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Iraq oil is back in favour as Russia slips on sanctions

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Rebalancing its oil import basket of the last three-four years, India is slowly yet surely moving away from the Russian Federation and returning to its traditional crude oil suppliers in West Asia.

In doing so, Iraq, the no. 1 crude exporter to India from fiscal year 2018 (FY18) until FY22 when the Ukraine war began, is back as a strong force in the Indian oil market and fast catching up with Russian supplies, latest data shows. Russian oil imports have been falling since recent US sanctions on two of its biggest exporters.

Iraq supplied 1.06 million barrels of oil daily (mbpd) in the first month of 2026 (until 20 January) as compared to 1.10 mbpd from Russia, according to Kpler, a market intelligence provider for commodities, energy, and maritime sectors.

This comes in the backdrop of refiners in India, the world's third-largest oil buying nation, cutting back on Russian oil imports after US sanctions on Rosneft and Lukoil late in October 2025 in spite of dis-

counts of up to \$8 per barrel on offer. Such discounts, at a high of \$30 a barrel in 2022, had made China and India the top buyers of Russian oil.

In FY22, Iraq accounted for about 26% of India's oil imports, before it was dislodged from the top spot by Russia. In FY25, Russian oil comprised about 35% of India's crude imports compared to about 2.5% prior to the Ukraine war.

Easy supply swing

India imports nearly 90% of its oil requirement totalling about \$161 billion last fiscal. This momentum of growing imports is likely to continue with rising consumption, projected at a record 252.9 million tonnes in FY26, according to India's petroleum and natural gas ministry's Petroleum Planning & Analysis Cell. This marks a 4.65% increase from FY25.

As the US sanctions take hold, West Asia becomes the natural choice for Indian refiners, an expert noted. "Further, the large West Asian suppliers, including Saudi, UAE and Iraq have significant spare capacity, due to which they can ramp up supplies at a short notice," said Prashant Vasisth,

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senior vice president and co-group head, corporate ratings, Icra Ltd said.

Better rates on Iraqi crude compared to other West Asian sources help, an oil executive said. "Their OSP (official selling price) is in most cases better than that offered by Saudi Aramco, the UAE and other Gulf countries," said an executive with a state-run refiner, asking not to be identified.

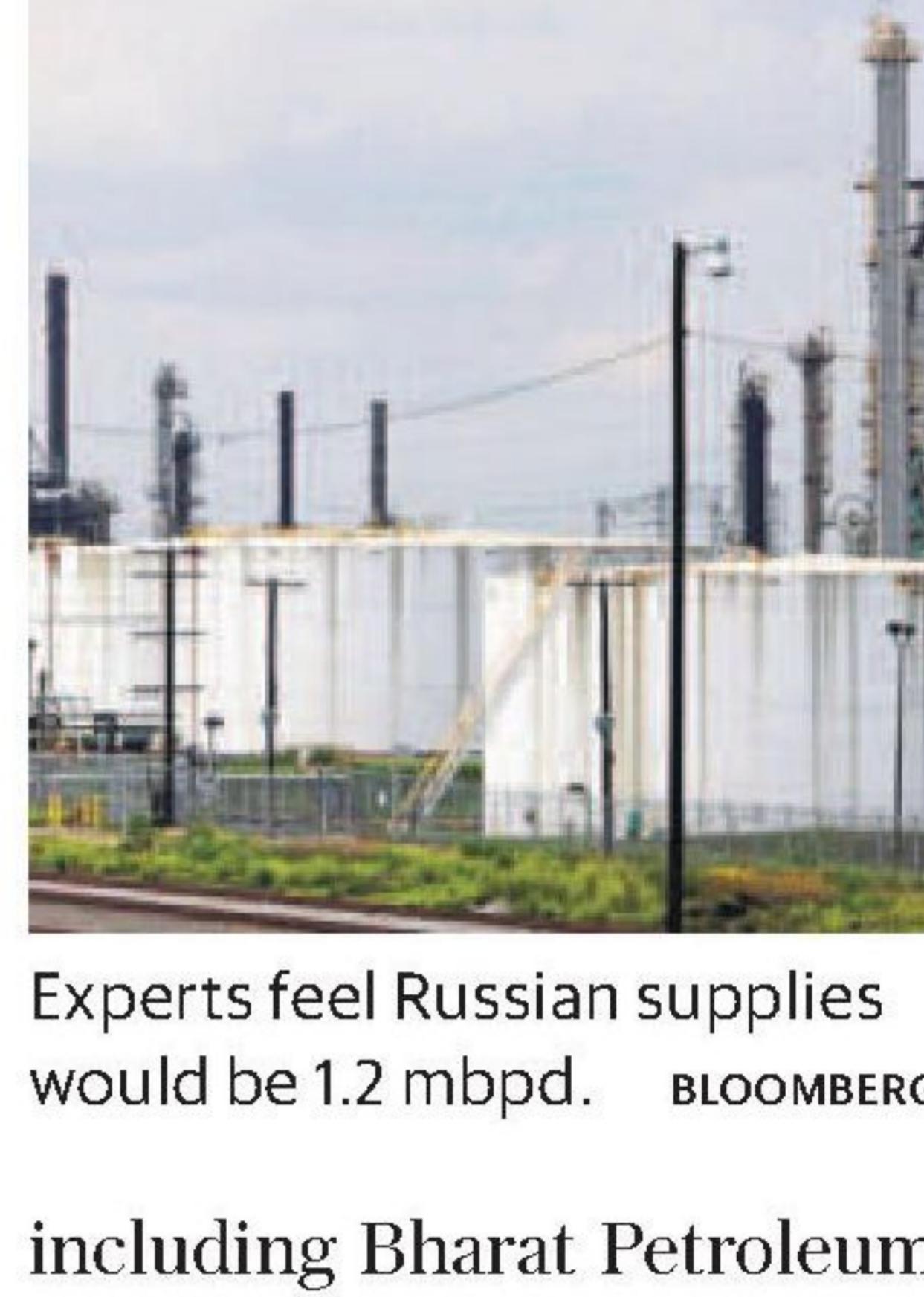
Refiners also said that Iraq usually offers better terms such as longer credit period of 60-90 days.

"Also, amid rising Iraqi imports, several Indian refiners have calibrated their operations to refine Basra Light crude grade produce in southern Iraq," said the executive. Basra Light is suitable crude variant for production of diesel, which is produced more by Indian refiners compared to petrol or aviation turbine fuel.

Russia tapers

Sumit Ritolia, lead research analyst for refining and modelling at Kpler said India's supply choices today reflect changing oil economics, supply chain predictability, and rising execution complexity around Russian crude, including shipping, insurance, payment pathways, and compliance screening. "The result is a clear rebalancing of India's crude slate, with Middle East inflows rising as refiners prioritize supply reliability, flexibility, and smoother cargo execution," Ritolia said.

India is the world's fourth largest refiner with an overall capacity of 258.1 million tonnes per annum (mtpa). This is expected to go up to 310 mtpa by 2029, when new capacity



Experts feel Russian supplies would be 1.2 mbpd. BLOOMBERG

including Bharat Petroleum Corporation Ltd's Andhra Pradesh refinery and Hindustan Petroleum Corp Ltd's refinery in Rajasthan come up. They, in turn, will need to secure crude oil to refine.

Oil exports from Iraq to India have been rapidly increasing, with only a gap of 40,000 barrels a day (bpd) between supplies from Russia in January (until 20 January). In December, Iraq had supplied 904,000 bpd, 313,000 barrels lower than the supplies from Russia,

which stood at 1.21 mbpd. In November, the gap was wider at 884,000 barrels with Iraq supplying 952,000 bpd, compared to 1.84

mbpd by Russia.

Experts expect supplies from Russia would average 1.2 mbpd during January-March compared to 1.8 million in the preceding four-five quarters.

The supplies from Iraq, which had replaced Saudi Arabia as the top source of crude oil for India in fiscal 2018, have surged above the 1 mbpd mark for the first time since May last year. Other key suppliers from West Asia are Saudi Arabia and the United Arab Emirates with supplies of 891,000 bpd and 385,000 bpd until 20 January.

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