July 2023 — Monthly snapshot on Russian fossil fuel exports & sanctions

Key findings

- Russia’s monthly fossil fuel export earnings were at their second lowest monthly level since the country’s invasion of Ukraine in July 2023, valued at EUR 663 mln per day.
- In July, China was the largest importer of Russian fossil fuels followed by India, Turkey, the EU and Brazil.
- Seaborne crude oil exports to China fell by -20% in July from the previous month. This was the first fall since a steady increase following Russia's invasion of Ukraine.
- In July, India’s monthly imports of Russian crude fell by -8% due to the monsoon season leading to a seasonal decline in demand, refiners undergoing maintenance which has lowered their capacity to produce refined products, discounts of Russian oil falling and domestic fuel demand dropping too.
- The European & G7 shipping industry dominates the transport of Russian oil. The share of tankers covered by the price cap in crude oil shipments out of Russia stayed around 50–55% in July, dropping by around 5% compared to the prior month. For oil products & chemicals, the coverage of the price cap coalition has remained more stable at around 65% in July.
- The high proportion of shipments transporting Russian oil with EU&G7 insurance and/or vessels outlines how strong a set of tools the price cap coalition has to force down Russia’s oil export revenues by lowering the price cap and implementing significantly better monitoring & enforcement measures.
Russia’s monthly fossil fuel export earnings were at their second lowest monthly level since the country’s invasion of Ukraine in July 2023.

Russia’s fossil fuel export revenues remained at very similar levels in July 2023 compared to June 2023, +0.5% higher than export values in June and -3% lower than May 2023.

The largest drop in Russia’s fossil fuel export value was in coal which dropped EUR 7 mln per day (-26%) in July, followed by LNG which dropped EUR 6 mln per day (-18%) compared to the prior month.

The largest increase in Russia’s fossil fuel export value in July was in seaborne oil products, growing EUR 15 mln per day (+7%) in July compared to June 2023.
Russia’s oil export revenues fell to EUR 406 mln per day in July 2023, +3% higher than June and -5% below May levels. Russia’s oil export earnings in July remained at the second lowest monthly value since their invasion of Ukraine.

- Crude oil export earnings in July were at similar levels to the prior month, down -1% or dropping EUR 2 mln per day in July 2023 compared to the prior month.
- Russia’s export value of the gasoline, kerosene & naphtha oil products fell by -21% or EUR 9 mln per day in July compared to the prior month.
- Sales of gasoil and diesel rose EUR 14 mln per day in July on the prior month, equivalent to a +15% increase.
- Finally, Russia’s exports of LPG and VGO rose EUR 8 mln per day or +24% in July compared to the prior month.

Who is buying Russia’s fossil fuels?

- Seaborne crude oil exports to China fell by -20% in July from the previous month. This was the first fall since a steady increase following Russia’s invasion of Ukraine. In July, China reduced crude oil shipments from Russia, replacing seaborne crude oil imports by +25% from Iraq, +54% Brazil and +36% Kuwait compared to June 2023.
• Russia’s pledge to reduce its exports of crude oil in early July appears to have influenced prices as they have risen in late July. Russia’s export volumes of seaborne crude fell -6% in July 2023 on the prior month. Urals prices have risen as the number of western vessels transporting Russian crude falls, dragging prices closer to the oil price cap.

• Since the Kremlin’s invasion of Ukraine, refiners in India snapped up discounted Russian oil. India became the biggest buyer of Russian seaborne crude accounting for 38% of Russia’s exports in 2023, as Russia aimed to sell to new customers after the EU and other sanction imposing countries implemented import bans. In July, India’s imports of Russian crude fell by -8% in volume terms due to the monsoon season leading to a seasonal decline in demand, refiners undergoing maintenance which has lowered their capacity to produce refined products and domestic fuel demand dropped too.

• The discount Indian refiners are receiving on Russian oil appears to be falling. As these price discounts decline, this dissuades Indian buyers from purchasing Russian crude. Banks are concerned that cargoes are traded above the price cap too.
Coal: since the EU import ban on Russian crude oil was implemented (5th December 2022), China was the largest buyer (purchasing 46% of Russia’s coal exports), followed by India (19%) and South Korea (12%).

Crude oil: China was the largest buyer (purchasing 51% of Russia’s crude oil exports), followed by India (36%), the EU (8%) and Turkey (3%). EU imports of crude oil since the 5th December 2022 arrived via sea to Bulgaria and via pipeline for the Czech Republic, Slovakia and Hungary. Bulgaria has received an exemption to the Russian oil import ban and pipeline oil into the EU is also non-sanctioned.

LNG: since the 5th December 2022, the EU was the largest buyer (purchasing 53% of Russia’s LNG exports), followed by China (20%) and Japan (15%). No sanctions are imposed on Russian LNG shipments to the EU.

LPG: Turkey was the largest buyer (purchasing 50% of Russia’s LPG exports), closely followed by the EU (42%). No sanctions are imposed by the EU on LPG imports from Russia.

Oil products: since the EU import ban on Russian crude oil was implemented, Turkey was the largest buyer (purchasing 24% of Russia’s oil products), followed by
China (12%) and Saudi Arabia (10%). EU sanctions on seaborne Russian oil products were implemented on the 5th February 2023, oil via pipeline is only partially sanctioned.

- **Pipeline gas**: The EU was the largest buyer (purchasing 43% of Russia’s pipeline gas), closely followed by Turkey (27%) and China (21%). No sanctions are imposed on Russian gas via pipeline into the EU.

![Who's buying Russia's fossil fuels in July 2023](chart)

- In July, China was the largest importer of Russian fossil fuels importing mostly crude oil but also coal, oil products, LNG & pipeline gas. China purchased a third (33%) of all fossil fuels exported from Russia in July 2023.
- In July, India was the second largest importer, mainly buying crude oil, oil products, coal and LNG.
- In July, Turkey became the third largest importer of Russian fossil fuels purchasing mostly oil products, pipeline gas, coal, crude oil and LPG.
- The EU was the fourth largest buyer of Russian fossil fuels in July, buying crude oil (via pipeline or via sea into Bulgaria which is granted an exemption to the imports ban), pipeline gas, LNG, oil products via pipeline and LPG.
- Brazil, importing only oil products, became the fifth largest buyer of Russian fossil fuel.
The largest EU importers of Russian fossil fuels in July 2023 were Hungary, Bulgaria, Slovakia, Czech Republic and Spain.

In July, these countries predominantly imported crude oil via pipeline, LNG and pipeline gas from Russia. The shipment of Russian oil products observed in the chart above, undertook a ship-to-ship transfer off the coast of Spain with the final destination of the oil product (Naphtha) not yet known. Bulgaria has an exemption to the imports embargo therefore has received shipments of crude and oil products from Russia in July.

Landlocked Central and Eastern European countries received natural gas via pipeline from Ukraine, and crude oil was received via the Druzhba oil pipeline. The EU has not banned Russian natural gas and Russian crude oil via the Druzhba south branch.
In July 2023, the port of Sikka in India overtook the port of Vadinar in India as the largest port importing Russian fossil fuels compared to the previous month.

The top ports importing Russian fossil fuels from Russia in July 2023 were Sikka (India) Paradip (India), Yarimca-Izmit Port (Turkey), Dongjiakou (China) and Mersin (Turkey).

Month-on-month crude oil exports to India from Russia decreased by -8% from 7.4 mln tonnes in June to 6.8 mln tonnes in July. During the same period, crude oil imports into India from Iraq increased by 30% from 3.2 mln tonnes in June to 4.2 in July as India aims to maintain relationships with other key supplies in the Middle East.
How are oil prices developing?

Urals crude oil spot price
USD / bbl

- Urals crude prices have risen above the oil price cap level of USD 60 in early July 2023, reaching their monthly peak of around USD 69 per barrel. Before this spike in prices, Urals prices had remained below the price cap level since they fell at the end of April. Despite the higher price for Urals, the East Siberia–Pacific Ocean (ESPO) and Sokol prices, mainly applicable to Chinese and Japanese purchases, increased in July and remain above the price cap level at around USD 70-75 whilst G7+ owned and / or insured tankers keep lifting Russian oil in Pacific ports. This provides evidence that the price cap policy is being violated. Better monitoring and enforcement is needed if the price cap policy is going to achieve its aim in reducing the price Putin receives for oil exports used to fund the war against Ukraine.

- As sanction imposing countries wean themselves off buying Russian fossil fuels, this has reduced the revenues that they receive from oil sales, contributing to their collapse in the rouble. Russia’s current account surplus fell by 85% in the first seven months of 2023 compared to the same period in 2022. Higher military spending and sanctions limiting capital inflows are key factors causing the weakening of the rouble. Rising oil prices will likely contribute to rising Russian export revenues in
upcoming months that will help the Kremlin overcome the fall in current account surplus.

How can Ukraine’s allies tighten the screws?

Fossil fuel shipment departures from Russia
By declared destination
Million EUR, 30-day running average

Source: CREA analysis. • Dotted lines represent the beginning of the war and of EU’s oil ban & the wider price cap respectively.
- Fossil fuel exports from Russia have fallen since sanctions were implemented, showing the impact they have had at lowering Putin’s ability to fund the war. However, much more should be done to limit Russia’s export earnings and constrict the Kremlin’s war chest such as lowering the oil price cap, increasing monitoring & enforcement of sanctions and banning unsanctioned fossil fuels such as LNG, LPG and pipeline fuels that are legally allowed into the EU.

- As oil prices rise from July to August 2023, it is essential that sanction imposing countries tighten the monitoring and enforcement of the oil price cap policy, forcing Russian exporters to offer larger discounts on their oil exports. Discounts offered on Russian oil have been shrinking in July as Urals prices rise closer to Brent prices. Additionally, measures must be taken to prevent Russia’s ability to ship its oil without relying on western owned or insured vessels and circumvent the price cap policy; actions could include banning the sale of old tankers used to entities transporting Russian oil.

- In July, Russian revenues could have been slashed by EUR 6.0 bln (48%) by setting the cap for crude oil at USD 30 per barrel (still well above Russia’s production costs, averaging USD 15). Lowering the price cap would be deflationary, reducing Russia’s
oil export prices and inducing more production from Russia to make up for the drop in revenue.

- Full enforcement at the caps current level would have cut Russia’s oil export revenue by approximately EUR 1.55 bln, or -12%, in July alone when prices were above the USD 60 per barrel.
- Enforcement agency must undertake vigilant investigations of entities such as insurers that are registered in countries implementing the price cap policy who are facilitating the transportation of Russian oil from ports such as Kozmino, whereby virtually all exports are sold at prices above the USD 60 per barrel. Penalties must be implemented on entities that are caught violating sanctions to increase the perceived risk of others violating the oil price cap in pursuit of profit. Without greater monitoring and enforcement of the oil price cap policy to prevent violations of the sanctions, Russian oil prices and Putin’s export revenues used to fund the war will increase.
Russia remains highly reliant on European & G7 shipping industry

Fossil fuel shipment departures from Russia
By ship ownership / insurer
30-day running average

- The share of tankers covered by the price cap in crude oil shipments out of Russia stayed around 50-55% in July, dropping by around 5% compared to the prior month. For oil products & chemicals, the coverage of the price cap coalition has remained more stable at around 65% in July.

Source: CREA analysis. • Dotted lines represent the beginning of the war and of EU’s oil ban & the wider price cap respectively.
- The share of tankers using the price cap countries’ insurance or owned vessels to transport fossil fuels from Russia's Baltic & Black sea ports is much higher than in Pacific ports. As tankers insured or owned by price cap implementing countries remain to lift Russian oil at ports such as Kozmino in the Pacific region where ESPO is exported at average prices above the cap this indicates that the policy is not working.

- The high proportion of shipments transporting Russian oil with EU/G7 insurance and/or vessels outlines how strong a set of tools the price cap coalition has to force
down Russia’s oil export revenues by lowering the price cap whilst implementing significantly better monitoring & enforcement measures.

**Note on methodology:**
From 2023-04-03, our monthly snapshot values are no longer seasonally corrected, which may lead to some disparities between the preceding and following reports. We have also adjusted our time frame to show totals since the start of 2023 rather than the start of the invasion. Dates featured are the date the arrival of the shipment was captured by our algorithm. 80% of arrivals for shipments are found within 4 days of the arrival port call in the specific port. For our oil products and chemicals commodity group, please note this contains a wider range of items than just those specified in the current sanctions, as of 2023-02-05. More information at: [https://energyandcleanair.org/](https://energyandcleanair.org/)

**Relevant reports:**

- ‘Labour must lead the charge against blood money from Russian fossil fuels’.
- ‘EU's $20 Billion Russian LNG Import Saga: Spain, Belgium, France’.
- ‘Methane Rush Off The Climate Cliff: It Is Time To Halt Gas Infrastructure Expansion’.
- ‘KSE Institute Russia Chartbook: Sanctions Are WOrking, But No Inflection Point In Sight’.
- ‘Russia exploits billion-dollar oil cap loophole: Inflated shipping costs offer opportunity to bring in more cash’.