

Moscow now wants biz in ruble, trade may take a hit

This is after Gazprom–China deal for payments in yuan/ruble instead of \$

MANOJIT SAHA & SHINE JACOB

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Russian traders have started asking for payments in ruble for their exports to India in a move that could derail trade between the two countries which gathered pace after the war in Europe. This is because Indian importers are unable to pay in ruble.

The India-Russia trade gathered pace after Vladimir Putin invaded Ukraine in February this year. In the April-June quarter, India's imports from Russia were valued at \$9.27 billion, up 369 per cent year on year. Crude oil comprised almost two-thirds of imports from the nation. Other major imported items from the country included coal, soybean and sunflower crude oil and fertilisers, among others.

According to an oil industry source, Moscow is pushing for ruble payment for crude oil imports after Russia's energy major Gazprom signed a deal with China to start payments for gas supplies to China in yuan and rubles instead of dollars. After Russia invaded Ukraine this February, western countries imposed sanctions on Moscow, prompting Russian oil firms to offer a \$25-28 discount per barrel of crude. India, which imports 80 per cent of its oil requirements, took the opportunity to reduce its import bill as crude prices were covering around \$130 a barrel after the war started. In fact, international crude oil prices shot up above \$100/bbl for the first time after 2014.

In the past few weeks, however, crude oil prices have fallen below \$100/bbl.

Sources said Indian importers took up the matter with the government while communicating their inability to make



GAUGING IMPORTS

\$9.27 billion: India's imports from Russia during April–June quarter up 369 per cent compared to the same period last fiscal year

\$25–28 per barrel : Discount that India got from Russia till July–end for crude import

7,38,024 barrels a day: Crude oil India imported from Russia in August

18.2 per cent: Share of Russian crude in India's import basket in August

payments in Russian currency.

According to multiple Indian oil sector sources, neither the oil companies nor the government are keen on payments in ruble.

“So far, we were doing the payments in dollars. Rouble payments will be extremely difficult for companies, because even if we want to pay in the Russian currency, liquidity is not there.

Ruble trade is very limited in India. Even if they ask us to pay in rubles, somewhere we will have to supply dollars and purchase that currency outside India,” said an oil sector source in terms of anonymity.

Russia became the second largest oil supplier to India in June and July, with Iraq retaining the top spot. The rise in imports of Russian oil known as Urals (a crude blend) started increasing from March, after Russian oil firms began offering heavy discounts. According to the reports, India imported 7,38,024 barrels a day from Russia in August, at least 18 per cent lower than the quantity in July. Interestingly, in August, Saudi Arabia was India's largest crude supplier at 20.8 per cent, followed by Iraq (20.6 per cent) and Russia (18.2 per cent).

“Now, we are not getting any discounts for Russian crude from last month onwards, not even \$10 a barrel. Traders may be making money. However, our discounts have evaporated,” said another source.

According to the government data, the share of Russian crude has increased from 2 per cent to 13 per cent during the period of the Russia-Ukraine war. In between, there were reports that authorities were looking at various options, including rupee-rouble terms, or neutral currencies like dirhams and also in Yuan. Media reports indicated in July that Russia was seeking payment from Indian companies in dirhams as Moscow wanted to minimise the impact of Western Sanctions.

Russians demand for ruble comes at a time when the Reserve Bank of India allowed bilateral trade to be settled in Indian rupees – a step is making trade easier with Asian nations and also Russia.