

# US PIPS SAUDI ARABIA AS SECOND LARGEST EXPORTER OF CRUDE OIL TO INDIA

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NEW DELHI: US crude oil exports to India jumped to 2.11 million metric tonnes in February, helping it dislodge Saudi Arabia as the second largest supplier to India, the world's third largest oil importer.

This comes in the backdrop of India increasing its oil imports from the US, with the Indian government working on diversifying the country's energy basket with crude oil supplies from non-Organization of the Petroleum Exporting Countries (Opec) sources.

"India's dramatic surge in US crude inflows has helped the exporter to displace Saudi Arabia for the first time, as refiners queued up for lighter feedstock anticipating robust demand for gasoline and other products, while staying away from Middle Eastern supplies following OPEC-led output cuts," S&P Global Platts said in a statement on Friday.

India's evolving energy security playbook comes at a time when global crude oil prices have surged after the Opec-plus grouping's decision to retain supply curbs. With domestic petrol and diesel prices at record highs, India had expressed its displeasure to Opec for 'backtracking' on its commitments.

"In February, inflows from the US was 2.11 million mt, about 32% higher than 1.61 million mt inflows from Saudi Arabia. This pushed US to the second spot. Iraq retained its position as the top supplier, with shipments of 2.89 million mt in the same month," the Platts statement added.

This also comes at a time when India is leaning on its old energy partner Russia to cushion its consumers from price shocks, with the two countries exploring an approach to protect both the buyer and seller from the sharp volatility in global prices as reported by Mint earlier. India is also eyeing more long-term crude oil contracts from Russia.

India signed the first term contract for crude oil sourcing from Russia in February last year, with state run Indian Oil Corporation (IOC) and Rosneft inking the agreement for 2 million metric tonnes (mmt) of Urals grade crude.

India is particularly vulnerable as any increase in global prices can affect its import bill, stoke inflation and widen trade deficit. The cost of the Indian basket of crude, which comprises Oman, Dubai and Brent crude, was at \$65.19 a barrel on 18 March. Following the covid outbreak, crude prices for Indian basket of crude had plunged to \$19.90 in April before recovering to \$61.22 a barrel in February, data from the Petroleum Planning and Analysis Cell showed.

"India's demand for lighter products such as LPG, naphtha and gasoline has been doing a lot better than middle distillates such as gasoil, kerosene and jet fuel. So it made good sense to source light sweet crude from the US, especially as arbitrage economics was viable," said Lim Jit Yang, adviser for oil markets for Asia-Pacific at Platts Analytics, in a statement.

India spent \$101.4 billion on crude oil imports in 2019-20 and \$111.9 billion in 2018-19. It is a key refining hub in Asia, with an installed capacity of over 249.36 million tonnes per annum (mtpa). It has 23 refineries and plans to grow its refining capacity to 400 mtpa by 2025.

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