

Don't waste the oil price shock

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The current oil crisis has emphasised the need for energy security. India must take urgent action to deal with the crisis, which may aggravate further. What are our options?

About 85 per cent of our consumption of petroleum products is based on imported crude oil. So, the obvious option is to reduce consumption of petroleum products. In 2025-26, India's consumption (including projections for March 2026) will be about 270 million tonnes (Mt). Of this, 132 Mt, or about 54 per cent, is accounted for by transport fuels, of which 60 Mt of high-speed diesel (HSD) is used by heavy and light commercial trucks, 22 Mt of diesel by other vehicles, 40 Mt for motor spirit, and around 10 Mt for aviation fuel.

Crude oil imports alone in 2025-26 are around 225 Mt. At \$120 per barrel, the annual import bill for crude oil will be around \$160 billion, compared with \$80 billion at a crude price of \$60 per barrel. This has already depreciated the Indian rupee to 95 per dollar. The following needs to be done urgently.

Of the 60 Mt of HSD, 50 Mt is used by heavy-duty trucks, largely for long-distance freight movement. This could be shifted to railways if we carry out some reforms. The same level of investment and focus, as spent on high-tech railways, should also be put into making them viable for efficient, on-time, point-to-point intercity delivery.

Goods transport by trucks rather than rail is preferred for a number of reasons. Railways cost more, truck movement is more reliable and on time; trucks deliver goods door-to-door; trucks ensure secure movement of goods; movement by railways involves extra loading and unloading.

The Railways can take care of all these. In fact, the Western Dedicated Freight Corridor (DFC) between Palampur in Gujarat and Rewari in Haryana covers the



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630 km distance in 12 hours. It is also facing a shortage of flat wagons on which trucks can be wheeled. Scheduled goods trains in the T-o-T (Trucks-on-Train) mode, where fully loaded trucks are wheeled onto the train and, at the destination, wheeled out, can address this. A boost can be given to such movements by reducing freight tariff, which is currently higher than justified to subsidise passenger transport. The current oil crisis is an opportunity to rationalise train fares and goods tariff. Currently, the Railways is facing a shortage of flat cars. This can be quickly expanded.

The other DFCS under construction should be speeded up, and scheduled goods trains should run even on shorter routes between major cities. We should target shifting 50 per cent of long-distance goods traffic currently carried by trucks to railways by 2030, and 90 per cent by 2035. This will reduce diesel consumption by trucks by 25 Mt by 2030, reducing total petroleum product consumption by around 10 per cent by 2030 and 20 per cent by 2035.

Large opportunities exist in replacing 82 Mt of petroleum products used in other vehicles. India is already promoting electric vehicles (EV) in cars, taxis, three-wheelers and buses. Also, a 20 per cent blending of ethanol with petrol has already been mandated and achieved. Ethanol has a calorie density that is half of petrol. So the 20 per cent blending would reduce miles per gallon of blended fuel by 10 per cent. Assuming people drive the same distance, total fuel consumption will rise by about 10 per cent, but petrol consumption will decline. The net reduction in petrol consumption will be 12 per cent.

India is producing the required ethanol domestically. However, a lot of this is from corn. This is not the best option. It should be produced from agricultural waste. Fortunately, new enzymes have made cellulosic ethanol much cheaper. The government provides

incentives to set up such plants. The PM-JI-VAN scheme provides viability gap funding up to ₹150 crore to offset high capital cost. It also provides interest subvention of up to 6 per cent for five years on loans taken to set up such plants.

Two large plants were recently commissioned. One by Bharat Petroleum Corporation Ltd at Bargath and another by Hindustan Petroleum Corporation Ltd at Bathinda. The economics of such plants can be improved by selling the by-products, such as lignin for green plastics and biochar. In the United States, companies are now producing aviation fuel from ethanol, incentivised by the clean fuel production tax credit. Still, the logistics of collecting and transporting agricultural waste have to be improved. Village-level biogas plants, operated by entrepreneurs who buy straw and make briquettes, can facilitate collection and transport. However, electric vehicles provide a much larger opportunity. India aims to achieve 30 per cent private car electrification, 70 per cent commercial vehicle electrification, 40 per cent bus electrification, and 80 per cent two/three-wheeler electrification by 2030, totalling 30 per cent of all road vehicles. This goal targets 80 million EVs by 2030. This will reduce diesel consumption by trucks even further, as many light commercial vehicles would be EVs.

The long lines observed recently at petrol and diesel pumps in many cities should further boost EV adoption and make it more likely that India will achieve its strengthened NDCs (Nationally Determined Contributions), adopted by the Union Cabinet on March 25, 2026.

Such a multi-pronged effort can get India closer to energy security. The present oil crisis is an opportunity that we should fully use and streamline India's development pathway.

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