Electronic Journal of Social and Strategic Studies
Date of publication: 15 April 2021
https://doi.org/10.47362/EJSSS.2021.2204

Energy Security of India: Role of International North-South Transport Corridor

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Abstract

Energy Security which is "the uninterrupted availability of energy sources at an affordable price" has become a critical issue for India. According to the National Energy Policy document, overall energy import dependence could rise to 36%-55% by 2040. Also, three out of the four barrels of crude we consume is imported and two of these barrels come from the Middle East Region, a politically volatile region, thus undermining our energy security. Further, politics of cartelization, geo-political power play over energy resources and price fluctuations have serious political and economic consequences for India. So diversification of both import destinations and energy mix is the need of hour. It is in this context that Eurasia, a region rich in energy resources comes into picture. Being rich in energy sources, Eurasian states are also pursuing the policies of multiple pipelines to ensure diversification and independence of export supplies of energy resources. But lack of direct overland connectivity among other factors is obstructing the Indian outreach to this region. International North-South Transport Corridor (INSTC) is a positive development which can ensure connectivity to wider Eurasian region. However, issues of geography, geo-politics and security need to be resolved to realize the true potential of energy and economic cooperation through the instrument of INSTC.

Keywords: Energy Security, Eurasia, INSTC, Strategic Partnership Agreement, Geo-politics.

Introduction

India and Eurasia relations are shaped by shared history, culture and civilizational links. And, in modern times, these ties are driven by convergence of mutual geo-economic and strategic interests. Against the rising challenges to energy security of India and an urgent need of independence and diversification of energy exports for Eurasian countries including Central

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https://doi.org/10.47362/EJSSS.2021.2204

Asian Republics, both India and these countries seek greater energy and strategic cooperation with each other.

Today, India has strategic and economic presence in most of Eurasian states and cooperation in energy is also picking up, though slowly. These countries particularly Central Asian republics being rich in hydrocarbons, mineral and other natural resources and given their strategic location they are of immense significance to India's energy security. These states are also pursuing the policies of multiple pipelines to ensure diversification and independence of export supplies of energy resources. Today, measures like Strategic Partnership Agreement, uranium import agreements, equity oil deals and TAPI rightly points to the vast potential of mutual energy cooperation with this region. But lack of direct overland connectivity among other factors is obstructing the Indian outreach to this region. In this context, International North-South Transport Corridor (INSTC) is a positive development which can ensure connectivity to wider Eurasian region.

This paper attempts to analyse the present energy scenario of India, alternative sources and as to how stakeholders of INSTC recognize the centrality of each other in forging a long-term partnership as far as energy cooperation is concerned.

India's Energy Security: The Present Scenario

Energy security is one of the components of present day broadened definitional criterion of National security. And, according to Harold Brown (Brown, 1983), National Security is the ability to preserve a nation's physical territory; to maintain its economic relations with rest of the world on reasonable terms; to protect its nature, institutions and governance from disruption from outside; and to control its borders. It clearly points out that present day national security is a comprehensive and holistic idea and energy security is an integral part of it. This also gets reflected in former Planning Commission's (2006) definition of energy security which states that, "The country is secure when we can supply lifetime energy to all our citizens as well as meet their effective demand for safe and convenient energy to satisfy various needs at affordable costs at all times with a prescribed confidence level considering shocks and disruptions that can be reasonably expected".

The concept of 'energy security' has evolved in the context of its excessive dependence on imported energy and the localization of supplies in the Persian Gulf. The focus of policy until the oil shocks of the 1970s was mainly on supply management. After the oil shocks, many

organizations like Economic Cooperation and Development (OECD) countries have also paid equal attention to demand management and investment in energy saving technologies as well as in alternative sources of energy (Singh, 2010). The concept of energy security was, thus, made more comprehensive, including both the demand side and supply side strategies.

Today, the energy scenario in India is paradoxical. The country is endowed with abundant coal reserves. Besides, several parts of the country are blessed with an estimated 300 clear and sunny days in a year (a number that is significant for its solar power sector) apart from being richly endowed with thorium fuel reserves (for its nuclear reactors). Despite this, India imports about 20 per cent of its total coal demand, the figure touched 77 per cent for the oil and gas sector in 2017, while renewables and atomic energy have been developed as commercial energy resources, only recently. A bulk of India's energy demand is met by imports, thus putting it in a position of 'structural dependence'. India, being world's third-largest oil consume, its dependence on imported oil is already touching the levels of around 80 per cent, it is predicted that these could go up to 90 per cent by 2030–31. Similarly, it is estimated that around 66 to 75 per cent of coal in 2030 could be imported (TERI, 2018). Besides the shortage of supply from domestic fuel resources, the energy sector in India also faces pressure to reduce carbon emissions under the COP-21 Agreement and technological limitations as far as renewable energy potential is concerned. What is more paradoxical is that it's over dependence on a region that is politically very volatile. Middle East from where around 60 per cent of its total crude oil is imported makes it vulnerable to 'dependency syndrome'. This poses double risk for India of security of supply and volatile market conditions (Draft National Energy Policy, 2017).

With rising demand for energy, Indian search to ensure energy security is no exception. India's rising international profile, rapid economic growth, rapid industrialisation, urbanisation, low domestic production, increased middle class disposal income have all contributed to ensure energy security a top priority in Indian foreign and security policy. Though domestic production is rising but, it is unable to keep pace with growing demand. Consequently, India is dependent on imports and these imports has assumed enormous proportions thus depleting essential foreign reserves, causing inflation and other associated economic and political consequences (Joshi, 2012).

https://doi.org/10.47362/EJSSS.2021.2204

Alternative Sources

It is in this context that it is imperative for India to diversify its sources of energy. Several options come to the fore, prominent among them being West Asia, Africa, USA and Latin American states and Central Asia. However, none of these options are free of challenges like politics of cartelization, political instability and global geo-politics of power equations and energy resources and their costs. Also, significant supplies come from countries like Nigeria, Sudan, Angola, Egypt in Africa, Brazil, Venezuela in Latin America and recently enhanced supplies from USA, Canada and Mexico. Similarly in Indo-pacific, Malaysia, and Australia are significant. However these supplies and long term sustainability is again limited by similar factors like the issue of payments, lack of direct connectivity, lack of viable transport infrastructure, geo-political power equations, political and ethnic volatility and costs of energy imports.

In this context, Eurasia, a region rich in energy resources comes into picture. These states faced hurdles in exporting their energy products and relied on Russian pipelines and this monopoly position gave Russian an instrument to influence the policies of these states. But today, with coming of many international players, these states are pursing the policies of multiple pipelines for diversification of energy supplies and export independence. India being a fastest growing economy is lucrative market for them. Energy exports have brought huge economic benefits to these countries. But from long term perspective, these states have to diversify the base of their economies using these petrodollars and foreign investment, and technological cooperation is key in this context. In this context, there is vast potential of energy cooperation due to their abundant energy resources and geo-strategic location. While Turkmenistan due to its abundant natural gas reserves, transit potential; and its proximity to Afghanistan and Iran occupies a central place in India's regional strategic and energy interests on the other hand Uzbekistan given its abundant gas reserve and uranium reserve holds a prominent place in India's energy interests. Kazakhstan and other Caspian states are similarly rich in fossil fuels. Today, strategic partnership agreement, nuclear co-operation agreement and joint working group on hydrocarbons points towards the enhanced energy cooperation with these countries (ONGC Videsh Limited, 2018).

There are some major impediments in the Indo-Eurasian energy cooperation like the issue of payments, lack of direct connectivity, lack of viable transport infrastructure, geo-political power equations, political and ethnic volatility of Af-Pak region and further strained Indo-Pak

relations and more recently renewed USA sanctions on Russia and Iran. However, a little progress made in transport infrastructure like INSTC, Chabahar and also TAPI has given new hope to these efforts. Therefore, suitable strategies and policies needs to be formulated to tackle these important issues for strengthening the energy ties achieve overall economic development and thus harvesting mutual benefits.

International North-South Transport Corridor

Alternative routes of connectivity and improving the transport, communication and logistic infrastructure of existing routes are the prerequisite to have any significant energy cooperation with the wider Eurasian region. Cheap and viable transport connectivity can significantly increase the economic and energy cooperation and people to people contacts. India has worked on many infrastructure projects in Afghanistan and Central Asian regions. Notably, Zaranj-Delaram road provides access to both Afghanistan and Central Asian countries especially Tajikistan to Chabahar port in Iran and further to India. But still most viable and shortest route from Eurasian region to India lies through Afghanistan and Pakistan and improvement in India-Pakistan relations and political stability in Afghanistan is a prerequisite for that to become a reality (Warikoo, 2013). With Pakistan and its military establishment supporting cross-border terror in Afghanistan and India and its rising nexus with China in the form of Pakistan-China Economic Corridor, this reality seems far from realization.

Thus in the backdrop of worsening political relations between India and Pakistan, Indian hopes are largely concentrated on International North-South Transport Corridor (INSTC) which India along with regional countries launched in 2000 with the aim of connecting South Asia to Europe via Iran and Central Asia. Subsequently it included 10 other central Asian and west Asian countries namely Azerbaijan Armenia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkey, Ukraine, Belarus, Oman, Syria and Bulgaria as an observer. It envisions a 7,200-km-long multi-mode network of ship, rail and road route for transporting freight, aimed at reducing the carriage cost between India and Russia by about 30% and bringing down the transit time from 40 days by more than half. Recently, member countries approved the draft transit and customs agreements thus providing a legal framework for moving freight on the ship-rail-road route and speeding the work on the already delayed project (Zafar, 2016).

The main objectives of 2002 agreement were "increasing effectiveness of transport ties in order to organise goods and passenger transport along the International 'North–South' transport corridor"; the "promotion of access to the international market through rail, road, sea,

https://doi.org/10.47362/EJSSS.2021.2204

river and air transport of the state Parties to this agreement"; and "providing security of travel and safety of goods" and "harmonisation of transport policies as well as law and legislative basis in the field of transport for the purpose of implementing this Agreement." For furthering these objectives and India's role in enhancing the connectivity with the wider Central Asian and Eurasian region, Indian Prime Minister Modi's visit to all five Central Asian countries in 2015 assumes significance (Roy, 2015). Here, he said:

"As we look forward, we would lend our support to improving transportation and communication networks in the region. We can create a vast network of physical and digital connectivity that extends from Eurasia's northern corner to Asia's southern shores. The International North South Transportation Corridor is a step in that direction."

Similar views have been expressed by the heads of countries who are stakeholder in this project. For example recently Russian Deputy Industry and Trade Minister Choriyev Ergashevich called the INSTC a "very important corridor for the development of freight traffic in the region", and suggested that member countries could also work on the joint design and construction of container ships and railway lines together (Haidar, 2021).

However, the progress in the past on this project has been slow due to many geo-political and economic factors yet it has gained pace recently. The report of a dry run conducted in 2014 by the Federation of Freight Forwarders' Associations in India (FFFAI) is a positive development in this regard. It clearly points out that "the proposed INSTC route via Bandar Abbas in Iran to Russia and CIS Destination in transit through Iran, could be the best route with optimal transit/cost for the Indian exporters/importers" (MEA, 2015).

The strategic and economic significance of INSTC for India are immense. It offers many opportunities to enhance India's connectivity with Iran, Afghanistan and the vast Eurasian region and thus offers access to alternative sources of energy destinations like Caspian Sea. However it is not free of bottlenecks. It still does not have a strong mechanism to address the operational issues and problems like lack of common border crossing rules among the member countries customs procedure and documentation. Funding mechanism of infrastructure projects and economy of container trade on the INSTC are other issues along with many geo-political factors. Also, volatile security environment in the Af-Pak region and Western sanctions on Iran continue to pose challenges for efforts for enhanced connectivity (Sharma, 2010).

Since India, Iran and Russia are major stakeholders of this, these countries along with other members needs to take more responsibility to speed up the work. As it provides Caspian bordered countries, the access to energy deficient South Asian region and thus can secure their independence of export supplies which otherwise solely rests on European or Chinese markets. In this regard, formation of high level working groups on transport cooperation among the regional partners, setting up of independent joint study groups and organising annual meeting of the technical groups to follow the developments on transport projects will go a long way in re-energising the INSTC (Roy, 2015). The recent initiatives taken by India, Iran and Russia, supported by the countries of Central Asia and other members provides a fresh impetus to realise the full potential of the INSTC. In a new development, recently, India has advocated that Chabahar port should be included in the 13-nation International North South Transport Corridor and expand INSTC membership to Afghanistan and Uzbekistan. With possible easing of some sanctions on Iran by Biden administration have given fresh impetus to speed up the work. Indian Foreign Minister, Mr. Jaishankar also proposed that the land route via Kabul and Tashkent can form the INSTC's "Eastern corridor" (Haidar, 2021).

Thus INSTC can be a game changer as far as energy cooperation between India and Eurasian region is concerned. It will also raise India's strategic and economic profile in the region. For India, it can secures access to alternative sources of energy and thus ensuring much needed energy security of country and for Eurasian states, it provides them new markets for their energy exports thus securing their Independence of energy supplies.

Conclusion

Energy resources of Eurasia have a significant potential to address India's growing energy demand. Emphasis on having close historical and trade ties between the two regions needs to be matched by significant improvement in the energy and trade relations. Proactive diplomacy is the need of hour to address the vital issues of geography, geo-politics and security. A definite, comprehensive and meaningful relationship with Eurasian states can be established towards overall future cooperation, particularly in the spheres of hydrocarbon and nuclear energy by adopting multi-dimensional approach. There are immense opportunities and challenges before both but sustained and close cooperation in trade and energy security arenas will certainly move the relations to new heights and INSTC will be instrumental in this process. As Bedil urged, "The Sea of time and place, for you, is but one gulp limit not your boundless imagination".

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