STUDY NOTES · BASIC CONCEPT

Why are Indian oil imports from Russia decreasing?

International Relations

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BACKGROUND

India's imports of crude oil from Russia have seen a significant and notable decline, raising concerns about a potential "major setback" in the oil trade dynamics. While the Indian government has maintained silence on any explicit halt, various factors—including US pressure, sanctions, and strategic diversification—are pushing Russian oil volumes toward roughly half of previous peaks.

India has not officially confirmed ending Russian oil purchases, but refiners are actively reducing or avoiding them amid the evolving India-US trade framework. This shift is seen as part of broader negotiations to secure tariff relief from the US.

Main Reasons for the Decline in Russian Oil Imports

1. **US Tariffs and Trade Deal Pressure** In August 2025, the US imposed an additional 25% punitive tariff on Indian imports (on top of a 25% reciprocal tariff, totaling up to 50% in some cases) due to India's continued buying of Russian oil. As part of the recent India-US interim trade deal framework (announced early February 2026), President Trump rescinded this extra 25% tariff via executive order (effective February 7, 2026), and lowered the reciprocal rate to 18%. US claims suggest India committed to stopping direct/indirect Russian oil imports in exchange, shifting toward more purchases from the US and possibly Venezuela. India has not publicly confirmed this, emphasizing energy security instead.
2. **US Sanctions on Russian Oil Companies** Sanctions implemented in November 2025 targeted major Russian firms like Rosneft and Lukoil, making transactions more difficult and risky for Indian buyers.
3. **Logistics and Payment Challenges** Many Western insurers refuse coverage for Russian oil shipments, forcing costlier alternative shipping. Payment complexities via third-country banks cause delays and

disrupt supply chains.

4. **Energy Source Diversification** India prioritizes energy security for its 1.4 billion people by avoiding over-dependence on any single supplier, actively diversifying sources.
5. **Reduced Price Advantage** Post-Ukraine war, Russia offered heavy discounts (saving India ~$17 billion initially). However, US tariffs eroded this benefit, as potential losses from tariffs outweighed savings from cheap oil.
6. **Shift to Other Suppliers** India is turning back to traditional sources like the Middle East and increasing from the US. Options from Venezuela are also under consideration, though challenges like freight, insurance, and refining costs remain.

Actions by Indian Refiners Major players like Reliance Industries, HPCL, MRPL, and HMEL have stopped or sharply reduced Russian purchases. IOC and BPCL are expected to follow suit. Nayara Energy (Russia-backed) remains a key buyer but is an exception.

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Import Decline Statistics

1. Russia's share in India's total crude imports: ~41% in September 2024 → ~31% in September 2025. December 2025: Lowest in 38 months
2. January 2026: Down ~37% from November 2025 (post-sanctions); volumes 1.06–1.215 million bpd (vs. peaks of 1.8–2 million bpd in mid-2025).
3. Analysts estimate: Russian imports stabilizing at 1.1–1.3 million bpd in Q1-Q2 2026 (down from 1.7–1.9 million bpd average in 2022–mid-2025).
4. Some reports note sharp drops (e.g., 55% in certain months), with projections of further halving to 500,000–800,000 bpd by March/April.

India's Stance and Global Impact

The government has not confirmed halting Russian oil but reiterates that energy policy focuses on securing affordable, reliable supply for citizens and diversifying sources. No direct announcement of a ban exists. This redirection has seen Russian tankers pivot toward China, which has ramped up discounted purchases—boosting

Beijing's gains while pressuring Russia's revenues and the global oil market.

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