



## Iran Oil Import Waiver Lifted

The US has said that it will not renew exemptions from its sanctions for importing oil from Iran. There will be no **Significant Reduction Exceptions (SREs)** to any nation anymore.

- The **exemptions were granted last November** for a 180-day period for India and seven other countries, and are due to expire on May 2.
- India, China, and US allies Japan, South Korea, and Turkey will be the most impacted by the non-renewal of waivers.
- The other three currently exempted countries — Italy, Greece, and Taiwan — have already reduced their imports to zero.

### Impact of Sanctions

- **On Iran:** The significant reduction in oil export will **deny Iran its principal source of revenue.**
- **On Global Oil Supplies:** Iran has a **4% share of global oil production in 2018.** Sanctions on Iran are likely to impact **global oil supply chains.**
  - Disruption in supply may also lead to **a significant rise in oil prices.**
  - However, the United States, Saudi Arabia, and the United Arab Emirates, three of the world's largest energy producers have said that they are committed to ensuring that global oil markets remain adequately supplied.

### Threatened sanctions on India

- The US has said that **India's "escrow account" used for Rupee-Rial trade cannot be operated** after May 2 deadline.
  - **Escrow Account:** An escrow account is a **temporary pass-through account held by a third party during the process of a transaction** between two parties.
  - However, there is **no change in the exemption given for India's investments in Chabahar port** as a trade route to Afghanistan.
- US has said that it will place **financial curbs** on any entities or companies violating the oil sanctions, including a **ban on the use of the [SWIFT banking international transaction](#)** system by the companies, **seizure of any US assets** of those companies, and curtailing any other dollar transactions.

### Impact on India

- **Oil Supply for Refineries:** The decision of the US is likely to irk India, particularly since the US has also imposed sanctions on another of India's top suppliers, Venezuela.
- **Current account deficit:** Higher crude oil prices will **widen the trade deficit and current account deficit**, given that the value of imports goes up with crude oil.
  - **Each dollar increase in the price of oil raises India's annual import bill by over Rs 10,500 crore**, any spike in global crude prices could have a bigger impact on India's deficit numbers in the absence of the Iranian oil.
- **Rupee and Inflation:** The currency could be impacted if the trade and current account deficits were to widen. An increase in the import bill will tend to put pressure on the rupee. The rise in crude oil prices passed on to the consumer will increase inflation.

## India's Response

- **Indian oil companies have almost halved** their Iranian oil purchases [since November when the sanctions came into effect.](#)
- India's petroleum Minister has said that **India will diversify its imports** from major oil-producing nations other than Iran.

## India and Iranian Oil

- **India is the world's third-biggest oil consumer.** It meets more than 80% of its crude oil requirements and around 40% of its natural gas needs through imports.
- **India is Iran's top oil buyer after China.** In 2018-19, it imported 23.5 million tonnes from Iran; in the previous year, almost 10% of its total 220.4 million tonnes of crude import was from Iran.
- Iran was the **fourth largest supplier of oil to India in 2018-19**, and other suppliers may not provide the same benefits in the form of price and credit facilities.

PDF Reference URL: <https://www.drishtias.com/printpdf/iran-oil-import-waiver-lifted>

