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REVOKING SANCTIONS AGAINST IRAN: ANTICIPATING OPPORTUNITIES FOR INDIA'S ENERGY SECURITY

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The Joint Comprehensive Plan of Action (JCPOA) finalized by the P5+1 at Vienna on July 14, 2015, resulted in the lifting of sanctions against Iran. The JCPOA came into effect from January 18, 2016, allowing Iran to continue and further strengthen its trade relations with China, Japan, South Korea, Turkey, and India. India constitutes Iran's second major destination for its export and import, and with whom Iran shares its deposits of energy resources, both offshore and onshore. Iran's onshore fields hold around 70 percent of oil reserves; likewise, South Pars of the Persian Gulf is rich in gas reserves with nearly 40 percent of the total of Iran's total gas reserves.¹ As Iranian Constitution restricts non-Iranian ownership of its natural resources, India needs to identify areas where it can cooperate with Iran.

The major question here is reviving India's energy relations with Iran. With this current development, India has optimistic views on

Chabahar port and IPI (Iran-Pakistan-India) gas pipeline. As stated by an Indian diplomat, "With the lifting of the sanctions, the scope of India-Iranian cooperation, including the scope of the Chabahar port, can be expanded".² Iran accounted for 17 percent of India's oil imports. However, it was reduced to six percent in 2014-15. With the sanctions gone, India can anticipate greater opportunities to meet its energy deficit.

India's energy requirements

When Prime Minister Modi expressed the hope that he would like to reduce India's imports of crude oil by 10 percent by 2022, questions emerge on the feasibility of this happening for the following reason. It is projected that by 2035 global energy consumption would increase by 34 percent from the present levels, with India and China accounting for half of the growth.³ Latest figures reflected in 2014-15 concluded that India's oil imports constituted around 78.6% of



its total oil consumption. ⁴ As per British Petroleum (BP) report published in 2015, India will continue to depend on imports, despite the hike in its non-fossil fuel production because even though energy production increases by 117 percent, consumption will also increase by 128 percent by 2035.⁵ It means that energy demand will grow gradually in the next 20 years and aiming for reducing imports by 10 percent can be a bit ambiguous.

What India can predict

The removal of sanctions will not only resume halted relations but also provide new avenues to fulfill India's energy shortage. As already predicted by analysts, construction of energy lines through Pakistan and Afghanistan might hinder the flow of energy resources to India because of the regions' volatile security scenario. It is necessary, therefore, to search for an alternative route that would bypass the above countries. Hence, the proposal for the construction of the undersea pipeline by the South Asia Gas Enterprises (SAGE) Pvt. Ltd. holds promise as it would transport gas from Chabahar (Iran) and Ra's al Jifan (Oman) to Porbandar (India). Building an energy route from Turkmenistan and Iran to India should be considered, similar to the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline that is under construction, but will take time to become operational.

Furthermore, energy infrastructure development is also an area that requires adequate attention where India can propose the joint development of energy infrastructure. For instance, there is a need for assistance in the development of upstream, midstream and downstream sectors. In the upstream sector, exploration and production of energy sources are carried out, midstream is the transportation, while refining, purifying and distribution is carried out in the downstream sector.

Iran's land proximity with Central Asian countries can be utilized by India for bridging the Iranian Caspian basin resources with the southern ports of Iran. India can forward a proposal for using Iranian territory for energy transit routes. The Baku-Tbilisi-Ceyhan Oil Pipeline [from Azerbaijan to Turkey via Georgia] and South Caucasus Gas Pipeline [from Azerbaijan to Turkey] can be viewed as successful evidence in this regard. However, this will require a strong political will and expenditure from the participating countries, and hence, India needs to work extensively towards building energy diplomacy.

On the regional platform, India can also look to cooperate with Iran in the Shanghai Cooperation Organization where both India and Iran presently enjoy 'Observer' status. As an acceding member of the SCO and permanent member of BRICS, India can pitch for Iran's full membership in these organizations. Membership

in these organizations will also provide Iran and other Caspian littoral countries an opportunity to work towards territorial dispute settlement. Further, this will provide impetus to India and Iran to club their resources towards energy infrastructure development, framing a common regional energy policy, and prognosticating new energy routes in the region.

(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])

Notes

¹ U.S. Department of Energy, Energy Information Administration, "Iran: International Energy Data and Analysis", <https://www.eia.gov/beta/international/analysis.cfm?iso=IRN>, accessed on February 5, 2016.

² George, Varghese K., "U.S. lifts sanctions; Iran comes in from the cold", *The Hindu*, January, 17, 2016, International, World.

³ British Petroleum, "Outlook to 2035 – Energy Use to Rise by Third", <http://www.bp.com/en/global/corporate/energy-economics/energy-outlook-2035/energy-outlook-to-2035.html> accessed on 5 February, 2016.

⁴ Make In India, "Oil and Gas", <http://www.makeinindia.com/sector/oil-and-gas/> accessed on February 15, 2016.

⁵ World Nuclear Association, "Nuclear Power in India", <http://world-nuclear.org/information-library/country-profiles/countries-g-n/india.aspx> accessed on 5 February, 2016.