

Refiners keen to resume Iran imports

Look to tap Iranian crude oil in case nuclear deal is reached between US and Iran

SUBHAYAN CHAKRABORTY

New Delhi, 22 May

With nuclear negotiations between the United States and Iran advancing to an unprecedented fifth round, Indian refiners are keenly watching the discussions amid hopes that a thaw in ties between the nations may possibly lift sanctions on Iran and allow crude oil imports from the country.

Despite global crude prices inching downwards, volatility in both prices and volumes remain a major concern for India, and major importers in the country are ready to pull out large crude volumes from Iran provided the sanctions are lifted, officials said. The issue of resuming crude imports came up at recent bilateral meetings during Iranian Foreign Affairs Minister Abbas Araghchi's visit to Delhi earlier this month, sources said. Preliminary plans to potentially resume crude oil imports had been shattered in the wake of multiple airstrikes between Israel and Iran in April last year, they added.

Talks on limiting Iran's nuclear programme, including the enrichment of uranium, have begun to yield faint signs of agreement on few issues, global media have reported. The fifth round of ongoing talks will take place in Rome on Friday, Omani



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Foreign Minister Badr Albusaidi said on Wednesday. Oman has been mediating the talks since April.

"Brent prices have remained below \$70 per barrel for 47 days now. But supply side risks always remain, especially during the ongoing trade war. Iranian supply had been steady earlier," a refinery official said.

Iran was the third-largest source of crude oil for India till 2018-19, when imports had topped at \$12.1 billion. In June 2019, the US Presidential administration under Donald Trump placed fresh sanctions on the country due to its nuclear programme. With Washington DC removing an excep-

tion for countries like India to source oil from Iran, the trade was cut off from accessing US Dollars. As a result, Iran went from becoming the ninth largest crude oil exporter in 2018 to the 71st as of 2021, OPEC figures show.

Multiple incentives

After over three years of securing major shipments of Russian crude, India is increasingly looking to re-establish supplies from its traditional partners in West Asia. As of April, Russia made up 37.8 per cent of all crude inflows, according to energy cargo tracker Vortexa. Iraq (19.1 per cent) and Saudi Arabia (10.4 per cent) have increasingly faced competition from the US, which has become the fourth largest source of crude.

However, imports from Russia have faced increasingly tighter pressures due to the US imposing fresh sanctions.

One of the motivations behind the move was that shipments from Iran would be better shielded from regional instability. "Shipments from Iran take place through the Persian Gulf and Gulf of Oman, where the Houthi militias have limited presence," another official said. Given that the Houthis are also allies of the Iranian regime, they were also not expected to go against trade deemed important by Tehran.

'India to surpass China in oil demand growth'

China drove global oil demand growth over the last decade, but now India is poised to take the lead in demand growth over the next decade, according to a latest report by Moody's Ratings.

China and India are No. 2 and No. 3 oil consumers in the world. But there are notable differences in demand growth in the two countries. "Demand growth and import reliance will be higher in India," Moody's said.

"Demand will grow faster in India than in China over the next decade, as China's economic growth slows and penetration of new energy vehicles accelerates." Consumption of crude oil — the raw material for making fuels like petrol and diesel — in China will peak in the next 3-5 years, while in India Moody's expect annual growth of 3-5 per cent in the same period. "India's reliance on imports will increase if it is unable to stem a production decline," it said.

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