



## Iran Sanctions: India Lines Up Alternative Sources

India and seven other countries will not be able to import cheaper Iranian oil without attracting US sanctions after May 1st, 2019 when the American administration will end all the waivers on Iranian oil imports.

### Why USA is putting sanction on Iran?

- In 2015, P5+1 (America, Russia, UK, China, France & Germany) countries reached a deal with Iran on lifting of economic sanction on Iran, on condition that Tehran would give up a bulk of its nuclear programme and would also submit itself to extremely invasive inspections from time to time.
  - But US, under Donald Trump, contends that the nuclear agreement did nothing to deter Iran from eventually obtaining nuclear weapons, and hence wants the restrictions imposed by the accord to be permanent.
  - US also wants Iran to abandon its **ballistic missile development** and to stop **supporting militant groups in Lebanon, Syria, Yemen** and elsewhere that United States regards as terrorist organizations.
- **Impact:** Any country cannot import Iranian oil without inviting sanctions from America. Sanctions are also applicable on banking transactions from Iran.

### Why Iranian oil is important to India?

- India is the world's third largest oil importer, and a large share of that comes from Iran (23.5 million tonnes in 2018-9). Not only is Iran India's third largest supplier (vs just 3% of oil imports from the US), there are other associated benefits like - 60-day credit, free insurance, free on board (FOB) basis and a barter-of-goods arrangement.
- Additionally, there are a number of strategic reasons why India wants to continue buying Iranian oil:
  - Shia Iran is seen by India as an **ally against the predominantly Sunni Pakistan**. Pakistan's traditionally close relations with Saudi Arabia made Iran a possible ally. Iran's position on Pakistan's flank is also attractive, as is the perception of common Indian-Iranian interest in countering Pakistan's influence in Afghanistan.
  - India also sees Iran as a **conduit to Central Asia**, a region that India considers strategically vital.
- India has also invested in **Chabahar port** in Iran and highways that provide an alternative route to both Afghanistan and Central Asia, bypassing Pakistan, thereby making Iran important for long term interests of India.

### Alternatives to Iranian Oil

- India does have alternate options - Saudi Arabia, the UAE, and even the United States are potential suppliers that could replace Iran as an oil source. Apart from it, discovery of huge oil field in Guyana, offers a alternative source to India.
  - **Guyana Oil Import:** India is looking to secure an interest in **Guyana's oil fields** that are

being hailed as one of the world's largest oil fields in recent times.

- **ExxonMobil**, one of the world's largest publicly-traded energy firms, **announced an estimated reserve of more than five billion oil-equivalent barrels** in the offshore Stabroek block in the South American country, **Guyana**.
- The fact that **Guyana borders Venezuela**, which has one of the world's biggest oil reserves, has further raised the expectations.
- India is looking for **farm-in opportunities** in Guyana.
- Under a "farm-in" contract, an energy firm acquires a stake in a discovered or producing field, the lease of which is owned by another firm.

## Guyana

- **Guyana** is a country that is **located in the northeastern corner of South America**.
- It is **bordered by** the Atlantic Ocean to the north, by Suriname(along the Courantyne River) to the east, by Brazil to the south and southwest, and by Venezuela to the west.
- India has invested more in its relationship with **Saudi Arabia and other anti-Iranian Gulf monarchies**. Such improvement in relationships will put pressure on India to moderate its support for Iran.
- India has also grown **increasingly close to Israel**, a country that is the source of vital military equipment for India.
- Iran's positioning on a number of issues that matter to India is no longer very reassuring to New Delhi. For instance, **Iran appears to be more closely aligned to Pakistan on Afghanistan** than before, as evidenced by Pakistan Prime Minister's recent trip to Iran.
- **United States itself is an increasingly vital partner for India**. Joining China in defying American sanctions on the Iran issue may not be particularly wise given the broader interests that Washington and New Delhi share.

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