Press release

“Shadow” tankers not enough to transport the majority of Russia’s oil

HELSINKI, 26 September 2023 - Europe’s ban on Russian oil imports and the introduction of a price cap saw the rise of oil tankers that are owned and insured outside the countries implementing the price cap policy transporting Russian oil worldwide in an attempt to circumvent sanctions. Without credible data on their operations, the media has been rife with articles about these tankers that operate in defiance of the oil price cap policy, starting last December and continuing through this August, often referring to them as a “shadow fleet”, or “shadow” tankers.

The latest briefing from the Centre for Research on Energy and Clean Air (CREA) attempts to shed light on the “shadow” tankers transporting Russian oil, including the true scale of their operations and whether or not they render the price cap ineffective.

CREA’s report finds that although the number of “shadow” tankers carrying Russian oil has increased following Russia’s invasion of Ukraine in February 2022, their capacity falls far short of what would be needed to transport the majority of Russia’s oil.

“Despite the increase in the use of ‘shadow’ tankers, Russia has failed to break the stranglehold western shipping and insurance providers have on the country’s all-important oil trade. More than by the use of ‘shadow’ tankers, the impact of the oil price cap has been undermined by a failure of the participating governments to fully enforce the price cap and punish violators, as well as the failure to revise the cap down in accordance with commitments they have made,” said Isaac Levi, Europe-Russia Policy & Energy Analysis Team Lead at CREA.

CREA’s analysis reveals that these “shadow” tankers are responsible for transporting 37% of Russia’s total exported volume of crude and 31% of all exports of oil products and chemicals since sanctions were implemented. Nearly half of all "shadow" tankers carrying Russian crude oil are registered in the United Arab Emirates. In the case of smaller “shadow” tankers carrying refined oil products, 57% are registered in Russia.

The volume of Russian oil transported on "shadow" tankers has more than doubled since the full-scale invasion of Ukraine, from 13% to 42% in July 2023. “Shadow” tankers are also
undertaking more voyages than vessels owned or insured in countries implementing the oil price cap policy. Since the imposition of sanctions, the number of voyages undertaken by “shadow” tankers has risen by 82%. For oil products, around one-fifth of the deadweight carrying capacity required to transport all of Russia’s oil product exports per shipment is made up by the “shadow” tanker; these generally smaller sized vessels undertook two-thirds of all voyages.

To circumvent trade sanctions, some operators of “shadow” tankers changed either the ship’s ownership or insurance to providers registered outside of sanction imposing countries. For instance, in 2021, 76% of Russian oil was transported on vessels insured in countries implementing the price cap policy. This proportion fell to 48% in 2023 as more tankers switched maritime insurance to transport Russian oil on vessels that are not insured in price cap implementing countries. Additionally, the percentage of ships owned in countries implementing the price cap decreased from 44% in 2021 to 30% in 2023. The attempt to circumvent the price cap policy is reflected in these changing trends. With the majority (58%) of Russia’s oil still being transported on vessels subject to the oil price cap in July 2023, this illustrates the leverage that the price cap coalition has to ratchet down the price and significantly reduce Putin’s earnings from oil exports used to fund the war.

“The huge profits the Kremlin is still receiving from its exports of oil are fueling the war in Ukraine and have enabled about 100,000 registered war crimes. Data shows that the role of “shadow” tankers is slowly growing but Putin is still incredibly reliant on sanction imposing countries to transport Russia’s oil. Western governments have powerful economic leverage against Russia that they haven’t enacted yet with existing sanctions, which are also poorly enforced and diluted with loopholes. There is an urgent need to tighten sanctions against Russian blood oil and all those who profit from it. Russia, its allies and related traders must be prevented from buying tankers to circumvent existing restrictions, and G7 countries must prohibit the transshipment and insurance of Russian oil in the territorial waters and exclusive economic zones of sanctions backing countries,” stressed Svitlana Romanko, Founder and Director of the Ukrainian climate and peace group Razom We Stand.

Meanwhile, countries that do not implement the price cap continue to buy Russian oil using ships owned or insured by sanction-imposing countries, ultimately providing the demand and funds for Russia’s exports. Greek-owned ships transported nearly one third of Russian oil shipments, showing how sanction imposing countries facilitate Russia’s transport and export of its oil.

“Russian oil sanctions provide policymakers with a set of powerful tools for constraining Kremlin finances. But to use those tools effectively, they need a clear, accurate assessment of
Russia’s circumvention effort — both its strengths and vulnerabilities,” emphasised Dr. Craig Kennedy, Center Associate, Davis Center for Russian and Eurasian Studies, Harvard University.

Along with enhanced monitoring and enforcement of the sanctions, the price cap review must be reinstated urgently and not fall victim to stonewalling. A price cap set at USD 30 per barrel, which is twice Russia’s average production cost, along with enhanced monitoring and enforcement of the policy would have been able to slash Russian revenues by EUR 44 billion (47%) since the sanctions were introduced until the end of August 2023. These measures would have a realistic chance of constraining Putin’s war machine terrorising Ukraine and casting long shadows over Europe and European allies.

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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.

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About the methodology
Tankers that are insured or owned by countries implementing the oil price cap policy (G7, EU, Australia, Norway and Switzerland) are named as tankers under the price cap in this report. We define tankers that are insured and owned outside the countries mentioned above as "shadow" tankers. For Russian seaborne crude oil exports, CREA utilised data from Marine Traffic. We aggregate all liquid fuels covered by the price caps and import bans imposed by the countries implementing the price cap policy. We use MarineTraffic.com and Equasis datasets to record the insurance and vessel ownership. This
data enables us to provide an analysis of the price cap coalition's provision of insurance/vessel ownership required to transport Russian oil shipments. 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. More on our methodology is documented in the report [here](#).