

INDIAN UPSTREAM OIL & GAS INDUSTRY

**Sharp upswing in crude prices
positive for upstream sector**

JUNE 2025



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Crude prices shot up sharply to around \$74-75/bbl, following the growing geopolitical concerns in West Asia. In April 2025, crude oil prices had dropped to around \$62-65/bbl following US-China tariff escalations and the decision by OPEC+ to raise output by adding 411,000 bpd each in May, June and July. Rising crude prices would be positive for the upstream sector.



- On June 13, 2025, a conflict started between Israel and Iran, following which **crude prices** surged to ~\$74-75/bbl from ~\$64-65/bbl. Iran straddles the Strait of Hormuz, which remains one of the key energy choke points, through which almost 20% of global liquids and liquified natural gas (LNG) is traded.



- Crude oil imports from Iraq, Saudi Arabia, Kuwait and the UAE that pass through SoH account for ~45-50% of total crude imports by India. About 60% of the natural gas imports by India pass through SoH.



- **Domestic crude oil production has been steadily declining** owing to maturing oilfields with the trend continuing in FY2025. This has resulted in growing import dependence, to the extent of 89% during FY2025. Oil production is expected to remain in the range of 28-30 million tonnes in the medium term, while gas production is likely to grow.



- **Domestic gas prices** from nominated fields are estimated to remain closer to the ceiling in the near term amid firm crude oil prices, as it is pegged at a 10% slope to the monthly average of the India crude basket, with a floor and ceiling of \$4.0/mmbtu and \$6.75/mmbtu, respectively.



- **Increase in crude oil prices is positive** for upstream companies and would lead to higher realisations and cash flows while incentivising capex. Moreover, domestic gas prices remain remunerative since production costs for the nomination fields are low.



- **Industry debt levels are likely to remain stable in FY2026** and, accordingly, the leverage and debt coverage metrics are also expected to be stable and healthy.



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