

China and India Are Buying Up Russia's Arctic Oil

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Russia's crude grades from the Arctic, which used to be sold in Europe before the EU embargo, are now heading East to the two biggest buyers of Russian oil since the invasion of Ukraine—China and India.

Russia's grades from the Arctic – Arco, Arco/Novy Port, and Varandey – have been selling at deep discounts in China and India as the EU embargo and the G7 price cap have further pushed more Russian crude to customers in Asia that have not joined the Price Cap Coalition, according to trade data and sources cited by [Reuters](#).

"All these Arctic crudes usually go to the EU but now they have to go elsewhere," a Singapore-based trader told Reuters.

India imported at the end of 2022 its first cargo of Varandey crude from the Timan-Pechora oilfields operated by Lukoil, per sources and vessel-tracking data from Refinitiv.

Before the Russian invasion of Ukraine, India was a small marginal buyer of Russian crude oil. After Western buyers started shunning crude from Russia, India became a top destination for Russian oil exports alongside China.

Russia overtook Iraq to become the [single-largest oil supplier to India](#) in November, as Indian refiners raced to stock up on Russian oil ahead of the December 5 price cap and associated bans on transportation services for Russia's crude.

In China, independent refiners have seen their refining margins jump in recent weeks as they have been able to negotiate [steeper discounts](#) for their preferred Russian crude grade, ESPO, even if they buy it above the G7 price cap.

While China hasn't joined the Price Cap Coalition, the fact that a price cap now exists gives the world's top crude oil importer, as well as other buyers of Russian crude such as India, more bargaining power to negotiate steep discounts for the Russian crude even outside the

price cap mechanism, analysts say.

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