



Geopolitical Tensions and Their Impact on India's Energy Security and Economic Stability: A Qualitative Assessment

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Abstract

Geopolitical instability has increasingly become an economic variable rather than a concern confined to diplomacy and national security. For India, this transformation is particularly important because the country is a major energy consumer and remains substantially dependent on imported crude oil, natural gas and other fossil fuels. Wars, sanctions, maritime disruptions, changes in supplier relationships and strategic competition among major powers can therefore influence India's energy availability, import bill, inflation, exchange rate, fiscal position and overall economic stability. This qualitative research paper examines the relationship between geopolitical tensions and India's energy security through a systematic review and interpretive synthesis of academic studies, institutional reports, policy analyses and recent evidence concerning the Russia–Ukraine conflict and West Asian disruptions. The review indicates that geopolitical shocks affect India through interconnected channels: international energy prices, physical availability of supplies, shipping and insurance costs, trade and capital flows, exchange-rate pressures and inflation expectations. At the same time, India has demonstrated considerable adaptive capacity through diversification of suppliers, strategic petroleum reserves, domestic refining capability, renewable-energy expansion and diplomatic balancing. The paper argues that diversification of suppliers alone cannot provide durable energy security. India requires a broader resilience strategy combining diversified procurement, larger strategic reserves, flexible infrastructure, renewable-energy and biofuel development, efficient energy demand management, resilient maritime logistics and coordinated foreign economic policy. The study concludes that energy security should be understood as a central component of India's long-term economic stability and strategic autonomy.

Keywords: geopolitical tensions, energy security, Indian economy, economic stability, strategic autonomy, energy diversification

Introduction

The international economic environment has entered a period in which geopolitical developments increasingly influence domestic economic outcomes. Armed conflicts, sanctions, trade restrictions, strategic competition, maritime chokepoints and the fragmentation of global supply chains can rapidly alter the availability and price of essential commodities. Energy occupies a particularly important position within this relationship because crude oil and natural gas remain critical inputs for transportation, manufacturing, agriculture, electricity generation and a wide range of consumer and industrial activities. Consequently, geopolitical instability in major

energy-producing or energy-transit regions can transmit external shocks into domestic economies.

India provides an important case for examining this relationship. The country is among the world's largest energy consumers, while its domestic production is insufficient to meet rapidly expanding demand. CEEW's 2026 assessment reports that India imported around 88 per cent of its crude oil requirements, nearly 48 per cent of natural gas and about 26 per cent of coal in 2024. The same study argues that India's vulnerability arises not only from import dependence but also from supplier concentration, vulnerable shipping routes, limited reserves and exposure to international price volatility (Mohan et al., 2026). The International Energy Agency similarly projects continued growth in India's crude-oil imports as refining demand expands (IEA, 2025).

The economic consequences of this dependence are substantial. The IMF estimates that a sustained increase of US\$10 per barrel in international oil prices can add approximately 0.4 percentage points to India's current-account deficit. During the period following Russia's invasion of Ukraine, India's oil import bill increased sharply as global crude prices rose (IMF, 2025). Thus, geopolitical shocks can influence the economy even when India is not directly involved in the conflict. The effects can be transmitted through energy prices, the balance of payments, inflation, the rupee, fiscal policy and household purchasing power.

Recent developments have further demonstrated the importance of this issue. The Russia–Ukraine conflict altered global energy trade and encouraged India to diversify its crude-oil procurement. More recently, instability in West Asia and disruption around the Strait of Hormuz have highlighted the vulnerability of maritime energy routes. Recent reporting indicates that Russia became an exceptionally important supplier of Indian crude during 2026, while Middle Eastern supply disruptions increased the strategic value of alternative sources (Reuters, 2026a; Reuters, 2026b). These developments illustrate a central paradox: geopolitical diversification can improve short-term energy availability, but greater dependence on any single alternative supplier can create a new form of concentration risk.

Against this background, the present study examines how geopolitical tensions affect India's energy security and, through it, the wider economy. Rather than treating energy security merely as a question of physical supply, the paper adopts a multidimensional perspective covering availability, affordability, accessibility, reliability and strategic resilience.

Objectives of the Study

- To examine the major channels through which geopolitical tensions affect India's energy security.
- To analyse the economic consequences of energy-related geopolitical shocks for India.
- To review existing academic and institutional literature on India's energy vulnerability and geopolitical risk.

- To assess India's policy responses, including supplier diversification, strategic reserves and the energy transition.

Research Questions

- How do geopolitical tensions influence India's energy security?
- Through which economic channels are geopolitical energy shocks transmitted to India?
- What does the existing literature reveal about India's vulnerability and resilience?
- To what extent have supplier diversification and other policy responses reduced India's exposure?
- What policy measures can strengthen India's energy security without compromising economic growth?

Review of Literature

The review of literature is organised around themes including geopolitical risk, economic stability, Indian economy, energy security, inflation, geopolitical strategies, and energy diversification.

THEME 1: Geopolitical Risk and the Indian Economy

The relationship between geopolitical risk and the Indian economy has received growing attention. Banerjee et al. (2025), in an RBI Bulletin study, find that geopolitical risk is transmitted to India through terms of trade, exchange rates, trade and capital flows. Their analysis suggests that the trade channel is particularly important and that geopolitical shocks can contract trade and capital flows while generating pressure on the exchange rate. This is significant because it demonstrates that geopolitical risk is not external to macroeconomic policy; it can influence the domestic financial and real sectors.

The IMF's assessment of India also emphasises the importance of oil-price movements for the external sector. Its 2025 Article IV analysis notes that India imports close to 90 per cent of the oil it consumes and that a sustained US\$10-per-barrel increase in oil prices can materially worsen the current-account position. The IMF further observes that high oil prices following the Russia–Ukraine invasion contributed to a significant increase in India's oil import bill (IMF, 2025).

THEME 2: India's Structural Energy Dependence

The literature on Indian energy security consistently identifies import dependence as a structural vulnerability. The IEA's India Oil Market Report projects that crude-oil imports will continue rising as refinery intake expands, even as India works to increase alternative fuels. This means that economic growth itself can increase exposure to global energy markets unless growth is accompanied by significant improvements in energy efficiency and diversification (IEA, 2025).

Mohan et al. (2026) provide a broader systems perspective. Their CEEW study argues that India's fossil-fuel insecurity is not simply an import-volume problem. It also involves supplier concentration, maritime chokepoints, storage limitations, refinery constraints and price volatility. This conceptual shift is important: even if total energy imports remain available, India can still be vulnerable if supplies are concentrated geographically or if transportation routes become inaccessible.

A 2023 peer-reviewed study in Energy similarly identifies several dimensions of Indian energy security, including flow risk, operational risk, financial risk, strategic risk and environmental risk. Its findings suggest that alternative fuels and strategic considerations must be integrated into energy-security planning rather than treated as separate policy domains (Energy, 2023).

THEME 3: Russia–Ukraine Conflict and India

The Russia–Ukraine conflict provides one of the clearest recent examples of geopolitical restructuring of energy trade. Following the invasion, sanctions and changes in European energy procurement altered global oil flows. India increased purchases of Russian crude, benefiting at times from discounted supplies. The IMF estimates that Russian oil discounts helped reduce India's energy costs and supported the external position (IMF, 2025).

However, the literature also reveals a strategic dilemma. Reliance on discounted Russian crude can strengthen affordability and supply availability, but it may expose Indian firms to sanctions, tariff threats, payment complications and diplomatic pressure. Carnegie's 2026 analysis argues that India's current approach of opportunistic diversification and limited strategic reserves may be insufficient in the event of major supply disruptions. It recommends diversified long-term contracts, expanded reserves, adaptable refinery infrastructure and accelerated energy transition (Sahai, 2026).

The Russian experience therefore demonstrates that diversification should not be measured simply by the number of supplier countries. The resilience of the supply portfolio also depends on political acceptability, transportation routes, payment systems, contract flexibility and the ability of Indian refineries to process different grades of crude.

THEME 4: West Asian Tensions and Maritime Chokepoints

West Asia is particularly important for India because the region is central to global oil and gas flows and is also closely connected with India through trade, investment and the Indian diaspora. The 2026 ORF report on the Strait of Hormuz highlights the wider economic consequences of disruption in the corridor, including higher energy prices, freight rates, insurance costs and import expenses, along with concerns over fertiliser security and food production (Suri & Jain, 2026).

The importance of the maritime channel is reinforced by recent policy analysis. Carnegie's 2026 study notes that approximately one-third of global crude oil trade passes through the Strait of Hormuz and argues that disruptions expose structural weaknesses in India's oil-security

framework (Sahai, 2026). The implication is that energy security cannot be separated from maritime security and logistics resilience.

Recent evidence also shows the adaptive capacity of Indian refiners. During disruptions to Middle Eastern supply, Indian refiners increased purchases from Russia and Latin America, demonstrating the value of flexible procurement and refinery capabilities (Reuters, 2026c). Nevertheless, such flexibility does not eliminate exposure to global price increases because alternative crude must still be transported, insured and purchased in an internationally priced market.

THEME 5: Energy Security, Inflation and Economic Stability

The energy-price channel is one of the most important mechanisms through which geopolitical tensions affect households and firms. Higher crude prices increase transportation costs and can raise the prices of petrochemical products, fertilisers, logistics and manufactured goods. For a large developing economy, these effects can reduce real household incomes and increase production costs simultaneously.

The RBI's recent assessment illustrates the policy challenge. In August 2026, monetary-policy discussions identified higher oil prices associated with Middle Eastern conflict as an inflation risk and emphasised the possibility of second-round effects on food, fuel and input costs (Reuters, 2026d). This indicates that geopolitical energy shocks can create difficult monetary-policy trade-offs: tightening may contain inflation but can also weaken investment and demand, while accommodation can allow external inflationary pressures to become embedded.

The exchange-rate channel reinforces this effect. A higher import bill increases demand for foreign currency and can put pressure on the rupee. Currency depreciation, in turn, raises the domestic cost of imported energy and other commodities. This creates a feedback loop in which geopolitical shocks, oil prices and exchange-rate movements can reinforce one another.

THEME 6: Energy Transition as a Geopolitical Strategy

The literature increasingly views renewable energy not only as an environmental objective but also as an instrument of economic resilience. CEEW argues that domestically produced clean energy can serve as an important hedge against fossil-fuel insecurity (Mohan et al., 2026). The IEA also highlights India's rapid progress in ethanol blending and its intention to expand blending further (IEA, 2025).

However, the energy transition has its own geopolitical dimensions. Renewable technologies require critical minerals, advanced manufacturing capabilities, storage systems and resilient electricity grids. Therefore, simply replacing imported oil with imported clean-energy equipment would shift rather than eliminate external dependence. A resilient transition requires domestic manufacturing, diversified mineral supply chains, recycling capacity, grid modernisation and technological innovation.

Methodology

This study adopts a qualitative research design based on secondary evidence. The research uses an interpretive literature-review approach rather than primary survey data or econometric estimation. Academic literature, working papers, central-bank analysis, international institutional reports, government publications, policy studies and recent evidence on geopolitical developments were reviewed and thematically organised.

The literature was examined around five themes: (i) energy-import dependence; (ii) geopolitical risk and macroeconomic transmission; (iii) oil-price and trade effects; (iv) strategic responses and diversification; and (v) long-term energy resilience. Sources were selected for their relevance to India's energy security and economic stability, with particular attention to work by the IMF, IEA, RBI, CEEW, ORF, Carnegie Endowment and peer-reviewed energy research. Recent 2026 evidence was incorporated to reflect the rapidly changing geopolitical environment.

The analysis is qualitative and therefore does not claim to establish causal effects statistically. Instead, it synthesises recurring mechanisms and arguments across the literature. This approach is appropriate because geopolitical shocks are complex, multidimensional and context-dependent, and because the purpose of the paper is to develop an integrated interpretation of India's energy-security challenge.

Analytical Discussion

The reviewed literature suggests that India's geopolitical-energy challenge can be understood through a five-layer transmission framework. The first layer is physical supply: conflict or sanctions can reduce access to crude, gas or coal. The second is price transmission: reduced supply or increased risk premiums raise global prices. The third is logistics: maritime disruptions increase freight, insurance and delivery times. The fourth is macroeconomic transmission: higher import costs affect inflation, the current account, fiscal balances and the exchange rate. The fifth is strategic transmission: India may face pressure to alter supplier relationships or foreign-policy positions.

India's experience also demonstrates that vulnerability and resilience can coexist. On the vulnerability side, high oil-import dependence, rising energy demand and exposure to maritime chokepoints remain structural concerns. On the resilience side, India has a large refining industry, multiple suppliers, strategic petroleum reserves, growing renewable capacity and the diplomatic ability to maintain relations with competing geopolitical blocs. This combination has allowed India to absorb several external shocks better than a simple import-dependence indicator might suggest.

The central finding of this review is therefore that energy security is multidimensional. A country can have sufficient crude in physical terms but still experience economic instability if the price is prohibitively high. Conversely, a country can secure discounted crude but face strategic vulnerability if its procurement becomes overly concentrated. Resilience requires an optimal balance between affordability, availability, diversification and strategic flexibility.

Major Challenges for India

- High dependence on imported crude oil and natural gas.
- Concentration of energy supplies and exposure to geopolitical decisions in supplier countries.
- Vulnerability of major maritime routes, especially regional chokepoints.
- Global oil-price volatility and its effect on inflation and the current account.
- Sanctions, secondary sanctions and trade restrictions affecting supplier choices.
- Limited strategic reserve capacity relative to the scale of possible prolonged disruptions.
- Growing energy demand associated with industrialisation and urbanisation.
- Emerging dependence on critical minerals and clean-energy supply chains during the energy transition.

Conclusion

Geopolitical tensions have emerged as a major external determinant of India's energy security and economic stability. The evidence reviewed in this study demonstrates that the impact extends well beyond crude-oil prices. Geopolitical shocks can affect physical energy availability, shipping costs, inflation, the current account, exchange rates, capital flows, fiscal management and household welfare. The Russia–Ukraine conflict and recent West Asian disruptions demonstrate that the structure of global energy trade can change rapidly in response to political and military developments.

India has shown significant resilience. Supplier diversification, refining capacity, strategic reserves, renewable-energy development and pragmatic diplomacy have enabled the country to manage several external shocks. Yet resilience should not be confused with immunity. High import dependence and exposure to international energy markets mean that prolonged geopolitical disruptions can still impose substantial economic costs.

The study therefore concludes that India's long-term energy strategy should move from a narrow concept of energy availability towards a comprehensive model of energy resilience. Such a model should integrate diversified suppliers, adequate reserves, flexible infrastructure, maritime security, domestic clean-energy production, efficient demand management and resilient critical-mineral supply chains. In this framework, energy security is not merely a petroleum-sector objective; it is a foundation of macroeconomic stability, national competitiveness and strategic autonomy.

The qualitative evidence also suggests an important direction for future research. Quantitative studies could examine the relationship between geopolitical-risk indices, crude prices, inflation, exchange rates, current-account dynamics and sectoral growth in India. Such work could



complement the present interpretive study and help policymakers estimate the economic cost of different geopolitical scenarios.

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