

U.S. allies begin to feel bite of Washington's sanctions on Iran oil



New Delhi, September 12 (RHC)-- An Indian refiner says it is scouring the world for ultra-heavy crude oil which is becoming short in supply because of intensified US sanctions on Iran and Venezuela.

The United States is aggressively pushing its oil on customers around the world after sanctioning Iran and Venezuela in what is seen by many observers as an energy war in the wider context of its trade war.

However, many traditional oil buyers are used to certain grades and their refineries are configured to process a large percentage of heavy, high sulfur crude in order to produce large quantities of gasoline, and low amounts of heavy fuel oil.

Such consumers have often invested in more complex refinery configurations which allow them to use cheaper feedstock and have a higher processing capability.

Vice president of India's Nayara Energy Ltd Ashutosh S Deshpande says complex refineries are having a hard time as supplies of heavy and sour crude are tightening because of the U.S. sanctions. "Iran and Venezuela have taken 3.5 million barrels per day out of the market," he said during a panel session at the

Asia Pacific Petroleum Conference (APPEC) in Singapore, referring to the impact of the restrictions. “The market for sour grades and heavies has become more tight,” Reuters quoted him as saying.

Nayara Energy, formerly Essar Oil and now part-owned by a consortium led by Russian oil major Rosneft, operates a 400,000 barrels per day (bpd) refinery at Vadinar in India’s west coast.

The U.S. administration has pledged to bring Iran’s oil exports down to zero under its draconian sanctions imposed on May 2nd. In order to assuage market nerves, U.S. officials have tried to make importers believe that there would be no shortage of crude. Deshpande said heavy and sour crude supplies had been expected to increase, “but that hasn’t happened.”

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India’s ambassador to the U.S. says American sanctions on Iran are hurting his country which is finding it hard to replace Iranian oil imports. “It has been a challenge to find alternative sources of oil at the same price and quality, and it has affected the bottom line in India,” Ambassador Harsh Vardhan Shringla told Russia’s Sputnik news agency.

According to Indian media, New Delhi has told U.S. authorities that it was impossible to make immediate arrangements for 23.5 million tonnes of oil – the amount supplied by Iran every year – from alternative sources.

Indian refiners stopped crude oil imports from Iran on May 2 when US sanctions on the Iranian oil sector kicked in. India was Iran’s second largest oil customer, importing 457,000 barrels of oil a day before the US withdrew from a landmark nuclear deal with Tehran in May 2018.

On Monday, Iran’s Ambassador to India Ali Chegini urged New Delhi to take advantage of the opportunities presented in the Iranian oil and gas sector.

“If India wants energy security, it should look at a stable source like Iran because of its resources, a strong government-to-government relationship, and the friendship between the two countries,” he told the Indian Association of Foreign Affairs Correspondents in New Delhi.

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