India risks $11-bn hit if Russia oil access tightens

POTENTIAL IMPACT

- Russian oil exports account for 7% of the global liquids consumption, say experts
- Russian crude accounted for less than 2% of Idnia's oil imports prior to FY23

- India has saved$17.2 billion from May 2022 to May 2025 by importing discountedRussian oil, Icra said
- The country has several options for the country to diversify crude purchases

ARUNIMA BHARADWAJ
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WITH THE US imposing a penalty on India for buying oil from Russia, several options exist for the country to diversify its crude purchases as Russian crude accounted for less than 2% of its imports prior to FY23, experts said.

However, the potential impact of cutting off of Russian oil from the international market would be a significant increase in international oil prices as Russian oil exports account for 7% of the global liquids consumption, as pointed out by Prashant Vasisht, senior vice president and co-group head, corporate ratings, Icra.

Vasisht said that a significant spike in crude prices could lead to higher crude import bill and under recoveries on sale of liquified petroleum gas, petrol and diesel for the oil marketing companies.

"A $10/barrel increase in crude oil prices would increase the oil import bill by about $13-14 billion. Additionally, domestic gas and LNG imports linked to dated Brent prices would also become dearer thereby impacting all gas consumers such as fertiliser, city gas distribution, etc. A $10/barrel increase in Brent prices could increase the cost of LNG purchased annually under the RasGas contract by ₹3,900 crore," he said.

As per calculations by Icra, India has saved about $17.2 billion for the period of May 2022 to May 2025 in its oil import bill on account of the purchase of discounted Russian crude.

Kpler pointed out that complex refiners like Reliance Industries and Nayara, along with state refiners which collectively import over 1.8–2.0 mbd of Russian crude, would likely reduce intake to avoid exposure to shipping, insurance, and trade finance risks owing to the additional penalties.

The loss of discounted barrels (typically $3–6/bbl below OSP-linked Middle East grades) would erode margins, particularly for diesel-focused export complexes.

Provided the country loses its access to discounted Russian barrels, India's oil import bill remains susceptible to a further increase.

As per Kpler, India's annual crude import bill could rise by $9–11 billion, assuming a conservative $5/bbl differential on 1.8 mbd of displaced volumes if Russian crude becomes inaccessible due to escalating sanctions or penalties.

Losing this pricing cushion would not only inflate input costs but also strain fiscal balances if the government intervenes to prevent retail fuel inflation.

Private refiners, who account for over 50% of Russian intake, are better equipped to pivot toward non-Russian barrels—including West Asia, West African, and Latin American grades—thanks to their trading agility and configuration flexibility, said Sumit Ritolia, lead research analyst, refining and modeling, Kpler.

India's import dependence on crude stands at 87% and has been rising despite domestic E&P efforts. Proven reserves are limited and annual domestic production has been falling (~600- 650 kbd).

Kpler highlighted that even aggressive upstream investments would take 8–12 years to mature into meaningful volumes. As per experts, the US–Pakistan oil narrative is more geopolitical signaling than near-term market disruption.