Press release

One year later: Ukraine's allies continue to contribute to Putin's war machine

HELSINKI, 24 February 2023 - One year has passed since the devastating Russian invasion of Ukraine began. In that time, Ukraine's allies have repeatedly professed their solidarity, Nato has provided support, and steps have been taken to admit Ukraine into the European Union, with the European Council granting candidate status to Ukraine in June 2022, all while condemning Russia's attack. Yet, as nations around the world look on in horror at what is happening in Ukraine, many allies continue to import Russian fossil fuels, essentially funding war crimes by providing revenue to fuel Putin's war machine.

On the grim one-year anniversary of the Russian full-scale invasion of Ukraine, the Centre for Research on Energy and Clean Air (CREA) has released a briefing with in-depth findings on Russia's fossil fuel exports, what the impact of the recent sanctions has been on Russia's fossil fuel revenues, and the role of the European shipping industry, which has emerged as a key enabler in the export supply chain.

Key findings of the briefing:

- Russia's fossil fuel export revenues have fallen 50% below their 2022 peak in January–February 2023, with revenue from exports to the EU falling almost 90%.
- Yet, Russia is making an estimated EUR 560 mln per day on exporting fossil fuels.
- The key enabler of Russia's ongoing export earnings and therefore the invasion is the European shipping industry. Ships owned or insured in the EU and the UK are carrying EUR 310 mln per day worth of Russian fossil fuels, 65% of the total value of Russia's seaborne fossil fuel exports.
- The excessively high levels of the oil price caps as well as gaps in enforcement allow the Kremlin to continue to profit handsomely off fossil fuels transported and insured by the European shipping industry. Revising the price cap for crude oil to USD 30/barrel and for premium oil products to USD 35/barrel would cut Russia's revenue by an estimated EUR 150 mln per day.
- The EU, Japan and South Korea continue to import approximately EUR 125 mln per day of oil, gas and coal from Russia. Restricting or placing price caps on these imports would be effective in squeezing Kremlin's revenue.

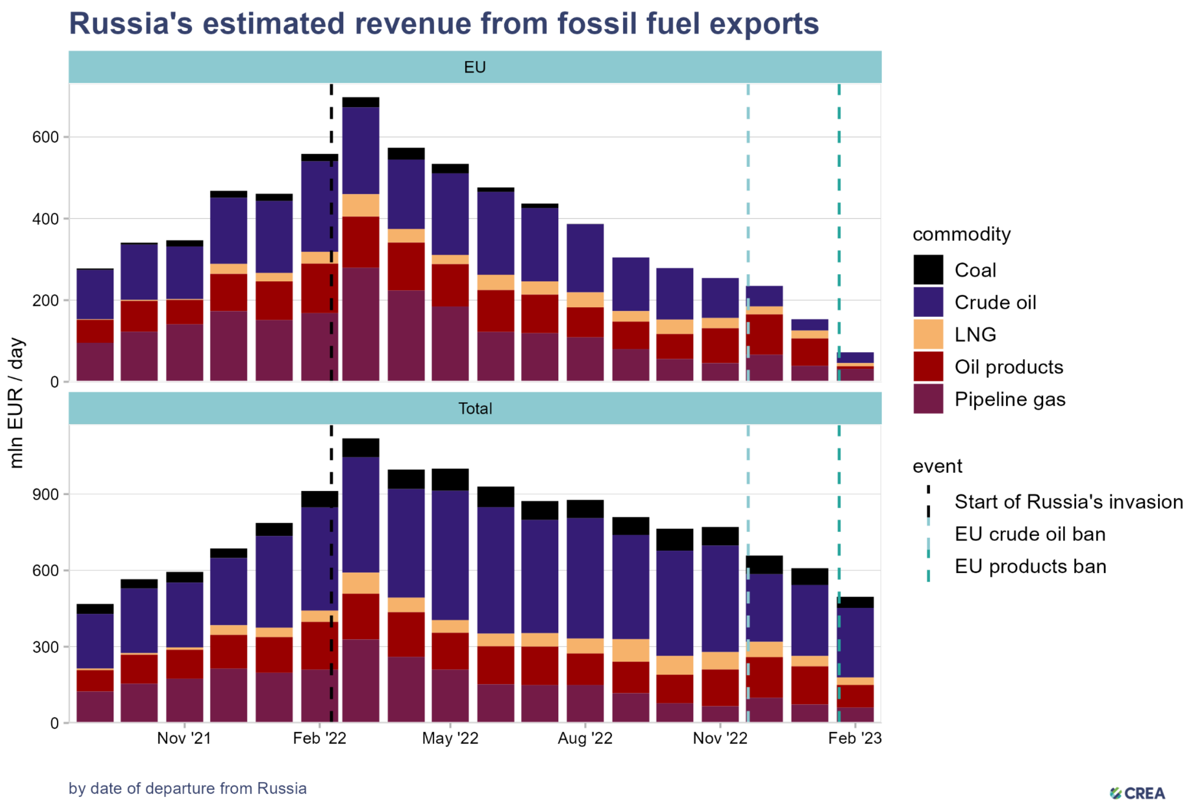
"*The past year has seen the EU reduce dependence on fossil fuel imports from Russia faster than almost anyone thought possible, and the wholesale failure of Putin's attempts to weaponize oil and gas supply. The EU, Japan and South Korea should move to terminate all remaining fossil fuel* imports from Russia as soon as possible, while reducing overall dependence on imported fossil fuels by shifting to clean energy*," said Lauri Myllyvirta, Lead Analyst at CREA.

Exports of Russian fossil fuels

The EU bans on Russian fossil fuels have slowed down Russia's revenue, but in the month leading up to the one-year anniversary of the invasion of Ukraine, Russia still made an estimated EUR 560 million per day on fossil fuel exports, with a total amount of approximately EUR 30 billion for January and February 2023.

Daily, Russia is earning approximately EUR 280 million from crude oil, EUR 120 million from oil products, EUR 60 million from pipeline gas, EUR 60 million from coal, and EUR 40 million from LNG.

"*If Ukraine's allies keep strengthening the enforcement of the sanctions, revise down the level of the oil price cap to USD 30, and stay vigilant on Russia's attempts to circumvent the policy, Russia will face a significant budget shortfall this year, weakening its economy and its ability to continue the invasion. The low prices and technology and investment sanctions will degrade the country's ability to develop new fields and infrastructure, which means that Russia's fossil fuel production will enter a long-term decline*," emphasised Lauri Myllyvirta.



The top importers of Russia's fossil fuels

Even after the oil products ban in February 2023 took effect, the EU remains Russia's second-largest client after China, ahead of India.

The EU is still sending EUR 100 million per day to Russia: EUR 30 million for pipeline gas, EUR 30 million for crude oil, EUR 30 million for oil products, and EUR 10 million for LNG.

China's fossil fuel imports from Russia have remained roughly stable and after the EU oil ban, China became the largest importer. The country is also paying Russia more per barrel than any other oil importer due to gaps in the enforcement of the oil price cap on the route from Russia's far eastern ports to China.

Shortly after Russia's invasion of Ukraine, India went from virtually zero imports to being the third-largest buyer of Russian oil after China and the EU. The country's imports have continued to climb in volume terms, but the fall in prices has limited revenue to Russia. India's import costs have however increased, as the discount on Russian oil is captured by intermediaries.

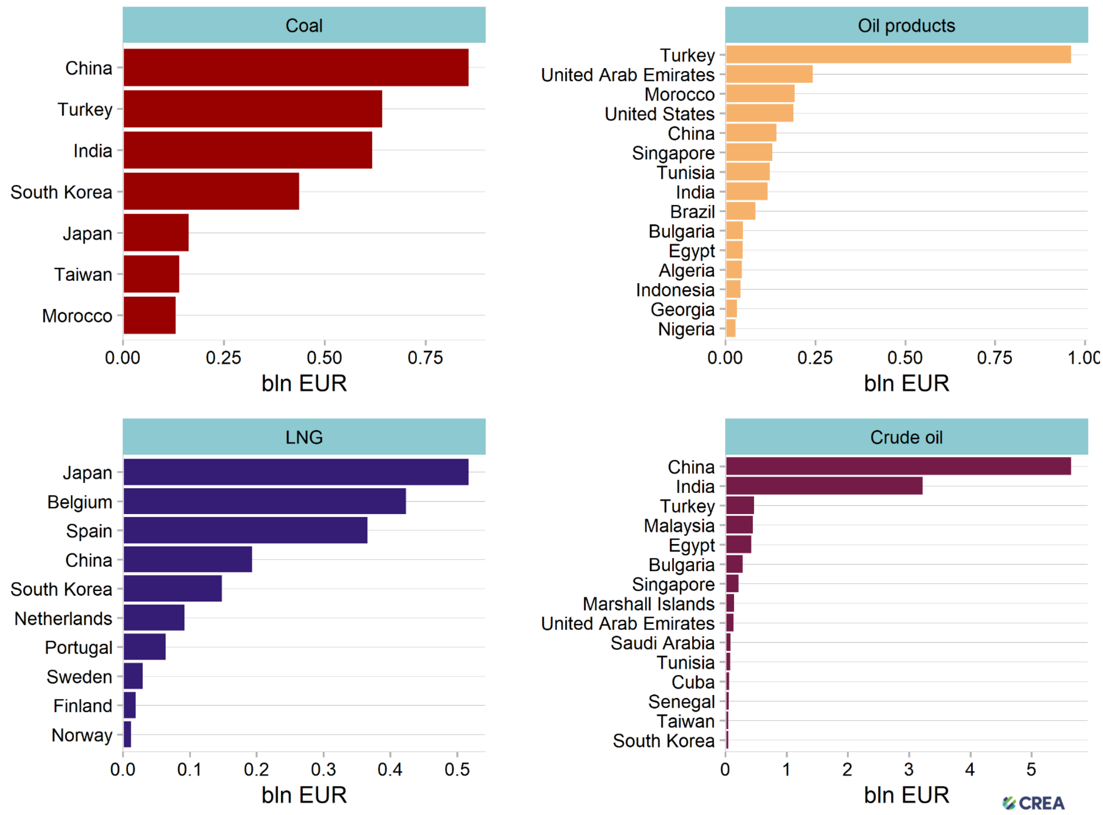
Japan has so far imported an average of EUR 14 million per day, South Korea EUR 10 million per day and Taiwan EUR 1.6 million per day in 2023. These values are down 50%, 60% and 80% from their peaks in March–April 2022.

The US and UK have reduced their imports of Russian fossil fuels to virtually zero. However, the US continues to import chemical products that don't fall under the customs definition of 'oil products' and as such, the US is one of the largest importers of oil and chemical products from Russia according to our data.

Turkey, the United Arab Emirates and Morocco are now the largest importers of Russia's oil products. Smaller buyers have also emerged, such as Tunisia, Brazil, Egypt and Algeria, reflecting the characteristics of oil products, which are easier to import into different markets than crude oil as suitable refinery capacity is not required, but transport distances are typically shorter due to the smaller size of tankers.

Who's buying Russia's fossil fuels after EU bans?

shipments arriving in 2023 to date, with flows banned from February 5 excluded



The role of the European shipping industry in enabling Russian fossil fuel exports

Baltic and Black Sea ports are the main gateways for exports of Russian fossil fuels. More than two thirds of fossil fuel exports via these ports are carried aboard European-owned or -insured ships. A revision of the price caps on Russian crude oil and oil products carried by these ships is therefore key to eliminating Russia's excess profits from this trade.

Given the ongoing financing of the Russian invasion of Ukraine by sales of Russian fossil fuels, the Centre for Research on Energy and Clean Air (CREA) proposes the following **policy recommendations**:

- Revise the oil price cap down to USD25–35 per barrel of crude oil and USD5 per barrel higher for premium refined products, which substantially reduces Russian mineral tax revenues while keeping Russian oil production economically viable.
- Enhance monitoring and enforcement:
  - permanently ban tankers that violate the price caps from entering EU and G7 ports or territorial waters.
  - require copies of underlying sales contracts; do not rely on attestations. Alternatively, require either that payments be processed through an authorized intermediary, or that attestations be allowed only from trading and financial

    - entities on a pre-approved list established by the G7/EU sanction authorities to reduce the risk of fraudulent documentation.
    - establish a dedicated Russian oil sanctions monitoring and enforcement authority that conducts regular monthly and extraordinary audits on attestations and other required paperwork.
- Introduce additional sanctions to limit Russian seaborne oil trade, including:
    - restrictions on the sales of tankers, to prevent Russia, its allies and related traders from acquiring old tankers to use to circumvent the cap.
    - prohibit transhipment of Russian oil through territorial waters and exclusive economic zones of price cap coalition countries.
    - require enhanced P&I insurance disclosure and review for any vessels not insured by the International Group when passing through the Danish Straits and other EU/G7 territorial waters or exclusive economic zones in order to ensure the enforcement of environmental norms for tankers in the Baltic and Black Seas.
- Institute price caps and/or import restrictions on pipeline oil and gas, and LNG coming to the EU from Russia.
- Introduce export restrictions on all software, technology and equipment used for the development, production and rehabilitation of oil and gas fields as well as coal mines.
- Address oil blending to ensure traded oil is not partly Russian, including through laboratory analyses and technical audits to check its origin.

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Note(s) to editors

CREA has published the following briefing related to the press release:
https://energyandcleanair.org/publication/one-year-on-who-is-funding-russias-war-in-ukraine/

All CREA publications can be found here:
energyandcleanair.org/publications

About the data

To carry out the research, CREA researchers compiled data on the movements of thousands of cargo ships carrying fossil fuels and other cargo from Russian ports to the rest of the world, to track shipment destinations and volumes on a day-to-day basis. The tracking covers ship-to-ship transfers to the extent possible. The research also incorporates real-time data on gas flows to Europe via pipelines, and estimates other flows using historical monthly trade data and news reporting. To estimate the value of the imports, CREA developed pricing models that estimate the average value of Russian exports based on current spot market prices. The methodology is laid out in more detail here on the CREA website.

About CREA

Centre for Research on Energy and Clean Air (CREA) is an independent research organisation focused on revealing the trends, causes, and health impacts, as well as the solutions to air pollution. CREA uses scientific data, research, and evidence to support the efforts of governments, companies, and campaigning organisations worldwide in their efforts to move towards clean energy and clean air, believing that effective research and communication are the key to successful policies, investment decisions, and advocacy efforts. CREA was founded in December 2019 in Helsinki and has staff in several Asian and European countries. Our work is funded through philanthropic grants and revenue from commissioned research.

In our statement of support for Ukraine, CREA absolutely condemns the Russian military's unprovoked and unjustified attack against another sovereign nation, Ukraine. The assault goes against the fundamental values of human well-being, safety, and dignity that our organisation seeks to advance. We urgently call for an end to the assault and stand in solidarity with the Ukrainian and Russian people calling for just peace.