

INDIA BEGINS TAKING DELIVERY OF FIRST US OIL SHIPMENTS

India received its first ever shipment of US crude oil with state-owned Indian Oil Corporation (IOC) importing a 1.6 million barrels parcel at Paradip in Odisha. *MT New Prosperity*, a very large crude carrier (VLCC), with a capacity to haul two million barrels of crude, left the US Gulf Coast on 19 August and arrived at Paradip port.

State-owned Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) have also placed orders for about 2.95 million barrels and 1 million barrels of US crude, respectively for their Kochi and Vizag refineries. While in the first purchase IOC is importing 1.6 million barrels of high sulphur crude Mars from the US and 400,000 barrels of Western Canadian Select oil, in the second it has bought 1.9 million barrels of US crude, half of it being shale oil.

The second shipment is expected in a month's time. India, the world's third-largest oil importer, joins Asian countries like South Korea, Japan and China to buy US crude after production cuts by oil cartel OPEC drove up prices of Middle East heavy-sour crude, or grades with a high sulphur content.

"US crude oil shipments to India have the potential to boost bilateral trade by up to USD 2 billion," the embassy statement said. Indian companies, both public and private, have invested about \$5 billion in US shale assets.

They have also contracted 5.8 million tonnes per annum of liquefied natural gas (LNG) from the US and the first shipment is expected to be delivered to India in January 2018. The Indian government has encouraged state-controlled refiners to buy US and Canadian crude from the US Gulf coast as it looks at cheaper alternatives that have emerged due to global supply glut.

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Buying US crude has become attractive for Indian refiners after the differential between Brent (the benchmark crude or marker crude that serves as a reference price for buyers in western world) and Dubai (which serves as a benchmark for countries in the east) has narrowed.

Even after including the shipping cost, buying US crude is cost competitive to Indian refiners, an industry official said. The IOC deal came within weeks of Prime Minister Narendra Modi's June-end visit to the US when President Donald Trump talked of his country looking to export more energy products to India.