

## Windfall tax on crude oil produced in India hiked

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**New Delhi:** The government has hiked windfall tax on domestically produced crude oil to ₹6,000 per tonne, from ₹3,250 per tonne, with effect from Tuesday. The tax is levied in the form of Special Additional Excise Duty (SAED). The SAED on the export of diesel, petrol and jet fuel or ATF, has been retained at "nil". The new rates are effective from 2 July, an official notification said. **PTI**

# The petrodollar system and its influence on global finance and geopolitics

## A more multipolar financial ecosystem that accommodates a diverse array of currencies and economic influences is taking shape

The petrodollar system, inaugurated in 1974, has long been a linchpin of global finance and geopolitics. Established through an agreement between the United States and Saudi Arabia, it stipulated that the kingdom would exclusively sell its oil in US dollars. This arrangement not only guaranteed a consistent demand for the dollar but also directed oil revenues back into the US economy through investments in US Treasury bonds and other financial assets.

As a result, the system created a significant source of funding for the US government and solidified the dollar's status as the world's primary reserve currency. Geopolitically, the petrodollar system forged a symbiotic relationship between



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the US and oil-exporting nations, particularly those in the Middle East.

In exchange for security assurances and economic assistance, these countries committed to conducting oil transactions in dollars, thereby granting the US significant sway over global oil markets and the broader economy. This symbiosis reinforced the US's geopolitical influence and allowed it to project power in

the strategically vital Middle East, ensuring the uninterrupted flow of oil, which is critical for the global economy.

Recent developments suggest a potential departure from this long-standing arrangement. On June 9, Saudi Arabia declared its intention to discontinue exclusive oil sales in US dollars. This decision is part of a broader strategy to diversify the Saudi economy and diminish reliance on oil revenues. The move away from the petrodollar system is seen by some as a step towards strengthening ties with other economic powers, notably China, which seeks to promote its currency, the yuan, as an alternative in global trade. The role of Henry Kissinger, a pivotal figure in establishing the petrodollar system, under-

scores its historical significance. Kissinger's negotiations with Saudi Arabia in the 1970s not only secured American dominance in global finance but also assured protection for Saudi Arabia and other Gulf states, cementing their alliance with the US through military cooperation and strategic partnerships.

Reactions to Saudi Arabia's decision vary widely. Analysts speculate it could weaken the dollar's global hegemony, potentially leading to its depreciation and higher inflation rates in the US. However, mitigating factors include the US's current status as an oil exporter, reducing vulnerability to fluctuations in oil prices and currency dynamics. The broader implications for the global economy remain



uncertain. A shift away from the dollar in oil transactions could promote greater currency diversification and lessen dependence on the US financial system. For oil-importing countries, this shift could offer more stable pricing if transactions are conducted in their own currencies or other stable alternatives. In conclusion, Saudi Arabia's strategic pivot signifies a significant evolution in global financial systems.

While it may not immediately dismantle the petrodollar's influence, it signals a transition towards a more multipolar economic order, where multiple currencies could assume pivotal roles in global trade and finance. This transformation is anticipated to unfold gradually, with profound implications for international relations and economic strategies worldwide.

Throughout decades, the petrodollar system has upheld the dollar's global dominance, intertwining economic power with geopolitical influence. Conclusion The petrodollar system's historical context and its prospective decline illustrate the dynamic nature of global financial and geopolitical landscapes.

The shift in Saudi Arabia's pol-

icy highlights the kingdom's strategic intent to align itself more closely with emerging economic powers and reduce its over-reliance on oil revenue. This move is emblematic of a broader global trend toward economic diversification and the quest for greater financial sovereignty among oil-producing nations.

The gradual erosion of the petrodollar system could herald the rise of alternative financial paradigms, challenging the entrenched supremacy of the US dollar. As countries explore new avenues for conducting international trade and finance, the world may witness an increase in currency diversification, potentially leading to a more balanced and less US-centric global economy. Such a shift could also

encourage more equitable economic partnerships and reduce the economic vulnerabilities associated with dependence on a single dominant currency. Moreover, the potential decline of the petrodollar system invites a reexamination of existing geopolitical alliances and economic dependencies.

The ripple effects of these changes could extend beyond the realm of finance, influencing international diplomacy, trade policies, and even security dynamics. The focus will likely shift toward fostering a more multipolar financial ecosystem that accommodates a diverse array of currencies and economic influences.

*(The writer is an associate professor; views are personal)*

# Crude oil imports from Russia climb to 12-month high in June

**TAKING DIVERSION.** With China's lower appetite, more barrels are heading to India

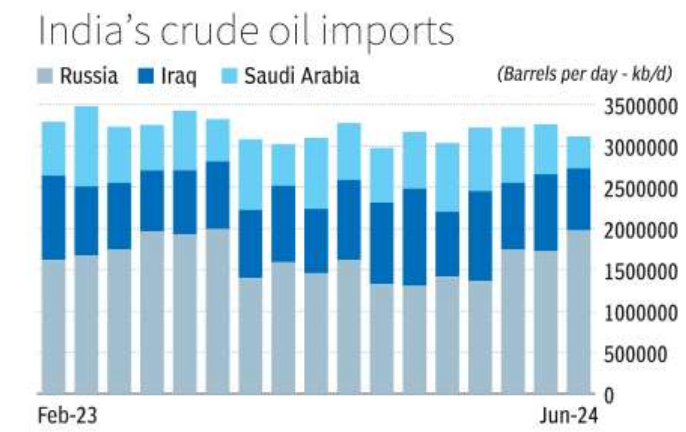
**Rishi Ranjan Kala**  
New Delhi

India's crude oil imports from Russia rose to 1.97 million barrels per day (mbpd) during June 2024, the highest since July 2023, largely due to lower cargoes to China.

According to data from energy intelligence firm Vortexa, imports from Russia were up by almost 15 per cent month-on-month (m-o-m) and 2 per cent on an annual basis. Data show that both public and private sector refiners continued to import in record quantities from Russia.

Public refiners such as Indian Oil Corporation (IOCL), Bharat Petroleum Corporation (BPCL) and Hindustan Petroleum Corporation (HPCL) imported 1.10 mbpd crude oil, which is also a 12-month high.

The cargoes last month were higher by 6 per cent M-o-M. However, imports were down by almost 11 per



Source: Vortexa

cent on an annual basis. During May-July 2023, public refiners imported more than 1.2 mbpd on a monthly basis from Russia.

Private refiners Reliance Industries (RIL) and Rosneft-backed Nayara Energy imported a record 871,200 barrels per day (bpd) from Russia in June 2024. The cargoes were higher by 28 per cent M-o-M and 20 per cent y-o-y.

Vortexa's head of APAC analysis Serena Huang told *businessline*, "India's im-

ports of Russian crude at 1.97 mbpd in June 2024 is the highest since last July. China's lower appetite of Russian crude has led to more barrels heading to India."

### IMPORT MOMENTUM

India's crude imports have remained robust at 4.62 mbpd in June, Huang said. "We expect the country's crude imports to remain robust, with downside risks from softer refining margins due to slowing global

oil demand," she added.

While Indian refiners procured more barrels from Russia, cargoes from traditional suppliers in West Asia, from the Middle East, such as Iraq and Saudi Arabia, declined.

Crude oil imports from India's second largest supplier, Iraq, fell by 20 per cent m-o-m and by 3.5 per cent y-o-y to roughly 754,000 bpd in June 2024.

The decline was steeper in in-bound shipments from Saudi Arabia at 36 per cent m-o-m and 46 per cent y-o-y to around 387,000 bpd. Some trade sources said that the higher official selling price (OSP) of its flagship medium sour grade Arab Light in June could have been a reason for the lower cargoes.

Crude oil shipments from the US continued to rise for the second consecutive month in June 2024. India imported roughly 331,000 bpd from the US last month, compared to around 224,000 bpd in May 2024 and 112,000 bpd in April.



## Windfall on domestic crude oil raised to ₹6,000/tonne

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PTI

# Share of Russian Oil in Imports up at 42% in June, Iraq Supplies Fall

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**New Delhi:** The share of Russian crude in Indian imports rose to 42% in June from 37% in May and was more than the combined share of the next four largest suppliers, according to energy cargo tracker Vortexa.

Crude imports from Russia jumped 13% in a month to 1.92 million barrels per day (mbd) in June. Russia's share in Indian imports exceeded the combined share of Iraq (16%), Saudi Arabia (8%), the UAE (8%) and the US (7%).

Supplies from Iraq dropped 22%

in a month to 754,000 barrels per day (bpd) in June and imports from Saudi Arabia fell 36% to 386,000 bpd. Supplies from the US, however, rose 63% to 330,000 bpd.

More crude oil from Russia was discharged in June at Indian ports than in China and Europe combined. Chinese imports of seaborne Russian crude fell 16% to 1.15 mbd and Europe's dropped 19% to 396,000 bpd. China and Europe also take Russian oil by pipeline.

"India's imports of Russian crude in June have reached the highest since last July, driven by weaker import appetite from China," said Serena Huang, analyst at Vortexa. "With Russia's crude exports down nearly 5% month-on-month in June, arrivals into India could remain flat to lo-

wer in July." It takes about a month for oil tankers loading at Russian ports to reach India.

Indian refiners find it attractive to buy Russian crude as it is available for a discount, which is around \$3-4 per barrel on a delivered-at-port basis.

The current discounts, much narrower than \$12-13 per barrel in the early days of the Ukraine war in 2022, are still attractive compared to competing supplies from the Gulf.

India's imports of Russian refined products rose 9% to 162,000 bpd in June. China's imports of Russian products increased 20% to 288,000 bpd and Europe's fell 9% to 511,000 bpd.

Private sector refiners accounted for 44% of the total Russian crude imports in June, up from 40% in May. Urals, the flagship Russian grade, accounted for 80% of the overall crude imports from Russia in June, down from 84% in May.