Press release

One year of oil sanctions: Russia’s export revenues cut by EUR 34 bn

HELSINKI, 5 DECEMBER – One year after the EU oil import ban and G7 price cap were introduced, the measures have cut Russia’s export revenues from oil by EUR 34 bn. Despite this impact — which largely took place in the first half of 2023 — the price cap has failed to live up to its potential, allowing Russia’s revenue from oil to rebound in the second half of the year and fund its full-scale invasion of Ukraine.

The Centre for Research on Energy and Clean Air (CREA) analysis shows that the price cap’s initial impact was to force Russia to increase discounts on their oil exports in order to attract new buyers and replace sales that went to countries enforcing the price cap.

The resultant losses were significant, with Russian oil export revenues falling by 14% (EUR 34 bn) in the 12 months after the sanctions were implemented — 32 bn in lost revenue, and a small reduction in export volumes accounting for EUR 2 bn. The losses peaked at 26% (EUR 180 mn per day) in the first quarter of 2023.

A failure to enforce, strengthen and consistently monitor the price cap has allowed Russia to undo the impact in the second half of the year though. The discount between Russian oil and benchmark global oil has also shrunk steadily since early 2023, highlighting the fading effectiveness of the sanctions.

Revenue losses shrank to EUR 50 mn per day in the second and third quarters, and then recovered to EUR 90 mn per day in the last quarter of the year, due to reductions in Russia’s export volumes.

In addition to lacking enforcement, Russia has benefited from the “refining loophole” which allows Russian oil refined in third countries to be imported to the countries imposing sanctions. This legal gap in the sanctions has provided an outlet for Putin to sell oil to the global market and led to an increase in Russia’s crude oil export volumes.

EU and G7 owned or insured tankers still transport the majority of Russian oil, providing the coalition with strong leverage to cut Russia’s revenues by revising the price cap and implementing better monitoring. Disturbingly though, Russia’s use of “shadow” tankers to
transport their oil since the start of the sanctions has risen 82%, allowing them to raise the price at which they can export their oil and ensure supply to new willing buyers while maintaining similar export volumes. As a result, the discount on Russian oil has shrunk. The “refining loophole” has also reduced the impact of the sanctions and raised Russia’s export revenues.

CREA urges the Price Cap Coalition to strengthen the price cap, improving monitoring and enforcement to close the loopholes that allow Russia to continue funding their brutal war on Ukraine through the circuitous sale of fossil fuels to Ukraine’s allies. Sanction imposing countries must also ban the import of oil products produced from Russian crude oil to enhance the impact of sanctions.

“The initial impact of the oil ban and price cap showed that the EU and the G7 have the tools to effectively curtail Russia’s oil export earnings. Instead, inexcusable timidity has kept Russia’s allies from lowering and strictly enforcing the oil price cap and allowed Russia’s earnings to recover,” Lauri Myllyvirta, Lead Analyst, said. “Cutting off the flow of petrodollars to the Kremlin is a key way to help end Russia’s illegal invasion and occupation of Ukraine, and any further delay increases the costs of the war to Ukraine, its allies and the global economy.”

“CREA’s new report presents a comprehensive analysis of the EU embargo and G7 price cap’s impact on the Russian economy over the last twelve months,” Benjamin Hilgenstock, Senior Economist at the Kyiv School of Economics said. “It makes a compelling case for how energy sanctions can constrain Russia’s policy space and erode macro stability — but also outlines why the measures have fallen short of expectations. This excellent contribution to the policy debate highlights why it is so critical and urgent to take additional steps in order to deprive Russia of the export earnings and budget revenues it needs for its war on Ukraine.”

“There are several loopholes in the sanctions, which have been exploited by the Kremlin to continue filling its war chest,” Isaac Levi, Europe-Russia Policy & Energy Analysis Team Lead said. “The coalition needs to actively take cognizance of this. Strengthened monitoring and a revision of the price cap can undo the steady rise of Russian oil revenues and help de-escalate their invasion of Ukraine.”

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Contacts
Isaac Levi - Europe-Russia Policy & Energy Analysis Team Lead
isaac@energyandcleanair.org
Notes to editors

The CREA report related to this press release can be found here.

CREA's prior investigations have revealed how Russia is using refineries across the world to refine and sell its oil and the dominant role of the EU shipping industry in transporting the majority of Russian oil. Investigations have also revealed how a refinery in Bulgaria is exploiting derogations provided to the country to send EUR 1.13 billion to the Kremlin in direct tax revenues.

All CREA publications can be found here.

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

We calculated and compared the average import prices for Russian and non-Russian oil in each category. For those countries that didn’t report data, we applied the weighted average of prices in countries for which data was available. The increase in the discount for Russian oil compared with the period before the invasion was taken as the impact of the EU&G7 measures on Russia’s export prices.

For crude oil, we applied the discount from Brent crude oil prices reported for Russia's two main crude oil varieties, Urals and Eastern Siberia–Pacific Ocean (ESPO) crude oil. We took the increase in the discounts from pre-invasion (2021) levels as the effect of the sanctions
(and the threat of sanctions, as well as other measures to avoid Russian oil e.g. in corporate decision-making).

We use an array of different datasets to undertake our analysis of Russia’s fossil fuel exports, our oil shipment data is based on the Kpler dataset. More information on our datasets and methodology can be seen [here](#).