Oil and Gas

Government clarifies on India's energy security amid ME crisis

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In a press briefing, the Indian government (GoI) has addressed issues around India's energy security and current energy position amid blockage of oil and gas flows via the Strait of Hormuz (SoH) due to ongoing Middle East (ME) crisis. The briefing states India's 30% crude and 25% natural gas requirements are currently impacted due to the SoH blockage despite taking various sourcing diversification measures. We believe India's total oil inventory would be sufficient for meeting three–four months of current domestic oil demand shortfall if India's crude imports from the SoH continue to be halted. However, we see a need for 20–25% gas demand rationalisation across sectors as the only sustainable way to offset the current gas requirement shortfall amidst minimal gas inventory. Furthermore, the blockage of SoH has impacted India's LPG requirements the most with 44% still unmet (despite 25% rise in domestic LPG production) as 60% of our LPG requirements is imported - of which 90% comes from SoH and has ground to a halt. As per our understanding, ~85% of India's LPG consumption is for domestic consumption and the balance ~15% for commercial usage. Though the GoI has prioritised LPG allocation for domestic cooking fuel usage, our current overall LPG availability of 56% even falls short of meeting domestic LPG demand; hence, availability for commercial LPG supply may continue to be a challenge.

- **30% of India's crude requirements impacted due to blockage of SoH, though India's crude and petroleum products inventory sufficient to meet this shortfall for 3–4 months:** The GoI said India's current daily crude consumption is 5.5mmbpd and 70% of India's crude imports are coming in from routes other than the Strait of Hormuz (versus 55% earlier) as a result of various diversification efforts. This implies 30% of our crude requirements has been impacted given that crude imports meets 85% of India's overall oil demand. However, it clarified that India's refining capacity is currently operating at full utilisation of~100% (mostly due to 10–50 days of crude inventory that various refineries have). As per our understanding, India's total crude and oil product inventory (industrial + strategic) is likely equivalent to meeting 30–40 days of domestic demand assuming: **a)** IOCL maintains 45–50 days of crude inventory and another 10–15 days of product inventory (1/3rd of India's refining capacity); **b)** other refiners maintain 10–20 days of crude inventory and another 10–15 days of product inventory; and **c)** strategic crude reserve of ~6 days (~30mmbbbl). Hence, if India's crude imports from SoH continues to be halted, India's total oil inventory would be sufficient for meeting 3–4 months of domestic oil demand shortfall (~85% of India's oil consumption is imported and ~30% of imports via the Strait is disrupted).

- **25% of India's natural gas requirements impacted due to SoH blockage; 20–25% demand rationalisation only sustainable way to offset this shortfall amidst minimal inventory:** The GoI said India's natural gas consumption is ~189mmscmd, of which 97.5mmscmd is produced domestically and remaining the ~92mmscmd is imported; ~47.4mmscmd out of these gas imports has been impacted currently due to *force majeure* conditions (or 25% of our total gas supply has been disrupted). Indian gas companies are trying to procure additional gas via alternative routes to offset this disruption, and two LNG cargoes are on their way to India. Earlier yesterday, the government had issued a Natural Gas (Supply Regulation) Order, 2026 to ensure availability of gas for priority sectors (100% supply to Domestic PNG, CNG, LPG production and pipeline compressor fuel, 70% to fertilisers and 80% to tea, manufacturing and industrial consumers based on last 6-month average consumption) while curtailing supplies to the petchem, power and refining sectors. Given India doesn't have much inventory of gas (given the challenges in storing gas due to nature of commodity), 20–25% demand rationalisation across sectors is the only sustainable way to offset the 25% disruption in our overall gas supply.

- **44% of India's LPG requirements impacted, even after 25% rise in domestic LPG output; LPG supply can meet 56% of our demand, so commercial LPG supply may continue to be disrupted:** The GoI clarified that India imports ~60% of LPG requirements (and 40% produced domestically) and 90% of these imports (i.e. ~54% of our LPG demand) come via the SoH. This implies 54% of India's overall LPG supply is disrupted currently. To offset this, the GoI has ordered Indian refining and petchem companies to maximise LPG by diverting all C3-C4 hydrocarbon streams, which will add to LPG pool and will be supplied to OMCs to meet domestic LPG supply. These measures have led to a rise in domestic LPG production by 25% and entire domestic LPG is being diverted to the household segment. This implies LPG supply is only able to meet 56% of our requirement (domestic production is now meeting 50% of our requirement versus 40% earlier and another 6% of demand being met from imports made through routes other than the SoH). Hence, still 44% of our LPG requirements is unmet. For non-domestic LPG, priority is given to essential sectors like

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hospitals and educational institutions. Furthermore, India's oil ministry has set up a three-member panel of OMC executives to review the allocation of LPG supply to restaurants, hotels and other commercial users and is trying to work out a mechanism to ensure available LPG is distributed in fair and transparent manner.

- **GoI prioritises LPG allocation for domestic cooking fuel usage; commercial LPG availability may continue to be a challenge :** As per our understanding, ~85% of India's LPG consumption is for domestic consumption and the balance ~15% is for commercial organisations (hospitals, educational institutes, restaurants/hotels, temples, etc). Hence, our current overall LPG availability of 56% even falls short of meeting domestic LPG demand (which constitutes 85% of our overall LPG demand). Hence, commercial LPG supply may continue to be a challenge. Separately, the GoI added that it has absorbed a significant part of the jump in global LPG prices to protect consumers despite the recent hike of INR 60/cylinder; current domestic LPG price is INR 913/cylinder in Delhi (and INR 613/cylinder for PMUY customers). It also clarified that panic domestic LPG booking is due to misinformation and there is no shortage of domestic LPG supply. Furthermore, it is trying to prevent diversion of domestic LPG for commercial LPG usage via OTP verification. As a temporary demand management measure, minimum booking time has been increased to 25 days (from 21 days).

Natural Gas (Supply Regulation) Order, 2026

Aims to ensure equitable distribution & availability of gas for priority sectors

The GoI has issued a Natural Gas (Supply Regulation) Order, 2026 to ensure equitable distribution and availability of gas for priority sectors:

a) Priority gas allocation (based on last 6-month average consumption):

- **i) 100% supply to Priority Sector I: Domestic PNG, CNG for transport, LPG production (including shrinkage), and pipeline compressor fuel.**
- **ii) 70% supply to Priority Sector II: Fertiliser plants.**
- **iii) 80% supply to Priority Sector III: Tea industry, manufacturing and other industrial consumers** connected to the national gas grid.
- **iv) 80% supply to Priority Sector IV: Industrial and commercial consumers supplied via CGD networks.**

b) Gas supply may be curtailed from following non-priority sectors to meet priority sector demand:

- **i) Petchem facilities (OPaL, GAIL Pata plant); ii) Power plants and iii) Refineries** (gas allocation to oil **refineries** may **be** reduced to ~65% of their past six-month average consumption).

c) PPAC will notify a pooled gas price for gas diverted from non-priority to priority sectors. Priority sector consumers must accept the pooled price and cannot litigate under *force majeure* mitigation supply.

d) GAIL, in coordination with PPAC, will manage gas supply diversion and allocation. The order overrides existing Gas Sale Agreements (GSAs) and commercial arrangements if inconsistent with the regulation.

Exhibit 1: CNG, Domestic PNG, LPG production and pipeline operations to continue to receive 100% of gas requirements

1. Short title and commencement.- (1) This order may be called the Natural Gas (Supply Regulation) Order, 2026.

(2) It shall come into force on the date of its publication in the Official Gazette.

2. Regulation of production, supply and distribution. – The Central Government may, with a view to maintain supplies and securing equitable distribution and availability of natural gas for priority sector, hereby directs as under: -

(1) Priority Sector I

The supply of natural gas to the following sectors shall be treated as priority allocation and shall be maintained subject to operational availability to hundred per cent. of their average past six month average gas consumption:

(a) Domestic Piped Natural Gas supply;

(b) Compressed Natural Gas for transport;

(c) LPG production including LPG shrinkage requirements;

(d) Pipeline compressor fuel and other essential pipeline operational requirements.

(2) Priority Sector II

The supply of natural gas to the fertilizer plants shall ensure seventy per cent. of their past six month average gas consumption, subject to operational availability:

Provided that the units shall not use the gas supply for any other purpose except in the production of fertilizers and a certificate to this effect shall be furnished to the Petroleum Planning and Analysis Cell (hereinafter referred to as the "PPAC") through the Ministry of Fertilizer:

Provided further that allocation to a particular unit may not be diverted to any other unit.

(3) Priority Sector III

The gas marketing entities shall ensure that gas supply to tea industries, manufacturing and other industrial consumers supplied through the national gas grid is maintained at eighty per cent. of their past six month average gas consumption subject to operational availability.

Explanation.- For the purpose of gas allocation to this sector, the principles shall be evolved by the PPAC in coordination with the Industry Committee.

(4) Priority Sector IV

All City Gas Distribution (hereinafter referred to the "CGD") entities shall ensure that industrial and commercial consumers supplied through their networks receive eighty per cent. of their past six month average gas consumption subject to operational availability.

Explanation : For the purpose of gas allocation to this sector, the principles shall be evolved by the PPAC in coordination with the Industry Committee.

3. Gas redistribution. - (1) The gas required to meet the priorities mentioned in paragraph 2 shall be through full or partial curtailment of gas supplied in the following order of priority:

(a) petrochemical facilities not limited to:

(i) ONGC Petrol additions Limited;

(ii) GAIL Pata Petrochemical Complex;

(iii) Reliance O2C and other High-Pressure High Temperature (HPHT) gas consumers;

(b) power plants as required.

(2) The oil refining companies shall absorb the impact of LNG supply disruption to the extent feasible by reducing gas allocation to refineries to approximately sixty-five per cent. of the past six month gas consumption, subject to operational feasibility.

Source: GOI

Exhibit 2: PPAC to notify a pooled gas price for gas diverted from non-priority to priority sectors

4. **Implementation mechanism of pooling of gas.** - (1) The Gas Authority of India Limited (hereinafter referred to as the GAIL), in coordination with the PPAC shall manage the supplies of natural gas to implement the above directions for which it shall submit the invoice price of every diverted volume of natural gas to the PPAC.

(2) A pooled price shall be notified by the PPAC for the natural gas diverted from non-priority sectors to priority sectors as specified herein.

(3) The entities from priority sector to whom the pooled gas is supplied shall give an undertaking that the pooled price is acceptable to them and they shall not make the force majeure mitigation supply subject to any litigation as this may be at variance with their existing contracts.

(4) The entities shall undertake not-to resale the diverted natural gas.

5. **Directions to gas producers, marketers and pipeline operators.** -All entities involved in production, import, marketing, transportation or supply of natural gas including:

(a) ONGC, RIL, OIL, Vedanta and other domestic natural gas producers

(b) GAIL and other gas marketing entities,

(c) LNG terminal operators,

(d) Natural gas pipeline operators, and

(e) City Gas Distribution entities,

shall forthwith comply with the directions contained in this order, including revision of supply schedules, diversion of supplies and sector-wise allocation of natural gas as directed by the Central Government in coordination with the GAIL.

6. **Overriding effect on existing contractual arrangements.** – The provisions of this order shall have effect notwithstanding anything inconsistent contained in the Gas Sale Agreements (GSAs) and other commercial arrangements.

7. **Furnishing of information.** - Every producer, importer, transporter, marketer or distributor of natural gas including LNG and regasified LNG shall furnish information relating to production, imports, stocks, allocation, supply and consumption to the Central Government or to any officer authorised by it.

Explanation. - For the purposes of furnishing information, the Central Government authorises the PPAC as the nodal agency.

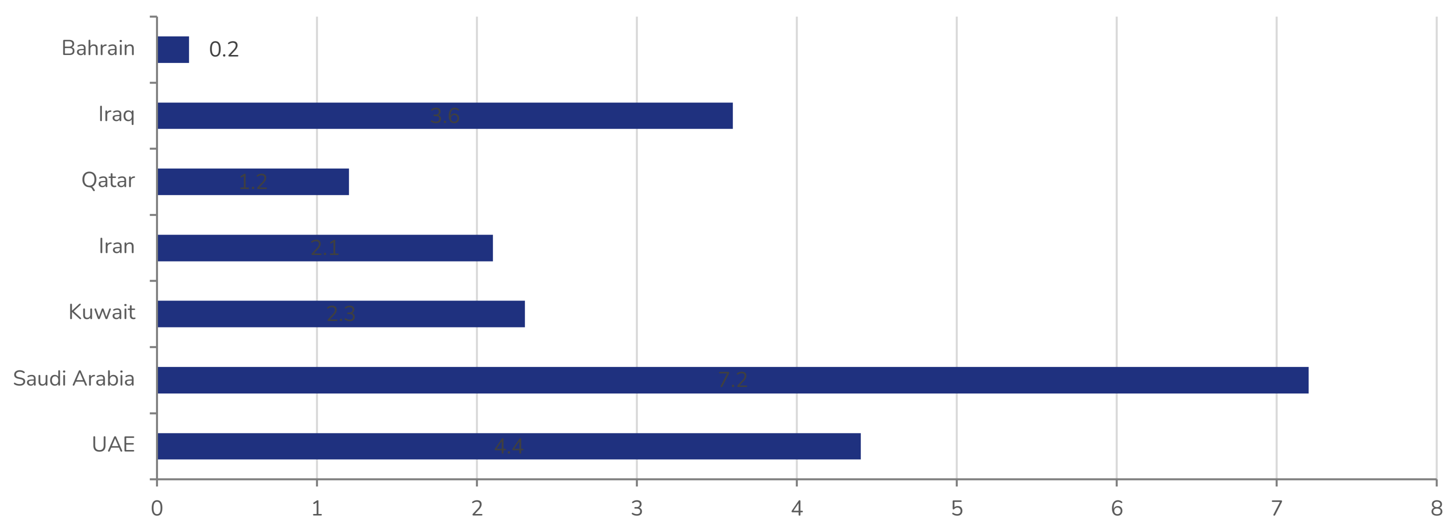
Source: GOI

In exhibits: Crude flows via Strait; India's crude sourcing breakdown; and gas demand

Exhibit 3: Map depicting strategic importance of Strait of Hormuz in global O&G supplies and its vulnerabilities

Source: JM Financial

Exhibit 4. ~20% of global oil consumption flows through Strait of Hormuz daily (mmbpd)



Source: Keler, Reuters. Note: Includes both exports of crude oil and of oil products passing through the Strait of Hormuz off Iran's southern coast, as of May 2025

Exhibit 5. As per CMIE data, Russia's share in India's crude imports fell sharply to ~21% in Jan'26 (~25% in Dec'25 and ~35% in Nov'25) following US sanctions on Russian oil; discount on Russian crude rose MoM to USD 4.2/bbl in Jan'26 (USD 2.2/bbl in Dec'25)

	India's total crude imports			India's crude imports from Russia			Russia crude proportion and discount		
Year/Month	Value (USD bn)	Qty (mmbpd)	Average Cost (USD/bbl)	Value (USD bn)	Qty (mmbpd)	Average Cost (USD/bbl)	Russia's share in India's crude imports	Russia crude premium/ (discount) (%)	Russia crude premium/ (discount) ($/bbl)
Annual details									
FY14	143.7	3.81	103.4	0.1	0.00	95.1	0.1%	NM	NM
FY15	116.0	3.78	84.0	0.2	0.00	113.0	0.1%	NM	NM
FY16	65.6	4.06	44.1	0.1	0.00	65.7	0.1%	NM	NM
FY17	70.7	4.33	44.8	0.3	0.01	78.6	0.2%	NM	NM
FY18	87.4	4.39	54.5	1.2	0.06	53.7	1.4%	-2%	-0.8
FY19	114.2	4.56	68.6	1.2	0.04	72.5	1.0%	6%	3.9
FY20	102.7	4.44	63.3	1.7	0.07	66.6	1.6%	5%	3.3
FY21	59.3	3.79	42.8	0.9	0.06	46.5	1.5%	9%	3.7
FY22	122.6	4.43	75.8	2.5	0.09	77.9	2.0%	3%	2.0
FY23	162.1	4.77	93.2	31.3	1.02	83.6	21.5%	-10%	-9.5
FY24	139.3	4.65	81.9	46.5	1.67	76.2	35.9%	-7%	-5.7
FY25	**143.0**	**4.91**	**79.7**	**50.2**	**1.76**	**78.2**	**35.8%**	**-2%**	**-1.5**
Monthly details									
Apr-25	17.0	7.26	77.9	4.7	2.10	75.2	28.9%	-3%	-2.7
May-25	11.4	5.31	69.2	4.4	2.14	66.7	40.2%	-4%	-2.5
Jun-25	10.5	5.13	68.3	3.4	1.71	66.2	33.3%	-3%	-2.1
Jul-25	12.1	5.41	72.4	3.6	1.69	69.2	31.2%	-4%	-3.2
Aug-25	9.8	4.39	72.3	3.6	1.64	70.7	37.4%	-2%	-1.6
Sep-25	10.7	4.93	72.4	3.3	1.59	69.5	32.3%	-4%	-2.9
Oct-25	11.3	5.17	70.4	3.6	1.70	67.8	32.8%	-4%	-2.6
Nov-25	10.9	5.38	67.9	3.7	1.89	65.7	35.1%	-3%	-2.2
Dec-25	11.3	5.51	66.0	2.7	1.37	63.9	24.9%	-3%	-2.2
Jan-26	10.3	5.22	63.5	2.0	1.08	59.3	20.6%	-7%	-4.2

Source: CMIE, JM Financial.

Exhibit 6. India's crude imports sourcing mix (%)

Period	Russia	Iraq	USA	Saudi Arabia	UAE	Nigeria	Kuwait	Egypt	Rest of World	Total
CY21	2%	24%	10%	16%	11%	7%	6%	1%	22%	100%
CY22	14%	23%	8%	18%	10%	4%	5%	1%	17%	100%
CY23	35%	21%	5%	15%	6%	2%	3%	1%	13%	100%
CY24	36%	21%	3%	13%	9%	2%	3%	0%	13%	100%
CY25	32%	19%	7%	14%	10%	3%	3%	1%	11%	100%
Jan-26	21%	17%	6%	17%	6%	3%	7%	0%	22%	100%

Source: CMIE, JM Financial.

Exhibit 7. India's domestic oil consumption is ~5.2mmbpd

		FY25 (mmbpd)
Crude imports		**4.9**
Domestic crude production		0.6
India' total crude throughput (domestic + imported crude)	**(a)**	**5.5**
Petroleum products exports (gross) (LPG/fuel oil/petcoke)		1.3
Petroleum products imports (Diesel and Petrol)		1.0
Petroleum products exports (net)	**(b)**	**0.3**
Total domestic oil consumption	**(a-b)**	**5.2**

Source: PPAC, JM Financial

APPENDIX I

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