

UAE Murban is Indian refiners' preferred crude

COSTLY SHIPMENTS. Supply of Sokol from Russia hit by sanctions; limited availability of similar oil grade from US, Nigeria leads to shift

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A new oil trade scenario is emerging in India with refiners sourcing higher quantities of Murban from UAE as cargoes of its light sweet equivalent, Sokol from Russia, got derailed due to payment issues and western sanctions on ships transporting crude oil above the G7 price cap.

Another development, further strengthening Murban's prospects, is the higher cost of transporting a similar crude oil grade —WTI— from the US and limited availability of light sweet crude from Nigeria.

MURBAN SHIPMENTS

Data from energy intelligence firm Kpler shows that Indian refiners sourced higher quantities of crude (WTI) from US in mid-March, after which the quantities have tapered down. Trade sources said that April is also expected to witness

lower cargoes from US. On the other hand, Murban shipments have risen consistently every month since January 2024. India on an average sourced a little over 104,200 barrels per day (b/d) of Murban from UAE in 2023. However, in the first four months of 2024, it has risen to more than 265,000 b/d.

Heavy sulphur or sour grades account for more than three-fourths of India's total crude oil processing. For instance, refiners processed 4.11 million barrels per day (mb/d) of sour grades in FY24 accounting for 78.5 per cent of the total.

India processed around 1.24 mb/d of light sweet crude in FY20 and FY21, which fell to 1.13 mb/d in FY22 and then to 1.15 mb/d in FY23 and FY24.

COST DYNAMICS

"India's higher buying of Murban could exist as long as Murban is a cost-efficient option. No one believed back in



DRYING UP. Data from energy intelligence firm Kpler show that Indian refiners sourced higher quantities of crude (WTI) from US in mid-March, after which the quantities tapered down

the day that Urals could be India's default medium sour grade, yet it did. Similarly as Nigerian barrels are shrinking and as US barrels are expensive because of the shipping disruptions, Murban seems to be winning the battle for the preferred light grade," Viktor Katona, Kpler's Lead Crude Analyst told *businessline*.

For most of 2023, Murban has been relatively expensive,

the annual average premium of Murban to Dubai swaps has been \$1.66 per barrel and around September-October 2023, the light sour grade has been a solid \$3 per barrel more expensive, Katona said.

However, the Murban-Dubai swaps spread has literally halved to \$0.78 per barrel in 2024 and in recent days it even dropped to a discount vis-a-vis Dubai, he added.

ICRA Senior VP & Co-Group Head Corporate Ratings Prashant Vasisht too points out the cost arbitrage.

"Middle East to West coast of India takes only a fraction of the time it takes to move crude from say the US Gulf coast to India. As refiners make decisions to buy a particular crude it is guided by the value of products as well as inventory costs, freight etc. Murban is a light sweet crude which is beneficial for refineries owing to higher value of products due to higher distillate yield. Besides local currency settlement provides a fillip to internationalise and increase acceptance of Rupees trade," he added.

MURBAN VS WTI

"The big fight across Asia is between US' WTI and UAE's Murban. Both grades are seeing higher availability recently. This is especially true of Murban, after ADNOC refurbished the Ruwais refinery in early 2024 so that it could

run on heavier crudes as well," Katona said.

India's buying of US grades is mostly due to pricing developments with light sweet grades. Besides, some of the usual suspects that Indian refiners historically have been buying, such as Nigerian barrels, becoming expensive.

Over and above that, the light sweet supply coming from Sokol, produced by Russia's Rosneft in Sakhalin, is no longer there, so Indian refiners, in general, need to modify their import strategies for lighter grades, he explained.

"It's a fight for which grades will be used to blend down the medium sour barrels from Iraq, Russia or Saudi Arabia, and higher intakes of American WTI are part of that game. However, in the long term, with UAE being so conveniently located to India, I think ADNOC's Murban grade will see most of that opportunity," Katona emphasised.