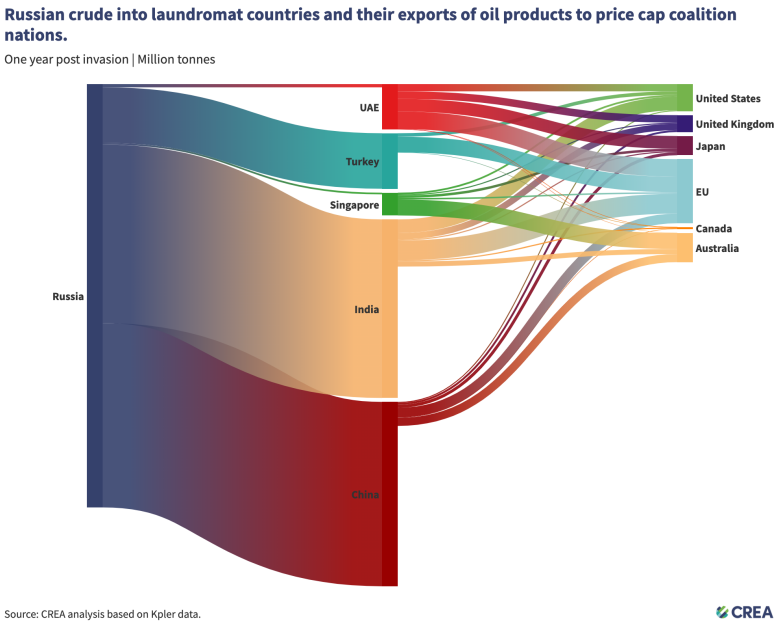
Press release

The laundromat: EU, G7 and Australia's indirect imports of Russian oil revealed

HELSINKI, 19 April 2023 — Western countries that have largely banned the imports of oil from Russia imported EUR 42 billion worth of oil products from countries that have increased imports of Russian crude oil in the 12 month period since Russia's invasion, a new report by the Centre for Research on Energy and Clean Air (CREA) finds.

Well into the second year of the full-scale invasion of Ukraine, the EU, most of the G7 countries, and Australia have cracked down on their imports of Russian crude oil and oil products. At the same time, these countries, which are all part of the price-cap coalition whose objective is to limit Russia's revenues from fossil fuel exports, have increased imports of refined oil products by leaps and bounds from the countries that have become the largest importers of Russian crude oil.

CREA has released a report taking an in-depth look at the laundering of Russian oil by countries importing Russian crude and then selling oil products on to price-cap coalition countries that have sanctioned Russian oil.



The five countries functioning as laundromats for price-cap coalition countries are China, India, Turkey, United Arab Emirates (UAE) and Singapore. In the year following the start of the invasion, seaborne imports of Russian crude oil into the five laundromat countries of China, India, Turkey, United Arab Emirates (UAE) and Singapore, increased by 140% in volume terms, compared with the

12 month period before the invasion. The total value of their imports was EUR 74.8 billion over the twelve months, and since the EU crude oil ban until the one-year anniversary of the start of the war, these five laundromat countries have made up 70% of Russia's crude oil exports.

The price-cap coalition countries are responsible for the vast majority of the increase in laundromat countries' exports of oil products since the start of Russia's invasion. Laundromat countries' exports of oil products increased 80% in value terms and 26% in volume terms (selling an additional +10 million tonnes) to price cap coalition countries, but only rose 2% (or +2.9 million tonnes) to non-price cap countries in the year since the invasion on prior year levels.

The EU, which is quick to claim its sanctions are working to reduce Russia's revenue from fossil fuel exports and military power in Ukraine, is the largest importer of oil products from the laundromat countries, with imports amounting to EUR 17.7 billion in the 12 month period since Russia's invasion of Ukraine. The currently legal importing of these oil products of de facto Russian origin goes against the spirit of the EU sanctions.

After the EU, Australia is the second largest importer of laundered Russian fossil fuels, purchasing EUR 8.0 billion since the invasion. Australia is followed by the USA (EUR 6.6 bn), the UK (EUR 5.0 bn) and Japan (EUR 4.8 bn).

The oil products being imported into price-cap coalition countries are diesel (29%), jet fuel (23%) and gasoil (13%).

"*Increasing the imports of oil products from the main importers of Russian crude oil undermines the oil sanctions against Russia. On the other hand, clamping down on this trade is an opportunity to exert badly needed additional leverage and cut off financing for Russia's brutal invasion of Ukraine.,*" said Lauri Myllyvirta, Lead Analyst and co-author of the report.

Illustrating the laundromat pattern, in late 2022, China's monthly exports of oil products to Europe and Australia spiked, far above previous levels. In the lead up to sanctions on Russian oil, China significantly increased its oil products exports, reaching 2.9 million tonnes in Q4 of 2022, which was 150% higher than the quarterly average in 2022.
Since 5 December 2022, when the price cap coalition's cap on crude oil from Russia came into effect, up to one year after the invasion (24 February 2023), India (3.8 million tonnes) was the largest exporter of oil products to price-cap coalition countries, followed by China (3.0 million tonnes) and the United Arab Emirates (UAE) (2.9 million tonnes).

Just over half (56%) of Russian crude oil shipped to laundromat countries has been transported by vessels owned and/or insured by price-cap coalition countries since December 2022, up until the one-year anniversary of Russia's invasion of Ukraine. For oil products exported from laundromat countries from December 2022 until the anniversary in February 2023, this share rises to 74%.

Given the reliance of Russia on price-cap coalition countries to continue facilitating the sale and transportation of their fossil fuels, **the coalition has strong leverage to ratchet down the price cap level**.

"*The EU, G7 and Australia have many more tools to limit Russia's energy export revenues. They continue to import Russian fossil fuels as refined oil products from third countries and allow transportation on their vessels and insurance. Getting the price-cap review mechanism back on track and lowering the price cap to reflect production costs of Russian crude would realign the price-cap policy with its purpose,*" said Isaac Levi, Energy Analyst and co-author of the report.

To put an end to the ongoing situation where the same countries that are extending support to Ukraine are also financially supporting Russia's war in Ukraine, the Centre for Research on Energy and Clean Air (CREA) recommends the following steps be taken as soon possible:

- Ban imports to price-cap coalition countries from refineries receiving Russian crude. Alternatively, develop legislation that requires the importers of oil products into sanctioning countries to provide documentation of the origin of the crude oil used to produce oil products, and deny imports of refined oil products of Russian origin.
- Ban maritime services in perpetuity to vessels used to transport Russian crude without complying with the price cap.
- Reduce reliance on fossil oil through energy saving measures, sustainable transport policies, electric vehicles and clean energy investments. Lower oil demand and prices will reduce Russia's pricing power and leverage, as well as reduce reliance on other questionable suppliers of oil.
- Advocate through political relationships or trade deals to dissuade ally countries from purchasing Russian oil as it is providing finance to Putin's war chest.
- Ban investments in refineries identified as importing Russian crude oil and exporting oil products likely of Russian origin to price-cap coalition countries.

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Contact

Lauri Myllyvirta
Lead Analyst
lauri@energyandcleanair.org

Note to editors

The report related to the press release can be found here.

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

About CREA

The 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 was founded in December 2019 in Helsinki and has staff in several Asian and European countries. The organisation's work is funded through philanthropic grants and revenue from commissioned research.

www.energyandcleanair.org

About the data

The data in this report on oil exports and imports from Russia and what we have identified as 'laundromat countries' (China, India, Turkey, Singapore and the United Arab Emirates) is based on Kpler shipment tracking. We use Kpler's categorisation of crude or 'Crude/CO' to define and analyze crude oil flows, and we aggregate all liquid fuels in the Kpler data that are covered by the price caps and import bans imposed by the price-cap coalition countries: the G7 countries, the EU, and Australia.

We use MarineTraffic.com and Equasis datasets to record the insurance and vessel ownership. This data enables us to provide analysis of the price cap coalition's provision of insurance/vessel ownership required to transport Russian oil shipments. The P&I and ownership data is collected from Equasis on a regular basis (daily to weekly). However, Equasis does not publish a historical record of ship insurers. We therefore assume that the first insurer we found on Equasis for every single ship has always been its insurer prior to that collection or indicated inception date.

To estimate prices of fossil fuel trades, we first derive historical monthly average prices for imports from Eurostat and UN COMTRADE, since the trade values are indicated both in physical and monetary terms.

We then fit models between these historical prices and average monthly spot prices for the current month and with lags.

For crude oil, we use separate models for each importing region. For oil products, a sufficient level of disaggregation between products is only available from Eurostat and therefore we use one

model per commodity category (i.e. Jet fuel, Fuel oils, Diesel and Gasoline) based on average EU trade prices, and apply it across all countries.

The complete methodology is available in the report.