

## The Venezuelan Block

### Contact:

Madan Sabnavis  
Chief Economist  
madan.sabnavis@careratings.com  
+91 22-6837 4433

### Author

**Urvisha H Jagasheth**  
Research Analyst  
urvisha.jagasheth@careratings.com  
+91-98214 33630

### Mradul Mishra (Media Contact)

mradul.mishra@careratings.com  
+91-22-6754 3515

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### Overview

**Venezuela has suspended its oil exports to India.** Following a meeting with the Venezuelan oil minister and president of PDVSA, Manuel Quevedo; the Azeri energy ministry delivered the aforementioned statement.

What is interesting to note is that before the US imposed sanctions on Venezuela, India was the third-biggest buyer of Venezuelan crude after the U.S. and China and was the second-largest cash-paying customer behind the US.

The US has been piling diplomatic pressure on India to cut imports. In order to prevent a sharp reduction in its exports, Venezuela is viewing Russia and China as its main export destinations and has taken the stance to diversify its oil export markets by implementing various measures to do so.

### Demand-Supply situation in the Indian economy

In the current fiscal year (April-January), India has consumed 5.1 mb/d\* and has imported 4.6 mb/d. In the previous fiscal period in the corresponding cumulative period India had consumed 5.0 mb/d and had imported 4.4 mb/d.

Note: \*mb/d million barrels per day

India's import dependency on crude oil has increased from it being 87.5% (during FY18 April- January) to 88.6%.

**Table 1: India's key oil importers (million barrels\*\*)**

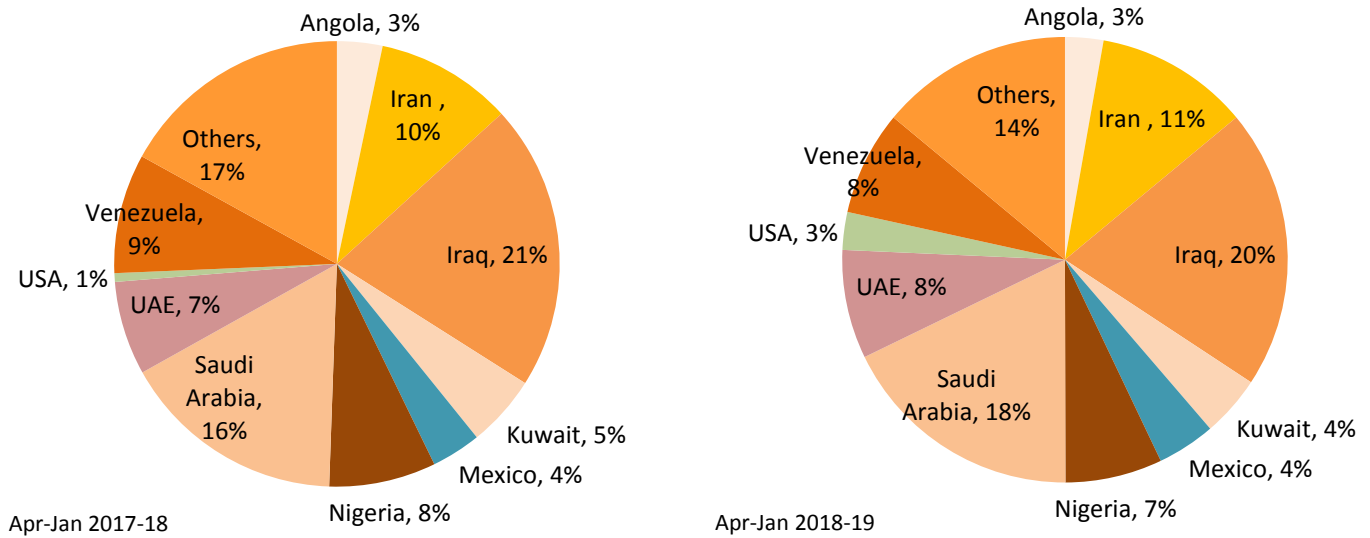
	2017-18*	2018-19*	y-o-y % change
Angola	45	39	-13.0%
Iran	134	156	16.4%
Iraq	281	283	0.9%
Kuwait	71	62	-12.3%
Mexico	49	59	21.2%
Nigeria	105	98	-6.3%
Saudi Arabia	221	249	12.7%
UAE	92	110	19.7%
USA	9	38	350.0%
<b>Venezuela</b>	<b>117</b>	<b>106</b>	<b>-9.9%</b>

Source: DGCIS, CARE Ratings

Note: \*April-January \*\* DGCIS provides data in terms of thousand tonnes. We convert the data into barrels for a better understanding as worldwide crude oil is measured in terms of barrels.

Only private refiners Reliance Industries and Nayara Energy import Venezuelan oil. State OMCs do not prefer the sour Venezuelan crude and there has already been a 9.9% y-o-y decline in crude oil imports in the current fiscal.

Chart 1: Percentage share of crude oil imports by source



Source: CARE Ratings

**CARE Ratings Views and Opinion.**

India could face a temporary supply shortage given the waiver period of the sanctions imposed on Iran are also due to be lifted May 2019 onwards. **We believe Brent crude oil could range around USD 70/bbl around April-May 2019.**

In the long term India could work out trade agreements towards establishing its energy security with the US, Saudi Arabia, UAE and Mexico, considering there has been an increase of imports from these nations during FY19 (April-January).

- Saudi Arabia is already in talks to secure India as a buyer for its crude oil with the plan of developing its Saudi Aramco refinery which will process 1.2 mb/d.
- Indian Oil has signed its first annual deal to buy 60,000 b/d of US oil till March 2020 in order to diversify its crude sources. Other Indian refiners can also follow suit considering the US has been increasing its crude oil production and has turned into a net exporter. There has already been a 350% increase in imports coming from the US.

**CORPORATE OFFICE:**  
**CARE Ratings Limited** (Formerly known as Credit Analysis & Research Ltd)  
 Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022; CIN: L67190MH1993PLC071691  
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457  
 E-mail: care@careratings.com | Website: [www.careratings.com](http://www.careratings.com)

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