

Brent prices flare up; Russian cargoes come back in focus

● Every \$10 rise to up annual import bill by \$14 billion

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New Delhi, March 1

THE WAR THAT erupted in West Asia on February 28 has triggered an oil shock that is now rippling through global markets and straight into India's economic calculus.

Brent crude prices had surged from around \$65 per barrel to \$72-73 on Friday, the highest since July, buoyed by growing concern over the potential attacks that arrived a day later.

On Sunday, prices jumped 10% to about \$80 a barrel over the counter, oil traders told Reuters, jolting energy markets and placing the Strait of Hor-

OIL TURMOIL

Brent crude prices
(\$ per barrel)



Source: Investing.com

muz — the narrow artery carrying nearly half of India's crude imports — under the spotlight.

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A SUSTAINED \$10-15 PER barrel increase would inflate India's annual oil import outgo by well over \$20 billion, widening the current account deficit and placing renewed pressure on the rupee.

Higher crude feeds into inflation through transport and input costs, complicating fiscal arithmetic at a time when growth momentum remains a policy priority.

The downstream impact is equally significant. "Sustained high crude oil prices are expected to moderate marketing margins and profitability of oil marketing companies," said Prashant Vasisht, senior vice president and co-group head, Corporate Ratings, ICRA, flagging pressure on OMC balance sheets if price pass-through at the pump lags global movements.

India imported about 91% of its crude requirements to meet domestic consumption in H1 FY2026. About 50% of India's crude imports were routed through the Strait of Hormuz.

That corridor handles nearly 20% of global petroleum liquids trade, making it one of the world's most critical energy chokepoints. With active hostilities underway in the region, shipping routes, freight costs and insurance premiums are already reflecting elevated risk.

"The escalating conflict in West Asia and reported attacks on several oil producers are likely to exacerbate volatility in crude oil prices," Vasisht said. "Any escalation in regional conflict could impede energy ship-



ments through this corridor."

For India — the world's third-largest oil importer — the implications are direct and quantifiable. "For every \$10 per barrel increase in international crude prices, the rise in India's import bill on an annual basis would be \$13–14 billion," Vasisht said.

India's vulnerability is not only about price but also about supply concentration. "India imports roughly 50% of its crude oil through the Strait of Hormuz — one of the world's most critical energy chokepoints," said Nikhil Dubey, senior refining analyst at Kpler.

Yet, India is not without buffers.

"In terms of strategic and operational reserves at refineries and floating storage at ports there are about 74 days of crude reserves," Vasisht said. Kpler's inventory data offers further detail. "Commercial crude stocks are around 100 million barrels, with an additional ~39 million barrels held in strategic reserves at Manga-

lore, Padur, and Visakhapatnam," Dubey said.

"With imports via the Strait of Hormuz averaging roughly 2.5 million barrels per day — about 50% of India's ~5 mb/d total crude imports — these combined reserves could theoretically cover close to 60 days of imports in a disruption scenario from a crude perspective. In addition, companies also hold refined product inventories, which would extend effective coverage further," he added.

The reserves provide breathing space, allowing refiners to recalibrate supply chains and source crude from alternate locations such as the United States, Africa or South America. But diversification does not eliminate exposure to global price spikes.

"For Indian refiners, crude oil could be sourced from alternate locations such as the US, Africa and South America. However, elevated energy prices could lead to a soaring import bill," Vasisht said.

Beyond physical flows, cost pressures are intensifying through secondary channels. "Any restriction — or even the perception of risk — would push crude benchmarks higher on supply concerns, drive freight rates sharply upward due to vessel operators' hesitancy, create effective tanker tightness, and increase insurance costs through elevated war risk premiums," Dubey said. "Even without a blockade, these factors are enough to raise India's energy import bill."

"At the same time, Russian barrels currently floating in the Arabian Sea without clear buyers are likely to be absorbed quickly as Indian and Chinese refiners move to secure supply in the current environment," Dubey added.

The exposure extends beyond crude. In FY2025, about 54% of India's LNG imports were also routed through the Strait of Hormuz, underscoring the breadth of India's energy linkage to the region.

With 91% import dependence and roughly half of crude shipments tied to a single maritime corridor now at the centre of war, India's oil vulnerability is structural — and measurable. Strategic reserves offer roughly 60–74 days of cover, a significant but finite shield.

The oil shock has moved from possibility to present reality. For policymakers, refiners and markets alike, the Strait of Hormuz is no longer just a trade route — it is the fault line running through India's fiscal and external balance sheet.