Indo–Russian Energy Cooperation
Geopolitics in a Fluid Matrix

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This article analyses India’s quest for energy diversification and its consequent presence in the Russian hydrocarbon market. It examines New Delhi’s balancing approach in the context of the Ukrainian crisis, the ramifications of sanctions for Russia, the United States’ shale resources as a factor in Indo–Russian hydrocarbon trade, and the India–China factor in the Russian energy market. India’s energy requirements and greater geopolitical clout have resulted in it importing more hydrocarbon resources from Russia. However, ongoing tensions between Russia and the West, fluctuating crude oil prices, and the falling value of the rouble will test Indo–Russian cooperation in the hydrocarbon sector.

Russia, under President Vladimir Putin, is well aware of the shifting global economic balance of power in favour of Asia, and understands that economic integration with this region is the key to Russia’s successful long-term economic growth and geopolitical clout. Its pursuit of closer integration with Asia hinges on its energy export goals, its desire to become a major supplier of hydrocarbon to the fast-growing economies of the Asian and Asia-Pacific regions. Likewise, Asian investment is crucial for Russia’s ability to explore and tap hydrocarbon resources in its territories (Cetia 2014; Mankoff 2015) under the pursuit of “strategic energy alliance” and “Asia pivot.” Engaging with Asian countries bilaterally and multilaterally, Russian oil and gas giants such as Gazprom and Rosneft have radically strengthened their positions in the Russian Far East (Pouwenkova 2010: 141). In congruence with this, Russia has speeded up its plans to expand the East Siberia–Pacific Ocean oil pipeline’s annual capacity to 80 million tonnes (1.6 million barrels per day [mbd]) by 2020, from its current capacity of about 1 mbd (Moscow Times 2014). The intention is very clear: to increase the share of total Russian oil and gas products going to Asia—that of oil, from 13% to 23%, and that of gas from 6% to 35.5% by 2035, which would mean a rise of slightly over 23% rise from the existing level (Bradshaw 2014; Schwartz 2014).

There are multiple Asian stakeholders and aspirants in Russia’s Asia pivot strategy. For Russia, China is a major export destination, and the 30-year gas deal between Gazprom and China National Petroleum Corporation (CNPC) marks the culmination of decade-long negotiations between the two countries, whereby Russia has offered 10% of its Vankor oilfield, worth $1 billion, to CNPC (Bradshaw 2014). In the midst of fierce competition, Japan too made some attractive proposals when Russia was debating the relative merits of constructing a pipeline from East Siberia to the Pacific coast (Angarsk–Daqing); it offered to pay Russia $5 billion for the pipeline construction and $2 billion towards the oilfield development. In 2014, the Russian Parliament wrote off 90% of North Korea’s debts to Russia, estimated at $10 billion, in exchange for Pyongyang’s agreement to build a pipeline that would run from Sakhalin via North Korea to South Korea (Lufi 2014). At the same time, Rosneft is working with South Korea by allowing the Korea National Oil Corporation (KNOC) to participate with a 40% stake in exploration of the West Kamchatka shelf. As sanctions gradually lift off Iran, Russia is moving to invest billions of dollars towards upgrading and expanding the Iranian energy infrastructure. Moreover, in 2015, Russia signed a

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10-year liquefied natural gas (LNG) agreement with Singapore's state-owned Pavilion Gas to enhance gas supply (Brown 2015). The visit of Igor Sechin, the chief executive officer of Rosneft, to Japan, India, South Korea, the Philippines, and Vietnam towards the end of 2014 was undertaken to streamline trade in the hydrocarbon sector in these regions.

Some relatively new developments, such as the Ukrainian crisis and economic sanctions against Russia, the economic slowdown in Europe and China, Russia's uneasy relationship with the West, and the cancellation of the South Stream gas pipeline project with Turkey, have created opportunities for Asian countries such as India to look for extensive trade and investment in the hydrocarbon sector in Russia. Hence, Moscow has demonstrated that it has other export baskets, such as Asia, outside Europe and the United States (US), and is assertively looking to expand its footprint in the Asian markets in terms of diversification of markets and stability of exports. The visit of Dmitry Rogozin, Deputy Prime Minister of Russia, to India on 10 May 2017, and his meeting with Prime Minister Narendra Modi, revealed the seriousness of both countries for the early implementation of ongoing projects.

Besides Russia's Asia pivot strategy, this article also analyses, in the next section, India's energy quest and its presence in the Russian hydrocarbon market. The sections that follow examine the implications of pipelines and the energy trade; New Delhi's balancing approach in the context of the Ukrainian crisis; the ramifications of the sanctions and existing crude prices; us shale as a factor in the Indo-Russia hydrocarbon trade; and the India-China matrix in the Russian energy market.

Russia in India's Hydrocarbon Map

Indo-Russian bilateral cooperation has been promising in the hydrocarbon sector. India's industrialisation and its domestic energy requirements, its quest for diversification of energy sources, rapid geopolitical changes, and the need for an uninterrupted, affordable, and reliable supply of hydrocarbon are the prime factors that have pushed India towards Russian energy resources and trade. What's more, while India's energy consumption has grown over the last decade, its domestic oil production has stagnated since the early 2000s, and its natural gas production has declined since 2010. More significantly, according to the International Energy Agency (IEA) statistics, India's domestic requirement and economic growth will prompt India to import 90% of its oil and gas requirement by 2025, up from its existing import level of 70%.

On the other hand, according to the BP Statistical Review of World Energy 2016, by the end of 2015, Russia accounted for 102.4 billion barrels of total proved oil reserves (6% of global reserves) and ranked seventh in its global reserves. Its production of oil was at 10.98 mbd (12.4% of total global production), the third-largest producer in the world; after Saudi Arabia and the US, each with 13%. Likewise, it has total proved natural gas reserves of 32.3 trillion cubic metres (17.3%), the second-largest reserves in the world after Iran (18.2%), and production at 573.3 billion cubic tonnes (16.1%), the second-largest producer after the US (22%) (BP 2016). And in 2015, output of Russian oil and gas condensate increased to 10.73 mb/d (Tully 2016).

Of India's hydrocarbon imports, by the end of 2012, Russia's share was $17.6 million. Russia's role in India's hydrocarbon trade has increased significantly. The Oil and Natural Gas Corporation (ONGC) Videsh Limited (OVL) has invested over $8 billion in Russia. Its $2.5 billion investment in Sakhalin-1, a large-scale shelf development project in Russia, is being implemented under a production-sharing agreement, in which OVL has a 20% stake (OVL 2017). The Sakhalin-1 project opened the doors for further large-scale investments, and the government is now looking for participation in Russia's Sakhalin-3 project. Coinciding with India's Sakhalin engagements, OVL has signed agreements with Sistema, Russia's biggest public financial corporation, which will facilitate opportunities for "potential transaction" stakes in some Russian refineries such as Bashneft and Russneft. In 2013, Rosneft offered stakes in 10 blocks in the Barents Sea and Black Sea (Offshore Energy Today 2014); OVL has been examining the viability of these offers. Moreover, OVL is also exploring resources from Magadan blocks 2 and 3 in the northern part of the Sea of Okhotsk. New Delhi is seeking tax breaks on a proposed 49% stake in the Yuryubcheno-Tokhomskoye greenfield project in Eastern Siberia (Verma 2014), and India can best bargain with Russia today due to growing economic sanctions against Russia and the declining value of the Russian rouble.

India is planning to invest approximately $1.5 billion in the Russian Yamal Peninsula—which has one-fifth of the global natural gas reserves—and is likely to compete with Japan in trying to acquire a 9% stake in Yamal LNG. Significantly, in 2014, Rosneft stated that it was likely to join forces with OVL in its yet-to-be-built LNG plant in Russian Far East. It also said that discussions on the potential shipment of Russia's East Siberia-Pacific Ocean (ESPO) oil blend to India's biggest refiner, Indian Oil Corporation (IOC), and on cooperation with Reliance Energy were ongoing (Reuters 2014). Similarly, Michael Yermolovich, the director of the Gas Business Agency, has revealed the possibility of the creation of an Indo-Russian petrochemical joint venture in Gujarat; investment in this venture is estimated at $450 million, with a capacity of 1,000,000 tonnes of finished products per year (Chickkin 2014). To streamline cooperation, OVL has signed a memorandum of understanding (MoU) with Rosneft to expand cooperation in research, exploration, appraisal, and production of hydrocarbon on the Russian continental shelf (Filimonova 2015). In 2015, OVL acquired 15% in Rosneft's second-biggest oilfield, Vankor, for $8.390 crore, making it OVL's fourth-largest acquisition in recent times. The field, which has recoverable reserves of 2.5 billion barrels, is expected to supply 3.3 million tonnes of crude oil to OVL per annum (DNA 2015). In a landmark development, a long-term agreement on LNG supplies has been signed between the Gazprom Group and Gas Authority of India Ltd (GAIL) in June 2014, under which Russia will export 2.5 million tonnes of gas per year to India for a period of 20 years (SteelGuru 2014).

Rosneft has signed a deal to buy a 49% stake in Essar Oil for about $3.2 billion; a 10-year oil delivery contract has been signed between these two companies. Accordingly, Essar will buy 2,000,000 barrels per day (bpd) (10 million tonnes a year), worth $10 billion, from Rosneft for a period of 10 years (Sputnik 2014).
This is the second-largest deal since Reliance Industries signed a 15-year deal to purchase 3,000,000 bpd of crude oil from Venezuela. Geopolitically, Essar may cut imports from Iran to accommodate Russian oil since it is heavily dependent on Iranian oil to run its 4,000,000 bpd Vadinar refinery in Gujarat, and one-fourth of its current needs are met with the Iranian oil (JNA 2015). Moreover, the IOC refinery has bought one million barrels of medium-sour crude from the Russian trader, Lisnasco, to be processed at its Panipat refinery, the first time an Indian refining major would be handling a Russian Urals oil cargo (Sasi 2015). Both Rosneft and Gazprom have in recent times expressed their interest to increase crude oil and LNG supply to India, respectively (Katz 2015).

The 15th India–Russia Annual Summit, held in New Delhi in December 2014, was a step forward, after the MOU signed between OVL and Rosneft at St Petersburg in May that year, which had set the stage for cooperation between the two countries in development of the Arctic Shelf. Arctic exploration is significant for India to strengthen the economic and political position of the country in this region (Sorokin 2015). Gazpromneft, the fourth-largest oil producer in Russia, is interested in engaging Indian companies in Arctic projects. During the meeting, both Narendra Modi and Vladimir Putin clearly indicated their interest in joint exploration of oil and natural gas resources, the establishment of petrochemical plants, construction of pipelines between the two countries, transportation, feasibility studies, enhanced oil recovery, and training in the hydrocarbon sector (GoI 2014; Sputnik 2014b). Since President Putin’s visit to India in December 2014 when the “Druzhba–Dost” joint statement was signed, hydrocarbon energy has turned into a strategic area of discussion and cooperation between the two countries. In the joint communiqué of the 15th foreign ministers’ meeting of Russia, India, and China in Beijing in February 2015, Russia explored the potential for cooperation in the field of oil and natural gas and other forms of energy. India’s erstwhile Minister of Commerce and Industry, Nirmala Sitharaman, at the 19th St Petersburg Economic Forum in June 2015, sought extensive investment between the two countries in the hydrocarbon sector (Tanega 2015). Moreover, Narendra Modi, during his visit to Moscow for the 16th India–Russia Annual Summit in December 2015, signed agreements for cooperation in geological surveys and exploration, and the production of hydrocarbon (onshore and continental shelf) in the Russian territories (Oneindia 2015). After Modi’s Moscow visit, Rosneft’s chief executive Igor Sechin made his second visit to India, in March 2016, and an MOU was signed between a consortium of Indian companies—Oil India Limited (OIL), IOC and Bharat Petro Resources Ltd—and Rosneft for acquiring a 29.9% share in Taos-Yuryakh, and a 23.0% share in Vankor, a subsidiary of Rosneft.

Implications of Pipelines and Energy Trade

According to the IEA, over the next few decades, natural gas is going to dominate other energy resources in terms of absolute volumes of consumption, making it the most demanded fuel by 2040. With its liberal market policy on the export of natural gas and foreign investment in the country, Russia has developed major LNG projects to pump gas to Asian markets. Moscow’s overseas quest for the 2,600 km-long overland Russia–China–India (RCI) pipeline, starting from Russia’s western Siberian fields via the Altai region and China’s Xinjiang province, to Jammu and Kashmir (Oxford Analytics 2014), is congruent with the shifting emphasis in the energy sector globally. If this pipeline is not operationalised, alternative pipeline options could be available for India to access Russian oil and natural gas; for example, the Russian pipeline that reaches Mazar-e-Sharif in Afghanistan could be extended to connect with the ongoing Turkmenistan–Afghanistan–Pakistan–India gas pipeline (TAPI). However, the pipelines have their own political risks and topographical challenges. For the RCI pipeline, the route is likely to be challenging due to geographical constraints, environmental effects, and security risks. Around 35% of its said route would lie in mountainous terrain. It is strongly opposed by environmental groups, since the Altai region is home to sensitive and endangered species (Oxford Analytics 2014). The pipeline would pass through the restive Xinjiang Uyghur Autonomous Region of China. Likewise, the TAPI pipeline would cross through militancy-affected Afghanistan and Pakistan. Yet, the recent breakthrough in the TAPI pipeline, where the welding process has already been started, seems positive as various stakeholders in Afghanistan and Pakistan are being consulted and seem convinced about the benefits of the pipeline (Shardul 2015; Khaama Press 2015). Moreover, President Putin has streamlined a shipment of LNG through the tanker’s and gas-swap deals between India and Russia (Korabinov 2014). Other options are also being negotiated between the two countries, or should be pursued, such as: the construction of an underwater pipeline from Iran to India via Oman; implementation of a North–South Transport Corridor connecting Russia, Azerbaijan, Iran, and India; and the possible extension of the India–Iran–Afghanistan Trade Corridor to Russia through the Central Asia or Caspian underwater pipeline. Compared to the RCI and R–TAPI pipelines, all these have major advantages from the security and geopolitical point of view.

The energy trade between India and Russia (and China) has several implications. First, once the RCI pipeline materialises, India, like China, as a key driver of global energy prices, would have more bargaining power in the LNG global market. Second, it could promote economic ties between India and the Eurasian Economic Union. Third, energy trade could signal India’s willingness to prioritise its energy security along with geopolitical interests. Fourth, the pipeline will be a step forward towards a larger presence in the Shanghai Cooperation Organisation (SCO) and the establishment of a unified energy market within it. Fifth, energy trade will be a catalyst to broader Asian energy security. Sixth, it will create an opportunity for India to pursue its “Connect Central Asia” policy. Seventh, against the backdrop of the Crimean crisis, there are grounds to import LNG from Qatar, but there are several limitations to this; overdependence on Qatari LNG is not advisable for India, as it will have to pay higher prices in the highly competitive gas fields of Qatar. Eighth, Russia is India’s most reliable and time-tested partner for trading in the hydrocarbon sector, as compared to any of the world’s other major powers. Hence, India stands a better chance of getting oil and natural...
gas blocks from Russia through the “nomination” basis, not through open bidding. Ninth, Russia’s involvement in the r-TAPI project will speed up the process of the ongoing TAPI project; and lastly, diversifying our suppliers by buying more oil from Russia will cushion us against geopolitical risks and take our energy security to a higher trajectory.

Crimean War and India

The skirmish between Ukraine and Russia over the Crimea has developed at a time when India is focusing on Russia’s offshore and onshore zones in its quest for a long-term strategy towards energy security. While rejecting the Russian invasion of Ukraine (or annexation of Crimea), New Delhi has maintained a delicate balance by declaring that “Russia had legitimate interests” in Crimea (Sharma 2014) and has shown disappointment about Western sanctions on Russia. India is non-critical about Moscow’s foreign policy, but, at the same time, has not recognised Crimea as an effective part of Russia. All these largely indicate India’s intention of maintaining a strategic and balanced approach towards both the US and Russia. There are the arguments that Washington can push India to an import curb on Russian petrol and petroleum products, as it did in the case of Iran. But there is a lesser possibility of this as sanctions against Iran had United Nations’ approval, and it is unlikely that India would opt for unilateral sanctions and harm its ties with Russia. This approach is largely in congruence with India’s strategic partnership with Russia and present equations in international relations. India’s abstention at the UN General Assembly voting against Russia, its opposition to unilateral sanctions, and reiteration of the “sovereignty and territorial integrity of all states,” are diplomatic steps to place both Russia and the West on an equal footing in its strategic engagements (Mazumdar and Domínguez 2014). Most significantly, India went ahead with the 15th Indo-Russian Bilateral Summit in New Delhi in December 2014 despite Washington’s protestation that it was not a good time “to make business with Russia as usual” (Zanetti 2015).

Yet, India’s approach towards Russia vis-à-vis the US should not be interpreted in terms of a zero-sum game because of the following factors. First, New Delhi’s TAPI pipeline was revived through US backing. Second, when India opted for the Indo-US nuclear deal in the civilian energy sector, Moscow appreciated the step. Third, the US is persistently pressuring Doha for the implementation of the Myanmar-Bangladesh-India gas pipeline project and the supply of surplus gas from Bangladesh. Fourth, the 2014 visit to India of the Crimean leader, Sergei Aksyonov, with Vladimir Putin and his unofficial talks with Indian businessmen irked Washington, but did not deter former President Barack Obama’s visit to India as a chief guest for the 2015 Republic Day celebrations. This might be in congruence with what Narendra Modi said in December 2014, “The character of global politics and international relations is changing” (PMO 2014).

Declining Price of Crude and Western Sanctions

With the price of crude oil declining in 2014, it reached its lowest level on 13 January 2015, when Brent crude oil prices breached the six-year low of $45 per barrel. This was largely an outcome of several factors working together. First, the surging shale gas exploration by the US and its huge export of natural gas. Second, Russia’s increased production to meet its economic needs and global aspirations. Third, the slowing of the Chinese and European economies that contributed to a situation of over-supply in the market (WSJ 2015). Fourth, the quick recovery of the oil and gas fields that had closed during the Arab Spring, as seen in Libya, and exploration of more oil wells in Iraq, in spite of the insurgency by terrorist groups; such as the Islamic State (IS), and factional wars. Fifth, oil production levels by the Organization of Petroleum Exporting Countries (OPEC) reached its highest level in the previous two years—production levels increased to 31.22 mb/d in May 2014, a 4.6% increase over its previous target (Kelly 2015). Sixth, a lack of unanimity within OPEC. For example, while Iran and Venezuela favoured production cuts, Saudi Arabia stood with its “price war” approach, so as to protect the OPEC market and restrict US and Russian expansion in the global energy market. Seventh, the US expected that a low oil price would, at least for a while, undermine Vladimir Putin’s ambitions in Eastern Europe, Russia’s expanding presence in the global energy market, and that a spur in the global economy would boost demand for US shale. Interestingly, each $10-per-barrel drop in the price of oil was a boost to the US’s GDP by 0.1%, according to the Swiss investment bank, UBS (Inman 2014). On the other hand, Russia had confirmed that it would not cut production to shore up oil prices. “If we cut, the exporter countries will increase their production and this will mean a loss of our niche market,” said Russia’s Energy Minister Alexander Novak (Pizzi 2015).

Along with the decline in the price of crude oil at the time, Russia has been hurt by Western sanctions and the declining value of the Russian ruble. The ruble has lost roughly 23% of its value vis-à-vis the dollar, the euro, and the yen, and it loses about $2 billion in revenue for every dollar fall in the price of oil (Intelligence 2015). The US and some European countries have imposed restrictions on big corporate houses in Russia. The World Bank warned that Russia’s economy would adversely get affected by the decline in the price of crude and by the international sanctions (IMF 2014). It has already led some firms, such as Rosneft, to ask for financial assistance totalling $44 billion from the country’s National Wealth Fund (Stratfor 2014), and one of the key reasons that Moscow abandoned the South Stream project was the financial crunch faced by the hydrocarbon sector in the country. Western companies like Total that agreed to explore shale resources in partnership with Lukoil, have halted production due to the sanctions, and without the financial and technological support of big companies like ExxonMobil, Eni, Statoil, Shell, and British Petroleum, it is difficult for Russian energy firms to finance new projects, especially high-cost projects such as deepwater, Arctic offshore, and shale projects (EIA 2015).

However, Western sanctions or the decline in the price of crude oil have not restricted the exports of Russian oil and gas. Russia has been resorting to various measures to recover from its economic difficulties. There are some factors that would help Russia tide over the crisis to a certain extent. First, the
country had foreign exchange reserves of over $450 billion in 2014 (Economist 2014a: 55), which could last for some years, by which time the price of crude is predicted to recover. Hence, the country is not in as much trouble as the economically weaker energy-exporting countries. Second, the fall in the price of crude tends to be temporary, both historically and as projected by many agencies, and as can be seen in the following section, would later rise. Third, the falling rouble made some export industries, such as farming, more competitive and the exports combined with import-blocking counter-sanctions by Moscow means that Russia still has a trade surplus (Economist 2014b). Fourth, the Russian Central Bank’s efforts to increase interest rates resulted in a slight rise in the hydrocarbon share markets in the country.

From an Indian perspective, the low prices may make many new projects of Indian oil and gas companies like ongc and oiln unviable, particularly in high-cost projects such as drilling in deepwater, in the Arctic, in Sakhalin, and the Yamal Peninsula. Ongc, Bharat Petroleum Corporation Ltd, oil, and Reliance Industries are seeing the value of energy assets bought overseas in the last few years eroding. Reliance Energy expected revenues of $4.5 billion from its 45% stake in a shale gas venture with Pioneer: Natural Resources of the us, which did not materialise with the declining price of shale energy, and thus has little interest in Russian shale. For ongc, the returns from its $2 billion acquisition of Imperial Energy’s oil reserves in Tomsk turned out to be way below projections made prior to the purchase. Alongside the decline in the price of crude, sanctions have affected bilateral business. The Indian interest to drill shale oil in Siberia could be delayed since Russian companies have contracted us firm Liberty Resources to drill four wells in the Bazhenov shale formation in Siberia. 12 Gail had discussions for the import of gas from Gazprom, and suddenly signed several agreements with some us corporations, such as wpl, for the import of 2.5 million tonnes of gas from the us for 20 years (Zanitti 2015).

Effects of Rising Crude Oil Prices

Opec’s decision to cut its oil production by 1.2 mbpd has, among other factors, helped the recent rise in the price of crude, with Brent crude rising from $40 to $54.14 per barrel (Plumer 2016). The leading non-opec producer, Russia, had also announced it would cut production by as much as 300,000 bpd, conditional on its technical abilities, Energy Minister Alexander Novak said (Razzouk et al 2016). The rising crude price will help Russian and Indian energy companies recover and make their ventures profitable once more. Financially, the rise in crude prices would help reduce Moscow’s budget deficit, economic hardships, its import substitution programmes, and development of the hydrocarbon sector. The International Monetary Fund (imf) marginally improved its forecasts about the Russian economy, that it would grow in 2017 by 1% instead of 0.8% (Lossan 2016).

As for India, the rise in oil prices makes takeovers of oil blocks by Indian oil and natural gas companies viable, even lucrative, since most of the foreign acquisitions by Indian companies are done through loans taken abroad, and valuation of the oil assets all over the world are calculated on the basis of net present value and probable reserves. Crucially, oil blocks abroad, which are seeking big investments to keep the existing oil wells flowing, will not get affected further because of cash flows in the energy market (Business Standard 2014). Hence, Russian and Indian companies will recover very soon and their joint investment and cooperation in the energy sector, at the national and global context, will take the momentum further.

Russia’s Hydrocarbon or US Shale?

As the traditional energy market is highly volatile today, and new energy options have evolved in the form of Russian gas and us shale gas, India is looking for the emerging options available to meet its energy requirements. New Delhi needs to assess the opportunities provided by US shale in order to fulfil its energy quest: According to the us Energy Information Administration, the us holds 862 trillion cubic feet (tcf) of recoverable shale gas reserves, and production has increased from 1,293 tcf in 2007 to 7,994 tcf in 2011. In 2012, shale accounted for 39% of all natural gas produced in the us and it is expected to rise 49% by 2035. It is clearly indicative of a boom in the us shale gas industry (Pradhan 2015: 63). The shale revolution has transformed the us energy market from being the largest energy importer to a net exporter of gas. And geopolitically, the shale gas revolution provides a new source of energy resilience for the us; enhancing its position in the world while challenging Russia’s positions in all its target markets, including Asia, where India can be one of the largest importers of American shale energy. Moreover, India is hoping to harness its shale gas reserves by inviting investments from the government and private us companies. With the cabinet approval of the Shale Gas Policy (2013), there is a high expectation of concrete, time-bound and focused orientation for the development of shale gas resources in India, in association with the us shale industry.

However, there are some limitations to Indo–us cooperation. First, the us has increased shale gas exports to Ukraine since Kiev’s overdependence on Moscow went contrary to its national interests. Second, the us is pumping energy to the European markets to reduce the European Union’s dependency on Russian hydrocarbon resources. Hence, the scope for India accessing American shale energy sources seems to have a lesser possibility now. Third, India has to pay a high premium to the us because of there being a large number of buyers. On the other hand, Russian gas is cheaper, as seen in the context of the recent China–Russia gas pipeline contract, and Moscow is obviously looking for larger markets for its booming industry. Whatever the limitations, both India and the us have started working on shale energy and India can use us shale as a potential bargaining chip to trade with the Russians, and vice versa, for the enrichment of its import basket, and diversification of energy destinations.

India and China: Prospects Ahead

Both China and India are in a race for Russian oil and gas assets; yet, the former’s trade and investment in the Russian energy market is huge. Unlike other parts of the world, such
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as in Angola, Ecuador, Kazakhstan, and Venezuela, where India has lost lucrative deals to China, instances of sharp competition in the Russian energy market today are not so prominent. But, it cannot be denied that there is the possibility of potential competition in the future. Since China has the “first mover” advantage and a record of early implementation, as seen in the implementation of Myanmar-China gas pipeline (which caused the near death of the Myanmar-Bangladesh-India pipeline project), Beijing might have leverage over New Delhi in the future. The Indian think-tanks admit that India does not have the resources to compete barrel-for-barrel with China in the global energy market.

However, as stated by the former Minister of Petroleum and Natural Gas, Mani Shankar Aiyar, “When we compete in an unhealthy manner to acquire oil fields in third countries, we only end up driving costs for each other and we have ended up paying billions of dollars more by trying to outbid each other everywhere” (Venu 2006). Hence, India hopes for a collaborative approach with China to avoid needless cost hikes (Madan 2010: 16). The Chinese response to this Indian concern seems supportive in some contexts (Syria and Sudan) but non-committal in others (Ecuador).

Nevertheless, as regards China’s investment plans in Russia’s energy sector, Moscow is certainly concerned about developments such as the ongoing Chinese economic slowdown and its stock market decline, project delays, suspension of the Power of Siberia 2 pipeline, and latent rivalry in Central Asia.26 On the other hand, as projected by the tnr, India, with its huge potential energy consumption, is set to grow faster than China, and Russia projects India as one of the highly potential markets to withstand Western sanctions and diversify its export basket. The “Enhanced Co-operation in Oil and Gas Sphere” between India and Russia, as revealed by Vladimir Putin, is clearly indicative of India’s importance in the Russian energy map; Moscow clearly wants to get into the Indian market early.

Regarding triangular relationships, while Moscow is focusing on Asia to diversify its market, New Delhi is looking for opportunities to prevent Russia from leaning so much on China (Katakey and Pearson 2014), which will pose a real challenge to Indian regional and global interests. Therefore, India is pushing Moscow to play a bigger role in the Asian strategic landscape and regional energy market, since a stable balance of power in Asia cannot emerge without India and Russia working together to manage China’s rise (Pant 2013: 16). Russia is also concerned about rising China, and consequently, its own relative power position vis-à-vis China and India in the Asian interstate hierarchy, besides the fast-growing relationship between New Delhi and Washington. Hence, Moscow sees India as a potential Asian power to engage with. China, on the other hand, is also wary of its overdependence on Russia for energy resources; therefore, it is now focusing on its own shale energy and constructing pipelines with Central Asian countries, avoiding and bypassing the Russian territory (Beshimov and Satk 2014).

Finally, it is obvious that in the long run, China and India are likely to compete for Russian energy resources to meet the requirements of their fast-growing economies. India and China have joined Russia in bidding for hydrocarbon in the Far North (Taneja 2015). Moreover, energy has become one of the important areas of discussion in multilateral fora such as the BRI BACRs, Asia-Pacific Energy Forum, and Russia-India-China trilateral meets, where these three countries have persistently stressed a new type of international relations based on a win-win cooperation in the oil and natural gas sector.