

Russia and India sign oil supply deal, see need for stable prices in talks

- Russia and India signed Dec. 6 new energy cooperation agreements including a contract for Rosneft to ship almost 15 million barrels of crude to the world's third-largest consumer of oil in 2022, according to government and company statements.
- Both countries also acknowledged the importance of dialogue between consumers and producers to ensure stable energy prices. S&P Global Platts assessed Dated Brent has gained 43% year-to-date to trade around \$70/b in early December despite continued concerns over the COVID-19 pandemic.
- "The signing of a new oil supply contract confirms the strategic nature of the long-term partnership between Rosneft and Indian Oil," Rosneft CEO Igor Sechin said, according to a company statement.
- Russia's largest crude producer said it has agreed to a contract to ship up to 2 million mt, or around 14.66 mil barrels, of crude by the end of 2022. Deliveries will be shipped through the Russian Black Sea port of Novorossiysk, the company said.
- Rosneft's owns a 49.13% stake in the Indian company Nayara Energy, which owns the 20 million mt/year Vadinar oil refinery.
- The Kremlin also said both countries acknowledged the important role of dialogue between consumers and producers.
- "India highlighted the need for responsible and informed market pricing of global energy supplies. Both sides noted the importance of dialog between consumers and producers to stabilize energy prices."

Renewable energy

- On President Vladimir Putin's visit to India, both sides "reaffirmed their commitment to increasing Russian crude oil production under long-term contracts at preferential prices, and increasing LNG imports to India with the possible use of the Northern Sea Route for energy supplies." Russia and India cooperate extensively on energy, including Indian companies' stakes in Russian upstream projects Sakhalin 1, Vankorneft, and Taas-Yuryakh.
- "The parties also agreed to consider prospects for expanding cooperation on hydro and thermal energy, energy efficiency, and the use of renewable energy sources," the Kremlin said.
- Continuing joint work on developing payments in national currencies to reduce costs, time, and risks associated with payments were also discussed. Interest in non-dollar payments including for energy resources has increased in Russia in recent years, due to the risk that Western sanctions may restrict Russian companies' access to the dollar in the future.

Stepping up ethanol production may help reduce crude oil import: PM Modi

- Prime Minister Narendra Modi said stepping up ethanol production can help reduce the import of crude oil and prove to be an extra means of earning for sugarcane farmers.
- He claimed that before the BJP came to power, only 20 crore litres of ethanol was being sent to oil companies from Uttar Pradesh, which now increased to around 100 crore litres.
- Addressing a public meeting here after dedicating to the nation three mega projects, Modi said, "Every year, India spends around INR 5-7 lakh crore on crude oil for petrol and diesel. We can reduce this import by giving emphasis on ethanol and biofuel."

Dipping into oil reserves – a token gesture

- India needs to re-strategise its energy policy. Building more reserve storage capacity must be given top priority
- Is India future ready is the question that came to mind as one read a news flash stating that "The U.S. asks some of the world's largest oil consuming nations like Japan, China and India to consider tapping oil reserves as it seeks action to cool rising prices."
- The US will release 50 million barrels of crude from its Strategic Petroleum Reserve as part of a unified effort with several other major oil-consuming countries to lower high fuel prices. Close on the heels of this news, on November 23, India said that it has agreed to release 5 million barrels of crude oil from its Strategic Petroleum Reserves.
- "This release will happen in parallel and in consultation with other major global energy consumers including the USA, People's Republic of China, Japan and the Republic of Korea," the statement added.
- The official statement went on to say that "India strongly believes that the pricing of liquid hydrocarbons should be reasonable, responsible and be determined by market forces. India has repeatedly expressed concern at supply of oil being artificially adjusted below demand levels by oil producing countries, leading to rising prices and negative attendant consequences."

IOC renews deal to buy up to 2 MT of oil from Russia's Rosneft

- Indian Oil Corporation (IOC), the nation's largest oil firm, has renewed a deal to buy up to 2 million tonnes of crude oil in 2022 from Russia's Rosneft, the Russian oil producer said.
- IOC had in February 2020 signed a deal with Rosneft Oil Company to import up to 2 million tonnes of oil via the port of Novorossiysk. In 2021, the deal envisaged supply of up to 1.7 million tonnes of crude oil but IOC bought just on parcel or shipload as the cost of transporting the oil made it uneconomical, when compared to alternatives.
- For 2022, the deal is for the supply of up to 2 million tonnes of oil from the Black Sea port of Novorossiysk. India has tied up supplies from Russia to the US in a bid to diversify its oil import basket, cutting reliance on the Middle East to meet its oil needs.
- "Rosneft and IOC signed a contract for the supply of up to 2 million tonnes of oil to India through the port of Novorossiysk by the end of 2022," the Russian firm said on its website.
- The signing took place during the visit of Russian President Vladimir Putin to India, during which he met with Prime Minister Narendra Modi and held bilateral talks in an expanded format.
- The leaders of the two countries, the statement said, attach great importance to the development of all-around trade, economic and investment cooperation.
- Energy is one of the key areas of interaction between the companies of the two countries. "The signing of a new contract for the supply of oil confirms the strategic nature of the long-term partnership between Rosneft and Indian Oil," said Igor Sechin, Chief Executive Officer of Rosneft.
- "It is important that cooperation between the companies develops in an integral format and covers the entire technological chain – from extraction to the sale of raw materials. I hope that our interaction with Indian Oil will develop within the framework of other projects."
- India's Ministry of External Affairs, listing out the 28 agreements signed during Putin's visit, said the crude oil supply agreement "seeks to renew the previous contract between Rosneft and IOC".

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