How Russia Benefits from Oil Disruption in the Gulf

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Brief Analysis

The de facto halt to Gulf oil shipments has already helped Moscow win back India as a major oil customer, while the rise in global prices could greatly refresh its depleted Ukraine war budget.

The worst-case scenario that energy markets feared appears to be under way. Although it is still unclear how long the Iran war will last, one thing is certain: the resultant disruption in global energy flows **(https://www.washingtoninstitute.org/policy-analysis/energy-and-shipping-risks-iran-war)** and increasing maritime security risks in the Persian Gulf will be sharp and drawn out. The crucial Strait of Hormuz chokepoint is effectively blocked, preventing most oil tankers in the region from loading more crude and leaving the Gulf region unable to make deliveries. These and other factors have helped sustain the generally upward pressure on energy prices, despite some day-to-day market fluctuations.

One actor stands to benefit most from this situation: Russia. Prior to the war, Washington had been pressuring India—the world's third-largest importer of oil—to cut its purchases from Moscow. Last week, however, the Trump administration responded to wartime fears over oil prices and supplies by granting Indian refiners a temporary waiver **(https://ofac.treasury.gov/media/935101/download?inline)** to purchase some Russian crude floating in tankers at sea. Indian refiners quickly bought around 30 million barrels **(https://www.bloomberg.com/news/articles/2026-03-10/india-snaps-up-30-million-barrels-of-russian-oil-after-us-waiver)** to address the gap in Middle Eastern supplies.

Any such sales are highly problematic because oil revenue is vital to sustaining Vladimir Putin's war on Ukraine. Amid tightening international sanctions, Russia's flagship crude—known as Urals—was being offered **(https://www.bloomberg.com/news/articles/2026-02-23/russian-oil-most-discounted-since-2023-on-western-sanctions)** at steep discounts just days before the war, trading at roughly $40 per barrel. This was well below the estimated $59 target planned for in the Kremlin's 2026 budget **(https://www.kyivpost.com/post/68061#:~:text=War%20in%20Ukraine-,Russian%20Oil%2Dfor%2DExport%20Plummets%20to%205%2DYear%20Low,may%20have%20just%20gone%20bankrupt.&text=The%20price%20of%20the%20single,economic%** , but sanctions and other factors had forced the government to offer major discounts.

The Iran war appears to have removed these pressures, however. On March 2, Russian television propagandist Vladimir Solovyov told audiences **(https://www.theguardian.com/world/2026/mar/04/middle-east-conflict-offers-economic-lifeline-to-russias-flagging-war-machine)** , "For our budget, the attack on Iran is a big plus...If Trump strikes Iranian oilfields, then, as unfortunate as it sounds, we would become one of the few remaining oil-producing countries."

Yet speculation about attacks on Iran's energy resources is hardly necessary—the war's early effects are already a godsend for Moscow. Tanker traffic via the Strait of Hormuz has plummeted by 90 percent, and around sixteen ship attacks or other incidents have been reported in the Persian Gulf and surrounding waterways, including three attacks earlier today. (For full details on such incidents, see The Washington Institute's new interactive map tool Maritime Attacks in the MENA Region **(https://www.washingtoninstitute.org/menamaritime/)** .) Even relatively small-scale demonstrations of this threat have been sufficient to keep most ships from transiting the strait, and the U.S. Navy has told shipowners that military escorts are too risky **(https://www.reuters.com/world/middle-east/us-navy-tells-shipping-industry-hormuz-escorts-not-possible-now-2026-03-10/)** at this time. One Greek owner did manage to send a few tankers **(https://www.tradewindsnews.com/tankers/four-more-dynacom-vessels-brave-hormuz-to-enter-gulf-as-flotilla-of-waiting-empty-tankers-grows/2-1-1954780)** through Hormuz to load in the Gulf, while the Liberia-flagged *Shenlong* (IMO identification number 9379210) loaded at the Saudi terminal of Ras Tanura, then navigated out of the region with interruptions in its Automatic Identification System until it was seen on March 9 heading toward Mumbai, India, based on data from MarineTraffic. But most owners are unwilling to take such risks.

Giant oil consumers like India are particularly sensitive to interruptions in the flow of Middle Eastern crude, especially from Saudi Arabia and Iraq, the two biggest producers in the OPEC cartel. When U.S. pressure on New Delhi intensified earlier this year, these countries were considered the top alternatives to Russian imports in the Indian market, since they are among the country's key suppliers in general. According to data from Kpler, Indian crude and condensate imports via Hormuz stood at around 2.7 million barrels per day (b/d) in February, including around 1 million from Saudi Arabia and 974,000 from Iraq.

Yet the Hormuz disruption has turned Moscow back into India's best source, and Russia is seizing the opportunity. Speaking from New Delhi on March 5, Ambassador Denis Alipov reaffirmed **(https://thesouthindiatimes.com/top-story/russia-ready-to-supply-oil-to-india-at-any-time-says-ambassador-denis-alipov/)** the Russian government's commitment to supply oil to India regardless of wartime uncertainties. This week, reports indicated that Urals crude is now being offered **(https://www.bloomberg.com/news/articles/2026-03-10/india-snaps-up-30-million-barrels-of-russian-oil-after-us-waiver)** at premiums of $2 to $8 per barrel compared to the global Brent benchmark.

Meanwhile, Saudi Arabia has sought to change up its crude flows to make up for the blocked Hormuz route. During the first nine days of this month, it reportedly loaded around 2.2 million b/d **(https://www.reuters.com/business/energy/saudi-red-sea-oil-exports-hit-record-high-march-shipping-data-shows-2026-03-10/)** at Yanbu on the Red Sea, an increase over previous weeks. The kingdom can reroute substantially higher volumes to the Red Sea via the East-West Pipeline, which has a capacity of 7 million b/d. Yet even if it maxed out the pipeline's capacity, only 5 million b/d would be available for export, since the remaining 2 million would be needed for domestic refineries.

No such options are available to Iraq—if the Hormuz blockade persists for much longer, storage constraints will likely force Baghdad **(https://www.iraqoilreport.com/news/iraqi-oil-shutdowns-loom-as-u-s-attacks-iran-47561/)** to shut down more oil output from its southern fields, which produce over 3 million b/d of crude. Some key purchasers of this "Basra grade" oil are sensitive **(https://www.reuters.com/business/energy/india-most-vulnerable-prolonged-disruptions-mideast-oil-analysts-say-2026-03-02/)** to even short-term disruptions and will soon look elsewhere to find crude of similar quality if tankers remain unable to transit the strait. This is exactly what is happening already in India, where Russia's Urals grade is a good alternative to Basra grade.

The Trump administration's flexibility toward a major ally and oil purchaser like India is understandable, but this flexibility should be limited in time and scope. To prevent Moscow from cashing in on the Iran war, Washington should maintain its sanctions on Russian oil, make sure that the India waiver is not extended beyond thirty days, and avoid issuing such waivers to other countries. Of course, these considerations will ultimately depend on the trajectory of the war, Iran's willingness to escalate further in the maritime domain, and the degree to which Hormuz tanker traffic remains disrupted.

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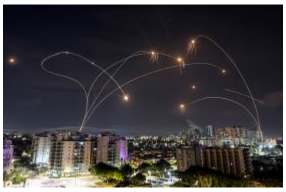

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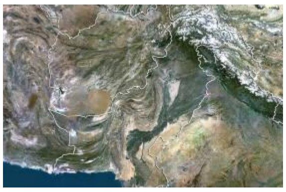

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