



# India's petroleum product exports to EU

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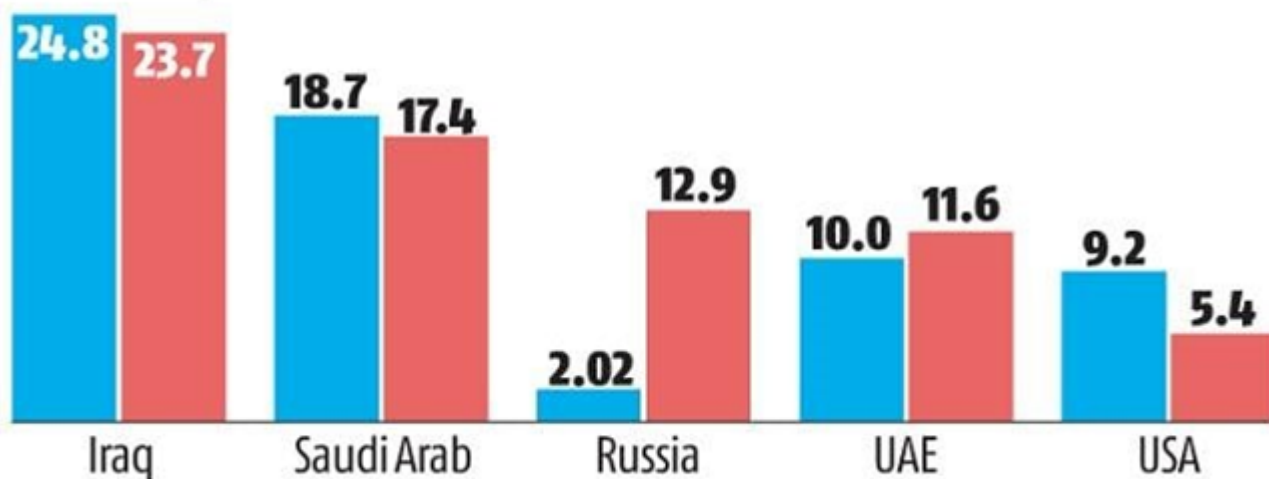
**Why is in news?** India's petroleum product exports to the European Union (EU) have grown notably over the past few months as the region weans itself off refined products from Russia, due to the war in Ukraine

**A brief about India's oil import**

## TOP SOURCES OF CRUDE OIL FOR INDIA

As a % share of India's total crude oil imports

■ FY22 ■ Q1FY23



Source: Commerce ministry

India, the world's third-largest crude importer after China and the United States, has been snapping Russian oil that was available at a discount after some in the West shunned it as a means of punishing Moscow for its invasion of Ukraine.

From a market share of just 0.2 per cent in India's import basket before the start of the Russia-Ukraine conflict, Russia's share in India's imports rose to 35 per cent in February 2023.

India's imports of crude oil from Russia soared to a record 1.6 million barrels per day in February and is now higher than combined imports from traditional suppliers Iraq and Saudi Arabia

Russia continued to be the single largest supplier of crude oil, which is converted into petrol and diesel at refineries, for a fifth straight month by supplying more than one-third of all oil India imported

Refiners continue to snap up plentiful Russian cargoes available at a discount to other grades.

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Iraq, whom Russia has toppled to become the largest oil source for India, supplied 9,39,921 barrels per day (bpd) oil in February while Saudi supplied 6,47,813 bpd oil.

At a time when India's oil imports from Russia have surged to historic highs, higher exports of refined products to the EU suggest that Indian refiners, particularly private sector players, are rushing to partly fill the supply gap for the region as it shuns Russian crude and products.

### **Petroleum product export to EU**

India's petroleum product exports to the EU rose 20.4 per cent year on year in April-January to 11.6 million tonnes, with the region climbing two spots from the corresponding period of the last fiscal to the top of the table of 20 regions importing refined products from India, as per an analysis of data from the Directorate General of Commercial Intelligence and Statistics (DGCIS).

In the run-up to the EU's ban on Russian petroleum products from February 5, India saw its refined product exports to the region rise sequentially for five straight months, touching 1.90 million tonnes in January, the highest monthly volume in the first 10 months of the current fiscal.

In April-January, the EU accounted for close to 15 per cent of India's total petroleum product exports of 79 million tonnes, against 12 per cent in the year-ago period. In the four months leading to the EU's ban on Russian refined products, its share in India's petroleum product exports rose from 16 per cent to almost 22 per cent.

### **Significance of the trend**

From the global oil markets perspective, suppliers like India are helping maintain a demand-supply balance, while preventing extreme price shocks. The EU does not want to buy crude as well as refined fuels and products from Russia.

Countries like India, which is a major oil refiner, are playing their part in bridging the gap by buying Russian oil on one hand, and increasing the supply of refined products to the EU on the other.

India is a major refiner with an annual refining capacity of about 250 million tonnes. While it is also one of the top consumers of crude oil, India's refining capacity is higher than its domestic demand, making the country a net exporter of petroleum products.

Indian refiners, particularly export-oriented private sector players Reliance Industries and Nayara Energy, stand to gain from the West's punitive action against the Russian oil and gas sector. This is because it allows Indian refiners to purchase Russian oil at a discount while earning robust margins on product supplies to Europe. So, while the EU is avoiding the direct purchase of crude and petroleum products from Moscow, at least some of it appears to be reaching European shores via India.

In the prevailing circumstances, India now finds itself playing an increasingly prominent role in the global crude oil and refined products supply map.

### **West's view on rising Indian exports to the EU**

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According to international media reports, while the West was irked at India's rising purchases of Russian oil in the aftermath of Moscow's invasion of Ukraine, major Western powers like the US are comfortable with the rising supply of Indian refined products to Europe.

This is mainly because in their view, refiners in countries like India are ensuring that the global oil and refined products market remains balanced and adequately supplied.

Numerous experts see higher purchases of Russian oil and rising exports of petroleum products from countries like India as critical for the success of the price caps on Russian oil and refined products – imposed by G7 countries and their allies – without causing a global supply shock.

To that extent, the West does not seem to mind Indian refiners benefitting from discounts on Russian crude and high margins on product supplies to the EU.