MNI Oil Weekly: Indian Oil Buying Defies Trump Pressure

By Andrew Couper and David Lee (27/08/2025)

- **Indian Oil Buying Defies Trump Pressure:** Tariff pressure on India fails to dissuade Russian oil buying as 50% measure take effect. Crude price weakness highlights a lack of concern around Russian secondary sanction threats with peace efforts still stalled.
- **Oil Market:** Brent crude prices pulled back from a high of $69.07/bbl on Aug. 25 as new US tariffs on India come into effect and the Ukraine peace process appears to stall. Crack spreads have softened slightly this week with upside pressure on diesel eased by recent stocks builds.

Indian Oil Buying Defies Trump Pressure

Trump imposes a 50% tariff on India on Wednesday as a punishment for buying Russian oil. Oil markets have largely failed to react as India pushes back against negotiations on the matter and snaps up more cargoes.

- US tariffs of 25% on Indian goods went into force earlier this month, but Trump announced plans to double the rate, citing New Delhi's purchases of Russian oil, which the White House has argued is indirectly funding Russia's war against Ukraine.
- Ministers in India argue it has been unjustly singled out for its trade relationship with Russia and officials caution the country will likely work more closely with Moscow and Beijing – and drift further from Washington.
- China – the other big buyer of sanctioned Russian oil, which also has leverage over the US in the form of rare earths – has not received similar threats, and neither has Turkey.
- U.S. officials claimed that China has not markedly increased Russian oil purchases in percentage terms pre and post war, while Indian purchasing has increased dramatically.
- U.S. Treasury Secretary Scott Bessent told CNBC in an interview that Russian oil now accounted for 42% of India's total oil purchases, up from under 1% before the war, and contrasted that with longtime buyer China, whose Russian oil purchases had increased to 16% from 13%.
- Official sources in India, quoted by the news agency ANI said this week that Indian oil companies had not paused Russian imports and that supply decisions were based on "price, grade of crude, inventories, logistics and other economic factors".

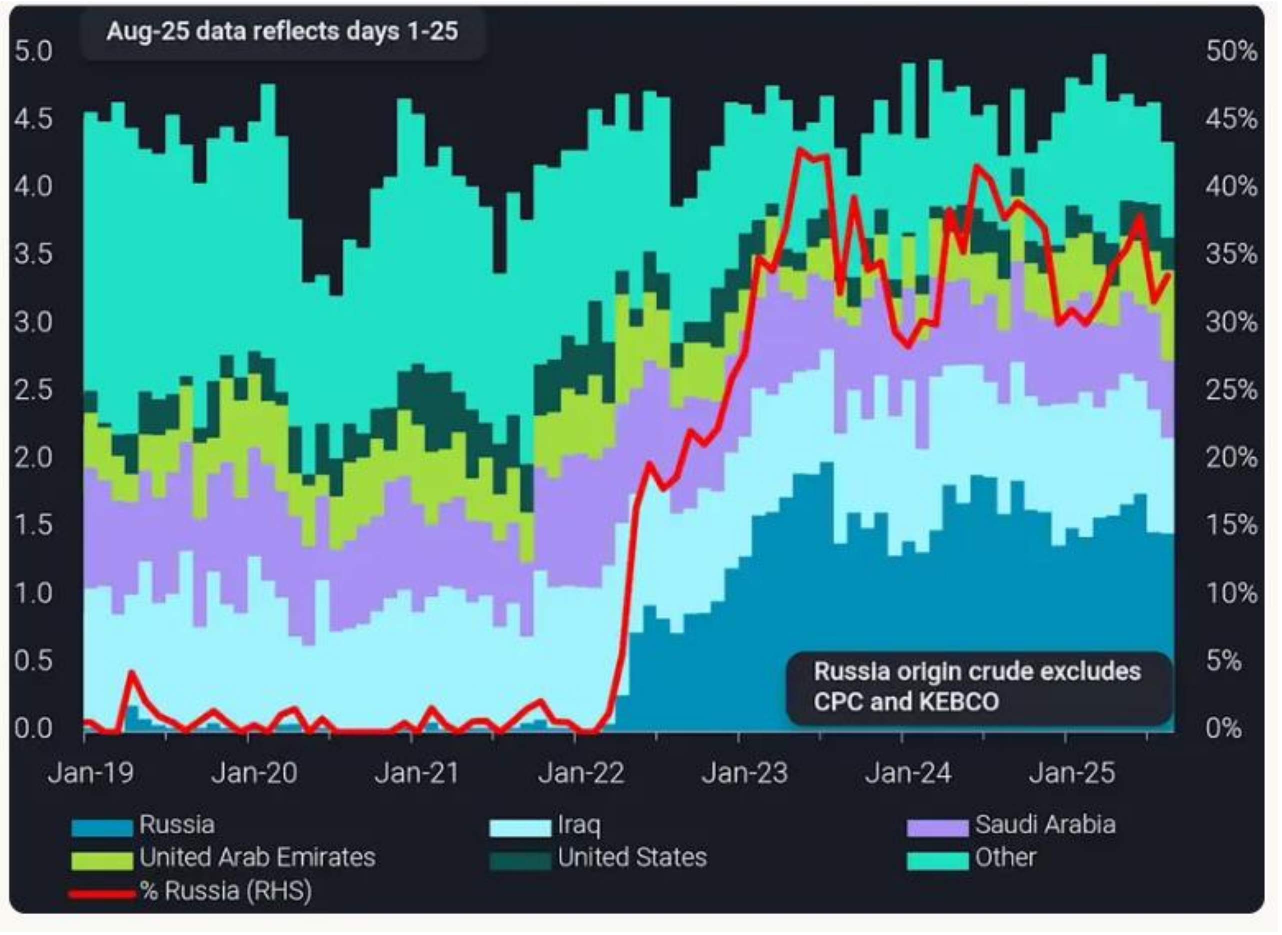
Indian Buying Impact?

Indian oil buying showed signs of slowing in recent months, but rather than being directly because of Russian sanctions – crude imports into the Russian linked Nayara/Vadinar refinery have been slowing. This is impacting non-Russian crude with flows on mainstream vessels (ie not dark fleet) halting to avoid being associated with the EU sanctioned refiner.

- Meanwhile, imports of Urals crude into the refinery have risen slightly this month, as vessels plying the Russia-India trade route resume crude discharges after brief disruptions last month.
- The refinery is expected to increase Russian oil buying to replace non-Russian volumes which have now been lost.
- Crude arrivals into India will likely increase in September and October, driven by higher inflows of Russian crude according to Vortexa.

- IOC and BPCL have resumed purchases of Russian crude for September and October loading according to Bloomberg/Reuters reports.
- Additionally, discounts of Urals versus North Sea Brent crude have widened since the start of August (Argus), which increases the incentive for refiners to purchase Russian oil.
- Vortexa finds that the existing fleet supply could sustain up to 93% of H1 2025 Russian crude flows into India, with only minimal vessel additions required to fully restore flows.
- The monsoon season in India peaks in August which results in seasonally low demand for transport fuels. As a result, demand increases significantly from September, supporting higher refining rates and Russian oil buying.

India crude/condensate imports by origin country (mbd, LHS) and share of imports from Russia (5, RHS) – source: Vortexa



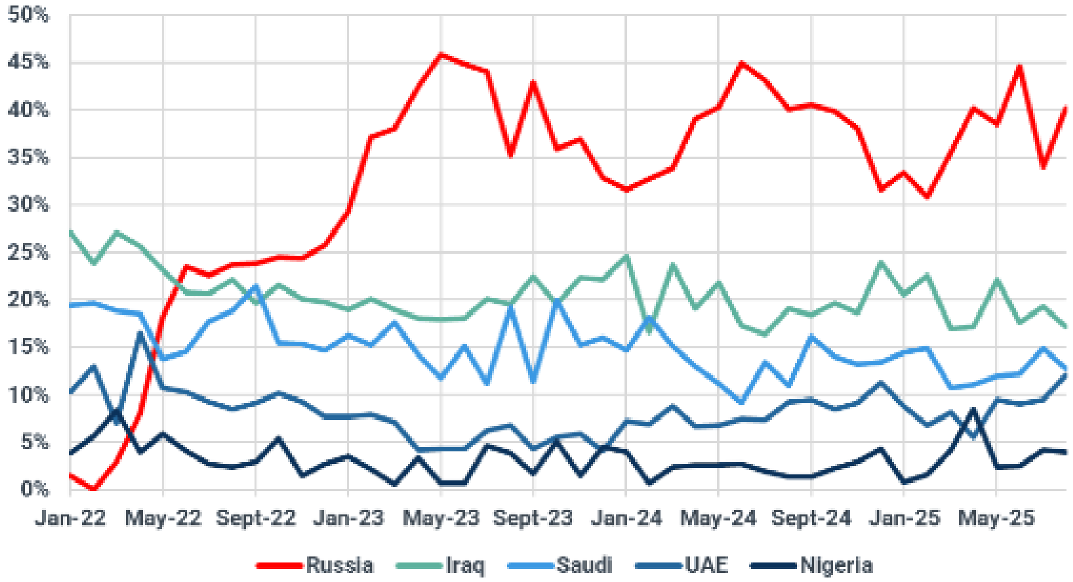
Tying It All Together

This current oil market driver ties in a lot of moving parts. We have Russian oil being used as a negotiating tactic in U.S./India trade talks, a move which has so far failed. This is limiting the price impact for oil into late August.

- We also have the re-emergence of secondary sanctions threats on Russia oil – something which has been kicked into the weeds for much of August.

- This related to Trumps efforts to force a Russia/Ukraine peace deal – another area that is proving very challenging to make any headway. As it stands Putin appears very reluctant to have a direct meeting with Zelenskyy. Reported territorial demands also cross a red line for Ukraine and Europe, with both unsurprisingly unwilling to cede territory as part of peace negotiations.
- With talks clearly stalled, Trump said on Tuesday he is prepared to impose economic sanctions against Russia if Putin fails to agree to a ceasefire in the war in Ukraine.
- "It's very, very serious what I have in mind, if I have to do it, but I want to see it end," Trump told a reporter who asked if Putin would face consequences. "We have economic sanctions. I'm talking about economic because we're not going to get into a world war."
- "It will not be a world war, but it will be an economic war," Trump said at a White House Cabinet meeting. "An economic war is going to be bad, and it's going to be bad for Russia, and I don't want that."
- Trump suggested on Tuesday that he was open to "using a very strong tariff system that's very costly to Russia or Ukraine" to make peace.
- Looking ahead, a Russia/Ukraine peace deal looks unlikely which may force Trump to enforce some level of sanctions/tariffs on Russia. With that in mind, India is clearly facing the brunt of these types of threats so far and looking at the impact for barrels coming off the market – it has been marginal.
- Any headlines of Trump actions to impose sanctions will be viewed as bullish for oil initially but once the dust settles and the market see's little impact on physical flows – it will struggle to be a longer term bullish signal for oil.

Share of key suppliers in India's total crude imports, % - Source: Kpler



Business Address – MNI Market News, 3rd Floor, 1 Great Tower Street, London, EC3R 5AA

Oil Market:

Crude:

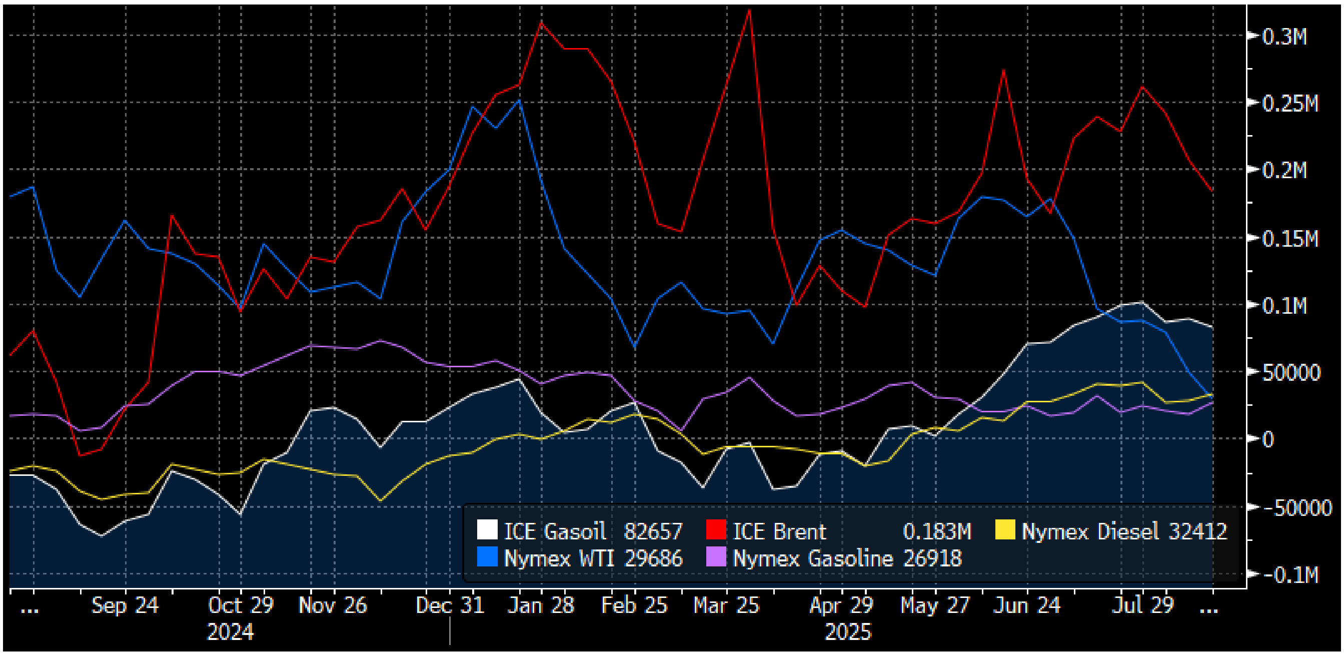
Brent crude prices pulled back from a high of $69.07/bbl on Aug. 25 as new US tariffs on India come into effect while progress on negotiating a Ukraine peace appears to have stalled. Focus remains on the outcome of a Russia/Ukraine peace deal with risk to supplies from secondary sanctions set against market oversupply risks following the peak summer demand season. It also remains unclear how impactful secondary sanctions would be.
Fed Chair Jerome Powell flagged a potential resumption of rate cuts next month in a speech on Aug. 22. Crude found support on dollar weakness and optimism around higher economic activity.

Markets:

Managed Money net long crude oil positions fell again in the week to Aug. 19 with WTI at the lowest since October 2008, according to the Commitments of Traders data released on Friday.

- The Brent and WTI second month call-put spreads have turned more bearish again after slowly narrowing between Aug. 8 to Aug. 25.
- Prompt time spreads are holding rangebound after narrowing during the first half of August amid market oversupply risks but with ongoing uncertainty for future Russian supplies. Dec25-Dec26 backwardation has also drifted lower again after a brief strengthening last week.

Managed Money Net Oil Positioning - Source: Bloomberg Finance L.P.



Global:

An expected seasonal decline in European crude import demand and autumn refinery maintenance starting are adding downward pressure on Atlantic basin crude prices, Vortexa said. Prices may support exports from the Atlantic Basin towards the East of Suez.

- The rapid unwinding of OPEC+ production cuts has not yet concretely pushed the market into oversupply. Wider Pacific Basin exports remain 7% below the seasonal average during the first 15 days of August. Middle East Gulf exports were down by over 860kb/d month on month to around 16mb/d and 8% below the seasonal average.
- Onshore inventory builds in the wider OPEC+ group, still 4% below seasonal average, have been limited by member compensation for previous overproduction as well as increased domestic use.
- Goldman Sachs expect a rise in global stocks by the end of 2026 coupled with reduced demand in OECD countries could push Brent to the low $50s late next year, Reuters said. The oil surplus to widen and average 1.8mb/d in Q4 2025 through Q4 2026.

Russia:

Trump renewed a threat to impose sanctions on Russia on Aug. 22 if there is no progress toward a peaceful settlement in Ukraine in two weeks, showing frustration at Moscow a week after his meeting with Russian President Vladimir Putin in Alaska.

- US VP JD Vance last week said both Russia and Ukraine had shown openness to accepting "significant concessions" in recent days.
- Moscow has said it must be part of any international talks on Ukraine's security, as Russia continues to stall on Trump's push for a meeting between Putin and Zelenskyy.
- Trump said on Aug. 25 he believes personal animosity is the reason Putin is avoiding a meeting with Zelenskyy. Zelenskyy has repeatedly expressed willingness to attend such a meeting. But Putin and his officials have consistently dodged the proposal.
- Russian and Ukrainian drone attacks have shown no sign of slowing down while apparent attempts are made towards peace efforts. Zelenskyy said the latest attacks signal Russia is not ready to end the war.
- Russia's crude export planned from its western facing ports has risen by 200kb/d in August following Ukraine drone strikes, sources told Reuters. Further revisions are expected with repair timelines unclear and the threat of further attacks.
- Debris from Ukrainian drones were downed over the port of Ust-Luga sparked fire at the Baltic Sea fuel export terminal and processing complex, the regional governor said. According to the Reuters sources, at least one processing unit and possibly two were damaged by the fire. Kazakhstan's oil exports via the Russian port of Ust-Luga were continuing and were not interrupted.
- Hungary's MOL chief Hernadi says the Druzhba pipeline could be restarted on Aug 27 or Aug 28 in best case but even then, maybe not at full capacity, Reuters said. Slovakia and Hungary previously said that their supplies of Russian oil could be suspended for at least five days following a Ukrainian strike on Aug. 21.
- Russia's crude and condensate production is seen flat at 10.3mb/d in 2025 and 10.4mb/d in the next two years, Kasatkin Consulting said. even as the industry goes through its most challenging period since the Covid-19 pandemic. Exports should hold at 4.8mb/d.

China:

China's state-owned and private refiners have steered away from buying Russian Urals crude last week after Indian processors signalled a return to the market, according to Kpler. No new Urals cargoes were sold to Chinese companies as India likely absorbed the bulk of the available barrels, Kpler says. Chinese refiners had picked up about 15 Urals cargoes for Oct. and Nov. as of the previous week.

- Two China-based crude oil and petroleum products terminal and storage operators, believed to have purchased sanctioned Iranian crude via US-designated tankers, were sanctioned by the US State Department on Aug. 25.

India:

Government officials in New Delhi branded the Trump Administration's additional 25% import levy, which started on Aug. 27 as "unreasonable" and vowed to continue buying cheaper Russian crude. It's likely that Indian fuel producers will retain large Russian crude imports given their cheaper prices, with the current Urals-to-Brent discount hitting around $3/bbl as of Aug. 19 from $1.50-$2/bbl in late-July.

- India's crude oil imports fell 8.7% in July to 18.56m tons on the month - the lowest level since February 2024 according to government PPAC data. India's fuel consumption in July fell 4.3% month on month to 19.43m tons. India's state-run refiners IOC and Bharat Petroleum have bought Russian oil for September and October delivery.
- India's state refiners are expected to buy 1.4-1.6mb/d of Russian oil for Oct. loading and beyond compared to 1.8mb/d in H1, Bloomberg said.

Middle East:

Kazakhstan is in talks to resume oil supplies via the Baku-Tbilisi-Ceyhan pipeline, Energy Minister Yerlan Akkenzhenov says according to Tass. Kazakhstan diverted crude oil exports to Russia's Caspian Pipeline Consortium route after contamination in Azerbaijan's Azeri Light crude disrupted the Mediterranean exports, Platts said on Aug. 13.

- Norway's DNO has restarted production at its Tawke and Peshkabir fields in Kurdistan, which were halted last month due to drone strikes in the area, Reuters reports. Repeated drone attacks on oilfields in the region slashed output in the area by some 140k to 150kb/d, officials told Reuters last month. DNO aims to increase its production in the Kurdistan region to 100k boe/d in the long term.
- Syria's ministry of petroleum has awarded a sell tender for at least one cargo of "Syrian Heavy" crude – its first since 2011 – according to Argus Media's Nader Itayim citing market participants. Syria has not loaded any crude for export since at least 2016.

Nigeria:

- Nigeria's NNPC said on Aug 25 nearly all pipeline theft has been eliminated as security has been improved, particularly within the Niger Delta, according to Reuters. Nigeria is expected to petition OPEC+ for a production quota increase from 1.5mb/d to 2mb/d from 2027 due to rising Dangote demand for domestic crude. The national oil regulator last week said projected output could surpass 2.5mb/d next year.

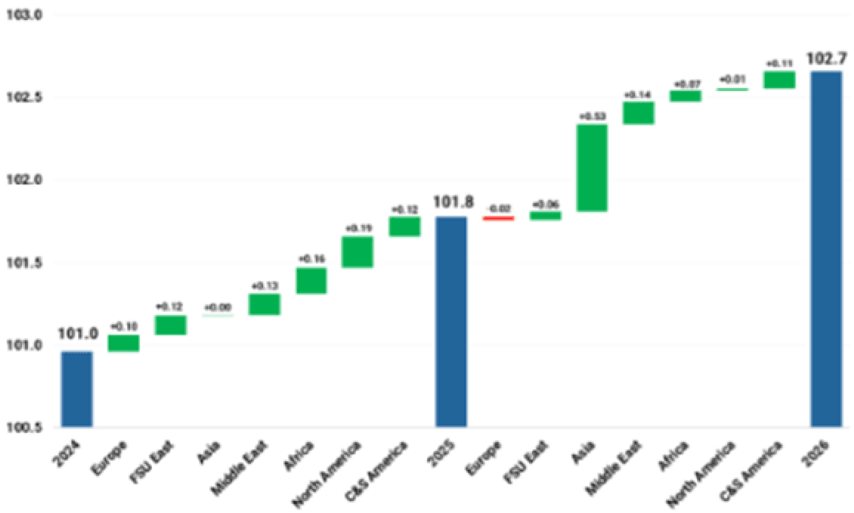
Oil Products:

Diesel and gasoline crack spreads have softened slightly so far this week with the US gasoline cracks down to around $19/bbl and diesel crack to $32.175/bbl. Upside pressure on diesel cracks and time spreads has eased as US and European stocks have recovered slightly in recent weeks.

- **Cracks rose in early August** with short diesel supply still in focus while stocks are below normal, despite recent gains. Refinery disruptions in the US and Europe and maintenance season have added to concerns.
- **ICE Gasoil prompt timespreads** softened after a rise last week with the spread up to around $5.00/mt, the highest since late-July. Spreads remain well below the highs seen during earlier Middle East tensions.
- **ARA data** last week showed gasoil stocks rose around 9.1% but remain 3.3% below the five-year average. Meanwhile, US distillate stocks were 2.1% higher in last week's EIA release but still 12.8% below the five-year average.
- **ICE Gasoil net longs** edged down slightly in the week to Aug. 19 after reaching the most bullish since June 2024 in late July. Funds are holding net longs for Nymex diesel and gasoline steady with a small rise on the week.
- **Czech fuel company** Orlen Unipetrol said on Aug. 20 that it has had to request a loan of 50k cubic meters of diesel from state reserves to help meet demand because of an outage at the Litvinov refinery.
- **Europe's diesel deficit** is expected to widen by ~600kb/d over Sep.-Oct., compared with the preceding two months amid lower US flows and higher seasonal demand, according to FGE NexantECA cited by Bloomberg.
- **Global oil product demand** is forecast to grow by 0.84mb/d on the year in 2025 and by 0.88mb/d in 2026, Kpler said, amid sluggish demand across key economies.
- **European light ends demand** will remain under pressure due to weak steam cracking margins and elevated energy costs, Kpler added. Rising gasoline and jet fuel consumption in Europe in 2025, supported by robust hybrid and gasoline vehicle sales, is expected to offset declines in naphtha and fuel oil. Europe's diesel demand is set to return to structural decline following a temporary boost in 2024 from fuel oil substitution in the maritime sector.
- **Russian refineries** have increasingly faced Ukrainian drone strikes in August, denting oil product export outlooks.
- **Russia's weekly refinery runs** fell to 4.87mb/d in the week to Aug. 20 compared to an average of 5.11mb/d in the Aug. 1-20 period, according to Bloomberg. Rates have fallen for three consecutive weeks to the lowest weekly rate in at least three years. Runs have fallen about 700kb/d compared to the average at the end of July.
- **Attacks on 10 Russian refineries** this month shut down facilities accounting for at least 17% of national processing capacity, or 1.1 million b/d, according to Reuters calculations.
- **Ukrainian drones** again struck the Syzran refinery in Russian the Russian Telegram news channel Astra reported while a fire at Russia's Novoshakhtinsk refinery, due to a drone attack on Aug. 21, was extinguished on Aug. 26.
- **Russia's Volgograd refinery** aims to return units a week earlier than planned following faster than expected repairs from a Ukrainian drone strikes, sources said to Bloomberg. It halted crude intake on August 15 and expected repairs to take a month but now plans to return on September 10. A quicker return would help to ease fuel tightness fears.

- **China's independent refineries** reported an uptick in CDU capacity utilization rates with the ending of scheduled outages and downstream units coming online, according to OilChem. CDU capacity utilization rate of independent refineries will increase 0.42 percentage point week-on-week to 58.65% in the week to Aug. 28 and 50.09% to Sep. 4.
- **China's gasoline production** is likely to rise in the week to Aug. 28 but gasoil output is limited with Fuehun Petrchem and Ge'emu PertroChem reducing production for overhaul. Hualian Petrochemical & Qicheng Petrochemical are scheduled for a ramp up. Combined gasoline and gasoil production is expected to rise 1.2% to 2.50m tonnes with gasoil rising 1.73%.
- **Gasoline demand** is expected to gradually weaken following the summer travel peak while refineries are increasing the gasoil-to-gasoline production ratio. Gasoil consumption is under pressure from new regulation over refined oil circulation and as rainfall spreads to more areas.

Global Oil Products Demand (mbd) – Source: Kpler



- **In APAC, liquids demand** is expected to be flat year on year. China is projected to register a decline in total product demand, with gasoline output down due to EV adoption and diesel facing similar pressure. India is experiencing disappointing growth at 1.7%, reflecting structurally lower oil intensity compared to China.
- **China's refined product exports** – gasoline, gasoil, and jet fuel – totalled 3.72m mt in July, rising 29.6% on the month and 20.4% on the year, OilChem said citing GACC data. Gasoil exports were 0.82m mt, up 115% on the month and 53% on the year amid attractive export margins. The gasoline and jet fuel exports showed monthly increases of 20% and 12% respectively to 0.93m mt and 1.97m mt respectively.Refined oil exports were down 11.2% on the year to 20.3m mt over Jan-July, caused by lower domestic CDU capacity utilisation rates, reduced refined oil yield rates, and unfavourable export margins. Around 64% of refined oil export quotas totalling 32.1m mt have been consumed so far.
- **BP's 440kb/d Whiting refinery** was in the process of restarting and aimed to be back at full rates this week after floods disrupted operations earlier this week, IIR said on Aug. 20, cited by Reuters.

- **Motiva's 641kb/d Port Arthur refinery** reported a process upset at hydrocracker 2 at 8 p.m. on Aug. 24, according to a TCEQ filing cited by Bloomberg.
- **Phillips 66's 356,000 b/d Wood River refinery** in Illinois had issues with its crude unit, trading sources said to Reuters on Aug. 22. IIR reported that the 110kbd CDU was shut the evening of August 21.
- The volume of **gasoline exported from NWE and the Mediterranean** hit a high this month last seen in May, amid a tighter market in WAF as Dangote's key gasoline-making unit remains offline, Platts said. 970,100 mt of gasoline had already discharged in West Africa over the past 30 days. This compared with 644,200 mt and 878,800 mt in July and June, respectively. 627,100 mt of the volume landing in West Africa over the past 30 days arrived in the Lome market, representing 65% of the total, Platts added.
- **Nigeria's Dangote refinery** restarted its 204kb/d residue fluidized catalytic cracking unit on Aug. 22 ahead of prior expectations of Sep. 3, according to IIR. It was forced shut on Aug. 6 for urgent repair work.