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India’s LPG Dependence

Mains: *GS-III – Economy*

Why in News?

The Union Minister of Petroleum and Natural Gas said that 67% of India’s liquefied petroleum gas (LPG) came from the U.S.

What is Liquefied Petroleum Gas (LPG)?

- **LPG** – It is a clean-burning, portable fuel made mainly of propane (C_3H_8) and butane (C_4H_{10}).
- These gases are liquefied under moderate pressure, making them easy to store and transport in cylinders and bulk tanks.
- **Source –** It is produced during crude oil refining & extracted during natural gas processing.
- **Uses –** It serves as fuel for home cooking, heating, and motor vehicles.

  LPG is not a renewable fuel; it is a fossil fuel.

- **Significance –** It has lower emissions than coal or firewood, high calorific value and is easy to transport and store.

What about India’s present status of LPG?

- **Current Scenario** – India is the ***2nd largest consumer of LPG*** globally after China.
- **LPG Production** – Domestic production meets only about 40% of India's LPG requirement.
- **Import Dependence** – Around 60% of LPG is imported, making India highly dependent on global markets.
- LPG prices are linked to the Saudi Contract Price (Saudi CP), the international benchmark.
- **Beneficiaries** – As of July 2026, India has 33.14 crore (3,313.76 lakh) active domestic LPG connections. 10.57 crore (1,057.34 lakh) beneficiaries under the Pradhan Mantri Ujjwala Yojana (PMUY).
- **Sources of Imports**
  - Traditionally imported from Saudi Arabia, UAE, Qatar, Kuwait.
  - Recent diversification includes the United States, Russia, Australia and others.

- North-West Frontier:
  Kandahar (Afghanistan) and Shahbazgarhi (Pakistan).
- Southern Limits:
  Maski, Brahmagiri, and Yerragudi.
- Eastern Border:
  The Dhauli and Jaugada rock edicts in Odisha.

- **India's crisis response** – A long-term deal signed with the U.S. for 2.2 million tonnes for 2026 by state-run oil refiners.
- Amid the crisis in the narrow Strait of Hormuz, India's reliance on the U.S. has risen for two-thirds of its LPG, while India's LPG imports from West Asia fell almost 85% between February 2026 and June.
- However, India partially offset the lost flows by increasing LPG imports from other countries, including the U.S., from where India's June imports from the U.S was up by 19.4% from May.

What was the U.S's influence globally on trade?

- **U.S. foreign policy tools** – The U.S. has historically used financial sanctions, export controls and technology as foreign policy tools.
- Countries targeted include Iran, Iraq, Cuba, North Korea, Syria, Russia, Venezuela, Myanmar, Libya, Sudan and Afghanistan.
- **Influence Beyond Direct Trade** – Even when commercial ties are extant, the U.S. can influence third-country transactions.
- **Example** – The Lindsey O. Graham Sanctioning Russia and Iran Act of 2026, proposing tariffs of up to 100% on the top five buyers of Russian oil and natural gas, is a non-tariff trade barrier.
- **U.S. gain from geopolitics** – Washington reaped monetary benefits from Europe's shift to U.S. LNG after the Russia-Ukraine war, and its energy exports have always made stronger inroads during periods of geopolitical instability.
- **Europe's Dependency Trap** – "The pivot away from Russian gas has increased the EU's strategic dependency on US LNG, the most expensive LNG for EU buyers," said the Institute for Energy Economics and Financial Analysis.

How are U.S. and West Asian supplies compared in the view of India?

Aspects	U.S. LPG (Mont Belvieu propane-based)	West Asian LPG (Saudi Aramco CP)
Supply Agreement	Potentially swayed by trade and other agendas, enhancing dependence risks.	Largely based on long-term SPAs (Sale and Purchase Agreements), offering stability
India's import pattern	Increasing share, but voyage time is 25–35 days.	Traditionally dominant (about 60%), with 90% passing through Strait of Hormuz; voyage time only 5–10 days.
Proximity Pricing	Loses advantage due to longer shipping distance.	Gains advantage from shorter shipping routes.
Cost at Production Point	Often cheaper at source.	Higher at source compared to the U.S.
Cost at Delivery Point	Shipping costs make landed price less competitive.	Usually cheaper at disembarking point due to shorter distance.
Current Situation	Appears competitive because Gulf prices are temporarily inflated by geopolitical risks.	Normally cheaper, but current instability has raised costs significantly.

What are the risks associated with it?

- **Overdependence on imports** – Overdependence on any market is risky.
- Relying more on a nation which keeps vague relations and sees partners through the lens of national interest could prove costly, as it may use energy as a bargaining tool in bilateral trade talks.
- **Impact on monetary policy** – Energy-import dependence also makes monetary policy more complicated.
- Price fluctuations and currency risks make it harder to maintain stability while ensuring affordable supply.
- **Dollar exposure** – Tighter U.S. monetary policy can simultaneously strengthen the dollar, raising the rupee cost of each imported cargo.
- If domestic LPG prices are held down when the global price rises amid rupee depreciation, then oil companies' under-recoveries expand, leading to more fiscal and external-sector issues.
- **Political Sensitivity** – For India, cooking gas is not merely a good but a politically volatile fuel, the shortages of which would have social and political consequences; So, the priority is making it available rather than cost optimisation.

What needs to be done?

- **Diversification of Suppliers** – India, rather than depending on the U.S. and West Asia, needs to diversify its imports from other countries.
- **Australia's advantage** – Australia offers strategic advantages as it is in the Indo-Pacific, outside Hormuz, and has a shorter route than the U.S., but export volumes are much smaller.
- **Other potential suppliers** – Argentina, Nigeria and Angola can be probable markets that can offer strategic agility, though they cannot replace the Gulf volumes.

- **Policy priorities** – India must strengthen local production, bolster multiple supply chains, enhance forex hedging tools (for the OMCs) and build more strategic reserves.

Reference

The Hindu | India's LPG dependence on U.S.