

Indo-Iranian Relations: Energy Prism

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Abstract

India and Iran are two great historical civilisations centuries of interactions has deeply affected their mode of thinking. Although Iran India relations is rich in terms of cultural, economical and political relations, there has been a tendency to view bilateral relations between the two countries through the energy prism. Although various efforts were put forward in this direction. Both countries are in need to cement their relations in order to achieve their respective national interests.

Keywords: energy, needs, importance of Iran to India, energy interests, conclusion.

Introduction

India and Iran have shared close relations since times immemorial. Historical linkages between the two countries have been traced back to 2000BC¹. irrespective of the nature of interactions and ties between the ruling dynasties of the two civilisations, the culture and people of the two civilisations of the two lands were aware of each other and took an interest in each other. India-Iran relations have become a long way in recorded history. In the aftermath of Indian independence, it was formalized with a friendship treaty of March 15, 1950 which stated that : there shall be perpetual peace and friendship between the governments of the two countries and their difference shall be settled through ordinary diplomatic channel, by arbitration and such peaceful means as deemed suitable by them ² however, the "treaty of friendship was marred by mutual distrust and animosity because of so many reasons. Iran's unswerving support to Pakistan became a major barrier for steady bilateral relations. the bilateralism that was marked by the suspicion during the Khomeini era received an impetus after a long time with the coming to power of President Rafsanjani in 1989. The quest for the friendship and cooperation on both sides sought to clear the mutual distrust between India and Iran. The visit of Indian Prime Minister P.V. Narasimha Rao to Tehran in 1993 was particularly important since India rallied round India's stand of non-interference and called upon all the states to desist from terrorism and subversion in the region ³.

India's energy needs

As one of the earlier growing economies, India's need for energy recourses has been growing to maintain its towering growth levels. However, India's meagre domestic energy resources cannot maintain the pace of economy in a same lines. So India has to explore new options in order to achieve the goal of being sound economy. A joint policy document published by the Ministry of Environment and forests and the Ministry of Power clearly bears this out:

Poverty reduction and economic growth are the prime objectives of national policy. Energy is the sinew qua non of development. India, with over a billion people, today only produces 660 billion KWh of electricity and over 600 million Indians, a population equal to the combined population of USA and EU, have no access to electricity, and limited access to other clean, modern fuels such as LPG and kerosene. This constrained energy access is reflected..... in the relatively low Human Development Index of India. Enhancing energy supply and access is therefore a key component of the national development strategy. ⁴

In a speech in 2006, power secretary R.V. Shahi observed that to deliver a sustained economic growth rate of 8-9 percent until 2031-2032 and to take its place amongst the world's leading economies, India needs to increase its primary energy supply by three to four times and its electricity generation capacity by six times (currently, India's generation capacity is 173,000 MW). Thus, India's commercial energy supply would need to grow at the rate of six percent per annum while its total primary energy supply would need to grow at five percent annually.

In fact, after food and water, energy has been placed at the top of India's national security priorities. However, given the countries ever growing hunger for energy even its quite large reserves of coal, natural gas and oil has seen India having to resort to ever-increasing imports of all three hydrocarbon resources. In case of oil alone, India is currently importing 70 percent of its oil requirements and this oil demand would be around 325 million tonnes. ⁵ Its demand for natural gas for the non-power sector alone too is expected to more that double to 391 million cubic meters a day (mcmd) by 2025 from the current 120 mcmd. Similarly, in the case of coal, despite having the fourth largest reserves of coal in the world, India has recorded a compounded annual growth rate (CAGR) of 17.1 percent of coal imports between 2003 and 2008. Given that India would need to add four times its current generation capacity to its power sector, more coal and gas imports are on the cards to meet this requirement. Some analysts believe that by 2020, India may become the fourth largest consumer, following

only United states, China, and Japan. Its energy consumption will rise to 27.1 quadrillion BTUs by 2025, up from 12.7 in 2000- the largest expected increase in energy use after China. Nuclear power at this point accounts for some 2.6 percent of India's electricity; the most ambitious plans now under discussion would increase this share to some 12 percent by 2020. Much of the estimated 8 percent annual increase in demand will therefore have to come from oil and gas, with gas demand growing more rapidly than any other part of India's energy market.⁶

Importance of Iran to India.

As understood from the Delhi declaration, energy and security are the two important reasons that drive India to have close relations with Iran. In recent years, India has been working to deepen its ties to Tehran for two reasons. First, India's economic boom-growth that is counting on to lift hundreds of million of its people out of poverty - requires energy. This growing appetite for new energy sources and reliance on foreign sources to fulfil that demand make Iran an attractive partner.

Islamic Republic of Iran assumes strategic enormous significance owing to its strategic location. India will need to engage Iran from the long-term strategic perspective owing to its geo-strategic location at the crucial junction of South Asia and Middle East. It links Central Asian Republics (CARs) and the Caucasus region to the Arabian sea.⁷ Geographically, Iran virtually controls the access to the narrow confines of the Persian Gulf, which is largest energy exporting hub in the world. Iran's significance for India lies in its strategic location, as it is at the crossroads of some important international transportation corridors.

Indo - Iran energy interests

With oil reserves of 137.26 billion barrels and 1,046 trillion cubic feet (tcf) or 318.516 trillion cubic meters (tcm) of proven natural gas reserves⁸, the Islamic Republic of Iran has the world's third largest crude oil reserves and second largest natural gas reserves. It is also the world's third largest oil exporter⁹. Indian crude oil imports from Iran ranges about 14 percent of India's total crude oil imports, a figures et to grow markedly in the next ten to fifteen years as India pushes ahead for steady and fast economic growth, and with plans to substantially boost its refinery capacity for Middle East crude. India also wants to purchase Iranian natural gas and has invested heavily to help Iran develop its gas fields. Based on a US \$ 22 billion deal between India's Gail and Iran's NIGEC, a subsidiary over a 25-year period, commencing from 2009. To this end GAIL has committed to help construct an LNG plant in Iran. In 2009, Indian oil companies committed to invest around 6.5 billion US \$ dollar in Iran's gas sector

The bilateral energy relationships is at the heart of long term strategic economic partnership, despite the fact that Indo-Iranian relations have significantly diversified across various sectors in recent years. It is in this context that planning for gas pipeline between India and Iran has assumed great importance. The importance given to the economic and commercial content of their bilateral relationships was indicated by the fact that a 70 member Iranian delegation representing the corporate sector visited India during Khatami's 2003 official trip to Delhi. The discussion and agreements concluded during this visit concerned issues such as petrochemicals and plastic technology cooperation, telecommunications and power cables, information technology, and space research. Iran also proposed a joint investment of US\$ 800 million by Indian and Iranian companies to boosts trade and economic ties, which was welcomed by India as a way to strengthen bilateral economic relations.¹⁰

Conclusion

Many important joint efforts have been initiated between Iran and India in the last three decades in order to strengthen their bilateral relations. But there are some other factors like Us policy of Iran isolation which has hampered the relationships of the two countries at large. But both the courtiers are keen to develop their relationships for India's appetite of energy and energy market for Iran.

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