

Asian Premium

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Saudi Arabia, world's **second largest oil producer**, recently **slashed** the **premium** charged on exports to India, citing **India's bulk sourcing** from **Russia**.



[Ref- Economic Times]

What is Asian Premium?

- It is an **extra amount levied** by the **Organization of the Petroleum Exporting Countries (OPEC)** from **Asian countries** above the actual selling price.
- Producer countries began **issuing marker prices** for their crude oil in the **1980s**, such that it was **higher** for **buyers** in **Asia**, who were **more dependent** on **imports**, making them **price-takers**.

Impacts of Asian Premium:

- **Asian buyers** like **India**, made **attempts** to **erode** the premium, investing in **refining capacity** to boost their demand, and **improve** their **negotiating power** by asking for '**Asian Discount**'.
- **Saudi Arabia** and other leading exporters reflected the current shifts by **lowering** the **Official Selling Prices (OSPs)** expressed as differentials to regional benchmarks.