

## Russian Oil Prices Sink as India and China Cut Purchases Ahead of U.S. Sanctions Deadline

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Russian oil prices have slid sharply as refiners in India and China pulled back from purchases ahead of a U.S. sanctions deadline targeting state-controlled producers Rosneft and Lukoil.

The price of Urals crude, Russia's main export blend, fell to \$36.61 per barrel at the end of last week for cargoes loaded from Novorossiysk, Bloomberg <u>reported</u> Monday, citing Argus Media data.

The discount on Urals versus North Sea benchmark Brent widened to \$23.51 per barrel, the largest since March 2023.

Urals typically traded at a \$12-13 discount before the latest U.S. measures were announced. The gap has since nearly doubled and is closing in on the early-2023 record of \$40.

The selloff has intensified as the Nov. 21 deadline approaches, by which all transactions

involving Rosneft and Lukoil must be wound down.

Several major Indian refiners — Reliance Industries, Bharat Petroleum, Hindustan Petroleum, Mangalore Refinery and Petrochemicals and HPCL-Mittal Energy — have already halted direct purchases from the two companies. Together, they previously bought around 1 million barrels per day of Russian crude.

Chinese state-owned refiners Sinopec and PetroChina, along with smaller private plants, have also suspended direct buying.

The "buyer strike" has affected nearly 45% of Russian oil exports to China, according to figures from Rystad Energy <u>cited</u> by Bloomberg earlier this month.

The sudden drop in demand has left Russian suppliers holding growing volumes at sea.

JPMorgan estimates around one-third of Russia's seaborne exports, roughly 1.4 million barrels per day, are now sitting on tankers being used as floating storage.

"Russia's oil exports are entering a new phase of disruption as sanctions targeting Rosneft and Lukoil are set to take effect, prompting its two largest customers — India and China — to sharply reduce their December purchases," JPMorgan analysts wrote.

The Kremlin is bracing for another hit to its budget revenues which have already fallen more than 20% this year, Bloomberg <u>reported</u> in September.

Rosneft and Lukoil account for about half of Russia's crude exports at 2.2 million barrels per day. When including Surgutneftegaz and Gazprom Neft, already under U.S. blocking sanctions, around 70% of Russia's export volumes are now affected.

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