

India faces oil shock as Iran war intensifies

US and Israeli strikes that killed Ayatollah Ali Khamenei have deepened open conflict with Iran and rattled West Asia, disrupting sea routes via Strait of Hormuz, fuelling oil price spike and setting up turbulent Monday for Indian equities

SHUBHANGI MATHUR

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India faces mounting energy risks after US and Israeli strikes on Iran killed its supreme leader, Ayatollah Ali Khamenei, in the gravest escalation of tensions in West Asia in decades, sending shockwaves through shipping, aviation and global oil sectors. The attack — and Tehran's retaliation — have intensified concerns over supply disruptions along the Strait of Hormuz, a critical artery of world trade.

Brent crude is expected to surge on fears of constrained flows, threatening to inflate India's import bill, while domestic equities look set for a riskoff opening on Monday, with cyclical and energy-intensive stocks vulnerable as investors rotate into traditional safe-haven assets.

Prime Minister Narendra Modi was chairing a meeting of the Cabinet Committee on Security in the national capital on Sunday night, at the time of going to press, to review the deepening crisis. The commerce ministry has convened a meeting of exporters, shipping lines, freight forwarders and officials from other ministries on Monday to assess the impact of the escalating tensions on India's trade.

Israel launched a wave of strikes on Tehran on Sunday, saying it sought to dominate the skies. Iranian President Masoud Pezeshkian described Saturday's strike, in which Khamenei was killed, as "an open declaration of war against Muslims". West Asian countries, including the UAE and Qatar, reported explosions and fatalities amid the spiralling exchange of firepower.

Benchmark Brent could jump by about \$20 a barrel on Monday to roughly \$92, analysts said. Crude prices have



PHOTO: REUTERS

Mourners at Enghelab Square in Tehran on Sunday after Iran's supreme leader Ayatollah Ali Khamenei was killed in joint Israeli-US strikes

climbed to \$70-73 a barrel from \$65 earlier. "Global crude oil prices are expected to rise sharply following the US-Israel strikes on Iran, as markets price in the risk of supply disruptions from one

of the world's most critical energy regions," said Global Trade Research Initiative in a report.

Elevated oil prices would swell India's import bill, as the country imports about 90 per

cent of its crude requirements. India brought in 206 million tonnes of crude at a cost of \$100 billion in the first 10 months (April-January) of the current financial year.

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“For India, this (a supply blockade) would translate into higher import costs, spikes in freight and insurance, potential short-term supply tightness, and pressure on the rupee and fiscal balances,” said Sumit Ritolia, lead research analyst at maritime intelligence firm Kpler.

In addition, Iran’s reported closure of the Strait of Hormuz poses acute energy security risks for India, as roughly 2.6 million barrels per day of its crude imports transit the waterway, primarily from Iraq, Saudi Arabia, the UAE and Kuwait.

About half of India’s crude oil and LNG imports were routed through the Strait last financial year. Experts said that while Indian refiners could seek supplies from alternative sources such as the US, Africa and South America, higher energy prices would drive up the import bill.

“Elevated crude prices would also compress marketing margins and profitability for oil marketing companies,” said Prashant Vasisht, senior vice-president and co-group head, corporate ratings, ICRA.

Indian refiners may attempt to reroute cargoes via pipelines to Red Sea ports, but options to bypass the Strait are limited. Saudi Arabia can divert volumes through its East-West pipeline to the Red Sea, with a capacity of about 5m barrels per day, while the UAE can use the Abu Dhabi pipeline, capable of carrying around 1.5 million barrels per day, according to Rystad Energy.

“Even assuming full utilisation of these alternative routes, a significant share of exports, potentially 8-10 million barrels per day, would re-



main exposed if the Strait remains inaccessible. In other words, the ability to reroute flows would only partially mitigate the disruption,” Rystad said.

To navigate the crisis, analysts believe India could draw on its strategic petroleum reserves, accelerate spot purchases from non-Hormuz suppliers such as Russia, the US and Brazil, and deepen spot or term contracts with alternative producers.

“Diversification options include increased sourcing from Russia -- via eastern routes or oil on water around India -- the US, west Africa (Nigeria, Angola) and Latin America (Brazil, Colombia, Venezuela). While these alternatives provide supply continuity, they come with higher freight costs than Middle Eastern barrels due to longer voyage distances, which would modestly raise landed crude costs in the short term,” Ritolia said.

India could also benefit from its crude sourcing ties with Russia, which is offering Indian refiners discounts of about \$6-\$8 a barrel. A substantial volume of Russian barrels is currently floating in the Indian Ocean and the Arabian Sea, partly owing to reduced Indian imports in recent months, effectively acting as near-term optional supply, Ritolia added.

Even if the closure of the Strait of Hormuz triggers immediate volatility, India’s di-

versified sourcing strategy may help reduce the risk of a prolonged supply crisis.