

India's recent deal to let Abu Dhabi National Oil Company (ADNOC) store up to 30 million barrels of crude oil in its Strategic Petroleum Reserve is far more than a technical MoU; it is a quiet, hard-nosed step-change in India's energy security architecture. In a decade when India's oil demand is rising faster than any major economy and import dependence is only getting deeper, parking Gulf crude under Indian soil — and partly under India's strategic control — is exactly the kind of hedging a vulnerable importer should be doing.

What exactly did India and the UAE agree?

During Indian Prime Minister Narendra Modi's recent visit to Abu Dhabi, India's ISPRL and ADNOC signed a strategic collaboration that allows the UAE company to store up to 30 million barrels of crude in India's Strategic Petroleum Reserves, with participation in existing and planned caverns at Visakhapatnam and Chandikhol. The pact also envisages the possibility that crude held in Fujairah, UAE, may be designated as part of India's strategic reserve, creating a two-way storage arrangement across both countries. This builds on an earlier partnership: ADNOC already stores about 5.86 million barrels at India's Mangalore SPR cavern under a 2017-18 agreement, making it the only foreign company with oil in India's caverns.

In other words, this is not a speculative MoU with an untested partner; it is a scaling-up of a model that has been operational for several years. ADNOC's existing storage in India has functioned without serious friction, even though it includes provisions for re-exporting crude under certain conditions — proof that commercial flexibility and strategic security can coexist if contracts are written carefully.

India's uncomfortable numbers on oil security

To understand why this deal matters, we need to look squarely at India's oil math. India currently consumes roughly 5.6 million barrels of crude per day, up from about 5 million just a few years ago, and is on track to touch six million barrels per day in the near term. Its crude requirement for 2025 was around 5.4 million barrels per day, and demand is projected to rise to nearly 6 million barrels per day in 2026 and 5.5–8 million by 2035, the fastest growth among major economies. With limited domestic production, about 87–88 percent of this crude is imported today, a dependence the International Energy Agency (IEA) expects to climb to roughly 92 percent by 2035.

On the storage side, India's government-owned Strategic Petroleum Reserves currently total 5.33 million tonnes — roughly 38 million barrels — stored in underground caverns at Visakhapatnam, Mangalore, and Padur. At full capacity, these caverns cover only about 9.5 days of national crude requirement, and even when combined with commercial and refinery stocks, India has around 74 days of crude and products on hand. The IEA benchmark for robust energy security is at least 90 days of net import coverage, a threshold India does not yet meet, even though as an associate member it is not legally bound to that target.

These numbers tell a stark story: India is the world's third-largest oil importer, with rising demand, rising import dependence, and a strategic buffer that is thinner than global best practice. A sudden disruption in tanker traffic, a regional war, or an embargo targeting key suppliers would hit India harder, and faster, than most OECD economies.

How much does 30 million barrels really matter?

On paper, 30 million barrels may not sound like much in a world of 100-plus million barrels per day of global demand. For India, it is non-trivial. At current consumption of roughly 5.6 million barrels per day, 30 million barrels represents about five to six days of national crude demand — effectively increasing India's dedicated strategic buffer by around 50–60 percent if counted alongside its existing 38-million-barrel government SPR. That is before factoring in India's planned Phase-II SPR expansion of 6.5 million tonnes (roughly another 48 million barrels) at Chandikhol and Padur, which has been approved and is gradually moving through land allocation and construction.

Critics will argue that much of the ADNOC oil is commercially owned by the UAE and therefore cannot be treated as "India's" reserves. That misses the point. What matters for energy security is not just ownership but location and access rights. Crude physically stored in Indian caverns, tied to contracts that grant India priority access in defined emergencies, is far more valuable than crude notionally "available" on the high seas when shipping lanes are blocked or premiums explode.

Even if only a portion of the 30 million barrels is ring-fenced for India in crises, the existence of that volume in Indian territory, connected to domestic refineries, is a genuine increase in resilience. The rest, which ADNOC can trade or re-export, still provides a buffer in practice: in an extreme shock, the political cost for the UAE of diverting "Indian" barrels elsewhere would be significant.

Hedging against chokepoints and price wars

India's vulnerability is not only about how much oil it stores; it is about where that oil must transit. A large share of India's imports traverse the Strait of Hormuz and adjacent West Asian waters, a region increasingly subject to geopolitical tensions and shipping risks. Recent conflicts in West Asia and disruptions in key maritime corridors like the Red Sea have already raised freight costs and underscored how quickly conflict in someone else's backyard can inflate India's import bill.

Here, the UAE partnership does two clever things.

First, it anchors a long-term Gulf supplier in India's own infrastructure. ADNOC is already one of India's top suppliers, with the UAE accounting for roughly 9 percent of India's crude imports in 2024. By offering storage caverns and a politically trusted investment environment, New Delhi is incentivising Abu Dhabi to treat India not as just another buyer but as a strategic hub in its Asia portfolio.

Second, the MoU's provision for potential Indian-linked storage in Fujairah creates geographic diversification without India having to build everything at home. In an extreme scenario where India's own coasts are threatened or its ports damaged, having part of the "Indian" reserve parked at a secure, well-connected Gulf hub could provide additional options — especially if contracts allow preferential access or rapid redirection of Fujairah barrels to India.

Dollar savings and bargaining power

Strategic stocks are not only about barrels and days; they are also about prices and bargaining leverage. Because India's national buffer is thin, New Delhi often has little choice

but to keep buying even in overheated markets, absorbing price spikes directly into the import bill. India's imported crude and product bill already runs into tens of billions of dollars annually, and higher freight premiums during disruptions add another layer of cost.

A larger, more flexible reserve base changes this dynamic in three ways:

- It allows India to buy more opportunistically when prices are relatively low and store that crude either in its own caverns or in UAE-backed capacity.
- It gives India more confidence to delay or reduce spot purchases during short-lived price spikes, knowing that additional days of cover are available in caverns.
- It enhances India's bargaining power with other suppliers: long-term partners like the UAE and Russia know India can fall back more on stored crude, making price threats or supply squeezes less credible.

We should not romanticise this. A few extra days of cover will not magically shield India from a prolonged price boom or a multi-month blockade. But in the more common scenario of a few weeks of disruption — an attack on a pipeline, a temporary shipping scare, a sudden OPEC+ production cut — those extra days can translate into billions saved and, just as importantly, strategic calm when markets are panicking.

Diplomacy as energy insurance

There is also a geopolitical dividend that Indians should not underestimate. The UAE has become one of India's most important economic and strategic partners, with deals spanning defence, infrastructure, digital payments and climate finance. A long-term crude storage partnership locks in mutual dependence: India gives the UAE a secure, diversified storage and trading base in South Asia; the UAE offers India both barrels and capital for its storage build-out.

For India, which has traditionally worried about over-reliance on any single Gulf supplier, this actually works as diversification through depth. Tying one major producer into your infrastructure does not stop you from buying from Russia, Iraq or the US; it simply ensures at least one of your top partners has a vested interest in keeping your tanks full. Given that India's share of global crude imports has climbed to around 12-13 percent, this kind of bilateral lock-in is a logical evolution of its market power.

The fine print India must get right

A data-driven case for the deal does not mean ignoring its risks. The Mangalore arrangement allowed ADNOC to re-export part of the crude stored in Indian caverns, and India's petroleum ministry had to explicitly authorise such re-exports during the pandemic. In practice, ADNOC has reportedly not used the caverns extensively for re-exports, but the precedent is there.

With volumes scaling up to 30 million barrels, India must ensure three safeguards:

- Priority drawdown rights: Contracts should clearly codify that in predefined emergency situations — for example, a severe supply disruption or war — India has first call on at least a fixed tranche of the stored crude.
- Transparent accounting: Indian authorities need real-time visibility into how much ADNOC crude is in the caverns, how much is earmarked for India in emergencies, and how movements in and out affect India's overall days of cover.
- Legal protection against financialisation: The caverns must not become just another node in complex oil-derivatives games in which barrels stored in India are endlessly pledged, re-hypothecated or encumbered in ways that could delay physical access during a crisis.

These are solvable problems. Japan and South Korea have hosted foreign strategic stocks for years while retaining emergency access, and India's own experience since 2018 gives it a reasonable base to negotiate from.

A necessary, not sufficient, leap for energy security

India's decision to deepen SPR cooperation with the UAE is the right move at the right time: it boosts usable storage, ties a key Gulf supplier into Indian infrastructure, and gives New Delhi more room to manoeuvre in an increasingly unstable oil market. Quantitatively, 30 million barrels may "only" add five to six days of cover, but those are high-quality days — barrels in secure caverns, linked to Indian refineries, backed by a friendly producer government.

However, this should be seen as a bridge, not a destination. India still needs to accelerate its Phase-II SPR projects at Chandikhol and Padur, push toward the 90-day benchmark over time, and, above all, reduce the structural import dependency that the IEA projects will rise into the 2030s. Until that long-term transition is complete, putting more Gulf crude under Indian rock — with smart contracts and iron-clad emergency rights — is one of the most pragmatic forms of energy nationalism India can practice.