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INDIAN UPSTREAM OIL & GAS INDUSTRY

Crude price outlook dominated by West Asia conflict and SoH-related risk premium

MARCH 2026

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Agenda

1 Impact of Ongoing West Asia Conflict

2 Perspective on Crude Oil Prices

3 Regulatory and Policy Developments

4 Oil and Gas Production

5 Oil Imports

6 ESG Risks in Upstream Oil & Gas

Agenda

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7 Industry Projections

8 Industry Performance

9 Industry Peer Comparison

10 ICRA Ratings on Upstream Companies

Highlights

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The West Asia conflict has added a sharp risk premium to crude, with tanker traffic and freight rates disrupted. In the near term, price action will be driven by geopolitics and logistics rather than typical demand–supply balances.

- **Brent** has recently spiked to **more than $100/bbl**, driven by severe disruptions around the Strait of Hormuz (SoH) and elevated geopolitical risk premium. Given the fluid conflict dynamics, near-term outlook for crude price remains volatile with upside risk.
- While International Energy Agency (IEA) has announced **release of strategic reserves** by its member countries and the US has allowed purchase of Russian crude oil, these measures offer limited relief given that 20% of global petroleum liquids passing through the SoH is impacted.
- **Domestic crude oil production has been steadily declining** owing to maturing oilfields with the trend continuing in FY2025 and 10M FY2026. This has resulted in growing import dependence, to the extent of 89-90% during FY2025 and 10M FY2026. Oil production is expected to witness a slight moderation to 28.0-28.5 MMT in FY2027, while gas production is likely to grow.
- After the implementation of the recommendations of the Kirit Parikh Committee, the ceiling on **APM gas price** for the nomination fields will get revised $7.00/mmbtu from April 2026. With firm crude oil prices, the APM gas prices are expected to remain at the ceiling level for the near term.
- Despite event-driven volatility**, crude oil is likely to remain remunerative** for upstream companies, which would incentivise capex. Moreover, domestic gas prices also remain remunerative since production costs for the nomination fields are low.
- **Industry debt levels are likely to remain stable in FY2027** and, accordingly, the leverage and debt coverage metrics are also expected to be stable and healthy.

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