

RISE IN CRUDE OIL PRICES AFTER SUEZ CANAL BLOCKAGE



Issue

As the blockage in Suez canal continues to stop the global trade, the result could have a larger effect on the trade of crude oil.

Background

The Suez Canal was blocked by a large container ship known as Ever Given. The ship was pushed off the course by strong winds.

Details

- The resultant impact of canal blockage on crude and tanker rates could effectively show up in the form of higher crude prices.
- India is the largest importer of crude oil and similar products via the Suez Canal. These numbers are larger than that of China or South Korea. More than two-thirds of India's crude oil requirements come from Gulf region.
- If the blockage is not cleared by spring tide, it will have large implications on the refining operations on a broader scale.
- The biggest effect on India would be on the import and export of ethane with the US. It would also impact imports of crude from Latin America.
- India imports about 500,000 barrels of crude products per day via the Suez Canal, followed by China, South Korea and Singapore that import about 400,000 barrels of crude oil.

- India is sixth in the list of countries that exports crude products via the Suez Canal. Countries such as Russia, Saudi Arabia, Iraq, Libya and Algeria are above India.
- The biggest effect on oil trade and crude prices will be if the freeing of the container ship 'Ever Given' takes weeks which is currently predicted.

Suez Canal

- Suez is an artificially made water way that connects the Red sea and Mediterranean Sea. It basically connects Europe and Asia without having to traverse the Cape of Africa.
- Suez Canal is not only important for movement of goods but also they control defence and security of the region.

NOTES

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