

DISCIPLINE



# **Important Issues of the Day**

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# Core sector activity contracts 0.4% in March on war impact

Government data show that four out of the eight core sectors of the economy contracted in March 2026; growth in the full year of 2025-26 was the lowest since the COVID-19 pandemic

**T.C.A. Sharad Raghavan**  
NEW DELHI

Activity in India's eight core industrial sectors contracted by 0.4% in March 2026, the first month after the war in West Asia broke out, according to data released by the government. This was the poorest performance for the sectors in 19-months.

The data on the Index of Eight Core Industries released by the Ministry of Commerce and Industry on Monday also showed that growth in the index stood at 2.6% for the full year 2025-26, the lowest since the COVID-19 pandemic in 2020-21.

In March 2026, the data showed that four out of the eight sectors measured in the index contracted over their levels in March last year. "While an adverse base weighed on electricity generation, a shortage of inputs amidst the West Asia crisis curtailed the fer-

## Core contraction

The Index of Eight Core Industries contracted in March 2026 on the impact of the West Asia crisis



Source: Ministry of Commerce and Industry

tiliser output, which plunged by an unprecedented 24.6% year-on-year in the month," Aditi Nayar, Chief Economist at ratings agency ICRA said.

The fertiliser sector ended the year 2025-26 with a contraction of 0.1% as compared with a growth of 2.9% in 2024-25, which itself was the lowest since 2021-22.

The electricity sector contracted 0.5% in March 2026 on a relatively high base of 7.5% growth in March 2025. Over the course of 2025-26, the sec-

tor grew 0.9%, down from 5.2% in 2024-25.

"Besides, the growth in steel and cement output also weakened in March 2026 relative to February 2026, suggesting that construction activity slowed in the month," Ms. Nayar added.

### Steel growth slumps

The steel sector saw growth slump to an 18-month low of 2.2% in March 2026, while the cement sector slowed to a 17-month low of 4%.

The only sector to see

relatively robust growth in March 2026 was the natural gas sector, which grew 6.4% as the government pushed oil marketing companies to increase their output in reaction to the constraints brought on by the West Asia crisis.

The crude oil sector, on the other hand, contracted by 5.7% in March 2026, the seventh consecutive month of contraction.

The coal sector contracted by 4% in March 2026, while the refinery products sector grew by 0.1% that month.

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- **The Index of Eight Core Industries (ICI) is released by the Office of Economic Advisor, under the Ministry of Commerce and Industry.**
- **The ICI measures the combined and individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity.**

Refinery Products	28.04%
Electricity	19.85%
Steel	17.92%
Coal	10.33%
Crude Oil	8.98%
Natural Gas	6.88%
Cement	5.37%
Fertilizers	2.63%

# India's forests could nearly double carbon storage by 2100, study finds

The findings, published in *Environmental Research: Climate*, involved researchers from Indian institutes; biggest increases in vegetation carbon are projected in desert and semi-arid zones across Rajasthan, Gujarat and Madhya Pradesh, study says

**Jacob Koshy**  
NEW DELHI

India's forests could store nearly twice as much carbon by the end of this century as they do now if current greenhouse gas emission trends continue, according to a new modelling study published this week in the journal *Environmental Research: Climate*.

The findings, involving researchers from multiple Indian institutes, present a granular forecast of how climate change will reshape the country's forest carbon stocks. Significantly, they diverge in important ways from official estimates compiled by the Forest Survey of India (FSI) - the official source of tree and forest cover data in India.

For this study, the authors used modelling to peer into the future and found that vegetation carbon biomass rises by 35% under a low-emissions future, 62%



**Wake-up call:** Climate change is silently rewriting every sector, including our forests, say scientists. SPECIAL ARRANGEMENT

under a medium-emissions pathway, and as much as 97% under a high-emissions, fossil-fuel-intensive scenario by 2100. Till about 2030, all of the scenarios project roughly the same quantities of vegetation after which they diverge sharply - the steepest acceleration occurring after 2050.

The projected increases are driven primarily by two interacting forces: ris-

ing precipitation and elevated atmospheric CO<sub>2</sub>. Higher rainfall, projected across much of India under all emissions scenarios, translates to more moisture available for trees to grow. Simultaneously, more available carbon dioxide means enhancing photosynthesis and water-use efficiency. Rainfall effects appear with a lag of roughly two years under low and medium emis-

sions, extending to about four years under the high-emissions scenario to account for the fact that forests do not respond instantly to a single wet year, and that woody biomass accumulates slowly over time.

"Climate change is not just about rising temperatures - it is silently rewriting every sector, including our forests," said lead author Fathima Fitha. "Even where gains appear, they may mask deeper stresses, raising concerns about the stability of today's dense forests and the risk of releasing large stores of carbon. Human pressures, land-use change, and extreme events such as wildfires, droughts, and heatwaves are intensifying these risks. If we undermine our forests today, we risk amplifying emissions tomorrow."

The largest relative increases are projected not in India's established forest heartlands but in its driest

margins. Desert and semi-arid zones across Rajasthan, Gujarat, western Madhya Pradesh, and adjoining dry interiors are expected to see vegetation carbon rise by more than 60% compared to historical levels under high emissions. The Trans-Himalayas, the Gangetic forest belt, and the Deccan Peninsula follow. The Western Ghats and the Himalayas - India's most biodiverse and ecologically significant forest zones - are projected to see comparatively smaller relative increases, constrained by ecological saturation and specific climatic pressures those regions face, the study shows.

The increase in vegetation doesn't mean that climate change is acting as a net good, the researchers warned, as the models do not capture disruptive forces such as deforestation, land conversion, fire, and pest outbreaks intensified by warming.

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- **“Climate change is not just about rising temperatures — it is silently rewriting every sector, including our forests,”**
- **The largest relative increases are projected not in India’s established forest heartlands but in its driest margins. Desert and semi-arid zones across Rajasthan, Gujarat, western Madhya Pradesh, and adjoining dry interiors are expected to see vegetation carbon rise by more than 60% compared to historical levels under high emissions.**
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- **As a Paris Agreement signatory, India was required to issue an updated NDC by 2025.**
- **By December 2025, 128 parties (representing 78% of global emissions) had submitted their updates, leaving India and Argentina as the last G-20 nations to do so.**
- **NDC 3.0 targets were shaped by the outcomes of the 2021 Global Stocktake (GST), which concluded that the world is currently not on track to limit global warming to 1.5 degrees Celsius.**
- **The Environment Ministry emphasized that the new goals balance developmental priorities and energy security with the principle of "Common but Differentiated Responsibilities and Respective Capabilities" (CBDR-RC).**

- **Expansion of Non-Fossil Energy Capacity:** India pledges to achieve 60% of its cumulative installed electricity capacity from non-fossil sources (including solar, wind, hydro, biomass, and nuclear) by 2035.  
India has already reached 52.57% as of February 2026, successfully meeting its previous 2030 target (50%).
- **Reduction in Emissions Intensity:** The government aims to reduce the emissions intensity of its GDP by 47% by 2035, compared to 2005 baseline levels.
- India had already achieved a 36% reduction by 2020, keeping it well on track to beat its earlier 45% reduction target for 2030.
- **Enhancement of Carbon Sink:** India targets the creation of an additional carbon sink of 3.5 to 4.0 billion tonnes of CO<sub>2</sub> equivalent through enhanced forest and tree cover by 2035.
- As of 2025, India has created an additional carbon sink of 2.29 billion tonnes CO<sub>2</sub> equivalent from forest and tree cover.

# Puzzle of missing urgency around learning

Page No.11 , GS 2

India, like many other developing countries, has been in the midst of a learning crisis, as evidenced by Annual Status of Education Reports (ASER), notwithstanding the marginal improvements seen in the last few years. Yet, the absence of learning outcomes, especially Foundational Literacy and Numeracy (FLN), has failed to generate urgency on the ground, despite policy backing and unprecedented funding.

Why does a crisis of such magnitude not result in immediate action? The answer may lie in a concept often overlooked in public policy: salience. Systems change not merely when policies are well-designed or resources are abundant, but when enough people recognise a problem, believe it matters, and act on it.

## The necessity of salience

Vietnam provides a useful example. Researchers from the RISE Programme at the Blavatnik School of Government, Oxford, found that Vietnam outperformed far richer nations in learning outcomes despite having no significant advantage with respect to spending or infrastructure. The explanation was disarmingly simple yet profound: Vietnam improved learning outcomes because it wanted to. The 'wanting to' reflects salience – a shared recognition that learning matters. In India, this salience remains weak at the field level.

However, there is no dearth of policy intent. The National Education Policy, 2020 clearly identifies FLN as an urgent national priority, with the NIPUN Bharat Mission mobilising administrative machinery and financial resources. The Prime Minister himself has emphasised the importance of fluency in oral reading to enable children to transition from 'learning to read' to 'reading to learn'. Yet, this policy intent has not fully translated into field-level urgency. Across schools and communities, learning outcomes often remain



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Accepting that millions of children are in school but not learning is deeply unsettling for educators who have spent their careers expanding access and enrolment

secondary. Conversations in school management committees or parent-teacher meetings tend to focus on buildings, toilets, and teacher vacancies, rather than the fundamental question: can children read and understand a basic text?

## Myriad factors

The gap can be explained by the following reasons. First, learning is inherently difficult to observe. Unlike a pothole or missing rations, poor learning is intangible. A child copying from the blackboard can create the illusion of learning. Further, the concept of oral reading fluency – where reading becomes effortless enough for cognitive effort to shift from decoding words to understanding meaning – is not widely understood. As a result, findings from surveys such as ASER, which show that many Grade 5 children cannot fluently read a Grade 2 text, often seem exaggerated and are dismissed.

Second, power asymmetries weaken accountability, particularly in the education sector. Children have no voice, and their parents may lack the tools to assess learning. Teachers and administrators, by contrast, occupy positions of greater authority and social capital. Decision-making and teacher accountability remain centralised, while local institutions have limited influence. The exit of the middle class from public schooling further reduces bottom-up pressure, a key determinant of salience in a system.

Third, the scale of the crisis is under-recognised. When a senior official was briefed by the author that fluent reading in Grade 5 had improved from 20% to 65% in the Union Territory of Dadra & Nagar Haveli and Daman & Diu, his first reaction was one of alarm: "What do you mean 35% of children still cannot read?" His reaction was valid but revealing. It shows how even well-intentioned actors may not grasp the scale of the crisis.

Fourth, there is a fundamental

disconnect in how responsibility is perceived: schooling is seen as the state's responsibility, while learning is often implicitly seen as dependent on the child's ability or family support. This undermines the role of systemic factors such as pedagogy, teacher support, curriculum design, and accountability mechanisms that are critical to shaping outcomes.

Fifth, acknowledging the problem is difficult. Accepting that millions of children are in school but not learning is deeply unsettling for educators who have spent their careers expanding access and enrolment. For political actors, openly acknowledging the scale of the crisis carries political risks. Yet, this failure is not the result of any single political dispensation or bureaucratic actor, but of a long-standing systemic neglect of learning outcomes.

Finally, a sense of fatalism often prevails. When systems appear entrenched, it is easy to assume that change is unlikely. However, change is important and possible.

## The way forward

Over the last two decades, large-scale assessments have moved learning outcomes to the centre of policy discourse. There is now growing evidence that improving foundational learning at scale is both possible and cost-effective, with approaches such as "Teaching at the Right Level" and structured pedagogy demonstrating disproportionate gains across contexts. Importantly, salience can be built through personal experience by conducting village-level assessments. When parents or officials see first-hand that a child cannot read, the issue ceases to be abstract; it becomes immediate and impossible to ignore. The path forward lies in making learning visible, communicating the scale of the problem, and demonstrating that solutions exist. It also requires creating conditions where those responsible for delivery are compelled to act.

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- **The National Education Policy, 2020 clearly identifies FLN as an urgent national priority, with the NIPUN Bharat Mission mobilising administrative machinery and financial resources. The Prime Minister himself has emphasised the importance of fluency in oral reading to enable children to transition from ‘learning to read’ to ‘reading to learn’.**

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- **Fifth, acknowledging the problem is difficult. Accepting that millions of children are in school but not learning is deeply unsettling for educators who have spent their careers expanding access and enrolment.**
- **The Ministry of Education has launched NIPUN (National Initiative for Proficiency in Reading with Understanding and Numeracy) Bharat Scheme.**
- **It aims to cover the learning needs of children in the age group of 3 to 9 years.**
- **To create an enabling environment to ensure universal acquisition of foundational literacy and numeracy, so that every child achieves the desired learning competencies in reading, writing and numeracy by the end of Grade 3, by 2026-27.**

- **The NGO Pratham Foundation released the Annual Status of Education Report (ASER) 2024 on learning outcomes of school students in rural India.**
- **It is based on a 2024 survey conducted in 17,997 villages across 605 rural districts.**
- **It reached 649,491 children in the 3-16 years age group, and tested the reading and arithmetic skills of over 500,000 children in the 5-16 years age group.**
- **About: ASER is a nationwide, citizen-led household survey that offers an insightful snapshot of children's schooling and learning in rural India.**
- **Launched in 2005, ASER tracks educational trends and challenges in rural areas, evolving in coverage, focus, and frequency.**

### **Mains Question**

**"School education is the foundation of human capital formation in India."**

Examine the challenges in improving learning outcomes in India's school system and suggest reforms.

**"विद्यालयी शिक्षा भारत में मानी पजू ननमाणा की आधारशिला है।"**

भारत में सीखने के पररणामों( Learning Outcomes) में सुधार की चुनौतियों का परीक्षण कीजिए तथा समाधान सुझाइए।

# The strategic vulnerability in India's LPG supply model

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India's Liquefied Petroleum Gas (LPG) problem is not a passing shortage. It comes from a gap that has grown too wide to ignore. India consumed about 33.15 million tonnes of LPG last year, but domestic production met only about 40% of that need. The remaining 60% had to be imported. Put plainly, India's total LPG demand is now about 250% of indigenous production, while annual LPG imports are equal to about 150% of domestic LPG output. That is not a minor balancing gap. It is a significant mismatch between what India produces and what its kitchens consume.

This matters because LPG in India is overwhelmingly a household fuel; commercial LPG accounts for less than 10% of national consumption. So, the imported molecule is not mainly feeding a flexible industrial user that can cut runs or switch feedstock. It is going into domestic kitchens. This is what makes India's LPG dependence more serious than a normal product-import issue. A petrochemical plant can slow down. A household kitchen cannot.

**No longer a dependable corridor**  
The crisis now has exposed this sharply. About



**Shrikant Madhav Vaidya**

Former Chairman of Indian Oil Corporation Ltd. and an energy strategist

India's LPG use is mainly household-based, heightening import vulnerability

90% of India's LPG imports normally transit the Strait of Hormuz. India must now accept that the Strait of Hormuz cannot be treated as a routinely dependable corridor for household fuel security. Even if the present tensions ease, the old assumption of uninterrupted normality will not return easily. The risk attached to this route has now entered the strategic calculation in a lasting way.

Import dependence alone, however, does not tell the full story. Japan imports a larger share of LPG than India does. China and South Korea also import large volumes of LPG. But what matters is not only how much a country imports. It is where the molecule goes, what alternatives households already have, and how much storage supports the system.

## Lessons from Japan

The table shows why raw percentages can mislead. Japan appears more import-dependent than India on LPG. Yet, Japanese household vulnerability is far lower – LPG serves only about 40% of households. Electricity accounts for about 55% of residential final energy use, and city gas also has a large residential base. More importantly, Japan has about 108.3 days of LPG stock through national and private reserves. Japan imports more, but it cushions that dependence with alternatives and storage.

China and South Korea are different again. In China, a large share of its LPG demand is driven by the petrochemical sector. In South Korea, household energy is supported much more by natural gas and electricity.

India's position is more exposed because the imported molecule goes overwhelmingly into domestic kitchens. India's problem is not that it imports LPG – many countries do. India's problem is that it imports LPG for the one use that is hardest to defer and also the hardest to replace quickly.

India's storage position also needs to be seen clearly. The Petroleum Planning and Analysis Cell reports about 15 days of LPG tankage cover in the broad operational sense across import locations, bottling plants, refineries and fractionators. But visible underground cavern-based deep storage is only about 140,000 tonnes – 60 TMT at Visakhapatnam (Andhra Pradesh) and 80 TMT at Mangaluru (Karnataka) which is equal to only about 1.5 days of national demand. The first number shows that the system is not empty. The second shows that reserve-style protection is still very thin for a country of India's size and import dependence.

There is another point that deserves attention. India is not buying LPG in a loose, neutral global market. The exportable pool is not large, and it is already heavily claimed by a few Asian buyers. Just four Asian countries absorb a little over

half of the world's exportable LPG pool. And the rest is not sitting idle waiting to be redirected. Much of it is already tied up in petrochemicals, household cooking and heating, and autogas. This is why any sustained loss of dependable Gulf supply can quickly tighten the market.

## What India should do

How can India reduce its vulnerability?

First, it should stop treating all LPG molecules as one pool. During the present disruption, India has already directed refiners to prioritise propane and butane for cooking LPG rather than for petrochemical or gasoline-blending use. That logic should continue. Domestically produced LPG and refinery-origin C3/C4 (propane/butane) streams should be reserved first for household fuel security. Petrochemical users should increasingly arrange their own feedstock imports. The government should not have to defend domestic kitchens and industrial feedstock demand from the same protected pool.

Second, India should build a deeper LPG buffer. An initial goal of two to three weeks of protected cover for the household pool would be a sensible start. At current demand levels, that means about 1.3 million tonnes for 14 days and 1.9 million tonnes for 21 days. This is a large jump from the current cavern capacity, but it is the minimum scale at which India can begin to claim meaningful resilience.

Third, India needs a sustained campaign for electric cooking in urban and semi-urban India. This cannot be a one-season appeal. It has to continue over the years. Households with reliable power, adequate wiring and access to induction cooking should be encouraged to shift their primary cooking load away from LPG. A 'Give it up 2.0' plan should be launched.

The aim is simple: reduce the number of homes for which the LPG cylinder remains the first and only kitchen fuel. Piped Natural Gas (PNG) should expand where density supports it, but electricity is the broader lever.

India's LPG vulnerability will continue to persist unless policy addresses a basic mismatch: demand that is too high relative to domestic production; imports that are too concentrated in a single corridor, and excessive dependence concentrated in household kitchens. The answer is not simply to buy more LPG cargoes. It is to reserve domestic molecules for kitchens, separate petrochemical demand, build more storage, and steadily reduce the number of homes that rely on LPG alone.

India's LPG problem is not a passing shortage. It is an enduring mismatch between what the country produces and what its kitchens consume. This is why India's asymmetric LPG demand will remain a lasting vulnerability – unless the design of the system itself changes.

## Why India is more exposed

High household dependence and tight global supply make the LPG risk sharper

### A household LPG vulnerability matrix

Country	LPG import share of total demand	Total LPG demand as % of domestic production	LPG imports as % of domestic production	Household kitchen criticality of LPG	LPG cover / storage position
India	60%	250%	150%	Very high	15 days operational tankage cover (PPAC); ~1.5 days in cavern-based deep storage
Japan	70%	333.3%	233.3%	Low	108.3 days
China	40.4%	167.7%	67.7%	Low to moderate	No clear public LPG-days figure verified here
South Korea*	~74.5%	~391.7%	~291.7%	Low	15-30 day stockholding obligation framework

\* Indicative, based on publicly available market data

### Who absorbs the global exportable LPG pool?

Country	LPG imports used for comparison	Share of global LPG exports*	Main use of LPG
China	36.7 MMT	26.3%	Mainly petrochemical-driven at the margin
India	19.89 MMT	14.2%	Mainly household cooking fuel
Japan	9.8 MMT	7%	Mixed: household/commercial + chemicals
South Korea*	~7 MMT	~5%	Mixed, with strong industrial/petrochemical role
Total	73.39 MMT	52.5%	-

\* Using global LPG exports of 139.8 MMT. South Korea is indicative

- **India's Liquefied Petroleum Gas (LPG) problem is not a passing shortage. It comes from a gap that has grown too wide to ignore.**
- **India consumed about 33.15 million tonnes of LPG last year, but domestic production met only about 40% of that need. The remaining 60% had to be imported.**
- **Put plainly, India's total LPG demand is now about 250% of indigenous production, while annual LPG imports are equal to about 150% of domestic LPG output.**
- **That is not a minor balancing gap. It is a significant mismatch between what India produces and what its kitchens consume.**

- **This matters because LPG in India is overwhelmingly a household fuel; commercial LPG accounts for less than 10% of national consumption.**
- **So, the imported molecule is not mainly feeding a flexible industrial user that can cut runs or switch feedstock. It is going into domestic kitchens.**
- **This is what makes India's LPG dependence more serious than a normal product-import issue. A petrochemical plant can slow down. A household kitchen cannot.**
- **About 90% of India's LPG imports normally transit the Strait of Hormuz. India must now accept that the Strait of Hormuz cannot be treated as a routinely dependable corridor for household fuel security. Even if the present tensions ease, the old assumption of uninterrupted normality will not return easily.**

- **Import dependence alone, however, does not tell the full story. Japan imports a larger share of LPG than India does. China and South Korea also import large volumes of LPG.**
- **Japan appears more import-dependent than India on LPG. Yet, Japanese household vulnerability is far lower — LPG serves only about 40% of households.**
- **Electricity accounts for about 55% of residential final energy use, and city gas also has a large residential base. More importantly, Japan has about 108.3 days of LPG stock through national and private reserves. Japan imports more, but it cushions that dependence with alternatives and storage.**
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# The price of a war far above the ground

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**R**ecently, at New Delhi's Indira Gandhi International Airport, a departure board quietly transitioned from "On Time" to "Delayed," and then to "Rescheduled." The official explanation – rerouting due to airspace restrictions over West Asia – barely concealed the deeper reality of the Iran war steadily redrawing the economic and operational contours of global aviation. What appears as episodic inconvenience is, in truth, an outward manifestation of a structural disturbance whose implications extend far beyond delayed departures.

Airspace closures across critical corridors have forced airlines into circuitous routes, often extending flight durations by two to eight hours depending on the routes, inflating fuel consumption and compressing already slender operating margins. Simultaneously, jet fuel prices surged to nearly \$195-\$197 a barrel. Given that fuel constitutes between 25% and 40% of total airline operating costs, such increases could destabilise the industry in which net margins rarely exceed 3% to 5%.

The impact is already visible: ticket prices have increased by 10%-20% in several markets, fuel surcharges risen by over 30% in certain cases, and thousands of flights cancelled globally, especially along the Europe-Asia axis. Yet, to dwell excessively on these symptoms is to risk overlooking a deeper question, which is what trajectory this disruption is likely to assume in the near future.

## The new normal

The risk of sustained tensions between the United States-Israel and Iran is likely to persist over the medium term. A probable outcome is the gradual normalisation of inefficiency. Rerouted flight paths, once conceived as temporary adjustments, may become embedded within airline operating models, permanently altering route economics. In such a scenario, the industry would witness a sustained elevation in cost structures driven by higher fuel burn, increased crew costs, extended turnaround times, and reduced aircraft utilisation.

Over time, this would lead to rationalisation of airline networks, with marginal long-haul routes, particularly those linking secondary cities,



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The Iran war and geopolitics will reshape global aviation economics

becoming economically untenable. The geography of global aviation itself may undergo a subtle, yet significant, reconfiguration. An outcome of this may be traditional West Asian hubs ceding some of their pre-eminence to alternative transit points in Türkiye, Southeast Asia, or even India. For Indian carriers, however, the implications are more acute. Their structural dependence on West Asian air corridors for connectivity to Europe and North America renders them particularly vulnerable, creating a persistent imbalance between rising costs and the constraints of a price-sensitive market.

A more disquieting possibility lies in the prospect of escalation within or after the ceasefire period. Such a scenario may lead to wider airspace closures and sharper energy market disruptions; the consequences could assume a systemic character. Fuel prices, already volatile, may become both elevated and unpredictable, further amplifying operational uncertainty. Flight networks could contract, particularly across high-density intercontinental corridors, while elevated fares and geopolitical anxiety dampen demand. Unlike the COVID-19 pandemic, where demand collapsed due to health concerns, this would constitute a cost-induced contraction, wherein airlines continue to operate but under severe financial strain.

## Handling the disruption

For India, such a scenario would be especially onerous. Aviation turbine fuel (ATF), already burdened by high taxation, would reflect the full force of global price shocks, compounded by currency depreciation. The sector could find itself confronting a confluence of pressures, escalating input costs, weakening demand, and constrained pricing power, potentially precipitating consolidation or strategic retrenchment among carriers with limited financial resilience.

Yet, crises, even of this magnitude, are not without possibilities of bearing latent opportunities.

A third trajectory – less immediate but strategically consequential – lies in adaptive reconfiguration. Faced with sustained geopolitical

uncertainty, airlines and policymakers make a strategic decision to recalibrate. This could appear in the form of a diversification of routing strategies, reduced dependence on any single geopolitical corridor, alongside investments in ultra-long-haul aircraft capable of bypassing traditional transit hubs altogether. The emergence of alternative aviation hubs outside conflict-prone regions could gradually redistribute traffic flows, while policy interventions, particularly in markets such as India, may address structural inefficiencies, including the rationalisation of ATF taxation and the renegotiation of bilateral air service agreements. In such a scenario, India's current vulnerability could, with strategic foresight, be transformed into opportunity, positioning the country as an alternative node in the evolving architecture of global aviation.

## This is a challenge

Amidst these future possibilities, one conclusion asserts itself with increasing clarity: geopolitics should no longer be treated as an exogenous shock to the aviation sector; rather, it should be seen as an intrinsic variable shaping its economics and operations. The long-standing assumption of predictable skies, upon which the industry's finely optimised networks were constructed, has probably been irreversibly unsettled.

Airlines must now internalise uncertainty, embedding scenario planning, dynamic pricing and strategic flexibility into the core of their operations. Possibly, for airlines, this is the equivalent of a 'Covid-shock' of global supply chains and an opportunity to re-strategise and recalibrate. For India's aviation sector, already navigating the complexities of high input costs and price-sensitive demand, the challenge is particularly formidable.

What is unfolding is not merely a transient disruption, but the gradual emergence of a new aviation order, one defined not by the efficiency of open skies, but by the exigencies of a fractured and uncertain geopolitical landscape. The question is no longer whether turbulence will persist, but whether the industry possesses the strategic agility to navigate it.

- **The Iran war and geopolitics will reshape global aviation economics**
- **Airspace closures across critical corridors have forced airlines into circuitous routes, often extending flight durations by two to eight hours depending on the routes, inflating fuel consumption and compressing already slender operating margins.**
- **Simultaneously, jet fuel prices surged to nearly \$195-\$197 a barrel.**

**Given that fuel constitutes between 25% and 40% of total airline operating costs, such increases could destabilise the industry in which net margins rarely exceed 3% to 5%.**

- **The impact is already visible: ticket prices have increased by 10%-20% in several markets, fuel surcharges risen by over 30% in certain cases, and thousands of flights cancelled globally, especially along the Europe-Asia axis.**

- **Amidst these future possibilities, one conclusion asserts itself with increasing clarity: geopolitics should no longer be treated as an exogenous shock to the aviation sector; rather, it should be seen as an intrinsic variable shaping its economics and operations.**
- **The long-standing assumption of predictable skies, upon which the industry's finely optimised networks were constructed, has probably been irreversibly unsettled. Airlines must now internalise uncertainty, embedding scenario planning, dynamic pricing and strategic flexibility into the core of their operations. Possibly, for airlines, this is the equivalent of a 'Covid-shock' of global supply chains and an opportunity to re-strategise and recalibrate. For India's aviation sector, already navigating the complexities of high input costs and price-sensitive demand, the challenge is particularly formidable.**

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