

# As West Asia tensions escalate, govt goes into a huddle over oil import options

**Amiti Sen**  
New Delhi

With the sharp escalation in tensions in West Asia since last weekend's Iranian missile attacks on Israel, the Centre has gone into a huddle over its crude import strategy, and a Plan B if supplies from West Asia get disrupted and the volatility in oil prices continues, sources have said.

"The Commerce Ministry is in close consultations with the Ministry of Petroleum and Natural Gas to weigh alternative supply options that could be explored if the situation in West Asia worsens. As over 40 per cent of India's oil at present is sourced from the region, the task is not simple," an official tracking the matter told *businessline*.

One option being considered is to increase purchases from Russia and see if it can be routed through the Vladivostok-Chennai route, which passes through the Sea of Japan, the South China Sea and the Malacca Straits, in case the traditional Red Sea route cannot be used, the official said.

## **RISING RUSSIA IMPORTS**

"India is already sourcing one-third of its oil imports from Russia. It may be possible to increase imports from Moscow in case buying from West Asian countries becomes a problem. But in that case routing it through the Red Sea would be an issue. Bringing in oil through the Vladivostok-Chennai route, which has already been tried out, may be a possibility but it needs closer scrutiny and planning," the official added.

India's dependence on imported crude touched a new high of 87.7 per cent in FY24 compared to 87.4 per cent the previous fiscal, according to data released by the Oil Ministry's Petroleum Planning & Analysis Cell (PPAC). The country's crude oil import bill, however, dropped 16 per cent in FY24 to \$132.4 billion on a fall in global oil prices while the quantity remained almost unchanged over the previous year.

The largest supplier of crude for India have been Russia (35 per cent), followed by Iraq (20 per cent), Saudi Arabia (15 per cent), the UAE (6 per cent), the US (3.5 per cent) and Kuwait (3 per cent).

"The US is the largest exporter of oil outside West Asia and Russia, but it already has committed supplies. It sells to countries such as Mexico, China

and the Netherlands. India comes way down. They are often long-term contracts. You can't expect the US to start routing more oil to India overnight," said Biswajit Dhar, a former JNU professor.

Russia's case is different as it already has surplus oil because of the Western sanctions against it, and can supply more to India if needed, the official said.

"The situation in West Asia is still developing. After reports of Israel's counter attack on Friday, things have become tense. We are keenly watching the situation. All options will be explored so that our oil imports remain secure," the official added.

Oil price volatility has increased since Iran's attack on Israel with Brent crossing \$90 per barrel on Friday morning before easing slightly.

# Conflict unlikely to hit oil supply

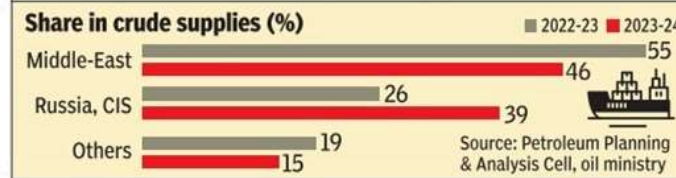
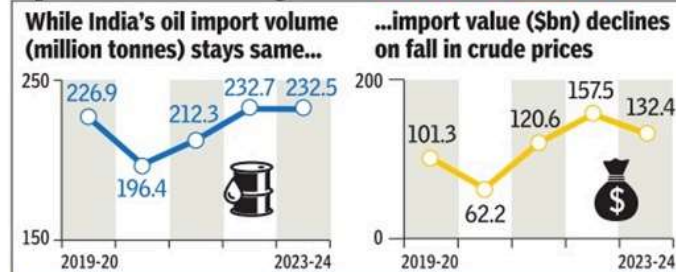
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**New Delhi:** A disruption in oil and gas shipments from West Asia looks improbable at this point of hostility between Israel and Iran, but it could lead to inflationary pressure as speculators play on risk premia to keep prices on the boil.

Benchmark Brent had surged past \$90 per barrel in the wake of Iran's April 13 missile attack on Israel but soon slipped to \$87. On Friday, Brent declined further to \$86.4 after Teheran played down reported Israeli attacks on Isfahan, raising hope against escalation of hostilities in the region.

Oil minister Hardeep Puri had an extended telecon lasting 30 minutes with Opec secretary general Haitham al-Ghais to discuss the recent oil market volatility and its implications for international energy stability. High oil prices or market volatility impact the government's math as India meets 83% of its oil requirements through im-

## Speculators May Fuel Price Pressure



ports. It is particularly vulnerable to conflicts in West Asia, which was the source of 46% of total oil shipments in 2023-24. The country also imports nearly half of its natural gas and LPG, a majority of which comes from Qatar and Saudi Arabia, respectively.

"There are two aspects — physical supply and price. Production oil/refined products and shipping have not been disrupted anywhere. So

oil is available. As for pricing, the market works on 'sentiment', which is fickle in nature. Speculators exploit any conflict situation to make a quick buck. That is why you see Brent shoot up one day after Iran's missile attack and down subsequently when Israel did not retaliate on expected lines," a top executive of a refining company told TOI.

He also played down the impact on refining margins

because of higher shipping and insurance costs due to escalation in risk premia. "Like traders, shippers and insurers also play on the sentiment. At most, the impact per barrel could be 2-3 cents for shipments from West Asia and 3-4 cents for longer routes," he said.

Ratnagiri Refineries and Petrochemicals CEO and former HPCL chairman M K Surana too did not see any supply disruption but saw volatility ahead because the conflict renews the risk premia.

"The market had adjusted to the war in Ukraine and Israel's Gaza operation. The Iran conflict renews risk premia, which moves with the news," he said, adding the only scenario in which supplies will get disrupted is if Iran blocks the Hormuz Strait, through which a third of seaborne oil traded globally pass. "I don't think things will come to that as it could potentially lead to the conflict spreading, which the world doesn't want."



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# Oil Minister Discusses Volatility in Global Market with Opec Secy Gen

**Our Bureau**

**New Delhi:** Oil Minister Hardeep Puri called on OPEC Secretary General Haitham Al-Ghais on Friday and discussed the oil market volatility in the wake of the rising tensions in the Gulf.

“The minister emphasized the importance of balancing market stability, affordability with pragmatism. As one of the world’s fastest-growing economies, India is committed to supporting efforts to achieve balance in global energy markets,” the oil ministry said in a statement. Iran’s missile attack on Israel over the weekend and Tel Aviv’s retaliation on Friday ignited fears that oil prices

could fire up. But the impact has been minor and brief. Brent, the international crude benchmark, is trading around \$87 per barrel, down about \$3 since Sunday.

OPEC, a Saudi Arabia-led grouping of a dozen oil-producing countries that controls a third of global oil production capacity, plays a significant role in the oil market stability. It also has a significant spare capacity that can be quickly brought to production in case of a supply shortage. But its member count-

ries have been producing less than their capacity for some time, keeping global oil prices elevated.

Of late, the group has also been immune to pressure from consuming countries such as the US and India on decisions linked to their production levels.

The producer club is the largest supplier of crude to India. In 2022-23, India imported \$120 billion worth of crude oil, liquefied petroleum gas, liquefied natural gas, and petroleum products from OPEC countries, the oil ministry said.



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# Oil Tests Central Bankers' Nerves with Middle East on a 'Knife Edge'

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## Bloomberg

Global central bankers fretting about geopolitics just got another sharp reminder overnight about the potential threat that the Middle East poses to their inflation fight.

In the same week that multiple monetary officials meeting in Washington said they're on the lookout for potential oil shocks that could reignite consumer-price growth, Israel's attack on Iran on Friday caused just the sort of price fluctuations that could test their nerves.

The strikes reported around targets in Isfahan prompted a jump of more than 4% in crude to

above \$90 a barrel, before erasing that gain to trade lower on the day as Iranian media seemed to downplay the incident. While central bankers won't have lost sleep at the level it reached, the backdrop isn't comforting.

At the United Nations Security Council in New York, Secretary-General Antonio Guterres told ambassadors that the Middle East "is on a knife edge," and Group of Seven foreign ministers are discussing geopolitical threats in Italy on Friday. How that could impact policy will meanwhile focus attendees at the International Monetary Fund me-



etings in the US capital.

"Typically these events end up being less disruptive than we feared," Nathan Sheets, chief global economist at Citigroup and a former US Treasury official, told Bloomberg Television. "The problem with geopolitical challenges is, you've got to think hard about tail risks, what can happen. Then you move from concerns in oil to broad concerns about the economy."

That's the quandary for central bankers who'd entered 2024 with a sense of quiet optimism that the inflation that gripped the world since Russia's invasion of Ukraine two years ago was looking tamer by the day.



# OVL chasing Venezuela crude oil options as sanctions return

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**T**he return of US sanctions to Venezuela after a six-month breather has thrown India's oil-for-dividends plan with the Latin American country into disarray, sending ONGC Videsh Ltd (OVL) scrambling for new options to get the promised oil cargoes.

The six-month sanctions waiver ended on Friday with no progress on the oil-for-dividends plan agreed between the two countries. US officials have now indicated that the sanctions will be back.

OVL is looking at viable options to secure the crude oil, and its legal and marketing teams have been put into action for the same, a person aware of the matter said.

"It would take time for Venezuela to send oil. The production capacity of the country has also declined over the years of



Nicolas Maduro, president, Venezuela. AFP

sanction which need to be rejuvenated. The likelihood of another sanction raises concern whether these cargoes would actually get delivered," the person said on the condition of anonymity.

Venezuela's state-run energy monopoly Petroleos de Venezuela S.A. (PdVSA) owes about \$600 million in dividends to OVL, which owns 49% stake in the operational San Cristobal project, and 11% in Carabobo, which is under

development. In January, *Mint* had reported that OVL is in talks with PdVSA to secure oil cargoes for settling the long pending dues to the ONGC arm.

In response to a query, an OVL spokesperson said: "Our legal and marketing teams are working on the issue." The company would revert after a clear picture emerges, the spokesperson added.

Queries sent to the Union ministry of petroleum and natural gas and PdVSA remained unanswered till press time.

The US, which had briefly lifted sanctions on Venezuela's oil sector in October, is planning to revive them over Venezuelan president Nicolas Maduro's failure to hold free and fair elections.

The return of sanctions may also impact OVL's plans to get operatorship of the two Venezuelan projects. Currently, OVL and PdVSA jointly operate the projects. OVL acquired 40% in San Cristobal project in 2008.

# Poor infra at OMCs hurting supplies: Ethanol makers

**SANJEEB MUKHERJEE**

New Delhi, 19 April

The grain-based ethanol makers have complained that they are being forced to shut down some of their units as inadequate decantation and tankerage infrastructure at the depots of oil marketing companies (OMCs) is affecting the supply chains.

The Grain Ethanol Manufacturers Association (GEMA), in a recent letter to the Ministry of Petroleum and Natural Gas, also said that all the existing storage facilities at the units are full and no further tankerage is available.

Decantation is the process of separating a solid and liquid mixture, or separating mixtures of immiscible liquids.

The letter also alleged that the storage and decantation facilities available with the OMCs is not even sufficient for meeting the requirements of 12 per cent blending while the government has targeted to blend 15 per cent ethanol with petrol in the 2023-24 Supply Year that started in November.

The letter said that grain-based ethanol makers have so

far put up an annual capacity of four billion litres, which will go up to 6 billion litres by the end of FY-2024-25.

Meanwhile, data showed that till end of March 31, 2024 that is in the first five months of the 2023-24 Ethanol Supply Year that started in November, India has achieved a national average blending of 11.96 per cent.

Out of the total required 6.22 billion litres of ethanol for 2023-24, till March 31, 2024 around 2.24 billion litres have been received.

Of this, sugarcane-based sources have contributed around 1.26 billion litres (around 56.25 per cent) while grains based sources have contributed 0.98 billion litres. India has targeted to blend 20 per cent ethanol with petrol by 2025.

Ethanol is produced largely from sugarcane-based molasses or grain-based sources as feedstock in India.

In sugarcane, it is either through sugarcane juice or syrup, then B-heavy molasses and C-heavy molasses. There is a different procurement price for ethanol produced from each source.



## CRUDE OIL

## Sanction on Venezuela: ONGC dividend stuck

RAKESH KUMAR @ New Delhi

THE re-imposition of sanctions on Venezuelan crude oil by the US has disrupted ONGC Videsh Limited (OVL), the overseas arm of India's state-owned Oil and Natural Gas Corporation (ONGC), plan to retrieve its dividend worth \$600 million stuck in Venezuela.

The company is planning to deploy its legal and marketing teams to address the issue. OVL earlier announced importing oil from Venezuela in lieu of stuck dividends worth \$600 million. But the company had not received any oil after the lifting of sanctions, said an official. "Our legal and commercial teams are studying the proposal. Will revert back once clarity emerges," ONGC Videsh sources said.

This development comes amid the US re-imposing sanctions on Venezuelan crude oil. The US had previously eased these sanctions in October 2023, allowing Venezuela to resume crude exports. However, citing concerns about a lack of



**Our legal and commercial teams are studying the proposal. Will revert back once clarity emerges**

ONGC Videsh sources

progress on democratic principles ahead of Venezuela's July elections, the Biden administration opted not to renew a key license that expired on April 17, effectively re-imposing sanctions. According to the US Department of the Treasury's Office of Foreign Assets Control (OFAC), a General License (GL) has been replaced, prohibiting US companies from initiating new business ventures in Venezuela's oil sector. However, a

grace period exists until May 31, 2024, allowing them to complete existing deals.

India last imported Venezuelan crude in 2020 when the US imposed secondary sanctions on the nation. Until 2019, India was Venezuela's third-largest purchaser, after the US and China, importing roughly 300,000 b/d on average.

Post-lifting the sanction, India emerged as the top buyer of Venezuelan crude for two con-

secutive months of December 2023 and January 2024. As per the energy intelligence firm Kpler, India imported more than 2,54,000 barrels per day (b/d) in January 2024 and over 1,91,000 b/d in December 2023 from Venezuela. According to reports, after easing the sanctions, Reliance Industries (RIL) is back in the market for Venezuelan oil that is likely available at a discounted price.

Officials of OVL maintain not getting oil from Venezuela post-lifting the sanctions. "ONGC Videsh has not received any oil after lifting the sanctions," said the official.

As per OPEC's monthly oil market report for April 2024, Venezuela produced crude 804 thousand barrels per day (tb/d) in January 2024, 822 (tb/d) in February 2024, and 809 tb/d in March 2024. In February 2024, Rajarshi Gupta, managing director of OVL, said he is in talks with the Venezuelan government to gain proprietorship of two of its projects in Venezuela.

## घर में खाना बनाते समय सिलेंडर में लगी आग

जागरण संवाददाता, मेरठ : नौचंदी थाने के जैदीफाम सेक्टर तीन में रिटावहंड ऊर्जा निगम के अधिकारी सैयद रफी उलशान अली के बेटे विलास का निकाह है। शुक्रवार को घर पर आए मेहमानों के लिए रसोई में खाना बन रहा था। अचानक ही सिलेंडर से गैस रिसीव होने पर आग लग गई। आग की लपटें उठती देख भगदड़ मच गई। कुछ लोगों ने पानी में भिगो कर कपड़े सिलेंडर के ऊपर डाले गए। इस कारण आग काफी देर तक काबू में रही। जब सभी परिवार वाले घर से बाहर आ गए तब दमकल को घटना की सूचना दी गई। सीएफओ संतोष कुमार ने बताया कि दमकल की एक गाड़ी ने ही आग पर 15 मिनट में काबू पा लिया था। आग बुझाने के बाद सिलेंडर को बाहर निकाल लिया गया, तब तक सिलेंडर की पूरी गैस जल



मकान में गैस सिलेंडर से लगी आग बुझाने के लिए दमकल कर्मी का दृश्य

चुकी थी। गनीमत रही कि शादी के घर में कोई बड़ा हादसा नहीं हुआ।