

Rosneft, Russia's largest oil producer, and Indian Oil Corp (IOC), India's top refiner, have agreed to use the Dubai oil price benchmark for their latest deal to deliver Russian oil to India, according to three sources familiar with the matter. The decision by the two state-controlled companies to abandon the Europe-dominated Brent benchmark is part of Russia's shift towards Asia as Europe shunned Russian oil after Russia invaded Ukraine over a year ago.

The new deal, announced on March 29, would see Rosneft almost double its oil sales to IOC. Under the agreement, Rosneft would sell up to 1.5 million tonnes (11 million barrels) of Urals crude, shipped from Russia's European ports of Primorsk, Ust-Luga and Novorossiysk, and Sokol oil exported from Sakhalin to IOC each month, including some optional quantities, in the new fiscal year from April 1. The contract also includes a deal for IOC to buy 3 million barrels of Urals grade with an option to double the quantity every month priced at differentials to dated Brent on a delivered basis in 2022/23.

The new pricing structure highlights closer ties between Moscow and India, with India now the largest buyer of seaborne crude from Russia. Russian oil sales to India jumped 22-fold last year, according to Russian Deputy Prime Minister Alexander Novak. Indian refiners rarely bought Russian oil in the past due to higher freight costs compared with Europe, but with Urals prices falling to historical lows, Russia has now replaced Iraq as top oil supplier to India in recent months.

China, which buys Russian Urals at prices pegged against either dated Brent or ICE Brent, doubled its purchases of Urals oil in the first half of February compared to the same period of January, according to traders and Refinitiv Eikon data. As the West imposed wide-ranging sanctions, including an embargo on seaborne Russian oil imports, Russia has been rerouting its energy supplies from traditional markets in Europe to Asia, mainly India and China.



## What are Benchmarks in the oil industry?

In the oil industry, a benchmark is a reference price for crude oil that is used as a standard for pricing other types of crude oil. The most commonly used benchmarks are Brent crude, West Texas Intermediate (WTI), and Dubai crude.

Here's a brief explanation of each:

1. **Brent crude:** Brent crude is extracted from oil fields in the North Sea, between the UK and Norway. It is a light, sweet crude oil that is low in sulfur content, making it easier to refine into gasoline and other high-value products. Brent crude is used as a benchmark for pricing crude oil in Europe, Africa, and the Middle East, and its price is influenced by factors such as supply and demand, geopolitical events, and weather conditions affecting oil production and transportation.
2. **West Texas Intermediate (WTI):** WTI is a light, sweet crude oil that is extracted from oil fields in Texas and several other US states. It is a high-quality crude oil that is

easy to refine into gasoline and other products, and its price is typically higher than the price of other crude oils due to its quality. WTI is used as a benchmark for pricing crude oil in the Americas, and its price is influenced by factors such as US oil production levels, refining capacity, and global oil demand.

3. **Dubai crude:** Dubai crude is a medium, sour crude oil that is extracted from oil fields in Dubai and other parts of the Middle East. It has a higher sulfur content than Brent crude or WTI, making it more difficult to refine into high-value products. Dubai crude is used as a benchmark for pricing crude oil in Asia, and its price is influenced by factors such as the level of oil production in the Middle East, geopolitical events affecting oil supply and demand, and global oil market conditions.

The price of crude oil is influenced by a range of factors, including global supply and demand, geopolitical events, and the value of the US dollar. The benchmark price of crude oil provides a reference point for the pricing of other types of crude oil and allows market participants to compare prices across different regions and types of crude oil.

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