Strait of Hormuz

> Mains Syllabus: GS II - Effect of policies and politics of developed and developing countries on India’s interests, Indian diaspora.

Why in the News?

Recently, Iranian parliament recommended the closure of Strait of Hormuz.

What is strait of hormuz?

- **Strait of Hormuz** – It is a critical narrow waterway between Iran and Oman, and connects the Persian Gulf with the Gulf of Oman and the Arabian Sea.
- **Narrow Path** - It is just 33 km at its narrowest point, while the width of the shipping lane in the to and fro directions is only 3 km



- **Oil Transit Chokepoint** - Around one-fifth of global liquid petroleum fuel consumption and global liquefied natural gas (LNG) trade transiting the strait.
- **LNG Transit** - Around one-fifth of global liquefied natural gas trade also transited the Strait of Hormuz in 2024, primarily from Qatar.
- **Unique Route** - Because of its geographic location, there is no sea route alternative to the Strait of Hormuz.
- **Significance for India** -Much of India's oil from key West Asian suppliers like Iraq, Saudi Arabia, and the UAE reaches Indian ports via the Strait of Hormuz.
- A bulk of India's LNG imports, which come predominantly from Qatar, also come through this vital choke point.

India is the world's third-largest consumer of crude oil and depends on imports to meet over 85 per cent of its requirement.

- **Significance for Iran** - Iran itself depends on the Strait of Hormuz for its trade, particularly oil exports to China, any blockade could impact Tehran considerably, experts pointed out.
- **West Asian Oil&Energy Export** – Almost all of the west Asian countries depends on this route to export their oils to rest of the world.

What are the potential impacts of closure of strait of hormuz on India?

- **Disrupting Global Energy Market** – West Asian region is a critical cog in the international oil and gas flows.
- Hence, the closure is bound to raise concerns globally, including in India, particularly with regard to oil and gas supply security, and could lead to a jump in energy prices.
- **Increase in Shipping Cost** - Shipping and insurance rates along the route have gone up notably due to higher geopolitical risk premium.
- **Energy Crisis in India** - India's largest source of crude oil is Russia, followed by West Asian suppliers Iraq, Saudi Arabia, and the UAE and India also buys oil from other countries in the region like Kuwait, Qatar, and Oman.
- Nearly 47 % of crude oil imported by Indian refiners was likely to have been transported via the Strait of Hormuz.
- Closure of the hormuz rioute will affect energy transport from these regions.

Indian refiners do not purchase Iranian crude as Iran's energy sector is under US sanctions.

- **Impact of Increased Energy Cost** - Apart from supply disruption for India, the surge in international energy prices due to any such blockade would hit India due to its heavy reliance on imported oil.
- **Affecting Indian Economy** – The oil price rise also has a bearing on the country's trade deficit, foreign exchange reserves, the rupee's exchange rate, and inflation rate, among others.
- **Impact on Entire Economy** - Any fluctuation in oil prices has a trickle-down effect on the prices of many other goods and commodities.

What lies ahead?

- The alternatives to the Strait of Hormuz involve transporting oil overland to ports on the Red Sea or on the Gulf of Oman.
- India's Strategic Petroleum Reserves (SPR) in rock caves or caverns in Andhra Pradesh, Karnataka, and Tamil Nadu will help in any temporary price fluctuations.
- India's diversified energy importers and major supply from Russia will reduce the impact of any disruption from west Asian market.

Reference

[The Indian Express | Strait of Hormuz]



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