

## Building Energy Security: Why India must move beyond temporary stabilisation measures

By PowerLine | June 5, 2026



Atanu Mukherjee,  
Chief Executive Officer, Dastur Energy

Prime Minister Narendra Modi's recent call for restraint, conservation and greater national discipline in the face of global energy volatility should be seen as more than a short-term appeal. It is a strategic signal. India is entering a phase in which energy security, macroeconomic stability, industrial competitiveness and long-term growth are becoming deeply intertwined.

The immediate concern is obvious. Geopolitical uncertainty, volatile crude oil prices, uncertain gas supplies, disrupted shipping routes and rising import dependence can quickly place stress on the Indian economy. But the bigger question is whether India treats this moment simply as another external shock to manage, or as an opportunity to accelerate deeper structural change.

India's vulnerability today goes well beyond crude oil. It extends to liquefied natural gas (LNG), liquefied petroleum gas (LPG), fertiliser feedstocks, petrochemical intermediates, industrial fuels and critical supply chains. Energy imports no longer affect only the trade balance. They influence inflation, currency stability, fiscal management, industrial costs and even India's geopolitical flexibility.

Unlike Europe or parts of East Asia, India's power system is not heavily dependent on imported natural gas. Domestic coal still anchors a large part of electricity generation, even as renewable capacity grows rapidly. So, while renewable power remains central to India's long-term transition, the country's most immediate exposure lies elsewhere: imported crude oil, LPG, LNG, fertilisers, petrochemical feedstocks and industrial molecular fuels. That is why the present situation should not be seen merely as a commodity-price shock. It is, more fundamentally, a structural exposure problem.

If crude oil prices remain elevated for a long period, India's current account could again come under

pressure, recalling the 2013-14 taper-tantrum period. But India today is a much stronger economy. Its current account deficit is around 1 per cent of GDP, compared with nearly 5 per cent in 2013-14. The economy is now worth more than \$4 trillion, over twice its size then, and foreign exchange reserves are in the range of \$650 billion-\$700 billion. During the taper-tantrum period, India had far thinner buffers, and the rupee depreciated by nearly 25 per cent in a short span as capital outflows, high crude prices and large gold imports intensified external stress. The policy response at that time had to be defensive. Gold import restrictions, diesel price rationalisation, liquidity tightening and currency-stabilisation measures helped restore balance. But that adjustment worked largely through compression and stabilisation. It did not fundamentally alter the structure of dependence.

Today, India has far more strategic room to act. Short-term stabilisation will still matter. Fuel conservation, greater use of public transport, moderation of discretionary imports, calibrated fuel-price rationalisation, diversified sourcing of crude, LPG and LNG, expansion of strategic petroleum reserves and higher storage capacity can all help cushion the economy during volatile periods. These steps can buy time. But they cannot, on their own, eliminate dependence.

For an economy that is industrialising, urbanising, building infrastructure and scaling manufacturing, broad-based demand suppression cannot be the long-term answer. A compression-led approach may restore temporary balance, but it can also weaken industrial activity, slow investment and limit productive capacity. India's real challenge is not simply to reduce demand. It is to reduce structural import dependence while continuing to expand. That requires a move from temporary stabilisation to long-term industrial and energy transformation.

Coal gasification has an important role in this wider resilience framework. Industrial economies need more than electrons. They need molecules: ammonia, methanol, hydrogen, reducing gases, petrochemical feedstocks, synthetic natural gas and industrial fuels. Electrification alone cannot replace all of these requirements at a national scale.

Coal gasification addresses this molecular layer of dependence. The Indian government has already set a goal of gasifying around 100 million tonnes of coal annually over the coming decade. If implemented meaningfully and linked with downstream industrial ecosystems, coal gasification can become more than just a fuel-production route. It can serve as a platform for producing critical industrial molecules domestically. Its value lies in opening multiple substitution pathways. Methanol can support petrochemical substitution, industrial chemical demand, marine fuels and future synthetic-fuel pathways. Dimethyl ether (DME) blending can help reduce LPG dependence. Synthetic natural gas can offset part of the imported LNG demand in industrial heating and city-gas systems. Domestic ammonia and hydrogen can strengthen fertiliser resilience while creating future industrial hydrogen options.

Over time, integrated gasification clusters can develop into broader industrial ecosystems involving oxygen production, downstream chemicals, fertilisers, synthetic fuels, industrial gases, carbon-capture systems and associated manufacturing clusters. Under a moderate-success pathway, these industries could meaningfully reduce import dependence over the next decade. Under a more ambitious and integrated industrialisation pathway involving methanol, DME, synthetic natural gas, ammonia and hydrogen, the macroeconomic impact could become significant by the mid-to-late 2030s.

This matters because India's combined exposure across crude oil, LNG, LPG, fertiliser-linked imports and petrochemical feedstocks can become very large during periods of global energy stress. Even partial substitution can improve the current account, reduce imported inflation, support rupee stability and strengthen industrial competitiveness.

At the same time, coal gasification should not be treated as a single-solution strategy. India's resilience

challenge cannot be solved by one technology alone. The goal should not be to replace one centralised dependency with another, but to build a diversified resilience architecture.

Energy efficiency remains one of the fastest and lowest-cost tools available. Industrial optimisation, waste-heat recovery, electrified rail, logistics efficiency and better building performance can reduce imported fuel intensity without suppressing growth. Efficiency works almost like “virtual fuel” – it cuts dependence without requiring new fuel production.

Renewables will also remain central to India’s future energy system. In the Indian context, their role is not only to replace fossil-fuel generation, but to expand electricity abundance, reduce future fossil-fuel growth, ease coal-logistics pressure, improve system efficiency and support a cleaner, more affordable economy.

Nuclear power offers another long-term pathway by providing stable baseload electricity with very low fuel-volume requirements relative to energy output. The electrification of transport, freight and industrial processes can gradually reduce oil dependence. Domestic manufacturing in batteries, electrolyzers, specialty chemicals, power equipment and industrial systems can further reduce supply-chain vulnerability and foreign-exchange leakage.

Finance will be just as important as technology. Large-scale resilience investments require long-duration capital, blended-finance structures, sovereign-backed mechanisms and institutional financing models that can move strategically important projects from ambition to execution without placing excessive pressure on public finances.

Prime Minister Modi’s call for conservation should therefore be seen as the beginning, not the end. It creates short-term discipline during a period of uncertainty. But the larger national task is to convert that discipline into a long-term industrial and energy transformation agenda.

The objective is not autarky or withdrawal from global energy markets. India will remain deeply connected to global commodity, energy and technology flows. The objective is to build a more resilient economy by diversifying imports while strategically reducing dependence on vulnerable fuels, feedstocks and supply chains.

India is at an important inflection point. The present crisis should not be treated as just another shock to be managed through temporary stabilisation. It should become a catalyst for redesigning India’s industrial and energy architecture around resilience, diversification and domestic capability. That is how India can preserve growth, strengthen energy security, reduce external vulnerability and build a more resilient future in an uncertain world.