 bpd), but this event does offer New Delhi a first-hand experience of losing energy assets abroad to non-state actors. Access to Syria's modest oil fields by groups such as the Nusrat Front, an off-shoot of Al Qaeda, is fuelling a "war within a broader civil war," within provinces where much of this natural resource exists.

---

<sup>10</sup> Kabir Taneja, "India wants to be at Geneva 2, says Syrian Envoy", *The Sunday Guardian*, November 23, 2013. [goo.gl/ZkT21V](http://goo.gl/ZkT21V)

<sup>11</sup> "Syria rebels 'capture oilfield' in Deir Ezzor", *BBC News Middle East*, November 4, 2012. [goo.gl/Ua1XPa](http://goo.gl/Ua1XPa)

**Figure 1: Areas of fighting and territorial control in Syria's civil war, as of December 2013<sup>12</sup>**



In the Deir Ezzor region, for instance, the situation has been described as undergoing “overwhelming chaos”. These groups reportedly sell crude oil to middlemen who then pass on the supplies to the Assad regime, which is as desperate for energy resources today as any of the rebel-held strongholds in the country. Rebel groups, in turn, are using revenues from illicit sale of oil to buy better weapons for themselves, ensuring the civil war funds itself from within the Syrian borders<sup>13</sup>.

The takeover of such natural resources in Deir Ezzor, Hasaka, Raqqa and so on is a valuable example for countries and companies alike who are looking to invest and build facilities in the region. The question of security of facilities in the region can clearly not be taken for granted on back of a host country’s political mileage and the investing country’s political pull.

With expected increase in Indian energy projects in the region, and with possibilities of setting up more expansive, expensive and target prone facilities such as oil refineries, New Delhi should start devising security plans for protection of such investments in West Asia. The lost Deir Ezzor fields are learning curves for Indian foreign policy on asset protection on foreign shores.

<sup>12</sup> Evan Centanni, “Syria Civil War Map: December 2013”, Political Geography Now, December 15, 2013. [goo.gl/Rsc8IT](http://goo.gl/Rsc8IT)

<sup>13</sup> Ben Hubbard, “Rebels claim control over Syria’s oil, as resources”, *The Boston Globe*, January 20, 2014. <http://goo.gl/JGCJsB>



## **A SURVEY OF INDIA'S ENERGY PROSPECTS IN THE MIDDLE EAST REGION**

The Indian government must look to have bilateral understandings on such investments, looking at them beyond just business deals, but as strategic business deals pertaining to the country's national security, irrespective of whether the Indian companies involved are private or public sector.

Security of such installations is going to be a basic test for Indian governance as it moves towards more expansive, expensive and crucial energy infrastructure in a region which will see turmoil and violence for the foreseeable future. As New Delhi moves towards serious consultations on various trans-continental pipeline projects, to bring LNG directly to Indian shores via sub-sea and over-land pipes, the stakes of protecting infrastructure will require specialist training and significant infusion of funds.

## **CHAPTER 7: Securing mid-stream energy networks: Sea lines of communications (SLOCs) and pipelines**

An essential component of securing India's energy demands is ensuring an efficient and dependable midstream network, comprising of both sea lines and pipelines.

Securing sea lines has become important in the wake of piracy and a declining US interest in the region. In this regard, India's defence pact with Doha gives New Delhi potential military access to the waterways of the Persian Gulf going into the Arabian Sea in a time of crises. These waterways carry a lot of the world's oil and gas supplies from countries such as Iraq, Qatar, Saudi Arabia, Bahrain and Iran. India's top three oil suppliers use these sea links to transport much of the cargo to Indian shores. Big buyers from the region like China, Japan and India have a common interest in making these seaways safe and reliable. Hence, collaborative efforts between these countries is a possibility.

The idea of pipelines crisscrossing multiple countries and providing energy directly to India has been mooted since the mid-1980s and projects such as the Iran-Pakistan-India (IPI) and Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline projects have been in the making for years but have proved difficult to take off for geopolitical reasons even as the French energy major Total SA has offered to lead the project.

The concept of such pipelines is still in nascent stages of strategy development and calculating political costs and implications. With multiple states being involved, a number of questions remain unanswered, concerning geographical features and boundaries, and distribution of the cost, ultimately culminating with who gets how much of the natural resource. This has more to do with political concerns, than business or technological<sup>14</sup> impediments.

Nonetheless, the requirement for energy is so overwhelming in many Asian economies that ideas which, on paper (and even in practicality), seem farfetched still get serious traction. The proposed IPI and TAPI are looked upon as ideal source for uninterrupted energy supply for India's growing domestic consumption, specifically IPI's partner country Iran. New Delhi's specific interest lies in the country's South Pars field, which shares the basin with Gulf state Qatar.

Previously, gas transportation from Iran was largely envisaged via on-land or shipping routes. The four major ways studied were on-shore from Iranian gas terminal at Asaluyeh to Pakistan border onwards into India, or via LNG ships carrying supplies directly to Indian LNG terminals. The on-shore route via Pakistan was envisaged to provide 20 percent gas production to Pakistan, 10 percent for Iranian domestic consumption and rest for India.

---

<sup>14</sup> 'Transnational Gas Pipelines: Global Context, Indian Experience' by Gulshan Dietl

## **A SURVEY OF INDIA'S ENERGY PROSPECTS IN THE MIDDLE EAST REGION**

With the idea of IPI and TAPI, the major problem which occurs for India is the involvement of Pakistan and Afghanistan. Oil pipelines have been a major attraction for sabotage in the region, with some of the most recent and persisting examples being observed in Iraq and its northern-autonomous region of Kurdistan.

In January, a major explosion in Kurdistan targeted the Kirkuk-Ceyhan gas pipeline which supplies Turkey with about 3-400,000 bpd of Kurdish oil. Rebels in the region have increasingly targeted such over-ground pipelines to try and disrupt vital oil money to the Kurdish government in the capital city of Erbil.

The Syrian capital of Damascus faced a similar situation in December last year, when two of the country's biggest gas pipelines supplying the capital Damascus and the city of Homs were blown up by a rebel group, cutting electricity supply to the entire southern part of the country.

The Kirkuk-Ceyhan pipeline has been the scene of various attacks over the past few years, and offers itself today as a prime example of the dangers of projects such as IPI and TAPI, which as of now are planned as over-ground pipelines, may face from hostile elements, specifically in Pakistan and Afghanistan.

TAPI is expected to be a project costing more than \$7 billion which on paper runs through some of the most lawless regions of Pakistan and Afghanistan. If built, estimates suggest that an army of more than 18,000 security personnel would be required to keep the pipeline safe from imminent terrorist attacks. In Afghanistan, the pipeline is to be constructed alongside the highway running from Herat to Kandahar, Quetta and Multan in Pakistan and ending in Fazilka, Punjab, India. The 1,735 km-long pipeline will start from the Lolotan gas field in southern Turkmenistan. TAPI will be operated by a special purpose consortium company (SPCC) and is expected to be led by a commercial entity.

However, with both IPI and TAPI far from being reality, Iran has pitched another project to New Delhi which bypasses the problem areas of Pakistan and Afghanistan, and offers a technologically advanced deep under-sea pipeline project along with participation of Oman. Deep sea pipeline technology, which has been seen as a very expensive investment, is now becoming more financially feasible. Already similar pipelines are being laid under the Mediterranean Sea connecting Algeria with Italy and under the Black Sea between Russia and Germany. The India-Oman-Iran (IOI) pipeline would also be able to connect Central Asian gas fields in countries such as those in Turkmenistan and Azerbaijan and also be used to transport gas from others such as Qatar directly to India. Such a project would offer financial gain to Iran and Oman as well while making gas supplies to India hassle free.

Such pipelines would be integral parts of India's energy security in West Asia. More pipelines such as the IOI perhaps connecting directly to Qatar, may also be considered in the future, if such projects are executed successfully in the future. New Delhi will have to play its political cards well in order to secure a climate in the region which would accommodate such trade. With a potential thaw in relations between Tehran and Washington, India should grasp at the first opportunity to get America's backing for the project.

## **CHAPTER 8: America's energy self-sufficiency and its implications for India in the Middle East**

'Fracking' is a term relatively new to the global energy sector describing a type of method by which oil and gas usually difficult to access can be extracted which may end up changing the geo-political status-quo of West Asia from as we know it today. Fracking, part of the now globally popular Shale revolution, has put America on the fast track to becoming an energy self-sufficient economy. The role of the outside world in the region is well debated and contested, with now many Asian countries looking for security for the region as the US visibly backs off from its traditional heavy-handed policies for the "Middle East".

Recently at a meet in New Delhi, Japanese Member of Parliament and the former chairman of Japan's Foreign Affairs Committee, Mr Kono Taro, said that Japan would like Washington to remain a prevailing influence in West Asia, a crucial assessment for Tokyo which imports energy heavily from the likes of Iraq, Iran, Saudi Arabia, Kuwait etc. To this, Mr Taro faced criticism from certain section of the audience who decried the hegemon's role that Washington has played over the past many decades.

However, fact remains, that the United States is today much less reliant on oil from the region than it has been at any given time in the past. This, along with the losses it has faced in the two wars it launched on a credit card under the Bush administration against Iraq and Afghanistan, has also created political fatigue within the American population. On back of such sentiments, it can be argued that President Barack Obama was elected to divert American political attention from off-shore issues to on-shore ones, hence his administration's insistence on developing better ties with Iran.

Washington's 'softness' is already causing turmoil with its allies such as Israel, Saudi Arabia and so on. Security of Israel is still the single biggest reason why, contrary to some views, the US will not withdraw all of its military capabilities from the region. In fact, Israel and Saudi Arabia, two countries that have held historic animosity against each other on every aspect of political and social ideologies were found to be siding with each other against America's policy to accommodate Iran and its nuclear programme.

Another major sign of American apprehension of playing a large military role in the region is its unwillingness to militarily intervene in Syria, even though much of the Western community called for some sort of military engagement as reports of the Assad regime using chemical weapons against its own people surfaced late last year.

On the contrary, the US even deterred from enforcing a no-fly zone over Syria, where rebels backed by the likes of Saudi Arabia and armed by Western interests had said that a no-fly zone could tilt the balance of power away from Assad and onto rebel commanders. The US had endorsed in a similar exercise in Libya, backing rebels fighting to overthrow Qaddafi.

Riyadh has already started acting passive-aggressively in the region to assert some sort of power in what it sees as absence of American military supremacy in the region. According to reports, Saudi Arabia has threatened to blockade its neighbouring fellow GCC member state of Qatar by land and sea if it fails to cut ties with the Muslim Brotherhood, close down the state-run TV channel Al Jazeera and expel two American think-tanks based in the capital Doha, namely the Brookings Doha Centre and the Rand Qatar Policy Institute<sup>15</sup>.

Situations such as these may become frequent in the coming time, and New Delhi should be prepared in tackling with them diplomatically as it becomes a more regionally active player. For example, India has defence ties with both Riyadh and Doha. We know for a fact that India's defence pact with Qatar is expansive and detailed, while details of the recently signed pact with Saudi Arabia are largely unknown. However, Saudi Arabia is India's largest crude oil supplier and Qatar the largest natural gas supplier. A conflict between the two sides may force New Delhi in a tug-of-war situation where both states, pointing towards their respective bilateral defence cooperation agreements, will ask for at least New Delhi's political backing.

The void that the US may leave in the region in time to come may give rise to more challenging security situations for growing Asian economies. One hypothesis suggested by former Indian diplomat Talmiz Ahmed is the formation of a new association of Asian countries such as China, India, Japan and South Korea to promote their economic interests in West Asia. Ahmed suggests a formation of a new group on the idea such as that of the ASEAN for such a task in West Asia. Such a forum will give countries such as India a constructive platform via which issues relating to West Asia can be addressed along with others such as China, Japan and so on.

---

<sup>15</sup> David Hearst, "[Saudi Arabia threatens to lay siege to Qatar: Cooperation or Confrontation?](http://www.huffpost.com/2014/05/01/saudi-arabia-threatens-to-lay-siege-to-qatar-cooperation-or-confrontation/)" *The Huffington Post*, May 2014. [goo.gl/4NIY71](http://goo.gl/4NIY71)

## **CHAPTER 9: The way forward**

New Delhi does not believe in the policy of subscribing to one or the other side in the volatile political environment of West Asia anymore. This idea is largely accepted by the various west Asian countries as well. As researcher Gil Feiler explains, India is “completely unwilling to accept the objection of any of these countries (GCC, Israel, Iran etc) to its relations with the others.” Feiler also observes that India’s stand of engagement with all states involved in West Asia is also largely accepted by all in the region. Its autonomy in its policies for the region and non-engagement with domestic political intricacies till now has managed to put New Delhi in a favourable position with most Arab countries.

New Delhi regularly sees ups and downs in its relations with various countries in West Asia. India’s relations with the Arab world have been largely based on mutual respect, business and cultural ties. However, in the coming five to six years, New Delhi may find that the increasing temperatures between Saudi Arabia and Iran, if escalated further, could put it at odds with one of the two countries. Some former diplomats believe that New Delhi, is in fact, preparing itself with an action plan in case it did have to choose between Riyadh (and potentially other GCC members as well) and Tehran.

Meanwhile, New Delhi maintains a steady flow of diplomatic exchanges with the Arab world with India’s then Finance Minister, Mr P Chidambaram, visiting Saudi Arabia in January 2014 to strengthen economic ties between the two countries even further. The next step in Indo-Arab relations will however seemingly stem from the way Iran rises, and the manner in which the United States realigns its “Middle East” policy.

The current and highly dynamic geo-political situation in West Asia, the growing divide between Riyadh and Tehran and Washington’s hypocritical ignorance could put New Delhi in a spot of bother. Till now, India has maintained ambiguity in internal matters of the region; however, with Tehran and Riyadh ready to fight proxy wars with each other in other parts, large scale instability in the region which could include take overs of natural resources by non-state actors remains prevalent.

By products of Iraq becoming a playground for Iranian and Saudi Arabian realpolitik can be seen in the Syrian civil war today. While many rebel groups fighting against Syrian President Bashar Al-Assad’s forces are financially and militarily backed by Saudi Arabia, Iran along with Lebanon based Shi’a Islamic militant group and political party Hezbollah have been providing economic, strategic and military support to the Assad regime.

India's good relations with Iran may open the possibility of using Tehran's influence over Iraqi politics for India's energy diplomacy. Even though New Delhi maintains separate, healthy two-way diplomatic relations with both states, Tehran's influence in Iraq today stands at a more significant posture than that of Washington, or any other neighbouring state in the region.

The threat posed by the ISIS in Iraq has serious consequences for Indian energy supplies. India's only option in this scenario is backing Iran. As long as Iran is able to control the fringe groups and pander to the electorate it wants to see in Baghdad, countries such as India can easily do trade with both countries.

India's ambiguity in the region and its politics at the moment is working. Examining current trends, however, it is only a matter of time, as the US eases of its role in West Asia as a hegemonic entity, India's close ties with the GCC and Iran will be challenged by both sides.

In this emergent scenario, New Delhi needs to be able to put its own financial and political resources to gain a stronger foothold in the region. The political problems of the 'Middle East' are not going to be solved anytime in the near future, and India will have to work within the existing constraints to bolster its means to further secure energy security.

Going ahead, New Delhi can approach this problem in three stages:

**Stage 1:**

- Hire experts in West Asian politics, culture and more importantly, language to man embassies in the region. The MEA has on record said that it is unable to send some of its best linguists and experts as top bureaucrats to such deputations due to them not being from the IFS.
- Expand energy security department within the MEA, currently manned by a single Joint Secretary level officer. The MEA should look to send 'energy attaché' level officers, similar to its defence attaches, to crucial countries such as Iran, Saudi Arabia, Qatar, Iraq etc.



**Stage 2:**

- Increase direct investments in West Asian energy resources, both at the public and private sector levels. Expedite previous commitments in energy investments with countries such as Iran, and use security and defence treaties with these countries to make robust arrangements over protection of investments.
- Maintain political relations with all parties in the region valuable to India's national interests. As a growing power, New Delhi needs to tone down its 'non-alignment' ways of developing foreign policy and not be afraid take stands in the international arena.
- Look to work with other Asian players such as China, South Korea and Japan to secure energy deposits and supply chains from. Study and consult examples of Western companies operating in Middle East on facility security and protection strategies.

**Stage 3:**

- Look to create more defence agreements on bilateral levels, such as the ones signed with Qatar and Saudi Arabia. Seek to include energy as a strategic asset.
- Initiate military training exercise routines with more countries from West Asia in the Arabian Sea on issues such as protection of oil assets from terror attacks, anti-piracy, protection of sea-lanes etc.
- Increase number of ministerial level visits to West Asia from India.

For the foreseeable future, the Middle East region will likely remain vital for India's energy security. To boost its energy prospects, India will have to bring systemic changes in the way that it engages with the region. India's 'acceptability' amidst all the players of the Middle East gives it an edge that no other country can boast of.