

Crude Oil and Impact due to Geopolitical Events

Crude Oil

Crude oil stands as the most widely traded global commodity, serving as a fundamental raw material for the production of essential products such as gasoline, petroleum derivatives, electricity, synthetic rubber, chemicals and plastics, among others. The global dependence on this finite resource has resulted in significant shifts in geopolitical dynamics and the financial landscapes of nations. This report aims to shed light on the substance often referred to as **"black gold."**

Crude oil is typically measured in barrels universally and each barrel is equivalent to 159 litres. They are traded under different names depending on the geographical region from which it is sourced.

Few Crude Oil Names with Geographical Sources

Product Name	Location of Field	Port of Sale
West Texas Intermediate	United States of America	Cushing, Oklahoma
Brent Blend	United Kingdom, Norway	Hound Point, UK or Sture Terminal, Norway
Fateh	Dubai, UAE	Fateh
Foroozan Blend	Iran	Kharg Island
Tapis Blend	Malaysia	Tapis
Minas	Indonesia	Dumai
Basrah Blend	Iraq	Basrah
ESPO Blend	Russia	Kozmino

Due to its extraction from diverse geographical locations, crude oil exhibits distinct physical properties that are evaluated based on its volatility, viscosity, and toxicity. Different combinations of these three properties determine whether they are suitable for producing various products.

Volatility refers to the ease of evaporation, viscosity measures the oil's ability to flow, and toxicity indicates how poisonous and harmful the oil is during the extraction and refinement process.

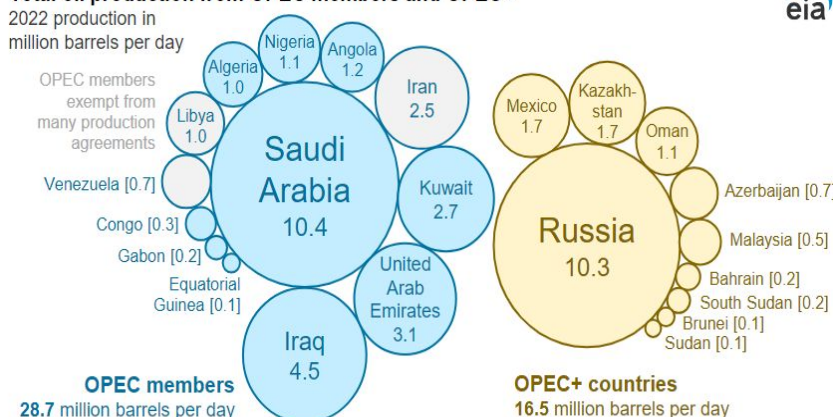
Types of Crude Oil Based on Properties:

Properties	Very Light Oil	Light Oil	Medium Oil	Heavy Oil
Volatility (ease of evaporation)	Highly volatile	Moderately volatile	Low volatility	Least volatile
Viscosity (measures the oil's ability to flow)	Lowest viscosity	Low viscosity	Higher viscosity than light oil	Most viscous
Toxicity (indicates how poisonous and harmful the oil is during the extraction and refinement process)	Low toxicity	Moderately toxic	Greater toxicity	Most toxic
Examples	Jet fuel, Gasoline, Kerosene, Petroleum Spirit	Diesel fuel oil and domestic fuel oil	Most common crude oil	Heaviest grade fuel oil, heavy marine fuels

OPEC & OPEC +

In 1960, five Arab countries established the Organization of the Petroleum Exporting Countries (OPEC) to regulate oil prices by controlling the supply. Many more countries later joined OPEC to form OPEC Plus in response to the drastically falling oil prices caused by the United States, the largest producer of crude oil. OPEC Plus consists of thirteen main member countries along with many statute member countries. The OPEC+ meet almost every month to decide on oil production strategies.

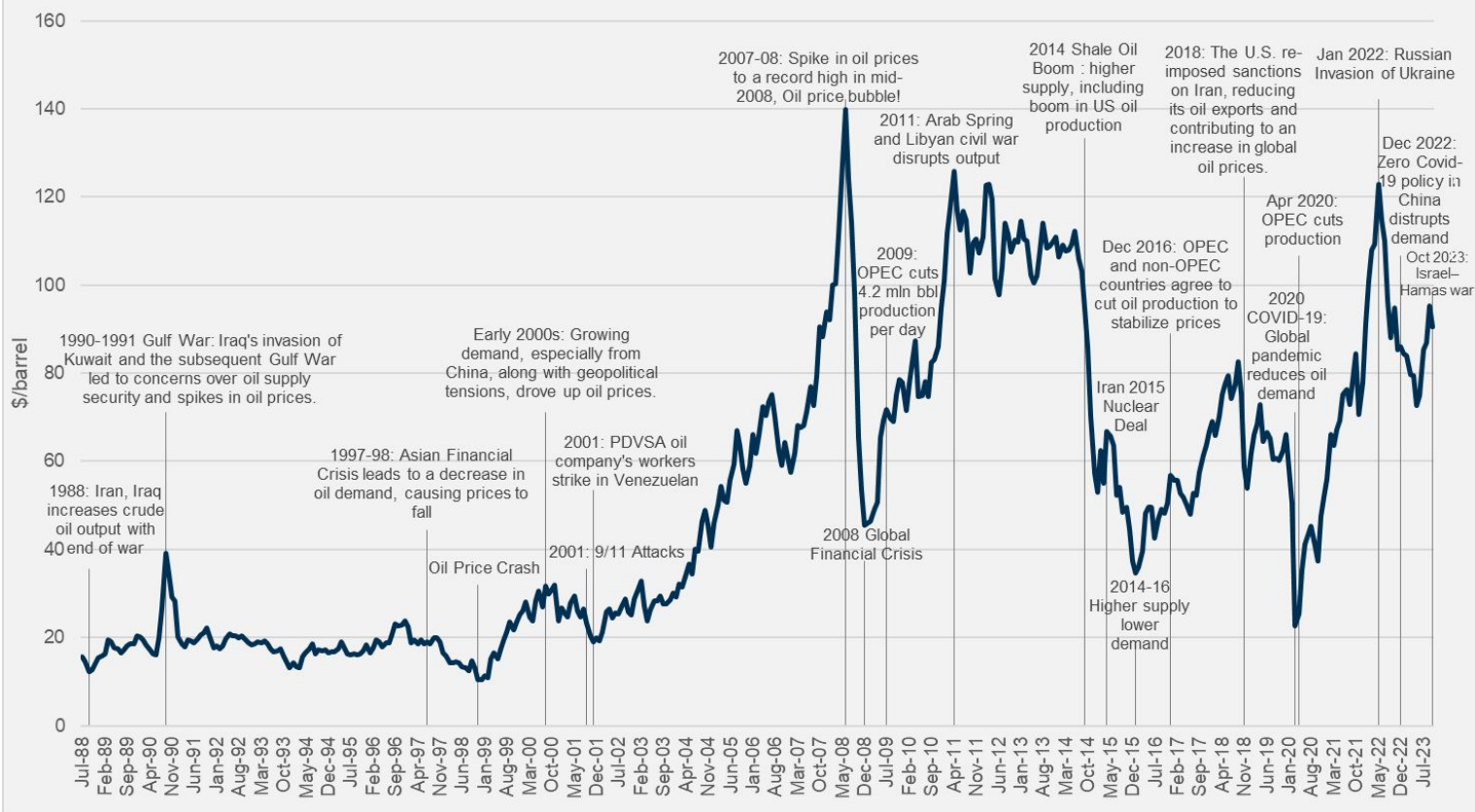
Total oil production from OPEC members and OPEC+



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, April 2023

History of Oil Prices with Global Events

History of oil prices



India and Its Crude Oil Needs:

India ranks world's third-largest consumer of crude oil, importing 87.4% of its total requirement in 2022-23 fiscal year, according to data from the Petroleum Planning & Analysis Cell (PPAC) of the Ministry of Oil. Any upswing in crude oil prices places substantial strain on the nation's Current Account Deficit, which, in turn, diminishes the value of the Indian Rupee and amplifies the cost of oil imports.

Importing expensive oil also contributes to high inflation. In an effort to mitigate the widening of the Current Account Deficit and the rupee's volatility against the dollar, India is actively leveraging its geopolitical relationships to procure oil in rupees. However, this endeavour requires the country to cultivate a more robust and dynamic export industry.