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Prolonged Ukraine crisis, high crude prices may push India's import bill up by 15 percent: Experts

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Summary: The Brent touched over USD 96 per barrel on Tuesday as fears rose over supply-side disruptions amidst current shortages of oil stemming from the spike in global demand and low production by OPEC. The threat of sanctions forcing Russia to supply less crude or natural gas would have substantial implications on oil prices and the global economy. An escalation due to the crisis is really going to hurt consumers at the petrol pumps, opines Navneet Damani, senior vice president (commodity and currency research) of Motilal Oswal Financial Services. The rise in global crude oil prices was recently flagged as a potential trigger to India's financial instability. Oil marketing companies can change the price of fuel sold at retail pumps every day but they have kept prices unchanged since November. Diesel is about 50 per cent of the Indian oil market, petrol is 20 per cent and LPG, kerosene and aviation turbine fuel make up the rest. The impact of the ongoing crisis in Ukraine would be felt across the world, from a petrol perspective as well as through the truck movement which carries most of the goods across the country. "Thankfully, India's gas requirements are locked in contracts with Qatar, the supply of which is unlikely to be affected if the war doesn't spillover," says analyst Moda Damani.

Facts and Figures:

- The surge in Brent oil to USD 105 a barrel for the first time since 2014 driven
- The genesis of the crisis is Russia's status as the world's second-largest oil producer, and is the largest supplier of natural gas to Europe, providing about 35 percent of its supply.
- The Brent touched over USD 96 per barrel.
- CRISIL Research, the conflict between Russia, the second-largest exporter of crude oil with a 12 percent market share.
- India imports nearly 85 percent of our crude oil requirement, If crude hovers around the USD 100 a barrel mark, India's import bill can jump around 15 percent

Opinion:

Sanctions against Iran must be revisited, and all nations must exert pressure on OPEC to raise supplies swiftly before it harms economies already weakened by the Covid epidemic. Even China must work hard to increase pressure on OPEC Saudi Arabia and other OPEC nations since the recession caused by the conflict would hurt them the most.