

ANALYSIS GOVERNMENT

Is the Modi Government Helping Private Companies Benefit from the Russia-Ukraine War?

While private refiners gained the most from the deeply-discounted imports of Russian crude, the public sector imported mainly at war-affected high international prices.



Russian oil tankers. Photo: sergejf/Wikimedia Commons



Jawhar Sircar



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Having watched Narendra Modi for nine years, of which more than two were spent “in his government” – as head of a national organisation – I can state with certainty that every action of his has an ulterior motive of helping someone make huge profits. I guess these crony capitalists, in turn, look after Modi’s needs. But what is more important is how the state machinery is calibrated to suit the requirements of these beneficiaries.

Immediately after the parliament’s budget session reconvened on March 14, 2022, the external affairs minister addressed us on the Russia-Ukraine war. He mentioned India’s sincere efforts to rescue its stranded citizens, especially students who had gone to the region to study medicine. He explained why India was firm in maintaining its age-old neutrality, though he was careful not to call it ‘non-alignment’. He justified India’s abstention from the UN resolution of March 2, 2022, taken at an emergency special session of the General Assembly. As many as 141 countries (of the West and far beyond) demanded Russia’s immediate withdrawal from Ukraine but India remained silent.

India’s move obviously triggered criticism and hostility from the international community and (Western) media. As is the parliamentary tradition, both houses of parliament thumped their firm support to the government. The mind-influencing brigade of the ruling party was soon on the job – even before many could locate obscure

Ukraine on the world map – and a flood of messages on WhatsApp and Facebook accused Ukraine of taking a stand against India in the past. Pro-government social media and TV reminded all that Russia had stood beside us for 52 years since the Indo-Soviet treaty of 1971 – but took special care not to mention the role of Nehru or Indira Gandhi in this history.

What was most visible was the energy with which India jacked up its oil imports from Russia, despite international sanctions against dealing with Russia. Even when Jaishankar was **telling** the West in mid-2022 that India accounts for only 1% of Russian oil exports, he was quoting a much-outdated statistic. By the end of the year, we had imported 30% of Russia's oil exports.

Incidentally, while state sector oil refiners are not allowed to re-export oil or its finished products, private refineries have no such restriction. Before the Ukraine crisis, the two private refineries had to import crude at steep international market rates and they sold their petrol, diesel and other derivatives with lesser margins as prices were competitive. Except their obligation to feed oil to 10,000 of India's 65,000 petrol pumps, Reliance and Nayara were now free to make unprecedented profits by importing oil from Russia at deeply discounted rates. This was thanks to India's international stand on the Ukraine war and Reliance-Nayara also exported petrol, diesel and other products at mind-boggling profits.

Oil-starved Western nations who were hit by their own sanctions against Russia bought at very high prices. When crude prices rose and crossed \$100 per barrel, government screamed that the sky had fallen on our heads. It conveniently forgot that the UPA had often been forced to import crude at well above \$100 a barrel. In fact, on the month that the UPA handed over power to the NDA, i.e. May 2014, crude oil price raged at \$106.94, while

Manmohan Singh could still give us petrol at Rs 72 a litre.

I cannot understand Modi's economics of why petrol prices are constantly so high (well over Rs 100 a litre at present), when he usually buys oil at \$70 a barrel. I do not know at what discounted prices Indian private refiners actually bought Russian crude oil, because public sector refineries could not jump in so enthusiastically as they were bound to buy at contracted rates from the open market. But the whole nation was persuaded to believe that had we not 'sided' with Russia, we would have sunk. Jaishankar has a flair for being quite rude when referring to the West, though he (rightly) accused it of buying Russian gas, despite sanctions. He **defended** India's right to import, saying "we don't send people to buy Russian oil, we send people to buy oil in the market, buy the best oil."

Russian data (Refinitiv Eikon) shows that India bought about 62.5 million barrels of Russian oil between February and June '22, which was more than thrice what it did in the same period in 2021 – mainly for the two private refiners. In fact, a report by *Business Today* **stated** that "India's private refiners tap cheap Russian crude as state refiners suffer." In March 2023, Vortexa, an energy cargo tracker, reported that though Indian private refiners had a 35% share in the domestic refining capacity, they imported 45% of Russian oil at discounted prices. Reliance and Nayara re-exported Russian oil after refining at what the Wall Street Journal **called** "supercharged profits." It sighed that "Reliance will continue to benefit from the West's deteriorating relationship with Russia."

For more than a year, I have been trying for a year to obtain (through parliament questions and letters) the details of imports, exports, costs, discounts, profits and the windfall gain from a stonewalling petroleum ministry. The

profits were, in fact, so high that finance ministry imposed a ‘windfall gains tax’, on and off, but the details we have are all hazy.

Obviously, such bonhomie with Russia does/did not grow overnight. Nayara, while located in Gujarat, is actually a Russian-controlled company that is owned indirectly by Rosneft, the Russian oil major. It bought the Essar refinery from cash-strapped Ruias in 2017 for about \$13 billion. And Reliance has, all along, maintained the best of terms with Russian companies and oligarchs in order to keep all options open.

The trouble really began after an international think-tank, the Centre for Research on Energy and Clean Air, accused India (with a lot of details) of whitewashing (laundering) Russian crude oil to re-export it to the European Union and other countries. India had no proper reply to this charge of *de facto* black marketing. Then came another bombshell accusation, in the *Financial Times*, *The Wire*, the *Indian Express* and others, that a mysterious company called Gatik Ship Management, based in Mumbai and Dubai and sharing an office with related Buena Vista Shipping, added 56 oil tankers by April this year to its earlier fleet of just two. This appears to be a monopoly transporter of Rosneft’s Russian oil that has already transported more than half of the 83 million barrels of Russian crude oil. No India-related shipping company’s business has rocketed up like this in so short a time – only for massive imports of Russian oil to India. Such a mammoth operation could not have taken place without official patronage and the assistance of both countries.

My point is sharp – while private refiners gained the most from the deeply-discounted imports of Russian crude, the public sector imported mainly at war-affected high international prices. How much did Reliance and Nayara

profiteer from this imbroglio by importing low and exporting high? Who owns this mysterious private entity (Gatik or Buena Vista) that made sky-high amounts by transporting sanctions-tainted Russian oil? Under the circumstances, may I assume that the Indian rhetoric on Russia and our consequential international isolation are/were influenced quite deeply by the interests of private oil refineries? I am open to convincing numbers and evidence to expurgate the uneasy feeling that both the petroleum and the external affairs ministries are there mainly to fight for Gujarat-based profiteers to the extent of bringing India's position under an international shadow.

Jawhar Sircar is a Rajya Sabha MP and former Culture Secretary and CEO of Prasar Bharati.