

## Concern over Iran issue but no panic

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**New Delhi:** India plans to adopt a watch-and-wait policy on the US opting out of the Iran nuclear deal as New Delhi scans the fine print of US President Donald Trump's sanctions against Tehran even as global crude prices spiked on Wednesday.

"The risk of global crude prices remaining high for a longer period has increased. Iran oil supply is likely to be constrained post US sanctions. Have to watch out for global oil prices before a policy response by India," petroleum ministry officials said.

Trump on Tuesday announced the US would withdraw from the landmark 2015 accord to curb Iran's nuclear programme and reinstate the financial sanctions on the Persian Gulf nation. Brent crude rose as much as 3.1 per cent to \$77.20 per barrel, its highest level since November 2014.

Analysts fear Brent to spike further as the output from Tehran could fall 300,000 barrels per day to one million barrels per day, depending on how many other countries fall in line with Washington.

India imports 80 per cent of its oil, and elevated prices along with a weaker rupee will widen the trade deficit, fuel inflation and squeeze government finances.

The analysts said New Delhi needs to watch out

### OIL WATCH

#### What to watch out for:

■ Europe response. Impact limited if Europe sticks to the accord with Iran

■ If Europe backs action by US, payments to Iran for its oil will be hard

■ Brent crude, however, is rising and is at its highest since November 2014



whether the European allies of the US such as the UK, France and Germany, which favour the nuclear deal, change their stance.

They said there were now question marks over issues relating to banking and finance and payments to Iran.

Trump's unilateral decision provides a ray of hope for state-owned explorer ONGC Videsh to get the contract for the Farzad B gas field and state-owned refiners obtain oil at a discount.

"Immediately there will be no impact but we have to wait and watch how other nations particularly the European block, react," said A.K. Sharma, director (finance) of Indian Oil Corp, the country's largest oil firm.

If the European Union (EU) were to continue the status quo and not impose sanctions,

Iranian supplies to India will continue. But paying Iran for the oil would become difficult in case the European countries join the US and block the banking channels, he said.

"Because of the latest US move, geo political risk premium associated with oil pricing, which is already high will further rise as the oil market will remain worried about the retaliatory response of Iran and impact on physical movement of oil.

"This coupled with other uncertainties in the West Asian region, should lead to elevated oil prices in the near-term," K. Ravichandran, senior vice-president, group head-corporate ratings, Icra said.

### Little impact

India is not expecting any major shift in trade with Iran following the US decision to reimpose trade sanctions against the Islamic nation, a top government official said today.

Commerce secretary Rita Teatota said the sanctions on Iran were in place for long number of years and there was a partial lifting by the then Obama-administration.

The lifting of trade sanctions, she said, has not resulted in a surge in exports from India to Iran, "so our trade with Iran has remained at even levels... I would not expect any major shift happening (in trade)".