

Oil lines blocked, India eyes options

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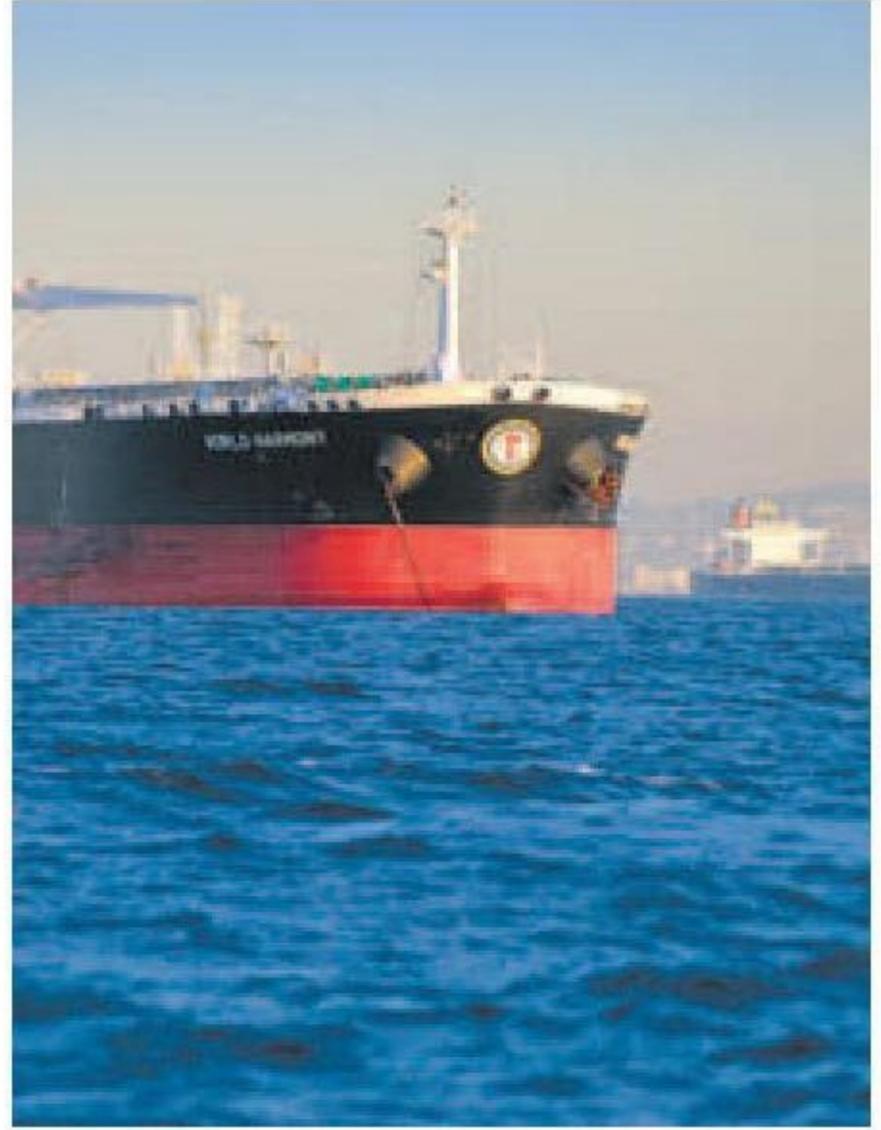
Dhirendra Kumar &

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NEW DELHI

India's crude oil refiners are scouting for new supply sources after Iran's historic announcement of the closure of Strait of Hormuz, three people aware of the development said. The Union petroleum ministry is consulting with the refiners, taking stock of oil stocks and exploring possible alternatives in Africa and South America, even as the global oil cartel Opec+ has decided to boost production.

The assassination of Iran's supreme leader Ali Khamenei on Saturday during joint strikes by the US and Israel and Iran's retaliatory attacks across the US military and air bases in the Gulf and civilian areas are expected to hit the global trade in oil. Freight rates are expected to soar, even as cargo vessels are stuck at both sides of the Strait.



The Strait of Hormuz closure is a setback for India. **BLOOMBERG**

In FY25, nearly half of India's crude oil imports and 54% of LNG imports were routed through the Strait of Hormuz. Even during previous periods of strife in West Asia, such as the Iran-Iraq war, the vital supply route had remained open. Its closure is a setback for New Delhi, which was beginning to veer towards West Asian supplies.

"The petroleum ministry is

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War in West Asia blocks oil lines, India explores options

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taking continuous stock of the energy supply scenario along with the refiners. They are looking at ways to ensure that supplies are not interrupted. Saudi Arabia and Iraq have emerged as the major suppliers of late, and the situation is concerning. Import from alternative sources may pick up. Even if supplies are ensured, prices are sure to rise and will impact the cost and margins of the refineries," said one of the three people mentioned above.

While experts had forecast Opec+ to increase production by 137,000 barrels per day, the cartel agreed on 206,000 bpd, citing "a steady global economic outlook and current healthy market fundamentals." The eight-nation V8 group in the alliance, which includes top oil producers Saudi Arabia and Russia, as well as several Gulf states bearing the brunt of Tehran's missile strikes, said they had agreed a "production adjustment", but skipped mention of Iran.

"Over the past two to three months, India's dependence on Middle Eastern (West Asian)

barrels has increased as refiners have pivoted away from a portion of Russian volumes. As a result, the relative weight of Gulf-origin crude in India's import basket has risen, increasing short-term sensitivity to any disruption in Hormuz transit. Kpler tracking indicates continued availability of Russian cargoes in the Indian Ocean and Arabian Sea region, including volumes in floating storage. Should Middle Eastern inflows tighten, Indian refiners could pivot back toward Russian grades relatively quickly," said Sumit Ritolia, lead research analyst, refining & modelling at Kpler.

Fatih Birol, executive director of the International Energy Agency, wrote on X that the agency is "actively monitoring" events and the potential implications for global oil & gas markets and trade flows. "Markets have been well supplied to date. I am in contact with ministers from major producers in the region & IEA governments about the situation," Birol wrote.

Choke point

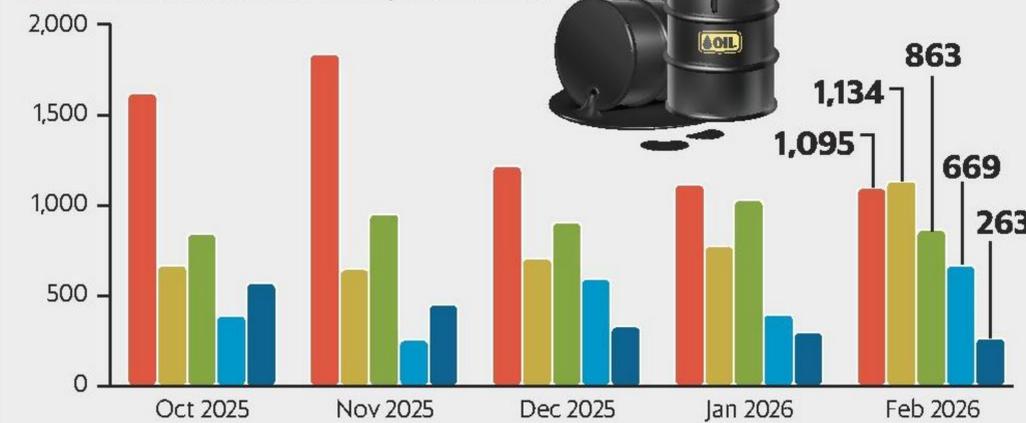
With crude oil prices set to rally as global markets open

Oil crunch

In FY25, nearly half of India's crude oil imports and 54% of LNG imports were routed through the Strait of Hormuz.

India's top oil suppliers (In thousand barrels per day)

■ Russia ■ Saudi Arabia ■ Iraq ■ UAE ■ US

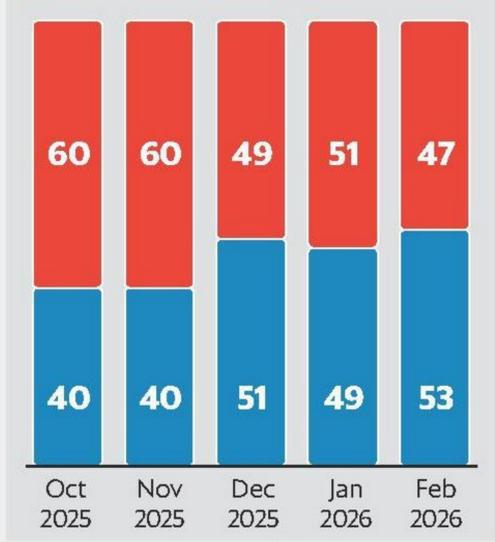


Note: Latest data as of 10 February

Source: Kpler

Share (%) in India's oil imports

■ Via Strait of Hormuz ■ Via other routes



Note: Latest data as of 28 February

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Monday, the evolving situation assumes strategic importance for India. With India already lowering Russian oil imports, West Asia had emerged as an alternative during the past two months.

Aditi Nayar, chief economist at Icria Ltd said: "The situation in West Asia is unfolding and the extent that it prolongs and widens, would have a bearing on India's macros, including things like the impact of fuel prices on inflation and the twin deficits, as well remittances."

Supplies of liquefied natural

gas (LNG) would be impacted as well. In February 2024, Petronet LNG Ltd extended its contract to buy 7.5 million tonnes of LNG annually from QatarEnergy for another 20 years. Abu Dhabi National Oil Co. Gas (Adnoc Gas) and its subsidiaries signed a 10-year LNG sales and purchase agreement with Hindustan Petroleum Corp. Ltd in January this year.

India imports nearly 90% of its oil requirement and sourced oil worth \$161 billion last fiscal, with its total petroleum product consumption projected to

increase by 4.65% and reach a record 252.9 million metric tonnes (mmt) in FY26.

Queries mailed to the ministries of petroleum and external affairs, and the state-owned refiners remained unanswered.

Volatility

Harsh V. Pant, vice president of Observer Research Foundation and professor of international relations with King's India Institute at King's College London, said: "The (Iranian regime) is at a critical point. They would be looking at survival. Now, everything depends

on what happens in Iran internally".

He said there may be managed continuity, with the regime able to find a successor and the governance model and regime continuing; the Islamic Revolutionary Guard Corps (IRGC) taking over control; or the regime completely collapsing.

According to Anil Devli, CEO of the Indian National Shipowners' Association (INSA), the developments have the potential to impact shipping and world trade. "There are mostly tanker movements in the region and about seven to eight Indian ships are also moving in the Strait at present. We are also in close touch with the Information Fusion Centre - Indian Ocean Region (IFC-IOR), hosted by the Indian Navy. Whether the Indian Navy would enter in the war zone to provide safety cover to Indian ships is not known at present," he said.

Right now, ships are stuck in the Strait on both sides, Devli said. The real impact would be felt for fresh freight bookings, he added.

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