



INDIA'S OIL BARREL - DRIVE TO DIVERSITY

Benefits of Venezuela's Reopening for India

Venezuela's oil sector revival, following the U.S. capture of former President Nicolás Maduro in January 2026 and subsequent sanction relief, opens access to extra-heavy crude blends such as Merey, which are well-suited to complex Indian refineries operated by Reliance Industries.

Indian firms have already secured initial cargoes, including 2 million barrels by Reliance in February, signalling a resumption after a mid-2025 pause. This supports India's agenda by offering discounted supplies- potentially cheaper than Russian grades amid freight and insurance challenges- while aiding diversification from Middle Eastern and Russian dominance, which has exposed India to price volatility and sanctions risks.

Additionally, it could unlock stranded assets, such as ONGC's \$500- \$ 600 million in unpaid dividends from Venezuelan projects, thereby boosting upstream investments.

Projected Shifts in India's 2026 Oil Basket

India's crude imports, projected at approximately 5 million barrels per day in 2026, are set to be reconfigured under the U.S.-India deal and Venezuela's supply influx. Russian volumes, peaking at 2.1 million bpd in 2023, have already fallen to 1.1 million bpd in January 2026 and are expected to stabilise at 500,000-600,000 bpd, reducing its share amid U.S. tariff pressures.

Venezuelan imports could ramp up to 100,000-200,000 bpd if production recovers to 1.3-1.5 million bpd by mid-year, while U.S. crude might rise to 400,000 bpd. OPEC's share, at 53% in late 2025, may hold steady or grow, with benefits like lower prices (Indian basket forecasted at \$52 per barrel by June) easing the \$200-250 billion annual import bill and curbing inflation.

Potential Challenges

While beneficial, this shift carries risks: Venezuela's output recovery depends on \$100 billion in investments and stable governance, which may falter amid U.S. control. U.S. dictates on sourcing could strain India's strategic autonomy, as highlighted in recent diplomatic exchanges, and higher freight for Venezuelan crude might offset discounts. Overall, the evidence indicates net benefits for energy affordability, but outcomes depend on global stability.

Venezuela's oil sector reopening in early 2026, driven by U.S. intervention and sanction relief, represents a pivotal shift in global energy dynamics with direct implications for India's energy strategy.

Historically, Venezuela held the world's largest proven oil reserves, estimated at over 303 billion barrels, but production declined from a peak of 3.5 million barrels per day (bpd) in the 1990s to around 1 million bpd by late 2025 due to sanctions, mismanagement, and underinvestment.

The U.S. capture of President Nicolás Maduro on January 3, 2026, marked a turning point, with the Trump administration assuming indefinite control over the sector to stabilise output and redirect flows away from adversaries like China and Russia.

This "reopening" entails issuing general licenses for oil exports, allowing companies such as Chevron, Vitol, and Trafigura to resume operations, and paving the way for \$100 billion in reconstruction investments. For India, the world's third-largest oil importer, with demand exceeding 5 million bpd, this development supports core energy objectives: diversification, cost reduction, and security amid geopolitical tensions.

India's energy agenda emphasises reducing dependence on the Middle East (historically 60-70% of imports) and Russia (which surged to 35% post-2022 Ukraine invasion due to discounts), while enhancing access to heavy crudes compatible with its refining infrastructure.

Venezuelan blends such as Merey, with their high sulphur and density, are particularly suitable for refiners such as Reliance Industries and Indian Oil Corp., which have coking units to process them efficiently.

Prior to sanctions, Venezuela supplied up to 12% of India's crude in 2013, but imports declined to 0.6% by 2025. The resumption, evidenced by Reliance's February 2026 purchases of 2 million barrels and a provisional 1 million-barrel cargo on the Suezmax tanker Ottoman Sincerity, could restore this share to 5-10% if volumes scale up. This diversification mitigates risks from Russian supply disruptions- such as sanctions on Rosneft and Lukoil- and aligns with India's push for sustainable energy mixes, including biofuels and LNG, where imports are forecasted to rise to 28-29 million metric tons in 2026.

The U.S.-India trade deal, announced on February 6, 2026, amplifies these benefits by linking energy trade to broader economic ties. Under the pact, India commits to procuring \$500 billion in U.S. goods over five years, including energy products such as crude, LNG, and coal, in exchange for tariff reductions on Indian exports from 50% to 18%. Critically, it requires India to halt additional Russian oil purchases, redirecting flows toward U.S. and Venezuelan sources as part of Washington's strategy to curb Russian war funding.

U.S. officials have actively pitched Venezuelan crude to India, noting its potential to replace declining Russian imports, which fell to 1.1 million bpd in January 2026- a three-year low- and are projected to stabilise at 500,000-600,000 bpd. This shift has already increased OPEC's share to 53% in December 2025, with gains from the UAE (11%), the U.S. (8%), and emerging suppliers such as Libya and Brazil.

2026: Heralds interesting gains

Looking at 2026 projections, Venezuela's output could recover by 500,000-600,000 bpd within 12-18 months through revamped licensing and investments, enabling exports of 300,000-400,000 bpd to Asia, including India. Combined with the trade deal, this may elevate U.S. crude to 400,000 bpd in India's basket, up from 225,000 bpd in 2025.

Global oil surpluses, driven by non-OPEC growth, are expected to depress prices, with the Indian crude basket averaging \$53 in March and \$52 in June 2026, potentially dipping to \$50 or below.

This softening- correlated 98% with Brent- could reduce India's import bill by 14%, appreciating the rupee by 3% to ₹87.5 per dollar and adding 10-15 basis points to GDP growth, targeting 7.2%. Inflation impacts are favourable, with a 22 bps downward pressure on CPI, keeping FY27 averages below 3.4%.

However, challenges persist. Venezuela's revival hinges on legal stability and \$100 billion investments, with risks of output volatility if U.S. policies shift. India's strategic autonomy has been questioned, as the deal's conditions- echoed in U.S. Secretary Marco Rubio's claims of India's "commitment" to stop Russian buys- may limit flexibility. Domestic critics, including opposition figures, argue that this compromises sovereignty, while refiners face higher Venezuelan freight costs (initially up to 40¢/bl premiums). Counterarguments highlight benefits: diversified baskets reduce exposure to Russian sanctions and Middle East conflicts, with edible oil imports (separate but related) projected at 16.7 million tonnes, including palm and soybean, amid global volatility.

India's crude import sources

Source	2025 Share (%)	Projected 2026 Share (%)	Key Drivers
Russia	35	10-15	U.S. tariffs and deal conditions; volumes down to 500k-600k bpd
OPEC (e.g., Iraq, Saudi Arabia, UAE)	45-50	50-55	Proximity, reliability; share rose to 53% in Dec 2025
United States	5-6	8-10	Trade deal boosts; up to 400k bpd
Venezuela	<1	5-10	Sanction relief; initial cargoes of 1-2M bbl/month
Others (Africa, Brazil, etc.)	10-15	15-20	Diversification efforts

Price projections

Period	Indian Basket Price (\$/bbl)	Global Context
Current (Feb 2026)	62	Below moving averages
March 2026	53	Inventory buildup
June 2026	52	Surplus of 3.7M bpd
Year-End 2026	50 or lower	Non-OPEC growth

In conclusion, while Venezuela's reopening and the U.S. deal enhance India's energy resilience through diversification and cost savings, they underscore the need for a balanced diplomatic approach to preserve autonomy amid evolving global alliances.

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