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# India favours project exports to Iran to bridge trade-gap

Amiti Sen, Business Line (The Hindu)

New Delhi, 19 December 2013: India is looking at large-scale project exports to Iran for bridging the existing trade gap and fuller utilisation of rupee payment made to the country for oil purchases.

“Project exporters from India including BHEL, SAIL, IRCON and RITES are already in talks with Iranian companies on possible opportunities,” a Commerce Ministry official told *Business Line*.

The Inter-Ministerial Group on facilitating trade with Iran headed by Commerce Secretary S.R. Rao met on Tuesday to discuss ways to boost exports to the country. It was attended by senior officials from the Department of Economic Affairs, RBI and public sector companies including BHEL, SAIL, IRCON and RITES.

China, too, is interested in investing in projects in Iran in lieu of oil payments it owes the country. “We believe that if project exports from India take off, it could actually enable us to make the entire payment due to Iran for oil purchases in rupees,” the official said.

At present, India pays for 45 per cent of oil purchases from Iran in rupees which is deposited in its rupee account in UCO Bank. This is utilised by Iran to make payments for purchases made from India.

The rupee payment mechanism was put in place after foreign banks refused to deal with Iran following the US and EU sanctions on the country for its alleged nuclear activities.

Since India’s exports to Iran was just a fraction of its imports from the country when the sanctions were placed two years ago, it was decided to restrict rupee payment for oil to 45 per cent of the total oil bill. India’s exports this year is likely to cross \$5.5 billion compared to less than \$3 billion two years ago due to the concerted efforts made by both countries to increase goods inflow from India.

India’s purchase of oil from Iran annually exceeds \$10 billion despite the country tapping other oil supplying countries more aggressively following the sanctions.

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# Plan to route crude from Russia in pipeline

Pranav Nambiar, Financial Express

New Delhi, 15 January 2014: India is in talks with Russia, the world's largest oil producer, to build a pipeline that will bring crude oil to the country on the lines of the TAPI pipeline, a senior official from the external affairs ministry told FE.

Ajay Bisaria, joint secretary (Eurasia), said the issue was discussed between the two sides during PM Manmohan Singh's visit to Russia in late October. India has already broached the idea of a crude oil pipeline with Kazakhstan, and this could be extended to Russia.

The plan is to route crude oil from Russia to Kazakhstan to Uzbekistan and then follow a parallel route through the Turkmenistan, Afghanistan, Pakistan and India (TAPI) pipeline.

Total investment for the Russia-India pipeline could go upto \$30 billion. The TAPI pipeline is a natural gas pipeline and, therefore, the proposed crude oil pipeline cannot be connected to it.

India currently buys very little crude oil from Russia and therefore wants to increase its oil procurement from the country. According to the Indian embassy website, mineral fuel and oil imports from Russia stood at \$176 million in 2012. It did not provide the 2013 numbers.

Russia is largely focused on supplying oil to Europe and other Asia Pacific countries and China. "Now we want to build a north-south land route to buy more oil from Russia," said Bisaria.

Most hydrocarbon pipelines from Russia and Central Asia are on an east-west axis. The pipeline will provide a new route to South Asia for hydrocarbons.

Shipping oil from Russia is an expensive proposition and, therefore, even ONGC Videsh (OVL), which has a stake in the Sakhalin-1 project, prefers to sell it in other markets. The success of the pipeline from Russia to India could hinge on the TAPI pipeline as a part of it will run parallel to TAPI. According to oil minister Veerappa Moily, the TAPI pipeline is expected to be ready by August 2017.

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