

INDIA HAS TO LOOK BEYOND OPEC+ TO MEET CRUDE NEEDS

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Who are the Opec+ group of nations?

The Organization of the Petroleum Exporting Countries (Opec) is an intergovernmental organization that was established in 1960 by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The five founding members were later joined by Algeria, Angola, Congo, Equatorial Guinea, Gabon, Libya, and Nigeria among others. The grouping is aimed at unifying petroleum policies among member countries to secure fair prices for petroleum producers, ensure an efficient supply of petroleum to consuming nations, as well as a fair return on capital to those investing in the industry. The organization has its headquarters in Vienna, Austria.

How much does India import from Opec+?

For India, the world's third-largest oil importer after US and China, Opec+ accounts for about 83% of the country's oil imports. In 2019-20, India imported 227 million metric tonnes of crude oil. India has its own basket of crude suitable to its refineries, which comprises Oman, Dubai and Brent crude. However, after the US imposed sanctions on Iran, Iranian crude has been replaced by US crude and gas imported through a combination of term contracts, as well as on a spot basis. The country's import bill stood at 5.42 trillion in 2016-17 and increased to 8.43 trillion in 2019-20.

How much oil reserve does Opec+ have?

As of 2019, the latest data available, around 79.4% of the world's proven oil reserves are located in Opec+ member countries, with about 64.5% of the OPEC oil reserves located in West Asia. Currently, Opec's proven oil reserves stand at 1,189.80 billion barrels. Non-Opec nations hold reserves of 308.38 billion barrels, which is 20.6%.

Why is crude from Opec+ key to India?

Opec nations remain a key source of crude oil for India because of their geographical proximity. The transport of oil from the UAE, Saudi Arabia, Oman and Iraq takes three days, while it takes around a month from Africa, around two months from the US, and over two months from Russia. Also, India's refineries have been built on the Opec's steady supply of crude. Sourcing crude from non-Opec nations usually comes with its own risks. More often than not, crude producers honour only a part of the promised deliveries.

What can India do to cut reliance on Opec?

Given its consumption story, India is an important market for Opec. However, India needs to increase its hydrocarbon exploration and production activity as it currently ranks at 25 among the world's top 30 crude oil producing nations. In comparison, China ranks at number six. India also needs to focus a lot more on creating infrastructure such as ports and pipelines, as well as increasing its ship fleets. Like other countries, India also needs to build capacities in other countries by investing in those nations.

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