

India's refined oil products demand to peak later than other economies

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INDIA'S REFINED PRODUCT demand is expected to peak later than in other major economies, positioning the country as a key driver of global energy consumption, according to S&P Global Commodity Insights. While India's demand remains about one-third of China's, the country's rising population and increasing per capita income will sustain strong consumption growth, the agency said.

In 2024, India's refined product demand grew at 3% year-over-year, compared to flat growth in China during the same period. S&P Global Commodity Insights now forecasts India's demand to reach 5.7 million barrels per day (b/d) by 2026.

"While we do not expect this demand to peak until 2050, the significant rise in the adoption of electric vehicles (EVs) and alternative fuel vehicles will exert pressure on India's transportation fuel demand," Abhishek Rajan, South Asia oil research lead, S&P Global Commodity Insights said.

A planned refining capacity

GAINING MOMENTUM



■ Rising population and per capita income to push demand, says S&P Global

■ In 2024, India's refined products demand grew at 3% y-o-y

■ China witnessed a flat growth during the same period

■ India's demand to reach 5.7 mn barrels per day by 2026, expects S&P Global

■ Planned refining capacity increase of nearly 850,000 barrels per day by 2028 will boost production capabilities

■ S&P expects India to increase crude imports from Latin America and Africa

increase of nearly 850,000 b/d by 2028 will significantly boost India's production capabilities. Upcoming projects include a grassroots refinery in Barmer, Rajasthan by Hindustan Petroleum Corporation, and expansion projects in Indian Oil Corporation in Barauni, Koyali, and Panipat refineries.

"While India is a significant exporter of refined products now, the completion of these projects and timely planning/ execution of the future projects will be crucial for maintaining a steady domestic supply as well as healthy exports in the

long term," Rajan said.

Furthermore, the dynamic geopolitical landscape, such as the effects of recent US sanctions on shadow fleets (ships carrying sanctioned barrels) and other US policies under President Trump will significantly influence crude prices and, consequently, India's import bill.

"Hence, India's ongoing focus on crude diversification is even more important and Indian refiners need to adjust to fluctuating global crude dynamics while ensuring profitability and sustainability," Abhishek Rajan stated.

S&P expects India to increase crude imports from Latin America and Africa in the coming years to reduce its dependence on traditional suppliers.

As India targets 15% natural gas share in its energy mix, expanding gas usage across industries, transportation, households, and power generation will require strong policy support and infrastructure development.

In 2024, India's gas consumption rose 10%, while LNG imports surged by 25%, despite rising domestic production. However, import dependence remains high at nearly 50%, according to Ashish Ranjan, senior analyst, research & analysis, global gas and LNG, S&P Global Commodity Insights.

Analysts note that infrastructure will be key to gas demand growth. "A massive expansion is underway, including the recent commissioning of HPCL's 5 MMtpa Chhara terminal, the upcoming breakwater completion at GAIL's Ratnagiri and Dahej's planned five MMtpa expansion, which will collectively add 12 MMtpa of regasification capacity, increasing the total capacity to almost 58 MMtpa," Ashish Ranjan said.

