

# MP-IDSA

## *Issue Brief*

# Western Hydrocarbon Exodus and Arctic Boycott: Opportunities for India in Russia

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## **S***ummary*

India needs to seize the opportunities presented by the exit of Western companies from the Russian energy sector. Apart from providing long-term stability to India's energy imports, it will also provide an alternative to India's strategic and time-tested partner Russia and prevent the ceding of space to China. India also needs to hold an institutionalised annual dialogue with Russia to cover the entire gamut of activities covered under the six pillars of India's Arctic Policy.

Prime Minister Narendra Modi, while addressing the Eastern Economic Forum on 7 September 2022, expressed India’s keenness to strengthen its partnership with Russia on Arctic issues. He also underscored the immense potential for cooperation in the field of energy. Russia’s special operations in Ukraine have impacted its hydrocarbon sector and the Arctic in numerous ways. These have particular relevance for India since they present an opportunity to potentially address India’s energy security and increase its engagement with Russia in the Arctic.

## Russia’s Arctic Boycott and Hydrocarbon Sector

On 3 March 2022, for the first time since the formation of the Arctic Council (AC) in 1996, seven of its eight members announced a historic suspension of participation in all AC activities in protest against Russia’s special military operations in Ukraine.<sup>1</sup> Russia is the current Chair of the AC for 2021–23. Further, in a joint statement on 12 May 2022, the Finnish President and Prime Minister stated that NATO membership would strengthen the country’s security and Finland should apply for it immediately.<sup>2</sup> Following Finland, Sweden also announced its decision to apply for NATO membership.

In the wake of the Western sanctions against Russia, western companies announced their intention to exit Russian energy sector. Shell announced its intentions to exit the Nord Stream 2 pipeline project as well as to relinquish its equity partnerships with Russia’s Gazprom, including its 27.5 per cent stake in the Sakhalin-II liquefied natural gas (LNG) facility.<sup>3</sup> BP plc announced that it was ending a partnership with Rosneft, valued at approximately US\$ 25 billion.<sup>4</sup>

Norway’s Equinor also announced that it will exit Russian joint venture projects and withdraw personnel from the country. French supermajor Total Energies stated that it will no longer provide new capital to projects in Russia but stopped short of announcing a plan to exit investments.<sup>5</sup> US oil major ExxonMobil also announced to end its decades-long involvement in Russia, where it operates the Sakhalin-1 oil and gas project holding a 30 per cent stake.<sup>6</sup>

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<sup>1</sup> [“Joint Statement on Arctic Council Cooperation Following Russia’s Invasion of Ukraine”](#), U.S. Department of State, 3 March 2022.

<sup>2</sup> [“Joint Statement by the President of the Republic and Prime Minister of Finland on Finland’s NATO Membership”](#), President of the Republic of Finland, 12 May 2022.

<sup>3</sup> [“Energy Giant Shell Withdrawing from Russia, Will Stop Buying Moscow’s Oil and Gas”](#), RadioFreeEurope/Radio Liberty, 8 March 2022.

<sup>4</sup> Camila Domonoske, [“ExxonMobil Joins Business Exodus from Russia after Decades of Close Ties”](#), *NPR*, 1 March 2022.

<sup>5</sup> [“Exxon’s Exit from Russia amid Ukraine War Puts ONGC Videsh in a Fix”](#), *Business Standard*, 2 March 2022.

<sup>6</sup> Domonoske, [“ExxonMobil Joins Business Exodus from Russia after Decades of Close Ties”](#), no. 4.

The Sakhalin-1 and Sakhalin-2 projects are located off the Russian island of Sakhalin, in the North Pacific Ocean, north of Japan, off the east coast of Russia. The Sakhalin-1 Consortium members are Exxon Neftegas Limited (30 per cent interest, operator), Japan’s Sakhalin Oil and Gas Development Company (SODECO), Ltd. (with 30 per cent stake), India's ONGC Videsh Limited (OVL) (20 per cent) and Rosneft with the remaining 20 per cent.<sup>7</sup> Sakhalin-1 produced some 2,27,400 barrels of oil a day (11.35 million tonnes a year) and over 12 billion cubic metres of natural and associated gas in 2021.<sup>8</sup> The project, which has seen an investment of US\$ 17 billion in developing the reserves, was joined by OVL in 2001<sup>9</sup> and production commenced in 2005.<sup>10</sup> OVL's share from Sakhalin-1 is 45,400 barrels per day (2.27 million tonnes/year).

Sakhalin-2 is one of the world’s largest integrated oil and gas projects, as well as Russia’s first offshore gas project. Jointly owned by Shell (27.5 per cent), Gazprom (50 per cent), Mitsui (12.5 per cent) and Mitsubishi (10 per cent), it has an LNG capacity of 11.49 million tonnes (2017) and supplies about 4 per cent of the world’s current LNG market. Japan, South Korea and China are the main customers.<sup>11</sup> Shell’s decision to quit also put pressure on Japanese partners, Mitsubishi and Mitsui. Sakhalin-2 supplies roughly 8 per cent of Japan’s LNG supply.<sup>12</sup>

Following Shell’s announcement, citing threats to Russia’s national interests and economic security, President Vladimir Putin signed a decree on 30 June 2022 to transfer rights of the Sakhalin-2 oil and gas project to a new Russian company with the stakeholders having one month to decide if they will take stakes in the new company.<sup>13</sup> Despite Japan joining sanctions on Russia over the war in Ukraine, the Japanese government backed Mitsubishi and Mitsui to continue in the project. The Japanese participation in the new structure was finally approved by Russia on 31 August 2022.<sup>14</sup>

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<sup>7</sup> [“Exxon’s Exit from Russia amid Ukraine War Puts ONGC Videsh in a Fix”](#), no. 5.

<sup>8</sup> Ibid.

<sup>9</sup> OVL joined the consortium in 2001 with an initial investment commitment of US\$ 1.7 billion which was later enhanced by US\$ 1.1 billion in November 2004.

<sup>10</sup> [“Oil and Gas Production at Sakhalin Commences Today Mani Shankar Aiyar and Russian Energy Minister Witness Tap Opening Ceremony”](#), Press Information Bureau, Ministry of Petroleum & Natural Gas, Government of India, 1 October 2005.

<sup>11</sup> [“Sakhalin-2 – an Overview”](#), Shell.

<sup>12</sup> Damon Evans, [“Japanese Firms Unlikely to Exit Russian Energy after Shell and ExxonMobil’s Departure”](#), *Energy Voice*, 10 March 2022.

<sup>13</sup> [“Russia Seizes Control of Sakhalin 2 Oil and Gas Project, Says Report”](#), *Business Standard*, 2 July 2022.

<sup>14</sup> [“Russia Approves Japan Stakes in Sakhalin-2 Energy Project”](#), *The Japan Times*, 31 August 2022.

## India and Russian Energy Sector

It was reported that ExxonMobil's exit from Sakhalin-1 will in all likelihood delay the project. OVL has reportedly offered to send more personnel with suitable expertise to partially fill the void.<sup>15</sup> There were also reports that ONGC is considering purchasing additional stakes in Russian oil and gas fields from Western firms that plan to leave the country, and that the firm planned to bid for Exxon's 30 per cent stake in Sakhalin-1 and Shell's 27.5 per cent interest in the Sakhalin-2 project.<sup>16</sup>

India, acting in its national interests, has utilised the opportunity presented by deep discounts offered by Russia on its oil exports. Between April and May 2022, India imported US\$ 3.2 billion worth of crude oil from Russia compared to just US\$ 210 million in March and zero in February.<sup>17</sup> India's decision has been stoutly defended by India's External Affairs, Commerce, and the Petroleum Ministers in various international fora.<sup>18</sup>

Petroleum Minister Hardeep Singh Puri on 7 September, for instance, said that the government had a "moral duty" to safeguard the interests of the citizens.<sup>19</sup> Puri also pointed that Russian oil accounted for only 0.2 per cent of India's total oil imports in the fiscal year ending on 31 March 2022 and added "Europeans buy more in one afternoon than India buys in a quarter".<sup>20</sup>

The pullout by the Western oil companies from Russia presents a big opportunity to the Indian fossil fuel industry. In 2020, Russia's fossil fuel reserves amounted to about 19 per cent of the total global reserves.<sup>21</sup> It has the largest proven natural gas reserves in the world. Russia's proven oil reserves total about 107.2 billion barrels, nearly 6.2 per cent of the total global reserves.<sup>22</sup> Russia is one of the top three oil-producing countries and in 2020, it produced 13 per cent of world's oil, next only to United States (15 per cent).<sup>23</sup> It is also the world's leading exporter of gas, exporting

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<sup>15</sup> Dipanjan Roy Chaudhury, [“India Explores to Expand Footprints in Oil Fields in Far East Russia”](#), *The Economic Times*, 11 July 2022.

<sup>16</sup> Ibid.

<sup>17</sup> Siladitya Ray, [“How India Fights Inflation: Buying Cheap Russian Oil Despite Western Criticism”](#), *Forbes*, 28 July 2022.

<sup>18</sup> Shruti Menon, [“Ukraine Crisis: Russian Oil Turns to Asia”](#), *BBC News*, 2 September 2022.

<sup>19</sup> [“Will Buy Oil from Russia, Have Moral Duty to My Consumer: Petroleum Minister Hardeep Puri”](#), *Moneycontrol News*, 7 September 2022.

<sup>20</sup> Ibid.

<sup>21</sup> [“Leading Countries by Proved Natural Gas Reserves Worldwide in 2010 and 2020”](#), Statista.

<sup>22</sup> [“Oil and Gas Regulation in the Russian Federation: Overview”](#), *Practical Law*.

<sup>23</sup> [“Oil and Petroleum Products Explained”](#), U.S. Energy Information Administration, 1 June 2022.

197.2 billion cubic meters of pipeline gas in 2020, and 40.4 billion cubic meters of LNG.<sup>24</sup>

India's net dependence on imported oil is forecast to rise above 90 per cent by 2040, up from 75 per cent currently.<sup>25</sup> Further, the 6 per cent share of natural gas in India's current energy mix is among the lowest in the world.<sup>26</sup> The world average is 24 per cent and India is working to increase this figure to 15 per cent by 2030.<sup>27</sup>

India is the third largest importer of oil in the world. India can also ill afford rising oil prices, without incurring setbacks in its efforts to sustain its developing economy and poverty alleviation of millions of its citizens. Rising crude prices could lead to a higher current account deficit and lead to higher inflation..<sup>28</sup>

Cognisant of this reality, India has been earnestly exploring deepening energy engagement with Russia in the recent years. This is reflected in the fact that India sent its Petroleum Minister to Russia to attend the Eurasian Economic Forum in 2019 and 2021. The two countries are working towards the realisation of an 'Energy Bridge', which is based on robust civil nuclear cooperation, LNG sourcing, partnership in the oil and gas sector, and engagement in renewable energy sources.<sup>29</sup>

Russia is India's single biggest investment destination for oil and gas projects. Apart from Sakhalin-1, Indian companies have acquired equity in Russian 'Tass-Yuryakh Neftegazodobycha' and 'Vankorneft' projects, making it the largest equity oil acquisition hitherto by India. In the JSC Vankorneft, the 26 per cent stake provides OVL 7.31 million tonnes of oil. Additionally, the consortium of Indian companies OIL-IOC-BPRL have acquired 23.9 per cent stake in the field at a cost of US\$ 2.02 billion, giving them 6.56 million tonnes of oil. The Indian companies combined equity is 49.9 per cent for an investment of US\$ 4.2 billion while Rosneft continues to hold the remaining 50.1 per cent. The field has recoverable reserves of 2.5 billion barrels. Besides, the OIL-IOC-BPRL consortium has taken another 29.9 per cent stake in the Taas-Yuryakh oilfield in East Siberia for US\$ 1.12 billion.<sup>30</sup>

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<sup>24</sup> [“Leading Gas Exporting Countries in 2021, by Export Type”](#), Statista.

<sup>25</sup> ["India Energy Outlook 2021"](#), World Energy Outlook Special Report, International Energy Agency.

<sup>26</sup> Ibid.

<sup>27</sup> [“Interview of M/o Petroleum & Natural Gas to Vedomosti”](#), Embassy of India in Moscow, Russia, 4 September 2019.

<sup>28</sup> Gayatri Nayak, [“\\$10 Barrel Rise in Crude to Add 40-60 Bps to CPI, CAD by 0.4 per cent of GDP: Report”](#), *The Economic Times*, 19 January 2022.

<sup>29</sup> [“Bilateral Relations: India-Russia Relations”](#), Indian Embassy in Moscow, Russia, January 2022.

<sup>30</sup> [“Indian Consortium led by Oil India Eyes Stake in Russia's Vankor Cluster Oilfields”](#), IndianOil, 12 October 2016.

Long term oil and gas supply arrangements with Russia and increased Indian oil and gas companies' stakes in the Russian energy infrastructure and projects holds great promise to address India's energy security. On its part, Russia has also urged India to deepen its investments in the sanction-hit country's oil and gas sector, and is keen on expanding the sales networks of Russian companies in India.<sup>31</sup>

With the aim of further strengthening oil and gas cooperation, Russia has expressed interest in attracting Indian oil companies to participate in joint projects in the offshore Arctic fields of the Russian Federation.<sup>32</sup> In March 2017, OVL signed a MoU with Gazpromneft on the possibility of the joint implementation of offshore hydrocarbon projects in Russia and elsewhere in the world.<sup>33</sup> Indian workers are participating in major gas projects in the Amur region, from Yamal to Vladivostok and onward to Chennai.<sup>34</sup>

However, all projects have not materialised. Although OVL had been in discussions with Novatek for participation in the Russian Yamal LNG project since 2013, the deal did not materialise.<sup>35</sup> The current Yamal stakeholders are Novatek (50 per cent), French Total (20 per cent), the Chinese CNPC (20 per cent) and Silk Road Fund (9.9 per cent).<sup>36</sup>

It has also been reported that India's energy companies, Petronet LNG Ltd and OVL have been in discussions for acquiring a joint 9.9 per cent stake in Russia's planned liquefied-gas project Arctic LNG 2 from Novatek.<sup>37</sup> Presently, Novatek has a 60 per cent stake, with the remaining shareholders comprising Total (10 per cent), China's CNPC (10 per cent) and CNOOC (10 per cent) and a consortium of Japan's Mitsui and Jorgmec, (Japan Arctic LNG), with 10 per cent.<sup>38</sup>

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<sup>31</sup> [“Russia Seeks Indian Investment in Its Oil and Gas Sector”](#), *Reuters*, 12 March 2022.

<sup>32</sup> [“Putin Visit to India”](#), Ministry of External Affairs, Government of India.

<sup>33</sup> [“Gazprom Neft, ONGC Videsh Sign Joint Offshore Exploration Deal”](#), Offshore Energy, 31 March 2017.

<sup>34</sup> [“Prime Minister's Virtual-Address at Eastern Economic Forum 2021”](#), Ministry of External Affairs, Government of India, 3 September 2021.

<sup>35</sup> Kalpana Pathak and Arijit Barman, [“OVL Looks at Russia Again, Revives Yamal LNG Plans”](#), *Business Standard*, 21 January 2013.

<sup>36</sup> [“Projects & Achievements”](#), Total Energies.

<sup>37</sup> [Dina Khrennikova and Debjit Chakraborty, “India Energy Firms are Said to Discuss Buying Arctic LNG 2 Stake”](#), Bloomberg, 6 September 2021.

<sup>38</sup> Stuart Elliott, [“Arctic LNG 2 Partners Conclude 20-year LNG Purchase Deals: Novatek”](#), S&P Global Commodity Insights, 28 April 2021.

## Russia–China Cooperation in Hydrocarbons and Arctic

China has remained Russia's largest trading partner for 12 consecutive years, since 2010<sup>39</sup>, accounting for 18 per cent of Russia's trade in 2021, even though Russia represented a mere 2 per cent share of China's trade.<sup>40</sup> Total trade between China and Russia jumped 35.9 per cent in 2021 to US\$ 147.9 billion, an increase of over 50 per cent since Western sanctions were imposed on Russia in 2014.<sup>41</sup> The two countries have set a target to boost total trade to US\$ 250 billion by 2024.<sup>42</sup>

China has also used the opportunity provided by the Western sanctions by spending US\$ 18.9 billion on Russian oil, gas and coal in the three months to the end of May 2022, almost double the amount a year earlier.<sup>43</sup>

The two countries also have a very robust energy partnership. After Saudi Arabia, Russia is China's biggest oil supplier, accounting for 15.5 per cent of Chinese imports, averaging 1.59 million barrels per day in 2021.<sup>44</sup> Russia is also China's third largest gas supplier, exporting 16.5 billion cubic metres (bcm) in 2021, amounting to 5 per cent of Chinese imports.<sup>45</sup> Russia was also China's second largest coal supplier in 2021. Almost 40 per cent of oil supplies to China from Russia are through the 4,070-km East Siberia Pacific Ocean (ESPO) pipeline while the gas is supplied through the Power of Siberia pipeline. The gas supplies, currently at 16.5 bcm in 2021, are set to rise to 38 bcm a year by 2025, under a 30-year contract worth more than US\$ 400 billion.<sup>46</sup> A second gas pipeline, Power of Siberia 2, with capacity for 50 bcm a year, is also planned, routing via Mongolia to China.<sup>47</sup> Separately, a deal worth US\$ 80 billion was signed in February 2022, between Rosneft and China's CNPC, to supply 100 million tonnes of oil through Kazakhstan over 10 years.<sup>48</sup>

China has become Russia's main investor in LNG projects in the Arctic. This has happened due to several factors, including Western sanctions on Russia thereby limiting its choices for finances and technology. China's own exponentially rising energy demand and its willingness to quickly step in the void provided by the exit of

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<sup>39</sup> [“China-Russia Trade to Exceed New High in 2021: MOFCOM”](#), *Global Times*, 16 December 2021.

<sup>40</sup> [“China's Economic and Trade Ties with Russia”](#), Congressional Research Service Report, 24 May 2022.

<sup>41</sup> [“Understanding the China-Russia Trade, Investment & Economic Relationship in the Context of the Ukraine Conflict”](#), Silk Road Briefing, 10 May 2022.

<sup>42</sup> Ibid.

<sup>43</sup> [“Ukraine War: India, China Buy Russian Oil and Gas Worth \\$24 Bn in 3 Months”](#), *Business Standard*, 6 July 2022.

<sup>44</sup> [“Understanding the China-Russia Trade, Investment & Economic Relationship in the Context of the Ukraine Conflict”](#), no. 41.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

Western oil and gas companies from Russia in 2014 have also been contributing factors. Chinese CNPC and Silk Road Fund together own a 29.9 per cent stake in the Yamal LNG project,<sup>49</sup> while in 19.8 million mt/year Arctic LNG 2 project, China’s CNPC and CNOOC have a total of 20 per cent shareholding.<sup>50</sup>

The Yamal LNG project has reserves of 1.3 trillion cubic meters of natural gas and an annual capacity of 25 bcm.<sup>51</sup> Of the total funding of US\$ 19 billion for the project, 63 per cent was contributed by China. Export-Import Bank of China and the China Development Bank provided two 15-year credit line facilities for the total amount of EUR 9.3 billion and RMB 9.8 billion respectively.<sup>52</sup> Chinese CNPC invested US\$ 5 billion, while the Silk Road Fund also committed to invest US\$ 5 billion, with an additional US\$ 800 million to implement the project.<sup>53</sup> Chinese enterprises were also substantially involved in the construction of the Yamal LNG plant.<sup>54</sup> Under the terms of the contract, China will get 3 million tonnes of LNG every year. In the Arctic LNG-2 project as well, China is to get 3 million tonnes of LNG annually over a 15-year period.

The two countries are discussing a project located in the Payakha oilfield, located on the Taymyr peninsula, in the Krasnoyarsk region. China National Chemical Engineering Group (CNCEC) and Russian firm Neftegazholdin have signed a deal relating to oil processing and storage facility as well as port development, with investment amounting to US\$ 5 billion over four years.<sup>55</sup>

Russia and China have also made significant strides in their cooperation on Arctic issues. Russia has convergence with China’s Polar Silk Road. Even before China became an observer to the Arctic Council in 2013, in 2012, they began holding the annual China–Russia Arctic Forum gathering of Arctic specialists and experts, co-sponsored by Ocean University of China and St. Petersburg State University.<sup>56</sup> They also have institutionalised interaction between their foreign ministries in the form of China–Russia Dialogue on Arctic Affairs since 2015.<sup>57</sup>

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<sup>49</sup> [“Projects & Achievements”](#), no. 36.

<sup>50</sup> Stuart Elliott, no. 38.

<sup>51</sup> [“Yamal LNG Project Completed and Put into Operation”](#), Special Report, CNPC.

<sup>52</sup> [“Yamal LNG Signed Loan Agreements with the Export-Import Bank of China and the China Development Bank”](#), Yamal LNG, 29 April 2016.

<sup>53</sup> Anastasia Ufimtseva and Tahnee Prior, [“Developing Hydrocarbon Resources in Arctic Russia: The Role of Sino-Russian Collaboration”](#), Arctic Yearbook 2017, pp. 368–76.

<sup>54</sup> [“Yamal LNG Project Completed and Put into Operation”](#), no. 51.

<sup>55</sup> Zhang Chun, [“China’s Arctic Silk Road Projects”](#), China Dialogue Ocean, 9 January 2020.

<sup>56</sup> [“‘The 8th Sino-Russian Arctic Forum’ Was Held in the Republic of Sakha \(Yakutia\), Russia”](#), AOC, 13 October 2019.

<sup>57</sup> Elizabeth Wishnick, [“Will Russia Put China’s Arctic Ambitions on Ice?”](#), *The Diplomat*, 5 June 2021.

In 2015, the Russian Ministry for Development of the Russian Far East and the Arctic and China’s National Development and Reform Commission (NDRC) signed an agreement on cooperation in the Northern Sea Route (NSR).<sup>58</sup> In 2016, China conducted its first China–Russia joint Arctic expedition.<sup>59</sup> In 2019, the two countries agreed to establish the Chinese–Russian Arctic Research Center to conduct joint research projects in the Far North.<sup>60</sup>

Russia has also allowed China’s participation in Zarubino Port, close to Vladivostok, near Russia’s border area with China and North Korea. The port aims to improve transportation links in China’s northeast regions and assist in development in the Russian Far East, also facilitating the broader goal of Arctic shipping opportunities. China has provided financial support through its local government in Jinlin, and through China’s Merchant Group.<sup>61</sup> The two countries are also collaborating on digital connectivity projects in the Arctic as well as in achieving synergy and integration of their respective satellite navigation systems, Beidou and Glonass.

## India–Russia Engagement in Arctic

India has also sought deeper cooperation with Russia in the Arctic. The India–Russia Joint Statements during the Annual Summits have repeatedly expressed a desire for greater cooperation in the Arctic as well as collaborating with Russia on the Northern Sea Route.<sup>62</sup> The Russian Arctic is the source for about 80 per cent of Russia’s oil and virtually all of the natural gas.<sup>63</sup> By 2050, the deposits in the Arctic shelf are expected to provide between 20 per cent and 30 per cent of Russia’s total oil production.<sup>64</sup>

India’s Arctic Policy, released by the Government of India on 17 March 2022<sup>65</sup> recognises the Arctic as the largest unexplored prospective area for hydrocarbons remaining on earth and seeks collaboration with Arctic states to undertake resource exploration in the Arctic.<sup>66</sup>

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<sup>58</sup> Christopher Weidacher Hsiung, [“The Emergence of a Sino-Russian Economic Partnership in the Arctic?”](#), The Arctic Institute, 19 May 2020.

<sup>59</sup> Swee Lean Collin Koh, [“China’s Strategic Interest in the Arctic Goes beyond Economics”](#), *DefenseNews*, 12 May 2020.

<sup>60</sup> Pavel Devyatkin, [“Russian and Chinese Scientists to Establish Arctic Research Center”](#), *High North News*, 15 April 2019.

<sup>61</sup> [“China, Russia Working on Transport Corridors for Win-Win Results”](#), *People’s Daily Overseas Edition*, 12 September 2018.

<sup>62</sup> [“India-Russia Joint Statement following the Visit of the President of the Russian Federation”](#), Ministry of External Affairs, Government of India, 6 December 2021.

<sup>63</sup> [“Oil & Gas”](#), The Arctic.

<sup>64</sup> Ibid.

<sup>65</sup> [“India’s Arctic Policy: Building a Partnership for Sustainable Development”](#), Ministry of Earth Sciences, Government of India, 2022.

<sup>66</sup> Ibid., Art 4.1.2 and Art 4.1.4.

After the release of India’s Arctic Policy, for the first time, India and Russia held a regular round of consultations between their foreign ministries, specifically on Arctic issues, on 29 July 2022.<sup>67</sup> Even though it is a modest beginning, India’s cooperation with Russia on the Arctic pales in comparison with China’s engagement with Russia on the Arctic. India could take the following policy steps to further enhance its cooperation with Russia on hydrocarbons and the Arctic.

### ***Inter-Industry/Ministerial Task Force on Energy Collaboration with Russia***

As an immediate measure, in a whole of India approach, a Task Force comprising representatives from the Industry as well as the stakeholder ministries may be formed to identify Indian participation/investments in Russian hydrocarbon projects which are facing an exit by the Western companies. There is political consensus at the highest level between the leaders of the two countries and Indian participation in the Arctic and Russian energy sector has been expressed by PM Modi and welcomed by President Putin on more than one occasion.

### ***Institutionalised Dialogue on Arctic***

India has made a beginning by holding discussions with Russia, specifically on Arctic issues. This ought to be converted into an institutionalised annual dialogue between the foreign ministries of the two countries to cover the entire gamut of activities covered under the six pillars of India’s Arctic Policy. If required, various sub-groups covering scientific cooperation, connectivity, energy, and trade and commerce could be formed under the dialogue mechanism, led by the representatives of the stakeholder ministries. Further, Arctic cooperation between the two countries may be described under a separate heading in the Annual Summit Joint Statements.

## **Conclusion**

Despite the pullout by the American, British and Norwegian oil companies, the French company, Total has decided to remain invested in Russia. Similarly, Japan, while joining the chorus for putting a price cap on the Russian oil, has supported its two companies to remain invested in the Sakhalin-2 project. Similarly, India, in its national interests and to mitigate energy deficiencies, needs to seize the opportunities presented by the exit of Western companies from the Russian energy sector. Apart from providing long-term stability to India’s energy imports, it will also provide an alternative to India’s strategic and time-tested partner Russia and prevent the ceding of space to China. India also needs to actively engage with Russia on taking forward the elements of its Arctic policy, specifically relating to the transportation and energy sectors.

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<sup>67</sup> [“Russian-Indian Consultations on Arctic Issues”](#), The Embassy of the Russian Federation in the Republic of India, 29 July 2022.

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