



INDIA –RUSSIAN COLLABORATION IN ENERGY RESOURCES: POTENTIALS, POSSIBILITIES AND CHALLENGES

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Abstract

It wasn't until after the fall of the Soviet Union that India and Russia finally established an official partnership. Since 1947, India and Russia have maintained amicable ties with one another. Russia assisted India in establishing economic self-sufficiency by investing in India's heavy machinery, manufacturing, mining, energy production, and in steel plant industries. The people in both the nations have shown their support for this strategic alliance by ensuring it has stood the test of time. India and Russia recently celebrated the 75th anniversary of establishing diplomatic ties. This took place in the middle of the conflict that's been going on between Russia & Ukraine. There has been a steady and growing relationship between India and Russia across all spheres of life and the economy for many years. India's strong and reliable partnership with Russia is a cornerstone of the country's foreign policy. In the light of this, this article will focus on the energy resource potentialities of Russia, as well as its restrictions and prospects, as they relate to the India-Russia relationship.

Keywords: *Energy Resources, Reliable Partner, Strategic support, Self-sufficiency.*

1. Introduction

According to the estimates provided by the International Energy Agency, India will steal the march over Japan in the rankings of countries that consume Oil and will be the third-most oil guzzling country in the world this year. It is anticipated that India will have the formidable rate of increase in the world's demand for crude oil by 2040. As a result it is essential to give new lease of life to the investments and shipments of oil and gas between Russia and India. Because of the political dynamics unleashed by the Russia-Ukraine war, India is increasing its oil purchases from Russia at cheaper rates. Regarding using nuclear power for non-military purposes, Russia is an essential ally of India. It recognises India as having cutting -edge nuclear technology and a perfect record of not engaging in nuclear proliferation. Construction of the Kudankulam Nuclear Power Plant (KKNPP) is now underway in India with support from the Russian government. The Department of Atomic Energy of India (DAE) along with the State Atomic Energy Corporation 'Rosatom' and the Ministry of Science and Technology of the People's Republic of Bangladesh signed a trilateral Memorandum of Understanding (MoU) on collaboration in implementing the Rooppur Nuclear Power Plant Construction Project in Bangladesh with the Ministry of Science and Technology.^[1] Russia sees India, one of the fastest-growing economies in the world, as a possible answer to its economic troubles and is looking to establish trade relations with the country. The Russian Government and the Russian business community are open to cooperating with the 'Make in India' project. Construction, large-scale infrastructure projects such as dedicated freight corridors and industrial clusters, smart city development, and engineering services are some areas in which Russian companies have expressed a willingness to invest in India while also engaging in an exchange of technology and expertise. Indian companies are looking at major investment prospects in Russia, notably in the natural resources sector, which includes coal, fertilizers, hydrocarbons, minerals, and rare earth metals. From 2013 to 2016, there was a considerable drop in commerce between the two nations. On the other hand, it began going up following the year 2017 and continued going up steadily in both



2018 and 2019. In the light of the above facts the present paper discusses the energy relations between India and Russia with a realistic approach.

2. The Russian Federation's Energy Possibilities

Russia has a lot of reserves of oil, gas, and coal, which are all hydrocarbons which can be used to generate energy. Some estimates have put Russia's share of world oil production at around 12% and its share of coal production at 15%. In addition, it is worth noting that Iran, Saudi Arabia, and the United Arab Emirates (UAE) cannot compare to Russia's projected 2,000 trillion cubic feet of natural gas deposits, representing 32 per cent of global deposits^[2].

In addition to that Russia has become a leading producer and supplier of hydrocarbon resources thanks to its vast energy reserves. Russia is the world's second-largest producer of crude oil, contributing roughly 13 per cent after Saudi Arabia. Next to the United States, which produces over 21% of the world's natural gas, Russia accounts for about 17%. Siberia and the Russian Arctic have vast hydrocarbon resources and have become major actors in the energy market during the past decade.^[3] Energy analysts believe that the Siberian and Arctic regions will gain prominence with the advent of Vostok Oil, which might produce 50-100 million tonnes of oil per year, and Rosneft would send 2 million tonnes of crude oil to India annually through the port of Novorossiysk.

Due to its vast energy reserves, Russia is a significant oil and natural gas supplier to several countries in Western and Eastern Europe, China, and India. The growth of Russia's economy is mostly due to the country's energy exports. Some observers have pointed out that the flow of petrodollars is crucial to the health of the Russian economy, and they are correct.^[4]

3. Associations in the Energy Sector between India and Russia

Among countries in Asia and the Pacific countries, India is the region's second-largest user of crude oil, only behind China. India, Russia, and China have developed regional organisations like Russia, India, and China (RIC) and the Shanghai Cooperation Organization (SCO) over the past few decades. Therefore, in the energy sector, there is room for cooperation to the advantage of all three countries through the promotion of joint ventures and connecting channels. Given the current situation and the dispute with the West over the subject of Ukraine, the decision by Russian authorities to adopt a Look East Policy with an emphasis on China and India is highly significant.^[5]

During his visit to Bishkek in June 2019 for the SCO Summit, Indian Prime Minister Mr Narendra Modi met with Russian President Vladimir Putin, during which both leaders reaffirmed their commitment to strengthening and promoting bilateral collaboration. Mr. Vijay Gokhale, India's foreign secretary, briefed the media after the meeting and said that Putin had officially invited Mr Narendra Modi to be the main guest at the Eastern Economic Forum in Vladivostok at the beginning of September 2019. The Indian Prime Minister has agreed to visit Russia at the invitation of the Russian Government. Even before Mr Modi's visit, a corporate group from India and representatives from key Indian states travelled to Vladivostok and the Russian Far East to explore opportunities for economic cooperation, notably in the energy industry. India must investigate sustainable, dependable, and affordable options because it imports roughly 86.11 per cent of its crude oil. Russia, the world's largest natural gas supplier and second-largest oil exporter, might serve as a dependable and cost-effective replacement provider. Although India increasingly relies on its foreign trading partners to meet its oil and gas demands, Mr Gokhale, India's representative at the SCO summit in 2019, correctly pointed out that the Far East might be highly resourceful for India thanks to its abundance of minerals and forests.^[6]



In a separate development, on 3rd July 2019, India's Petroleum Minister Dharmendra Pradhan spoke with Russia's Energy Minister Alexander Novak via phone to discuss ways to deepen the two nations already robust energy ties with one another. Mr Pradhan recognised that India and Russia are major players in each other's hydrocarbon sectors, and he invited Russia to invest in India's hydrocarbon industry. Additionally, the Indian government has solicited funding from Russian oil and gas firms to aid in developing the country's gas infrastructure and the growth of the country's metropolitan gas distributing systems.

Russia has been utilizing the port of Vladivostok to transport oil and natural gas from the Arctic area and Siberia to other parts of the world, including India. Therefore, India should actively construct a marine link between Chennai and Vladivostok, allowing cargo transfers in 24 days rather than the 40 days it takes to move commodities from India to Far East Russia via Europe. According to Mr Modi's virtual address at Russia's Vladivostok's Sixth Eastern Economic Forum (EEF), "India-Russia energy partnership can assist to provide stability to the global energy market."^[7]

Prime Minister Narendra Modi praised President Vladimir Putin's plans for the growth of the Russian Far East and Arctic Region and highlighted the potential natural synergies between India and Russia in these endeavours. He stressed the importance of increasing infrastructure and collaborative development plans between India and Russia to increase bilateral trade, particularly in the energy sector. Given the current state of the geopolitical and economic landscapes, this takes on added significance. With the introduction of its Arctic policy in 2020, India has demonstrated an awareness of the geopolitics of the Poles.

Because of India's participation and aspirations, a path has been discovered for Indian funding in infrastructural building projects in the Siberian and Arctic regions. India has invested more than \$30 billion in oil and gas projects in Russia, making it the country's top international financial target. Indian officials think the Northern Sea Route, which cuts through the Arctic, will allow their country to save money on crude oil and transportation costs^[8].

4. Nuclear Power

Russia established the Kudankulam Nuclear Plant in Tamil Nadu almost twenty years ago when Western governments hesitated to assist India. It has been reported that Russian firms have participated in the building of all six reactors at the Kudankulam nuclear power plant. In reality, there are currently three active Units. The current 6,780 MW of nuclear power generation capacity in India may rise to 22,480 MW by 2031, aiding the country's transition to green energy. President Putin of Russia has pledged to keep up this cooperation and is willing to build a dozen reactors in India over the next twenty years.^[9]

It is important to note that during Mr Vladimir Putin's visit to New Delhi for the 19th Annual Bilateral Summit, Russia encouraged India to build a nuclear power plant at Kudankulam and reaffirmed India's participation in the Nuclear Supplier Group in a Joint Statement issued that month. As a result, there are promising future chances for this bilateral collaboration, which will have global significance, as both India and Russia have the possibility of creating nuclear reactors, especially for emerging nations.

5. Constraints

Although Russia and India have maintained strong political and economic links and amicable relationships since the Soviet era, their bilateral energy connections are currently insignificant. Russia supplies less than 2% of India's energy needs, and the value of India's energy purchases from Russia is less than US\$ 1 billion annually. Several limitations have led to this situation.



Firstly, during the Soviet era, India received electricity from the vast Caspian Sea Region. The countries of Azerbaijan, Iran, Turkmenistan, and Kazakhstan are the others with which Russia shares the Caspian Sea. As a result, the Caspian Sea is beset by three issues: the politics of the export pipeline, the Sea's division, and the Sea's legal status. These issues have not gone away and are still not completely fixed.^[10]

Secondly, inadequate network access has emerged as a critical bottleneck. Russia and the Central Asian States were expected to be the pipeline's two largest oil exporters. This pipeline has been a pipe aspiration due to ongoing geopolitical and security concerns.

Thirdly, the projected International North-South Transport Corridor (INSTC) is a land route that has the potential to connect the India-backed Chabahar port in Iran to the countries of Azerbaijan, St. Petersburg, and Georgia. The route from India to St. Petersburg and North Europe goes via Russia. It connects India to Europe and Central Asia and has various issues that need to be resolved. The already robust commercial linkages between India, Russia, and Central Asia will be further bolstered. However, since February of 2022, when hostilities between Russia and Ukraine began, exporting oil from Crimea has become increasingly difficult.^[11]

Fourthly, finding a solution to the difficulties in communicating between Russia and India is imperative. Experts suggest a swap deal between Russia and Iran to facilitate the sale of Russian oil to Iran and Iranian oil to India.

6. Prospects

India and Russia are taking constructive and beneficial measures at the level of their respective governments and energy corporations to further develop their bilateral energy relationship. Therefore, there is a promising future for substantial growth in Russian oil exports to India.

Firstly, in February 2020, the Indian Oil Corporation agreed to buy 2 million tonnes of crude oil from the Russian firm Rosneft. As per estimates, this was the first-ever annual oil purchase arrangement between India and Russia. This agreement has been called a "major milestone" by the Union minister of petroleum, natural gas, and steel, Mr Dharmendra Pradhan. On the occasion of his 2020 bilateral meeting with Mr/ Igor Sechin, CEO of Rosneft, Pradhan stated, "Hydrocarbon is a key component of the Strategic and favoured Alliance between India and Russia. Indian oil and gas firms respect their partnership with Rosneft, one of the leading companies in India's energy security aims. This was achievable and is important because Russian oil giant Rosneft and its partner bought Essar Oil, renaming Nayara Energy for \$ 12.9 billion and has become one of the most significant foreign investments in recent years. The crude oil is scheduled to be exported across the port of Novorossiysk."^[12]

Secondly, since India and Russia are already the two biggest investors in each other's hydrocarbon sectors, the Union minister of petroleum, Mr Pradhan, extended an invitation to Russia to participate in the hydrocarbon sector. This is why the Indian government has been soliciting funding from Russian oil and gas firms to aid in developing the country's gas infrastructures and growing the country's metropolitan gas distribution networks.

Thirdly, India and Russia are, in fact, in agreement on the topic of increased energy industry cooperation due to bilateral investment. It is important to note that this has been made possible because India and



Russia want to increase their cooperation in the infrastructure industry thanks to a series of memorandums signed by the leaders of the two countries in 2020. Among the many topics, the pacts address are the provision of training programmes for workers, the transfer of knowledge to improve oil refineries, and the promotion of metallurgical technology research. This demonstrates that the highest-level leaders in India and Russia are determined to maintain the momentum of their countries' efforts to improve bilateral relations and implement policy choices. As evidence of the favourable outcome, in August 2021, India's Petroleum Minister, Mr Hardeep Singh Puri, met with Russia's Energy Minister, Mr Nikolay Shulginov and emphasised the need for extra involvement by Indian enterprises in Russia's upstream sector. Russia is the greatest investor in India's energy sector, and he noted that the joint venture between India's Reliance Industries Ltd. and Russia's Sibur, the country's largest petrochemicals producer, is an example of collaboration between the two countries in energy conversion. Indian and Russian Energy Ministers declared that the nations' firms have been pressing for greater cooperation in the oil and gas industry beyond the U.S.\$32 billion previously committed in joint initiatives.

Fourthly, as part of the economic measures against Russia for its conflict in Ukraine, the countries of Western Europe have chosen to limit their oil and natural gas imports from Russia. Also, the G-7 industrialized powers have reportedly pledged to "urgently" move towards placing a price ceiling on Russian oil imports. The Russian economy has felt the pinch, as it relies heavily on money from selling oil to Western countries. Even if the Indian government is opposed to the idea, the West has been pushing for a broad coalition of support. It has also pressured India to reduce its energy imports from Russia. However, it is important to note that, according to reports from India, Finance Minister Nirmala Sitharaman has praised Prime Minister Mr Narendra Modi for his decision to allow imports of cheaper Russian crude to insulate the Indian economy from the ebb and flow of world oil prices. This is why Russian Foreign Minister Sergey Lavrov praised and declared that Russia and India collaborate closely across various sectors, notably the energy industry.

Fifthly, many Indian oil firms have made stakes in Russian oil reserves. It's important to note that the total money invested so far is above \$10 billion. There is a pressing need to broaden our energy portfolio to include liquefied natural gas (LNG), natural gas mobility, renewable energy, energy finance markets, hydroelectricity, and nuclear technology collaboration. Indeed, if two countries were to work together on the energy front, they would need to increase their investments and procurement of hydrocarbons. Indian businesses are competent in all aspects of the hydrocarbon value chain, including providing engineering consultation and carrying out massive projects. Hence Novatek's partnership with Indian energy company Petronet LNG Limited is a remarkable example of taking advantage of a win-win situation.^[13]

Sixthly, acquiring gas and oil from Russia is critical for India's long-term strategy of diversifying crude oil exports from non-OPEC nations, bypassing the Strait of Hormuz, stabilising oil prices, and providing avenues for other PSU refiners to participate in similar deals for the purchase of Russian crude oil. For this reason, India and Russia must work together to foster a thriving energy sector. Energy experts are correct in their assessment that India would need to import significant amounts of natural gas from Russia to achieve its goal of a widespread transition from coal to cleaner natural gas.

7. Conclusion

To wrap up, it's worth noting that Russia has been a big player in the global energy market because of its abundant natural gas and oil reserves. There is no doubt that India is one of the world's leading energy importers. Despite some limitations, one of the fundamental pillars of the unique and privileged strategic alliance between India and Russia is their energy collaboration. Although Russia's portion of India's imports is very small, several initiatives are underway to increase bilateral ties in the energy sector by



increasing investment and interconnection between states and energy enterprises in both nations. Russia's "Look East" policy focuses on China and India in response to increasing tensions with Western Powers over the Ukrainian issue. Russian businesses may become reliable long-term partners in India's effort to modernise its energy infrastructure. India and Russia are beginning to see the vast opportunities available in the energy sector. For this reason, India and Russia can expect positive outcomes from deepening their collaboration in the energy industry.

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