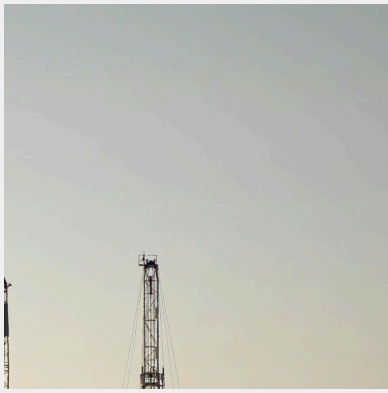
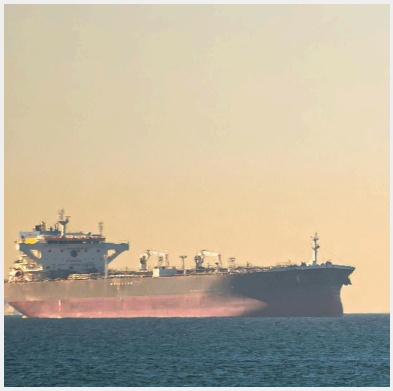
NATIONAL ECONOMIC FORUM

NEF Insights

Monthly Brief

OIL IN A WORLD OF TRANSITION





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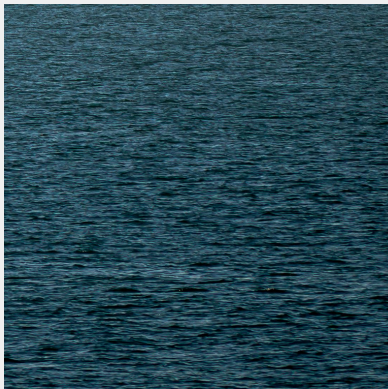

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Editorial Team: **Dr. Sagarika Chaudhary**, Senior Research Associate
Areeka Mir, Research Associate
Yash Kapur, Research Associate

Author(s): Mentioned article-wise

Designer & Layout: **Areeka Mir**

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Executive Director's Message

The launch of NEF's inaugural monthly newsletter coincides with a crucial moment in the global energy discourse. The theme of this first edition, 'Oil in a World of Transition', reflects a reality that is often understated in contemporary debates; even as the global economy accelerates toward decarbonisation, oil continues to play a strategic, economic and geopolitical role that remains both complex and indispensable.

The energy transition is not a simple substitution of hydrocarbons with renewables. It is a phased and uneven process shaped by development priorities, industrial structures and geopolitical realities. Oil remains integral to global trade, petrochemicals, fertilisers, aviation, shipping and the fiscal stability of many economies. Hence, its relevance persists not in spite of the transition, but because the transition itself must be navigated through existing energy systems.

For India and much of the Global South, this challenge is especially acute. Rising energy demand, aspirations for industrial growth as well as the imperative of affordability must be reconciled with climate commitments and long-term sustainability goals. This requires analytical realism rather than ideological absolutes, thereby, viewing oil not merely as a legacy fuel, but as a resource that must be managed judiciously during a period of structural transformation.

This edition brings together data-driven analysis and global perspectives to examine how oil markets are being reshaped by geopolitical fragmentation, evolving trade routes and shifting demand centres.

At NEF, our mission is to advance informed, balanced and forward-looking economic dialogue. We hope this newsletter contributes meaningfully to that conversation.

Executive Director
National Economic Forum (NEF)

Hot Off the Press

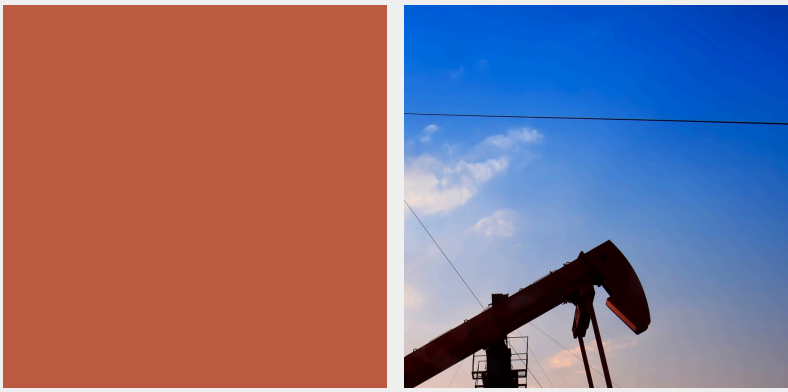
The Diverging Global Oil Demand Forecasts

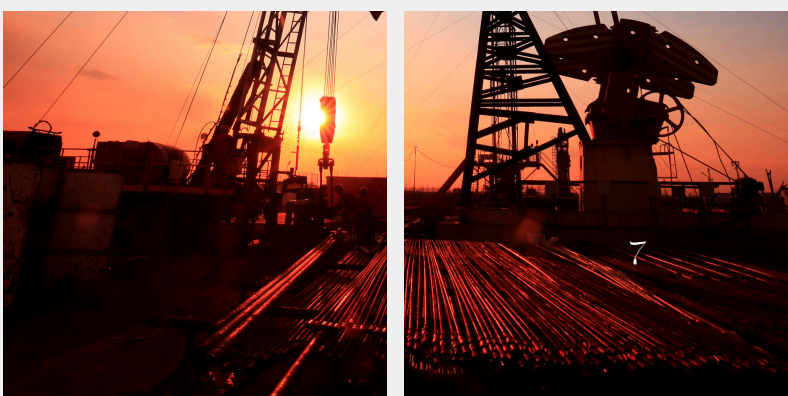
Oil demand growth projections for this year vary considerably across major institutions, indicative of the continued uncertainty in transition-era markets. According to the International Energy Agency's Oil Market Report for this month, global oil demand growth is forecast at an average of about 0.93 million barrels per day (mb/d), up from last year's 0.85 mb/d, led entirely by non-OECD economies as gasoline and petrochemical feedstock demand stabilises.

However, the International Energy Forum's comparative analysis shows that OPEC's demand forecast is significantly higher at around 1.4 mb/d with most growth in non-OECD markets such as China, India and Africa, while the IEA remains more conservative. The U.S. Energy Information Administration (EIA) also projects stronger consumption growth of around 1.1 mb/d, reflecting robust emerging-market activity.

These agency divergences shape market risk assessments; higher demand forecasts underpin tighter markets and stronger price support, while more moderate views suggest persistent slack. For India, which the EIA estimates will see oil consumption increase by 0.3 mb/d in 2026, continued demand growth highlights the dual challenge of meeting energy needs while accelerating transition goals.

Against this backdrop, strong non-OECD demand growth reinforces India's need for diversified crude sourcing and refining capacity upgrades, balancing energy security with climate commitments.





This Year's Oversupply Pressures and Inventory Builds

Despite demand growth, structural oversupply remains a defining theme for the oil market in the early months of this year. The EIA's Short-Term Energy Outlook for this month projects global oil production increasing by around 1.4 mb/d in 2026, outpacing expected demand growth and resulting in rising inventories. Global inventories, the report warns, could build by an average 2.8 mb/d, similar to 2025 levels, weighing on prices. This overhang stems from ongoing output expansions in both OPEC+ and non-OPEC producers, alongside resilient U.S. shale supply. Oil market analysis suggests that if inventory growth persists, Brent crude may average around US $56 per barrel this year, down from 2025 levels, reflecting structural price compression.

Persistent oversupply risks complicate investment decisions and may delay the rebalancing of the traditional oil market as renewables gain share in global energy mixes. Even as China's strategic stockpiling supports near-term prices, the larger surplus could prolong volatility.

For large import-dependent economies such as India, prolonged inventory builds and softer price dynamics offer short-term fiscal relief by easing the oil import bill, even as they complicate longer-term investment signals for upstream and midstream infrastructure critical to sustaining energy security during the transition.

OPEC+ Production Pause Amid Market Uncertainty

OPEC+ member states are likely to maintain their production pause through March this year, reacting to mixed signals from supply and demand forecasts. Multiple reports earlier this week indicate that despite forecasts of surplus, producers such as Saudi Arabia and Russia are holding output steady, aiming to support prices above recent lows.
This decision reflects a strategic pivot, that of, with Brent crude climbing anywhere between $64-$70/barrel just this month - driven by supply disruptions and geopolitical tensions - OPEC+ members appear cautious about renewing production increases that could further depress prices. Kazakhstan's recent export losses, over 40 million barrels in disrupted exports, have also helped alleviate oversupply concerns, reinforcing the production pause rationale. However, the pause emphasises deeper market structural issues of demand remaining uneven, and inventories still sitting above long-term averages. Maintaining output discipline helps balance markets, but also signals producer sensitivity to geopolitical risk and transition-era uncertainties.

For India, OPEC+'s calibrated supply management reduces extreme price volatility but simultaneously highlights the need to hedge against producer coordination risks through diversified sourcing and strategic reserves.

Price Dynamics: Balancing Oversupply and Geopolitical Premiums

In the first few months of this year, global oil price dynamics reflect a tussle between oversupply concerns and heightened geopolitical tensions. Recent trading data show Brent crude rising to US $70/b, with WTI near US $65-US $/b, supported by supply disruptions from winter storms in the U.S. Gulf Coast and Middle East instability.

At the same time, financial institutions argue that geopolitical risk premiums, especially sanctions on Russian oil and Middle East instability, have added to prices, countering oversupply pressures. These premiums reflect event risk in key producing regions and constraints on export flows, which can tighten physical markets even when production volumes are ample.
Thus, oil prices in the near future are shaped less by fundamental supply-demand balance and more by strategic risk pricing, a paradigm that could persist as transition-era uncertainties evolve.
Elevated price baselines driven by geopolitical risk could strain India's current account, reinforcing the importance of hedging strategies and diversification into LNG and renewables.

Refining Throughputs and Product Demand in the Transition Era

While crude supply dynamics dominate headlines, refining capacity and product demand remain central to understanding oil's role in transition. Recent data suggest global refinery crude throughputs reached 85.7 mb/d in December 2025, exceeding seasonal expectations. This indicates resilient downstream consumption, particularly in petrochemicals and diesel markets, even as gasoline gains soften.

With total refining throughputs forecast to average 84.6 mb/d for 2026, the data imply that refiners are adapting to changing fuel mixes while still absorbing crude flows. The sustained throughput levels signal that global economic activity, especially in Asia, continues to underpin refined product demand, mitigating some transition-related declines in transportation fuels.
This downstream durability has direct relevance for India, whose high-complexity refineries are increasingly positioned as export hubs. Sustained global refining demand strengthens India's role in value-added energy trade, even as long-term alignment with climate objectives necessitates a gradual pivot toward cleaner fuels and green refining technologies.

Structural Shifts in Non-OECD Demand Growth

This year, non-OECD countries are the primary drivers of oil demand growth. Non-OECD demand is expected to contribute around 1.1-1.3 mb/d of global consumption growth, dwarfing OECD expansion. Within Asia, India's oil consumption is forecast to rise by close to 0.30 mb/d, outpacing China's incremental growth.

This structural tilt highlights stark regional disparities, namely that emerging economies continue to rely on oil for industrial activity, logistics and power generation, even as OECD economies transition faster toward electrification and efficiency.

As global oil demand becomes increasingly decoupled from advanced economies, India's centrality to future consumption growth places it at the crossroads of global energy markets - benefiting from increased bargaining power while bearing greater responsibility to shape a transition model compatible with development imperatives.

Energy Transition and LNG's Evolving Role

The global energy transition is reshaping not just oil but adjacent fuels. Reports indicate a surge in LNG supply led by North America and Middle Eastern exporters this year, altering relative fuel dynamics. As natural gas becomes more competitive in power generation and industrial heat, oil's share in these sectors may moderate.

However, oil, particularly heavy liquids, remains indispensable in petrochemicals and transportation segments that are harder to electrify.

The contemporary market, thus, requires an integrated view of fossil fuels rather than a binary oil-vs-renewables narrative.

For India, LNG's expanding footprint offers a pragmatic bridge fuel, enabling emissions reduction without compromising energy reliability, while oil continues to anchor sectors critical to economic growth. Ergo, reinforcing the need for an integrated, rather than exclusionary, transition strategy.

Strategic Crude Sourcing & Supply Diversification

India's refiners are actively diversifying crude baskets to bolster energy security. Recent purchases by Indian Oil Corporation from Angola, Brazil and the UAE totaling 7 million barrels ahead of March deliveries, signal reduced reliance on Russian grades.

Such diversification enhances resilience but also demands technical flexibility, as refiners must adapt to a wider range of crude qualities. Investments in refinery upgrades and blending capabilities, therefore, become as strategic as the sourcing decisions themselves.

With oil markets fragmenting along geopolitical lines, India's ability to maintain a diversified import portfolio strengthens its negotiating leverage and buffers domestic markets from external shocks, which is indeed a critical advantage in a transition-era energy landscape.

Domestic Investment Ambitions in Oil and Gas

The Indian government has set an ambitious target of US $100 billion in oil and gas investments by decade's end to boost domestic capacity and energy independence. Such targeted capital flows can accelerate infrastructure expansion, from refining to strategic storage and petrochemicals.

Rather than contradicting climate goals, such investments reflect a sequencing strategy, i.e., securing energy stability first while scaling renewables and green hydrogen in parallel. The challenge lies in ensuring capital allocation remains adaptive to long-term decarbonisation pathways.

For India, calibrated investment in oil and gas infrastructure provides a stabilising backbone for economic growth, even as policy momentum gradually shifts toward cleaner energy systems.

Geopolitical Dynamics & Oil Market Risk Premiums

Without an iota of doubt, oil's geopolitical salience remains undiminished this year as well. Sanctions regimes, Middle East tensions and strategic rivalries continue to inject risk premiums into prices, often decoupling markets from underlying fundamentals. Even in surplus conditions, political disruptions have proven capable of tightening supply expectations overnight.

This persistence of geopolitical risk showcases oil's enduring role as both an economic commodity and a strategic instrument.

Transition narratives notwithstanding, oil remains deeply embedded in global power structures.

For India, navigating this geopolitical terrain requires diplomatic agility, diversified partnerships and strategic foresight, ensuring that energy security is preserved even as the global system transitions toward a more fragmented and uncertain order.

Scandinavia
Managing Oil Wealth in a Post-Peak Demand World

Scandinavia presents a paradox within the global energy transition, that of, aggressive climate ambition coexisting with continued hydrocarbon production. Norway, Western Europe's largest oil and gas producer, is expected to pump nearly 4.1 million barrels of oil equivalent per day (boed) this year, supported by new offshore projects such as Johan Castberg and continued North Sea optimisation. Petroleum revenues contributed a major chunk of Norway's total exports last year, emphasising oil's enduring fiscal role even in a net-zero-oriented economy.

What distinguishes the Scandinavian model is not production restraint but revenue management. Norway's Government Pension Fund Global, valued at around US $2.1 trillion, channels oil rents into long-term financial assets, effectively decoupling fossil extraction from domestic consumption. Simultaneously,

carbon pricing in the range €88-90 per tonne CO_2 ensures internalisation of emissions costs, aligning oil production with climate accountability. This model demonstrates that oil's persistence in a transition era need not undermine decarbonisation, provided institutions, fiscal buffers and policy coherence are robust. For India, Scandinavia's experience offers a compelling lesson, that is, hydrocarbons can finance the transition rather than delay it, if revenues are transparently reinvested into future-facing infrastructure and human capital rather than absorbed into recurrent consumption.

North Africa Oil, Fiscal Stability and Political Fragility

Oil continues to underpin economic and political stability across North Africa, particularly in Algeria and Libya. Algeria's hydrocarbon exports, accounting for around 95% of export earnings, benefited from Brent prices averaging around the mid- US $60s per barrel range this month, providing fiscal breathing room after years of budgetary stress. Sonatrach's upstream investments remain focused on maintaining output near 1.0 mb/d, amid declining mature fields.

Libya, by contrast, remains a case study in volatility. While production rebounded to 1.3 mb/d in the fag end of last year, recurrent disruptions linked to militia activity and governance fragmentation continue to inject supply risk into Mediterranean markets. These disruptions disproportionately affect European refiners, amplifying regional price sensitivity despite global oversupply.

North Africa's oil narrative illustrates how hydrocarbons remain entangled with state capacity, social contracts as well as geopolitical leverage, especially in regions where diversification has lagged. For India, increased engagement with North African producers offers diversification opportunities, but also demands calibrated risk assessment, as political instability can rapidly translate into supply shocks and price volatility.

South America Oil Expansion Amid Environmental Contestation

South America is emerging as a critical frontier for non-OPEC oil growth. Brazil's deepwater pre-salt fields are projected to lift national production beyond 4 mb/d this year, driven by Petrobras' offshore investments and improved recovery rates. Guyana, meanwhile, continues its rapid ascent, with output expected to cross 1.3 mb/d, positioning it as one of the world's fastest-growing oil producers. Yet, expansion is increasingly contested. Environmental litigation, indigenous land claims and political resistance, particularly in Colombia and parts of Brazil, are reshaping project timelines and regulatory scrutiny. This tension brings to the fore a broader transition dilemma - new oil supply is still required to meet global demand, but its social licence is narrowing. South America's oil growth is, therefore, proceeding under

heightened ESG constraints rather than unconstrained expansion. For India, rising South American output offers an alternative crude basket outside the Middle East-Russia axis, but long-term reliability will hinge on how successfully producer states reconcile production ambitions with environmental and social governance pressures.

Papua New Guinea
LNG Dominance and Oil's Strategic Residue

Papua New Guinea (PNG) occupies a niche yet strategically significant position in global energy markets. While LNG dominates its hydrocarbon profile, accounting for over 85% of energy exports, oil production continues to play a fiscal and operational role. The PNG LNG expansion and Papua LNG projects are expected to boost gas exports post-2027, reinforcing the country's hydrocarbon dependence.

However, PNG's oil and gas sector is constrained by infrastructure bottlenecks, fiscal fragility and exposure to commodity price cycles. Government revenues remain highly sensitive to global energy prices, with hydrocarbons contributing a quarter of public revenues in 2025-26.
PNG's experience highlights how smaller producers remain structurally locked into hydrocarbons during the transition, lacking the fiscal depth to pivot rapidly. For India, PNG's LNG-centric trajectory reinforces the strategic importance of the Indo-Pacific gas corridor, while indicating the need to support capacity-building in energy governance across partner states.

Brunei Darussalam
Managing Decline in a Hydrocarbon-Dependent State

Brunei Darussalam exemplifies the challenges faced by small, oil-dependent economies in a transition-era world. Oil and gas account for over 60% of GDP and 90% of exports, yet crude oil production has declined lately mainly due to maturing fields. While enhanced recovery techniques and offshore exploration offer marginal upside, structural decline remains evident.

In response, Brunei has prioritised downstream integration and petrochemicals, alongside gradual diversification into halal manufacturing and Islamic finance. However, fiscal sustainability remains closely tied to hydrocarbon revenues, with limited buffers compared to larger producers.

Brunei's trajectory illustrates the asymmetric risks of transition, that while global demand persists, declining domestic production can erode fiscal stability faster than diversification can compensate. For India, engagement with Brunei, particularly in LNG and downstream collaboration, offers stable, low-risk partnerships, while also serving as a reminder of the vulnerabilities inherent in over-concentrated energy dependence.

Article

Why Oil Still Matters and How India Is Rewriting Its Strategic Playbook

Yash Kapur

The global energy transition has altered the trajectory of oil, but not its centrality. Oil continues to remain embedded in the architecture of global trade, industrial production and geopolitical power. While renewables are expanding rapidly, oil continues to supply nearly 30% of global primary energy demand, a share that, although declining, highlights its enduring relevance in the medium term (IEA, 2025). The transition, therefore, is not an exit from oil but a reconfiguration of how, where and by whom it is produced, traded and consumed.

Global oil demand touched around 103 million barrels per day (mb/d) last year and is expected to plateau rather than collapse over the second half of the decade, with growth increasingly concentrated in non-OECD economies (Agnolucci, P., & Makarenko, N., 2025). Meanwhile, certain estimates project demand closer to 113 mb/d by 2030, reflecting divergent assumptions about industrialisation, transport electrification and petrochemical growth (OPEC, 2025). Crucially, oil's role has shifted from being primarily a transport fuel to becoming a strategic industrial input. Petrochemicals alone are projected to account for over one-third of incremental oil demand growth through 2030, driven by plastics, fertilisers and synthetic materials (Birol, F. et al., 2018). This structural shift ensures oil's persistence even as electric vehicles gain traction.

India stands at the epicentre of this transition-era oil economy. India's petroleum product consumption is estimated to be around 5.7 mb/d in FY2025-26, with demand expected to continue rising through the late 2020s and early 2030s due to urbanisation, freight movement and aviation growth (Business Standard, 2025). Unlike OECD economies, India's per capita oil consumption remains well below the global average, suggesting structural headroom rather than cyclical demand.

The IEA projects India to contribute the largest share of global oil demand growth by 2030, surpassing China as its consumption growth moderates (Martin, D. et al., 2023). This reality

places India in a delicate position: while committed to net-zero by 2070, it must simultaneously secure affordable oil to sustain economic growth and manufacturing competitiveness.

India imports over 85% of its crude oil requirements, making diversification of supply routes and sources a strategic imperative (Singh, N. et al., 2024). Over the past decade, India has deliberately reduced dependence on any single geography, expanding imports from the Americas, Africa and the Middle East while investing in refinery flexibility to handle varied crude grades.

This diversification is unfolding against a backdrop of fragmenting global oil trade, shaped by sanctions, geopolitical schisms and climate policies. Traditional chokepoints such as the Strait of Hormuz remain critical, but new routes, notably in the Arctic, are entering strategic calculations.

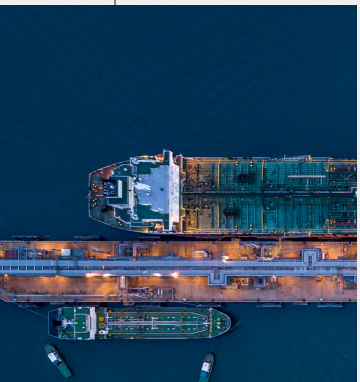
Rapid Arctic ice melt has rendered the Northern Sea Route (NSR) increasingly navigable. Cargo volumes along the NSR exceeded 37 million tonnes in 2024, with projections of over 100 million tonnes by 2030, driven largely by energy shipments (ROSATOM, 2025). The route reduces sailing distance between Northern Europe and East Asia by up to 40% compared to the Suez Canal (Schøyen, H., & Svein, B., 2011). For oil markets, the Arctic has emerged as both a production frontier and a logistics corridor. According to American estimates, the Arctic holds 13% of undiscovered global oil resources and 30% of undiscovered natural gas (IEA, 2012). Russia's Arctic projects already account for a growing share of its seaborne crude exports.

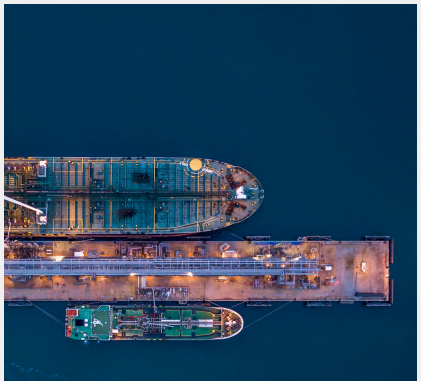
India's Arctic engagement is calibrated rather than extractive. As an Observer to the Arctic Council since 2013, India's official Arctic Policy frames the region primarily through climate research, maritime connectivity and resource geopolitics (MOES, 2022). Indian refiners have already experimented with Arctic-origin crudes, and Indian shipping companies are assessing NSR viability for long-haul energy cargoes.

From an Indian perspective, Arctic routes offer three strategic advantages:

- Trade resilience against disruptions in traditional chokepoints;
- Time and cost efficiencies for long-haul crude and LNG shipments;
- Geopolitical optionality in an increasingly polarised energy order.

However, India's government assessments caution that NSR viability remains seasonal, capital-intensive and geopolitically sensitive, necessitating multilateral governance rather than unilateral reliance.





India's global relevance is amplified by its refining capacity of over 258 million tonnes per annum, making it one of the world's largest refining hubs (PPAC, n.d.). High-complexity Indian refineries allow the country to arbitrage global crude flows and export value-added products, even as domestic consumption rises.

Ergo, the transition challenge is not about abandoning oil but embedding it within a decarbonising value chain. How? Through efficiency, biofuels blending, carbon capture and green hydrogen integration. The Government of India's National Bio-Energy Mission and National Green Hydrogen Mission explicitly recognise oil refining as a transition enabler rather than a stranded asset. In 2026, oil occupies a paradoxical space: politically contested yet economically indispensable. For India, the imperative is not ideological alignment with 'post-oil' narratives, but strategic realism. As global oil trade routes diversify, from the Middle East to the Arctic, and demand gravity shifts toward the Global South, India's choices will increasingly shape market outcomes.

The real question for India is not whether oil will remain relevant, but how intelligently it is managed, serving as a bridge fuel financing the transition, a strategic commodity underpinning trade resilience and a geopolitical lever in an increasingly fragmented world.

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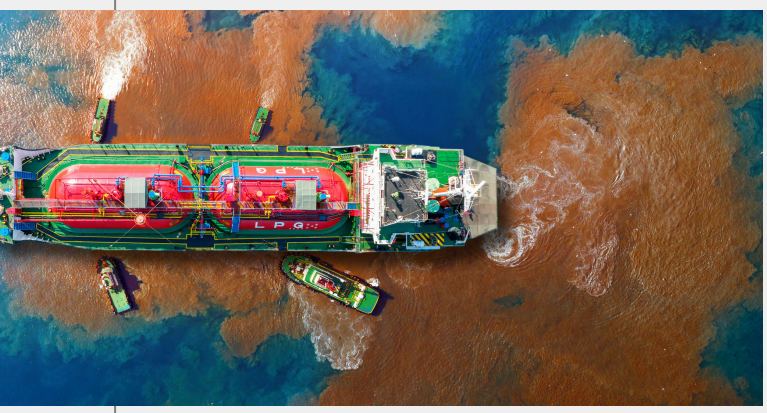

Discussion Paper

Oil, War and Sanctions: Revisiting the Geopolitics of Energy Security

Sahil Ansary

Abstract

Oil remains a central instrument of geopolitical power in the contemporary international system, particularly in contexts shaped by war and sanctions. Russia's invasion of Ukraine in 2022 triggered an unprecedented sanctions regime that has significantly altered global oil trade patterns without eliminating oil's strategic relevance. This article examines how sanctions reshape energy security by analysing recent production, export, and revenue data from three major sanctioned producers Russia, Venezuela, and Iran. Drawing on maritime intelligence, policy reports, and market data, the study demonstrates that sanctions generate asymmetric outcomes: Russia has sustained export volumes despite revenue decline, Venezuela remains constrained by structural and enforcement pressures, and Iran has achieved export resilience through shadow shipping networks. Mixed method, both qualitative and quantitative approach used in this study, based on secondary sources, on recent developments. The findings reveal a fragmented global oil market characterised by alternative trade routes, non-Western partnerships, and weakened enforcement capacity. The article argues that traditional energy security frameworks centred on market efficiency are no longer sufficient. Instead, energy security must be reconceptualised around resilience, strategic autonomy, and geopolitical risk management, with particular implications for oil-importing states in the Global South navigating an increasingly politicised energy landscape.

Keywords: Energy Security, Geopolitics, Oil, Sanctions, War

Introduction

Oil has historically occupied a central position at the intersection of war, power, and global political economy. In the contemporary international system, armed conflict and sanctions regimes have once again foregrounded oil not merely as a traded commodity but as a strategic instrument shaping state behaviour, alliance structures, and energy security outcomes.

Russia's full-scale invasion of Ukraine in February 2022 triggered one of the most significant rounds of oil-related sanctions in modern history, prompting major shifts in global oil export patterns and fiscal outcomes for hydrocarbon exporters (Smith, 2025). According to the International Energy Agency, Russia's oil and fuel export revenues dropped to approximately $10.97 billion in November 2025, the lowest monthly level since the beginning of the war. Largely due to declining export volumes, weakened crude prices, and intensified Western sanctions (Johnson, 2025). Traditional energy security frameworks predicated on market efficiency and seamless supply chains are increasingly inadequate for explaining how contemporary sanctions reshape geopolitical risk and state behaviour. Instead, post-2022 developments illustrate that energy security is being redefined around state resilience, strategic autonomy, and fragmented market structures driven by evasive shipping networks and alternative trade routes (Lin, 2025). In this context, the cases of Russia, Venezuela, and Iran provide critical comparative insight into how recent sanctions and enforcement responses influence production, export flows, and strategic policy adaptations. This article examines these developments using recent export and sanctions data to illuminate the evolving geopolitics of oil and energy security.

Energy Security in a Fragmented Market

Classical frameworks of energy security have traditionally prioritised supply reliability, affordability, and economic efficiency within an integrated and largely market-driven global energy system (International Energy Agency, 2024). These approaches assumed that diversification of suppliers, stable trade routes, and price mechanisms would mitigate geopolitical risks. However, post-2022 developments have fundamentally challenged these assumptions. The Russia-Ukraine war and the expansion of oil-related sanctions have heightened geopolitical risk, politicised energy trade, and disrupted established supply chains, compelling states to reassess their energy security strategies (International Energy Agency, 2025). Contemporary dynamics increasingly reflect the enforcement of sanctions, the emergence of alternative and informal trade routes, and the growing role of state intervention in energy markets. As a result, energy security is no longer defined primarily by efficiency and integration but by resilience, strategic autonomy, and the capacity to withstand external shocks in a fragmented and geopolitically contested global oil market.

Russian Oil after 2022: Resilience and Revenue Decline

Despite sweeping Western sanctions following Russia's 2022 invasion of Ukraine, Russia's oil sector has shown remarkable resilience in production and export volumes. Russia's revenues from crude oil and refined products in November 2025 fell to approximately USD 10.97 billion, the lowest level since the war began, reflecting both lower prices and export challenges imposed by sanctions and Ukrainian strikes on energy infrastructure (Shiryaevskaya & Marrow, 2025). Nevertheless, export volumes have remained comparatively stable, supported by sustained demand from non-Western markets and rerouted trade patterns that bypass traditional Western supply chains (Shiryaevskaya & Marrow, 2025). Western sanctions mechanisms including the G7's price cap and restrictions on maritime services have been incrementally tightened, yet enforcement remains uneven and contested, prompting debates about their effectiveness (Ambrose, 2025). Russia's adaptation has involved greater reliance on non-Western shipping services, with S&P Global reporting that G7-linked tankers' share of Russian crude exports dropped to a three-month low in late 2025, while floating storage and non-G7 logistics expanded (Lin, 2025). These developments highlight how sanctions have slowed but not decisively curtailed Russia's strategic oil trade, forcing a recalibration of energy security dynamics in a fragmented global market.

Venezuela: Long-Term Sanctions and Strategic Shifts

Venezuela's oil industry, once a global powerhouse producing over 3 million barrels per day (bpd) in the late 1990s, has languished under decades of sanctions, underinvestment, and structural decline, with output persistently below 1 million bpd into late 2025 (Thomson, 2026). Recent shipping data show that Venezuela's crude and fuel exports have stabilised around 900 000 bpd, with China remaining the principal trading partner, receiving roughly 80 percent of total flows in late 2025 (Marrow, 2025). These export patterns reflect both entrenched market relationships and strategic adaptation to Western sanctions. Heightened U.S. enforcement actions in late 2025, including the blockade of Venezuela-linked tankers and restrictive licensing measures have contributed to volatility in production and export volumes, resulting in output declines to roughly 860 000 bpd in November 2025 due to constrained logistics and shrinking inventories (Marrow, 2025).

Despite these pressures, sanctioned exports persist through shadow routes and ship-to-ship transfers, enabling PDVSA to sustain flows primarily to Asian buyers while circumventing direct engagement with Western markets.

These developments illustrate the limits of prohibitive measures and the resilience of informal trade networks in maintaining Venezuelan oil connectivity under sanction regimes.

Iran: Sanctions Endurance and Shadow Export Networks

Iran's oil exports have demonstrated notable resilience in the face of long-standing Western sanctions, with seaborne crude and condensate shipments reaching an estimated 1.6 million barrels per day (bpd) in 2024-2025, according to maritime intelligence tracking (Lin, 2025). These volumes mark a substantial increase from roughly 434 000 bpd in 2020, underscoring Tehran's ability to sustain export flows despite mounting economic pressure (Lin, 2025). Central to this endurance has been Iran's deployment of its own maritime capacity within the global "shadow fleet," a network of over 170 tankers often operating under opaque ownership and frequent ship-to-ship transfers to mask origins and destinations (Lin, 2025). China remains the principal recipient of Iranian crude, with transshipments in Southeast Asian waters proving instrumental in maintaining market access.

Long-standing sanctions have catalysed these alternative shipping arrangements and expanded trade with non-Western partners, illustrating how over a decade of punitive measures has fostered adaptive mechanisms rather than the isolation anticipated by sanction proponents.

Comparative Analysis: Asymmetry and Fragmentation

The divergent impacts of sanctions on sanctioned oil producers reveal clear asymmetries in how states and markets respond.

Russia, despite significant revenue losses under Western sanctions, has maintained substantial export volumes by rerouting supplies to non-Western buyers, while Venezuela's constrained production reflects chronic underinvestment and enforcement pressures (Shiryaevskaya & Marrow, 2025; Marrow, 2025). Iran, by contrast, has demonstrated notable resilience in seaborne exports through expanded oil flows to Asia facilitated by adaptive shipping networks (Lin, 2025). Central to these outcomes is the growth of the so-called 'shadow fleet,' which now comprises nearly 978 tankers, approximately 19 percent of global oil tanker capacity, used to transport sanctioned crude from Russia, Iran, and Venezuela (Lin, 2025). This parallel maritime infrastructure complicates enforcement of price caps and trade restrictions, contributing to a fragmented global oil market in which Western regulatory barriers are increasingly decoupled from on-the-water export patterns.

Implications for Energy Security and Policy

The evolving dynamics of war, sanctions, and alternative trade mechanisms necessitate a paradigm shift in how energy security is conceptualised and operationalised. Traditional models prioritising market efficiency and uninterrupted supply are increasingly inadequate in the face of geopolitical fragmentation; instead, resilience and strategic autonomy have become central to contemporary energy strategies (Schmitz et al., 2025). This shift is particularly pressing for Global South oil-importing states that remain heavily dependent on external suppliers. For example, India's ongoing efforts to diversify crude sources and enhance strategic oil reserves underscore the need to hedge against supply disruptions and geopolitical risk. To strengthen energy security, such states must diversify partnerships, invest in storage and infrastructure, and recalibrate diplomatic postures to mitigate the vulnerabilities exposed by sanctions and conflict. These policy directions complement broader global trends towards diversified energy mixes and enhanced geopolitical risk management in a fragmented oil market.

Conclusion

Recent empirical evidence demonstrates that sanctions have not diminished oil's geopolitical significance but have instead reshaped global trade patterns, enforcement mechanisms, and strategic behaviour. The experiences of Russia, Venezuela, and Iran reveal that oil markets adapt through alternative routes, shadow logistics, and non-Western partnerships rather than collapsing under restrictive regimes. Consequently, energy security has moved beyond questions of supply availability and price stability to encompass state capacity, market adaptability, and geopolitical risk management. In this fragmented global energy landscape, effective policy responses must be flexible, context-specific, and attentive to the evolving interplay between power, markets, and security.

Sahil Ansary

Lecturer,
Department of Political Science (P.G.),
Netaji Subhash Chandra Bose College,
Sambalpur University, Sambalpur, Odisha.

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Guest Contributions

How BRICS is Redrawing the Global Energy Map

Abhishek Verma

Introduction

The global energy transition represents a fundamental move beyond the fossil fuel era. Whereas recent trends in worldwide energy consumption reveal us a more complicated and uneven transformation. After the Covid-19 pandemic research shows that oil demand has recovered rapidly and continues to be supported by transportation needs, petro-chemical production and industrial expansion in non-OECD countries (IEA, 2023a; IEA, 2023b). Projections reveal that all new oil demand growth over the next 10 years will come from emerging and developing economies, which highlights oils continued importance (BP, 2023; OPEC, 2023).

Oil remains a vital strategic resource, but wealthy nations like United States, are starting to look out for their own economic interests. During the first trump administration rising high tariffs and prioritizing short term exchanges rather than lasting relationships with other nations reshaped global trade relations which increased the uncertainty in energy markets. (Bown, 2020; Irwin, 2023).

This has been increased sharply in 2025 and 2026 as the current U.S. administration has move beyond sectoral trade measures to more complicated 'reciprocal tariffs' under the International Emergency Economic Powers Act (IEEPA). These measures are now being used as a weapon in the energy sector, for example in 2025, a 50% tariff was imposed on Indian goods entering the U.S. This measure, which significantly increased costs for U.S. consumers, was a deliberate response to India's continued reliance on Russian oil and its active participation in BRICS initiatives (CNN, 2025; The New York Times, 2025; Time 2025; Politico, 2025; Axios, 2025; White & Case, 2026).

BRICS nations represent a large share of oil demand growth, includes several major producers, which also holds large reserves (OPEC, 2023; World Bank, 2024). At the same time, economic sanctions, tariffs and financial systems as political tools are being used to turn oil trade into a strategic battleground. In this arena, there is a growing power struggle and debate over who truly controls the

global economy.

This article examines, the role of oil in emerging multipolar order from a BRICS perspective. It argues that oil still remains essential to BRICS energy security and trade strategies, overall, BRICS-led shifts—accelerated by U.S. tariff policies and economic rivalry—are playing a vital role in advancing multipolar energy governance rather than a rapid transition away from oil.

Conceptual Framework

Energy security the first key area of our analysis, Current research shows energy security does not only talk about the adequate supply but also encompasses affordability, resilience, and protection from geo political disruptions (Cherp & Jewell, 2014; Sovacool, 2021). For BRICS economies oil security directly have an impact in three critical areas: inflation control, balance-of-payments stability and fiscal sustainability. These impacts are majorly significant for large scale oil-importing nations across BRICS are China and India (IEA, 2022; World Bank, 2024).

The second key area is trade geopolitics, Oil markets function under established infrastructures which includes benchmark pricing systems, maritime insurance and dollar-based settlement mechanisms, which reflect historical imbalances of power (Fattouh & Economou, 2021; Tooze, 2022).

Nations that have control over these infrastructures, can enable themselves to exercise economic influence through sanctions and regulatory pressure (Farrell & Newman, 2019; IMF, 2023b).

The third key area is South-South cooperation. BRICS energy cooperation includes, mutual long term investment contracts and development financing, which is different from traditional North-South relationships, which is characterized by technological and financial imbalances (UNCTAD, 2023; BRICS Energy Research Platform, 2022). Therefore, in this context, oil trade serves both as economic exchange and as a mechanism for political alignment.

BRICS and Global Oil Dynamics

BRICS nations have strong position themselves, across the global value chain. Russia and Brazil, Saudi Arabia, UAE, Iran are among the world's top crude producers, while China and India rank as the first and the third largest oil importers globally (IEA, 2023a; OPEC, 2023).

Geopolitical shocks worldwide have accelerated shifts in oil trade patterns. After the imposition of western world sanctions to Russia energy exports due to Ukraine-Russia war, crude flows were rapidly redirected toward Asian markets, particularly China

and India, often at discounted rates IEA, 2023c; IMF, 2023a). These changes show that the oil market is quite resilient and the BRICS nations are increasingly adept at establishing alternative mechanisms to maintain trade, even when other western influence tries to stop them.

In contrast, National oil companies of BRICS nations have expanded their markets through upstream and mainstream investments across Africa and Middle East and Latin America region, therefore, reinforcing South-South cooperating and building their own resilient supply chains (UNCTAD, 2023; World Bank, 2024). Such investments reduce the dependence on Western multinationals and contribute to the long-term growth in the economy.

Energy Security and Strategic Autonomy

Recent geopolitical disruptions have highlighted the vulnerability to oil dependent economies to sanctions, financial instability and logistical disruptions. In response to these, BRICS nation have prioritized strategically through diversifying their suppliers, trade routes, currencies and financial instrument (IMF, 2023b; Prasad, 2024). For example, bilateral oil trade is now settled in local currencies particularly between China and Russia which reflects broader efforts to reduce exposure to dollar liquidity risk and sanctions enforcement risks.

In terms of strategic petroleum reserves and domestic refining capacity have also increased across BRICS nations. For example, China and India have significantly increased their storage capacity since 2020, improving their ability to deal with supply disruptions and price fluctuations in the market (IEA, 2022; OPEC, 2023). For exporting BRICS nations, downstream integration which is refining crude oil into gasoline, jet fuels and any other finished product, become a strategy to stabilize revenue and capture greater value amid volatile global prices (Fattouh & Economou, 2021).

Oil, Trade, and the New World Order

The OECD economies continue to set regulatory norms, and climate discourse, but they are no longer the main customers of the energy industry. Whereas, the non-OECD economies are now projected to account for nearly all future demand growth (IEA, 2023b; BP, 2023). This structural shift is repositioning emerging economies in gaining power to set prices and influence global politics.

In today's world the U.S. using its tariff as a weapon, BRICS nation is now building their own backup systems for money and oil, which helping them find new and independent ways to survive if the west cuts them off. Therefore, by trying to put its own

interests first and using "financial weapons," the U.S. has actually encouraged the rest of the world to build a new oil system that doesn't need the U.S. to function. This has made the global energy market more balanced but also harder for the West to control.

Conclusion

Oil remains central focus point to global political economy despite ongoing decarbonization efforts. For BRICS nations, oil serves as a strategic asset for energy security, trade independence, and geopolitical leverage. Current trade realignments, currency diversification, and institutional innovations indicate more gradual shift toward a multipolar energy order rather than a swift move away from fossil fuels.

The success of this transition depends on whether BRICS economies can use oil revenues to support inclusive growth while simultaneously investing in energy alternatives. Policymakers must recognize oil's continued importance during this prolonged and uneven transition to ensure global stability.

Abhishek Verma

Doctoral Researcher,
School of Management & Entrepreneurship,
Shiv Nadar Institution of Eminence,
Greater Noida, India

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Oil Demand Resilience in a World of Energy Transition: Explaining Persistent Dependence Amid Structural Change

Shaurya Kumar Jha

Introduction and Problem Framing

The global energy system is undergoing a profound transformation characterized by accelerating investments in renewable energy, intensifying climate policy commitments, an expanding discourse surrounding decarbonisation. Yet, despite these structural shifts, global oil demand has exhibited remarkable resilience in recent years. According to the International Energy Agency, global oil consumption surpassed pre pandemic levels in 2023, challenging repeated forecasts that anticipated an imminent and irreversible decline (International Energy Agency, 2023). This persistence raises a critical economic and policy question. Why has oil demand remained robust in an era increasingly defined by energy transition? This question extends beyond academic curiosity. Oil continues to underpin macroeconomic stability, international trade flows, fiscal sustainability in exporting nations, and energy security for importing economies.

Overly optimistic assumptions regarding the speed of oil displacement risk policy misalignment, underinvestment in critical infrastructure, and heightened volatility within global energy markets. The urgency of this inquiry has intensified amid geopolitical disruptions, supply chain reconfigurations, and uneven progress in clean energy adoption across regions. This article argues that oil demand resilience is not an aberration but rather a structural outcome shaped by economic growth patterns, sectoral dependence, and institutional constraints, particularly within emerging and developing economies.

By synthesizing recent empirical evidence with established economic theory, the analysis demonstrates that energy transition is unfolding asymmetrically, with oil retaining a central role in the medium term. The article adopts a macroeconomic and policy oriented perspective, focusing on the period from 2015 to 2024, with particular emphasis on emerging market dynamics.

Conceptual Framework and Analytical Boundaries

Energy transition is defined in this analysis as the gradual reorientation of

energy systems away from fossil fuel dominance toward lower carbon alternatives, including renewable electricity generation, electrified transport, and efficiency enhancing technologies. Oil demand resilience refers to the sustained or expanding consumption of petroleum products despite structural incentives for substitution.

The analytical framework rests on three core assumptions. First, technological diffusion follows historically observed patterns, implying gradual adoption rather than rapid displacement. Second, energy demand growth remains closely correlated with income growth in developing economies, particularly in transport and industrial sectors. Third, policy implementation is constrained by institutional capacity, fiscal limitations, and political economy considerations.

The analysis does not attempt to forecast long term equilibrium outcomes beyond 2030. Instead, it concentrates on medium term dynamics that are most relevant for contemporary policy formulation.

Empirical Evidence on Global Oil Demand Trends

Recent empirical data contradicts the narrative of rapid oil demand decline. The International Energy Agency Oil Market Report indicates that global oil demand growth in recent years has been driven primarily by non OECD economies, notably China, India, Southeast Asia, and the Middle East (International Energy Agency, 2023). India alone accounted for a substantial share of incremental global oil demand growth in 2022, reflecting rising mobility, industrial expansion, and limited substitution capacity. Similarly, data from the United States Energy Information Administration shows that global petroleum consumption increased steadily from 2016 to 2019, experienced a temporary contraction during the pandemic period, and rebounded strongly thereafter (U.S. Energy Information Administration, 2024). This rebound cannot be attributed solely to cyclical recovery but reflects deeper structural drivers, particularly in freight transport, aviation, and petrochemical feedstocks.

The BP Energy Outlook further underscores that while renewable electricity capacity has expanded rapidly, oil remains particularly difficult to substitute in sectors such as aviation,
maritime transport, heavy duty logistics, and chemicals (BP, 2024). These sectors are characterized by low short run price elasticity and limited availability of commercially viable alternatives at scale.

Sectoral Drivers of Persistent Oil Dependence

Transport remains the dominant source of oil demand globally, accounting for a majority of total consumption. While electric vehicle adoption has accelerated in high income economies, penetration remains limited in emerging markets due to affordability constraints, inadequate charging infrastructure, and concerns regarding grid reliability. The World Bank projects that transport energy demand in low and middle income countries will continue to grow substantially under existing policy frameworks (World Bank, 2022). Petrochemicals constitute another critical pillar of oil demand resilience. Petroleum based inputs remain essential for plastics, fertilizers, synthetic fibers, and numerous industrial applications that underpin modern manufacturing and consumption patterns. The International Energy Agency estimates that petrochemicals will account for a significant share of oil demand growth through 2030 under current policy trajectories (International Energy Agency, 2018). Substitution within this sector faces both technical and economic barriers that cannot be resolved through price mechanisms alone. Industrialization trends in emerging economies further reinforce oil dependence.

Rapid urbanization, infrastructure development, and manufacturing expansion require energy dense fuels that offer reliability and scalability. Renewable energy sources primarily contribute to electricity generation, which constitutes only a fraction of total final energy consumption. This structural mismatch constrains rapid substitution away from oil.

Macroeconomic and Institutional Dimensions

At the macroeconomic level, oil demand resilience is closely intertwined with growth trajectories and fiscal structures. In many oil importing developing economies, fuel subsidies and political sensitivity surrounding energy affordability weaken the effectiveness of price based demand management tools. The International Monetary Fund highlights that energy subsidies remain widespread, dampening incentives for conservation and technological substitution (International Monetary Fund, 2023). For oil exporting economies, continued global demand supports fiscal revenues, external balances, and social spending commitments. Abrupt declines in oil consumption could destabilize public finances and undermine social contracts in rent dependent states. Consequently, both producers and consumers display

rational preferences for gradual transition pathways. Institutional capacity further shapes transition outcomes. Implementing complex regulatory instruments, carbon markets, and large scale renewable integration requires administrative competence and financial depth that vary significantly across countries. The World Bank emphasizes that institutional readiness is a critical and often underestimated determinant of successful energy transition (World Bank, 2023).

Alternative Perspectives and Critical Assessment

Some analysts argue that oil demand has already peaked in advanced economies and that global decline is inevitable as electrification accelerates. While this argument holds in specific contexts, it extrapolates conditions from high income economies to structurally distinct regions. Historical evidence suggests that demand saturation occurs only at advanced stages of income development and infrastructure maturity. Another perspective emphasizes rapid technological disruption, particularly in battery storage and hydrogen technologies. While these innovations hold promise, they currently face constraints related to cost competitiveness, scalability, and supply chain resilience. Excessive reliance on optimistic technology timelines risks underestimating transitional vulnerabilities. This analysis acknowledges that oil demand growth rates are moderating and that long term decline remains plausible. However, persistence in absolute demand levels over the medium term necessitates continued policy engagement.

Policy Implications and Strategic Trade Offs

Recognizing oil demand resilience does not imply abandoning decarbonisation objectives. Instead, it underscores the importance of sequencing, realism, and risk management. Policymakers should pursue dual strategies that accelerate clean energy deployment while ensuring adequate oil supply to prevent price volatility and economic disruption. For importing economies, targeted investments in energy efficiency, public transport systems, and incremental electrification offer higher near term returns than abrupt demand suppression. For exporting economies, leveraging current oil revenues to finance diversification, human capital development, and institutional strengthening remains essential. International coordination is critical to managing transition risks. Abrupt policy shifts in major consuming regions can generate spill-over effects through price shocks and supply disruptions.

Transparent signalling and gradual adjustment pathways can reduce uncertainty for investors and governments alike.

Conclusion

Oil demand resilience in a world of energy transition reflects deep structural forces rather than analytical oversight or policy failure. Emerging economy growth, sectoral dependence, institutional constraints, and macroeconomic considerations collectively sustain oil consumption even as renewable energy expands rapidly. The persistence of oil demand underscores the complexity of energy transition and the necessity of pragmatic, evidence based policy design. Future research should prioritize granular demand decomposition, regional heterogeneity, and interaction effects between climate policy and development objectives. For policymakers, the central lesson is clear. Effective transition requires managing continuity as carefully as change. Recognizing oil continued relevance in the medium term is not a retreat from climate ambition but a prerequisite for credible and sustainable transformation.

Shaurya Kumar Jha

Indian Institute of Management,
Tiruchirappalli

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GLOBAL LENS

Malaysia's Energy Transition Paradox: Net-Zero Goals vs. Oil Dependence

Introduction

Malaysia's energy transition strategy presents a paradox. On one hand, the government has pledged to achieve net-zero emissions by 2050 and has launched the National Energy Transition Roadmap (NETR) to accelerate renewable energy adoption (Ministry of Economy, 2023). On the other hand, oil remains deeply embedded in Malaysia's economy, both as a fiscal stabilizer through Petronas revenues and as a consumer necessity sustained by petrol subsidies. This paradox is most visible in the transport sector, where the acceptance rate of electric vehicles (EVs) remains low compared to regional peers such as Thailand and Indonesia, despite generous tax exemptions and policy incentives (Malaysian Green Technology and Climate Change Corporation, 2024; Kang & Kassim, 2025).

This article explores the resilience of oil demand in Malaysia by analyzing three interconnected factors: (1) the slow adoption of EVs, (2) structural and behavioral barriers to transition, and (3) the role of petrol subsidies in sustaining oil consumption. This article argues that Malaysia's fiscal and consumer policies continue to reinforce oil dependence, complicating the country's energy transition.

EV Adoption in Malaysia: Current State

Malaysia's EV adoption rate remains modest. According to Malaysian Automotive Association (2024), EVs accounted for 5.6% of the total industry volume (TIV) in Malaysia in 2024 (WapCar, 2025). This figure is far left behind to be compared to 13.14% in Thailand (Shanghai Metal Market, 2025) and 18% in Indonesia (PwC, 2025). Despite tax holidays for imported EVs, structural barriers remain. A survey by Oppotus (2025) found that 70% of Malaysian consumers still prefer petrol-powered cars, citing affordability, convenience, and lack of charging infrastructure.

This lag in EV adoption is critical because the transport sector contributes the second largest, which is at 63.6 MtCO2, of Malaysia's total greenhouse gas emissions (International Energy Agency, 2025). Without significant EV penetration, oil demand in transport will remain resilient, undermining Malaysia's transition goals.

Factors Behind Low EV Uptake

Several economic and structural factors explain Malaysia's slow EV adoption. EVs remain significantly more expensive than petrol cars, and even with tax exemptions, the average EV price in Malaysia exceeds RM100,000 compared to RM70,000 for conventional cars (Yean, 2025; Muzir et al., 2022; New Straits Times, 2025; South China Morning Post, 2024). In addition, Malaysia has fewer than 1,000 public charging stations nationwide, far behind Thailand's 3,000 and Singapore's 2,000 (Yean, 2025; Ernst & Young, 2024).

Surveys also show that Malaysians prioritize affordability and convenience over environmental concerns (Oppotus, 2025). Furthermore, while incentives exist, the expiration of tax holidays in 2025 raises doubts about long-term affordability (New Straits Times, 2025). These factors create a structural lock-in effect, where consumers continue to demand petrol cars, reinforcing oil consumption.

Petrol Subsidies and Fiscal Policy

Malaysia's fiscal policy plays a decisive role in sustaining oil demand. The government spends billions annually on RON95 petrol subsidies, making petrol artificially cheap. In September 2025, the government recalibrated subsidies under the BUDI MADANI RON95 programme, where Malaysians pay RM1.99 per litre (capped at 300 litres/month), while foreigners pay RM2.60 (Ministry of Finance, 2025).

The government has allocated about RM11 billion for the targeted petrol subsidy under Budi95 for the next 12 months, to cover the difference between the subsidised RON95 and the unsubsidised price (The Edge Malaysia, 2025).

While this reform aims to reduce fiscal burden, subsidies still distort market signals. By lowering petrol prices, they reduce incentives for consumers to switch to EVs. According to Ministry of Finance (2025), blanket subsidies have historically cost Malaysia RM30–40 billion annually, representing nearly 13% of total government expenditure. Even with targeted reforms, subsidies remain politically sensitive, as fuel prices directly affect inflation and household welfare.

Oil Demand Resilience, an Economic Reasoning

Malaysia's oil demand continues to hold strong, shaped by subsidies, consumer choices, and fiscal dependence. Petrol demand in Malaysia is relatively inelastic due to subsidies, as consumers face artificially low prices, so demand remains high even when global oil prices rise. EVs represent a substitute for petrol cars, but high upfront costs and infrastructure gaps weaken substitution, while subsidies further reduce substitution incentives.

Petronas dividends also contribute significantly to government revenue, with RM32 billion paid in 2024 (Petronas, 2024), accounting for nearly 10% of federal revenue (Ministry of Economy, 2025), and this fiscal dependence reinforces the government's reluctance to reduce oil reliance. Moreover, oil revenues underpin Malaysia's trade balance and fiscal stability, and cutting subsidies too aggressively risks inflation and political backlash (Lee, 2025). Thus, oil demand remains resilient because both consumers and the government have strong incentives to maintain the status quo.

Comparative Perspective: Malaysia vs. ASEAN Peers

Malaysia's paradox becomes clearer when viewed alongside its ASEAN neighbors. While Malaysia's EV share of new car sales in ASEAN in 2023 was less than 3 percent, Thailand reached 78.6 percent, Indonesia about 8 percent, with Singapore 4.1 percent and Vietnam at 6.8 percent (Krungsri, 2024). The difference lies largely in policy choices: Malaysia continues to maintain targeted petrol subsidies, capping RON95 prices at RM1.99 per litre, whereas Thailand and Singapore have moved away from blanket subsidies and instead strengthened EV incentives and carbon pricing.

Indonesia, meanwhile, has limited subsidies but actively promotes EV manufacturing as part of its industrial strategy. These contrasting approaches explain why Malaysia's oil demand remains more resilient than its peers, as subsidies and weak EV adoption reinforce dependence on petrol, while neighboring countries are gradually reducing reliance on oil through stronger policy alignment with energy transition goals.

Policy Implications

Malaysia now faces a critical dilemma in balancing fiscal stability, consumer welfare, and its long-term energy transition goals. Gradual reform of petrol subsidies is essential, as maintaining artificially low fuel prices continues to lock consumers into oil dependence, yet any abrupt removal risks inflationary pressures and political backlash. Extending incentives for electric vehicles, such as tax holidays, rebates, and reduced import duties, could help offset high upfront costs and encourage wider adoption, while parallel investment in charging infrastructure would reduce range anxiety and make EVs more practical for everyday use. At the same time, fiscal diversification is necessary to reduce reliance on Petronas dividends, which currently underpin government revenue and limit flexibility in subsidy reform. Taken together, these measures highlight that Malaysia's path forward requires careful sequencing of policies, phasing out subsidies, strengthening EV incentives, and broadening fiscal sources, so that the country can sustain economic stability while advancing toward its transition goals.

Conclusion

Malaysia's energy transition is constrained by structural and policy factors that sustain oil demand. Low EV adoption, driven by affordability and infrastructure gaps, combines with petrol subsidies to reinforce consumer reliance on oil. Fiscal dependence on Petronas revenues further complicates reform. As a result, oil demand in Malaysia remains resilient, even as global energy transition accelerates.

To resolve this paradox, Malaysia must pursue bold reforms: phasing out subsidies, incentivizing EV adoption, and diversifying fiscal revenues. Without these measures, oil will continue to underpin Malaysia's economy, delaying the transition to a sustainable energy future.

Mohd Faizuddin Muhammad Zuki
Senior Lecturer
Islamic Business School, College of Business,
Universiti Utara Malaysia

Muhammad Arif Fadilah Ishak
Finance Lecturer
Faculty of Quranic Science, UCYP University

Muhammad Hafiz Hassan
Lecturer
Faculty of Muamalat & Islamic Finance, Universiti
Islam Antarabangsa Tuanku Syed Sirajuddin

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What's Up @ NEF

The two-day meeting with the members of the Advisory Board Shri Anand Mohan Tiwari, IAS (retd.) and Shri Sujit Gulati, IAS (retd.) commenced with a brief round of introductions among all attendees. This was followed by a presentation from the Senior Research Associate outlining the organisation's Vision, Mission and Objectives, along with the organisational chart. Day One saw a rich exchange of ideas for NEF, enriched by valuable insights from the visiting Advisory Board members and President, NEF. Day Two culminated in a clearly defined roadmap for action for the year ahead, thereby marking the meeting as a success.

NEF hosted its first-ever cohort of school interns from Delhi's prestigious Sardar Patel Vidyalaya, who undertook economic research in accordance with mandated CBSE guidelines.

#WEF26

NEF kicked off its #third consecutive virtual coverage of the #WEFAnnualMeeting at #Davos, decoding complex global conversations into clear, accessible insights. As the summit unfolded, NEF distilled will distil the most critical takeaways for India from what is increasingly seen as a network of networks.

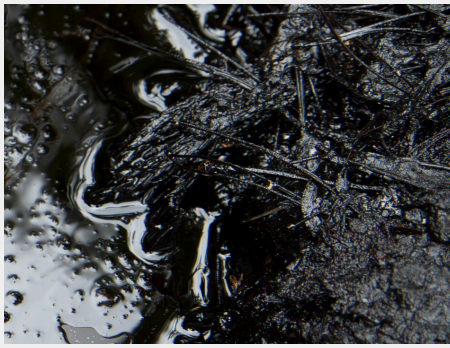
#WEF26
#NEFAdvisorAtDavos

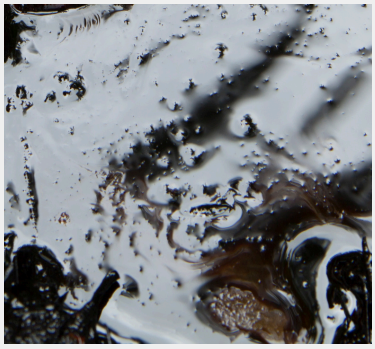
At this strikingly timely congregation of the world's political and business leadership at the WEF Annual Meeting, Davos 2026, the National Economic Forum (#NEF) received a notable and affirming mention from Charu Malhotra, Co-founder and Managing Director of Primus Partners India, a leading educationist and a widely respected learning and development professional.
Her explicit articulation of the need for #WEF-like institutions at the national level in India lendlends clarity, legitimacy as well as greater momentum to the discourse on cultivating globally inclusive yet nationally grounded deliberations. It advances the conversation from the realm of abstract global dialogue to that of institutionalised national action which is precisely the missing link in India's contemporary policy ecosystem.

In the times ahead, we hope #NEF is recognised not merely as a reference point, but as a visible and credible actor through its sustained presence in policy conversations. Consistent acknowledgment, coupled with a demonstration of how national platforms can translate ideas into tangible policy and market shifts, is indeed the path forward.

We extend our sincere gratitude to Charu Malhotra for her continued encouragement and steadfast support, which meaningfully strengthens the case for robust, nationally anchored platforms shaping India's policy and economic discourse.




NATIONAL ECONOMIC FORUM

NATIONAL ECONOMIC FORUM

28, Firozeshah Road, New Delhi - 110001

email@nef.org.in

www.nationaleconomicforum.org

+91 11-35639392