India and the US Oil Nexus

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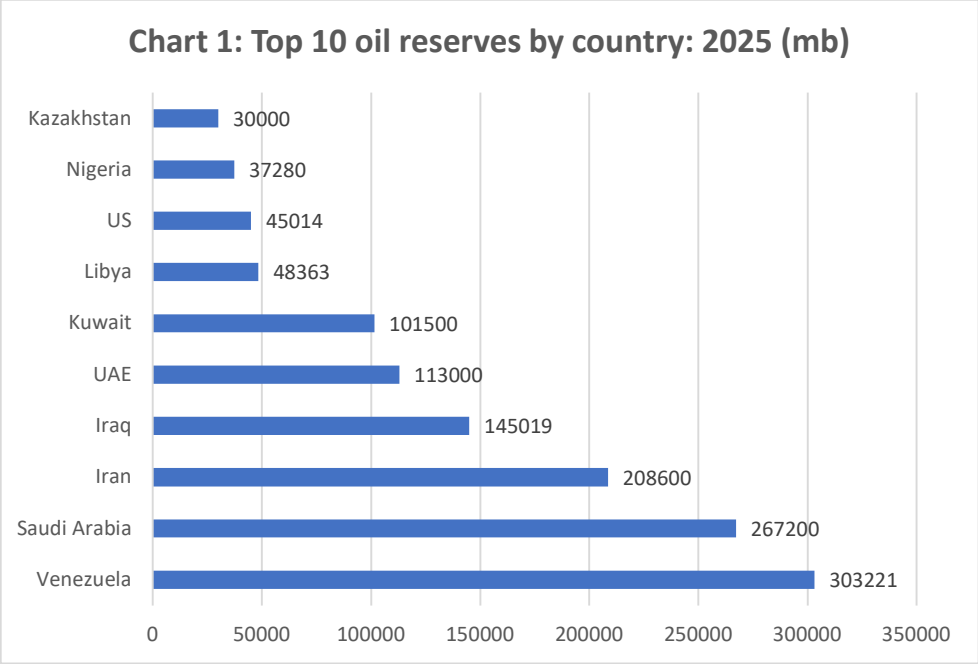
US Secretary of State-cum-National Security Advisor Marco Rubio's recent visit to India did raise a number of questions regarding its objectives. It intrigued observers especially because Rubio chose to avoid capital city Delhi, went straight to the country's commercial capital Mumbai and then paid a visit to the Reliance Industries Limited (RIL) Jamnagar petroleum refinery complex. Accommodating this unusual itinerary, Foreign Minister S. Jaishankar flew to Mumbai for discussions with Rubio.

Rubio, it must be noted, is the second only to Trump in the current US administration and is even considered a possible contender for the Republican nomination as Presidential candidate for the next election, displacing J. D. Vance. The signals are clear, while the thin smokescreen of finalisation of a long-stalled trade agreement with India was invoked as cover, Rubio's principal objective was to institutionalise a strategic partnership with India, which had oil as its core.

The Trump administration's dilemma on the oil front is the driver. Its unthinking decision to go to war against Iran, prompted by the belligerent and power-hungry Netanyahu, has proved a failure on multiple counts. None of the shifting objectives Trump set for the campaign—stretching from ending Iran's nuclear weapons programme to regime change—have been realised. Meanwhile, the war has triggered retaliation from Iran and its Houthi allies that have virtually shut down the Strait of Hormuz and the Bab el-Mandeb Strait, severely affecting the flow of oil supplies to world markets. That in turn has undermined the US effort to ensure stable oil prices, including at home, spurring inflation and challenging the supremacy of the dollar and the legitimacy of a Trump administration battling an "affordability crisis".

Unwilling, as yet, to settle and pull out of Iran, but faced with growing domestic discontent over the consequences of the Iranian misadventure, the 'oil question' has become central to Trump's foreign policy. That was established when he signed a deal with President Vladmir Putin to import Russian diesel, despite signing the *Lindsey O. Graham Sanctioning Russia and Iran Act of 2026*, which prohibits fuel imports from Russia and threatens penal tariffs on other buyers of Russian fuel. Partial national interest waivers have been announced to facilitate the recent deal. In addition, Trump seems committed to protect Russian production and has criticised President Volodymyr Zelenskyy of Ukraine for attacking Russian energy facilities with drones that adversely affect production and supplies.

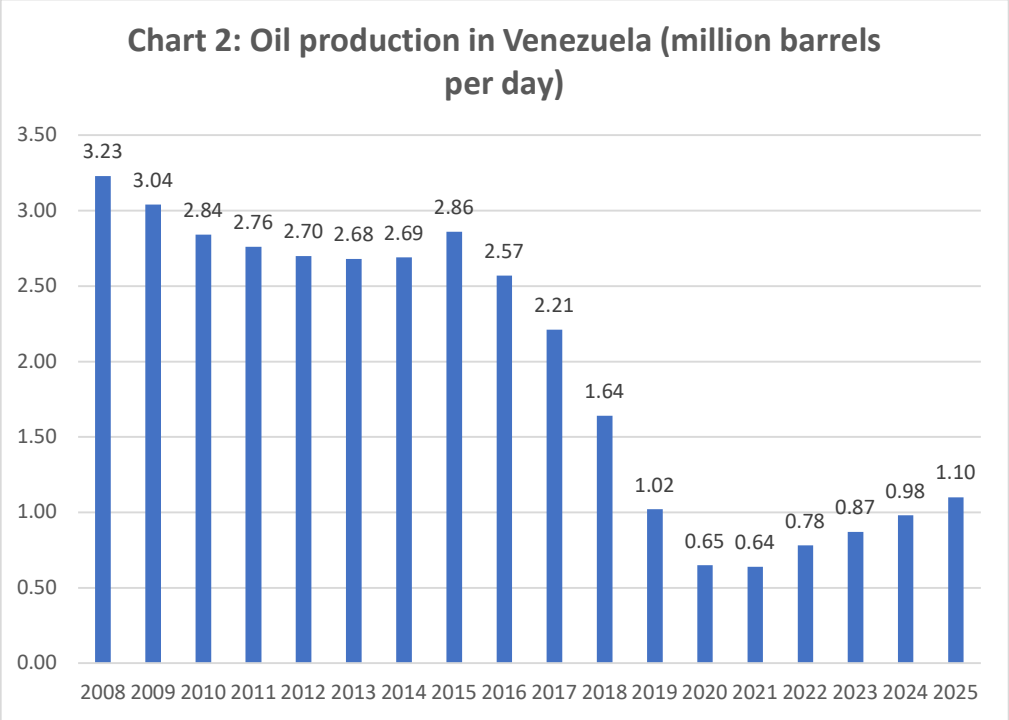
As part of that oil focused strategy, the Trump administration has turned to the access it has got to new supplies of oil, following its aggressive intervention against Venezuela and the abduction of President Nicolas Maduro in violation of international law. To exploit that "success", the US agenda in Venezuela has moved from preventing that country's use of its own oil reserves through sanctions that disrupt production and trade, to using those reserves as a means of restoring American hegemony.



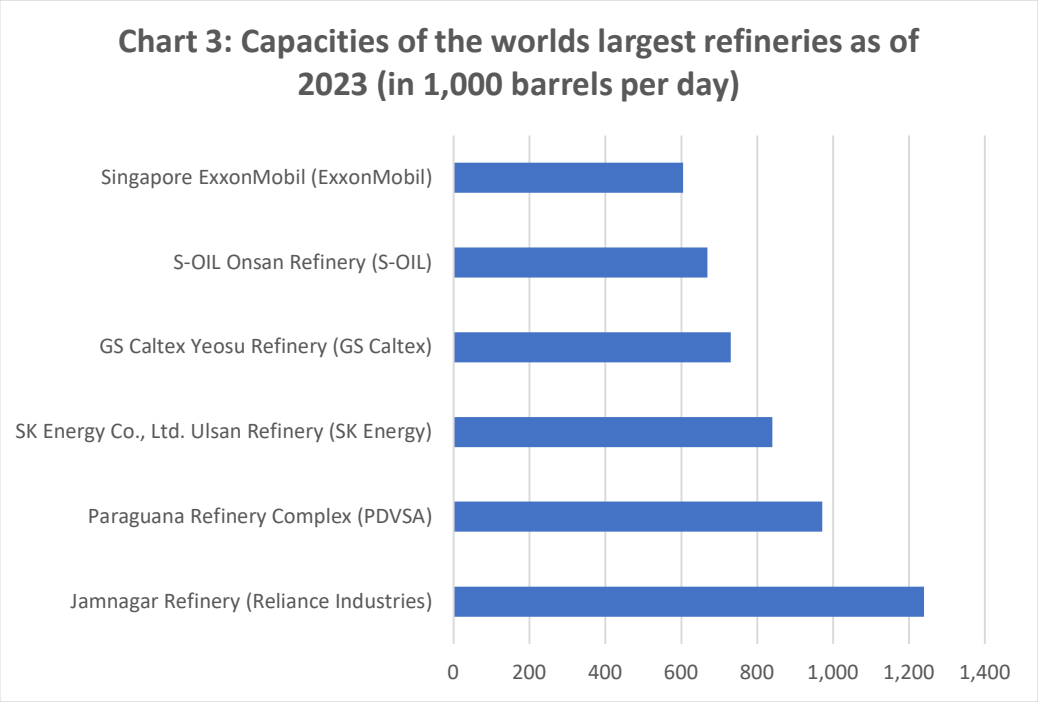
That Venezuelan oil was the driver of America's aggression is clear from what has transpired following the institution of a more pliant regime under Delcy Rodríguez. President Trump and Rodriquez signed an agreement under which the US Defence Department has acquired a 35 per cent stake in a joint venture with North American Blue Energy Partners (NABEP), that operates 17 oil fields, which the US claims account for proven reserves of 65 billion barrels. The US has the right to purchase 20 per cent of the joint venture's production at cost, and first access to the rest of the produce. Struggling to restore global supplies and rein in oil prices, the US sees Venezuela as a potential substitute for Saudi Arabia, which has the world's second largest reserves of 267 billion barrels, but is unable to transport its crude and oil with the closure of the two Straits. Moreover, Saudi Arabia's production facilities are turning out to be easy targets for Iranian and Houthi drones and missiles.

Unfortunately, the task is easier set that done. Venezuela, according to OPEC statistics, harbours the largest oil reserves by country in the world, of an estimated 303 billion barrels (Chart 1). But there are many problems with exploiting those reserves. First, according to experts interviewed by Associated Press, recoverable reserves (and therefore actual proven reserves) in Venezuela are only a third of the figure reported by OPEC. Second, because of sanctions imposed and domestic turmoil partly engineered by the US, oil production in Venezuela collapsed over the last decade, from 2.9 million barrels per day in 2008 to 0.65 million barrels in 2021 (Chart 2). That left production facilities in a state of partial disrepair, and though production had revived to 1.1 million barrels per day in 2025 (and a reported 1.2 million barrels in 2026), remains way below the previous peak. Getting production to levels that would make a significant difference to global supplies and help moderate prices in the medium term requires large investments. American firms whom President Trump demands must advance the needed capital are reticent. Finally, even the crude that can be extracted from Venezuelan fields is Merey crude that is not only ultra-heavy, but also high in sulphur. That requires refining capacity with a high level of complexity and equipped with coking units, and legacy plants geared to dealing with lighter varieties are not up to the task. According to reports there is a relatively small share of global refining capacity that is capable of handling significantly heavier and sulphur rich crude.

That is where RIL and India enter into the US strategy, to pursue which Rubio arrived in Jamnagar. Reliance owns the worlds largest refining capacity (Chart 3), and both because of when it chose to establish its facilities and its strategy, that capacity is capable of processing heavy and sulphur-rich crude. Using that capacity, Reliance has over the years emerged as a major exported of refined petroleum products, especially much-needed diesel. According to Reuters estimates, RIL exported 21.66 million tonnes of refined petroleum products in the first half of 2025, with diesel contributing 9.81 million tonnes, followed by petrol at 6.14 million tonnes and jet fuel at 2.06 million tonnes. Not too long ago, RIL courted controversy by importing discounted Russian crude when US was more seriously pursuing sanctions on that country. But it has diversified away, partly because Russia's discounts have also been phased out. Now, among RIL's crude sources is Venezuela, with imports from that country rising after the US intervention.



The Trump administration wants RIL to absorb more crude from Venezuela, and pump more refined products into the world economy. Rubio has reportedly declared that the Jamnagar plants of Reliance are an "impressive facility" and that India is a "refining superpower". That recognition gives RIL's Jamnagar facility a crucial role in refining crude from the "Western hemisphere", as part of the US strategy of improving supplies to both US and global markets. This strengthening relationship between RIL and the US goes even further. Reliance is a major backer of the biggest refining facility being set up by America First Refining at the Port of Brownsville in the US, with a binding 20-year commitment to purchase and handle a major share of that refinery's output.



In sum, there is a new nexus between the US and India that runs through RIL, where RIL mints profits and India becomes a partner in a US strategy that may tun more aggressive after the mid-term elections.

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