5. Stranded Oil" Waiver to India -ECONOMY

Recently, the US Treasury Department has issued a temporary 30 - day waiver (valid until early April 2026) allowing Indian refiners to purchase Russian crude oil that is already loaded and "on the water". This is a pragmatic policy shift aimed at stabilizing global energy markets amidst the Israel - Iran - US conflict

1. U.S. Waiver for India to Import "Stranded" Russian Oil

1. Background of the Issue

1. The United States recently granted India a limited waiver allowing the purchase of "stranded" Russian oil cargoes that were stuck in global waters due to sanctions and geopolitical disruptions.
2. Around 120–130 million barrels of Russian crude oil were reportedly floating globally because sanctions, financial restrictions, and insurance risks discouraged buyers.
3. The waiver allows Indian refiners to purchase and process this already - produced oil, preventing disruption in global oil supply chains.

2. Nature of the Waiver

1. Limited and Conditional Permission

1. The waiver is not a blanket approval for new long - term Russian oil contracts.
2. It applies strictly to already produced and loaded cargoes that were stranded in transit.
3. This ensures that the policy does not significantly increase Russia's revenue from fresh production.

2. "Good Actor" Recognition for India

1. The U.S. administration described India as a "very good actor" because India had earlier reduced Russian oil purchases after a February 2026 trade agreement.
2. The waiver acknowledges India's cooperative behaviour in balancing geopolitical concerns with energy security needs.

3. Strategic Policy Shift by the U.S.

1. Earlier, Washington attempted to discourage India's Russian oil imports through 25% penal tariffs.
2. However, the waiver represents a pragmatic policy adjustment aimed at preventing a global oil supply disruption and stabilising energy markets.

3. Reasons Behind the U.S. Policy Change

1. Rising Risk in the Strait of Hormuz

1. The Strait of Hormuz, through which nearly 20% of global oil trade passes, has become a high - risk maritime zone due to geopolitical tensions.
2. Insurance companies have suspended coverage for some shipments, making transport through the region risky.
3. India receives around 40–50% of its crude oil imports from West Asia, making the disruption a major energy security concern.

2. U.S. Domestic Political Considerations

1. The U.S. midterm elections scheduled for November 2026 make fuel prices a critical political issue.
2. High global oil prices would increase gasoline prices in the United States, which could negatively affect the ruling administration's electoral prospects.
3. Ensuring stable global oil supply helps keep fuel prices under control domestically.

3. Maintaining Global Market Liquidity

1. Allowing India to purchase stranded Russian oil prevents India from aggressively competing in the global spot market for crude oil.
2. This helps stabilise global oil prices, particularly Brent crude, and reduces volatility in international energy markets.

4. Limited Financial Benefit to Russia

1. According to U.S. Treasury officials, the waiver is a temporary measure that does not significantly benefit Russia.
2. Since the oil was already produced and loaded, the waiver simply allows existing cargoes to be cleared without stimulating new Russian production.

4. India's Strategic Energy Position

1. Shift from Discounted to Premium Russian Oil

1. After the Ukraine conflict, Russia offered oil at deep discounts to attract buyers like India and China.
2. However, due to longer shipping routes, higher insurance costs, and rising demand, Russian crude is now often sold at higher prices than earlier discounts.
3. India is prioritising energy availability and supply security over price advantages.

2. High Import Dependence

1. India imports around 88–90% of its crude oil requirements.
2. The country consumes roughly 5.5–5.6 million barrels of oil per day, making it one of the largest oil importers in the world.
3. With disruptions in West Asian supplies, stranded Russian oil provides a critical logistical buffer for India's refineries.

3. Energy Diversification Strategy

1. India aims to diversify its energy sources by -
    1. Increasing LNG imports from the United States
    2. Expanding partnerships with Brazil, Guyana, and African producers
    3. Strengthening Strategic Petroleum Reserves (SPR)
2. Diversification reduces dependence on any single region or geopolitical chokepoint.

5. Way Forward for India

1. Short - Term Strategy - Managing Supply Shock

1. The waiver acts as a "pressure release valve" for the global oil market.
2. Processing the 120+ million barrels of floating Russian oil helps prevent -
    1. Domestic fuel shortages
    2. Sudden spikes in fuel prices
    3. Inflationary pressures in India.
3. It also stabilises global Brent crude prices by preventing panic buying.

2. Medium - Term Strategy - Supply Diversification

1. India must reduce its heavy reliance on West Asian oil imports, especially those passing through the Strait of Hormuz chokepoint.
2. This can be achieved by -
    1. Signing long - term supply contracts with **U.S., Brazil, and Guyana**
    2. Expanding **African energy partnerships**
    3. Increasing LNG imports.

3. Strengthening Strategic Petroleum Reserves

1. India currently has Strategic Petroleum Reserves equivalent to about 9.5 days of consumption, which is relatively low for a major economy.
2. The Phase II SPR expansion (6.5 MMT capacity) must be accelerated to build a 30 - day strategic buffer.
3. Countries belonging to the International Energy Agency (IEA) are required to maintain emergency reserves equivalent to at least 90 days of net oil imports under the International Energy Programme (IEP) agreement.

4. Long - Term Strategy - Energy Transition

1. True energy security lies in reducing dependence on imported fossil fuels.
2. India must accelerate -
    1. Electric vehicle adoption
    2. Renewable energy expansion
    3. Green hydrogen development
    4. Biofuels and alternative fuels
3. A transition toward a green and diversified energy system will reduce vulnerability to global geopolitical crises.

Conclusion

The U.S. waiver allowing India to purchase stranded Russian oil reflects the complex intersection of geopolitics, energy security, and global market stability. While it offers short - term relief from supply disruptions, the episode highlights India's structural vulnerability due to high import dependence and geopolitical chokepoints such as the Strait of Hormuz. Strengthening strategic reserves, diversifying energy sources, and accelerating the transition to renewable energy will be essential for ensuring long - term energy security and strategic autonomy for India.

Source - https -//www.business - standard.com/economy/news/us - grants - india - 30 - day - waiver - to - buy - russian - crude - amid - west - asia - crisis - 126030600948_1.html