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India Cuts Iranian Oil Imports Ahead of U.S. Sanctions

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India has reduced her monthly oil imports from Iran in June by 16% (as compared to May) to avoid sanctions by the United States that are set to take effect in November.

- The Government of India asked Indian oil refiners to prepare for drastic reductions or even zero Iranian oil imports.
- The Indian refiners will have to comply with the limits to maintain their access to the U.S. financial system.

Background

- In June 2018, the United States (US) withdrew from the landmark Iran nuclear deal and re-imposed sanctions that had been suspended in return for curbs on Iran's nuclear programme.
- The United States has asked India and other countries to cut oil imports from Iran to "zero" by November 4 or face sanctions.
- The US also gave foreign companies either 90 or 180 days to wind down their business with Iranian counterparts.
- The request is part of US efforts to isolate streams of Iranian funding and is looking to highlight the totality of Iran's 'malign behavior' across the region.

How Does it Impact India?

- Given the huge energy needs, Iran is India's third-largest oil supplier behind Iraq and Saudi Arabia.
- Further, after China, India is Iran's top oil importer of Iranian oil.
- Iran oil sale terms were the most attractive for Indian refiners - besides a liberal credit period, it also shipped the oil to India for a nominal ocean freight.
- Though Iran understands the 'challenges' India faces on the energy front, the former has threatened to end "special privileges" for India if she tried to replace Iranian crude oil with supplies from Saudi Arabia, Russia, and the United States.

- India's decisions on procuring Iran oil, however, is not so much about securing energy as it is about securing India's standing in the world.
- If it rejects U.S. pressure, it risks sanctions as well as incurring the displeasure of its all-powerful friend and defence partner.
- If it yields, it risks its relationship with traditional partner Iran, access to important trade routes through Chabahar and the International North-South Transport Corridor (INSTC), as well as its international reputation.

What is the Iran Nuclear Deal?

- In July 2015, Iran and six countries (United States, Russia, France, UK, China, and Germany) & the EU, reached a historic agreement called the Joint Comprehensive Plan of Action (JCPOA), popularly known as the Iran nuclear deal.
- As part of the deal, Iran agreed to reduce its number of nuclear centrifuges by two-thirds.
- Iran also agreed to reduce its stockpile of enriched uranium by 98% and limit uranium enrichment to 3.67%, i.e., it will have enough enriched uranium to maintain the country's energy needs, without having the ability to build a nuclear bomb.
- The deal aimed to restrict Iran's ability to develop nuclear weapons in exchange for lifting economic sanctions against Iran.
- The JCPOA ensured the comprehensive lifting of all UN Security Council sanctions as well as multilateral and national sanctions related to Iran's nuclear programme.
- Inspectors from the International Atomic Energy Agency (IAEA) were given access to Iran's nuclear facilities for inspection on a regular basis.