

## India's Oil Bill May Surge by Billions Amid US Sanction Threats



India's annual oil import bill could increase by an estimated \$9 to \$11 billion if the country is compelled to reduce or stop its procurement of discounted Russian crude. This potential financial strain comes in the wake of recent threats by the U.S. to impose tariffs and penalties on India for its continued energy and military trade with Russia. The situation places India in a difficult position, as it balances its strategic energy needs with mounting geopolitical pressure.

India, the world's third-largest consumer and importer of oil, has significantly benefited from sourcing discounted crude from Russia since the start of the conflict in Ukraine. Before the war, Russian oil constituted less than 0.2% of India's total crude imports; today, that figure stands at approximately 35-40%. This shift has helped India manage its energy costs, stabilize retail fuel prices, and contain inflation.

The U.S. has now announced a 25% tariff on Indian goods, along with an unspecified penalty for India's ongoing purchases of Russian oil and arms. These measures, along with the possibility of secondary sanctions that could affect the shipping, insurance, and financing of India's Russian oil trade, are creating significant uncertainty. According to analysts, losing the discount on Russian crude, which is estimated to be around \$5 per barrel on approximately 1.8 million barrels per day, would directly lead to a substantial increase in India's import costs.

While India has diversified its oil sources and maintains that it can find alternative suppliers from the Middle East, West Africa, and even the U.S., a complete pivot away from Russian crude would be a complex and challenging endeavor. Analysts point out that replacing Russian barrels would be logistically difficult and could lead to higher costs due to a potential rise in global flat prices. This would not only affect the profitability of Indian refiners but could also place additional fiscal pressure on the government, particularly if it chooses to absorb the increased costs to protect domestic consumers. The coming months are likely to be a crucial test for India as it navigates a path between its energy security and the demands of international diplomacy.