UK imports EUR 660 mn of oil products made from Russian crude

HELSINKI, 5 February 2023 - When sanctions were imposed by the UK and EU prohibiting the import of crude and oil products directly from Russia, they were done with the intention of significantly impacting the Kremlin’s revenues from fossil fuels. Over the past year though, it has also led to the creation of a new market, where third countries (those not imposing sanctions) import Russian crude and subsequently export products partially derived from it to EU/G7 countries imposing the sanctions. These imports have, in turn, enabled higher sales of Russian crude, pushed up the price and increased the funds sent to finance the Kremlin’s war chest.

An investigation led by the Centre for Research on Energy and Clean Air (CREA) has found that the UK has exploited a loophole in the EU/G7 sanctions on Russian oil to import oil products made from Russian crude.

To conduct the analysis, CREA identified 12 refineries that were importing Russian crude and exporting oil products to the UK since the implementation of the ban on Russian crude oil. Between December 2022 and November 2023, these refineries imported Russian crude oil worth EUR 23 bn. In the same period, 3% (EUR 660 mn) of the UK’s total imports of oil products worldwide were estimated as derived from Russian crude. The low reliance (3%) of the UK on oil products produced from Russian crude means that if the UK banned these imports, it would have no significant inflationary pressure on domestic oil prices.

The bulk of the UK’s imports of oil products from refineries processing Russian crude comes mainly from three in India — Jamnagar, Vadinar and New Mangalore. These three refineries exported EUR 1.6 bn of oil products to the UK, of which EUR 619 mn were derived from Russian crude.

Russian energy giant Rosneft — who are on the UK list of investment ban targets — holds a 49.1% share in Nayara Energy Limited, the owners of the Vadinar Oil Refinery. Profits made from the export of oil products from this refinery to the UK will therefore partially flow back to the Kremlin.
According to our analysis, since the start of the G7’s ban on the importation of Russian crude and the imposition of the oil price cap, the UK’s imports of oil products derived from Russian crude have sent EUR 165 mn in tax revenue back to the Kremlin war chest — equivalent to 28% of the humanitarian aid it has so far provided to Ukraine.

Countries imposing sanctions on Russia must close the loopholes that enable higher sales of Russian oil on the global market and reduce the impact of the sanctions in achieving their aim to diminish flows to the Kremlin’s war chest.

“It is shocking that diesel, jet fuel and petrols produced from Russian crude oil are still legally being used to fill up vehicles in the UK,” said Isaac Levi, Europe-Russia Policy & Energy Analysis Team Lead at CREA. “As we approach 2 years since Russia’s invasion, it is time for the UK to finally stop the flow of the millions of pounds being sent to finance the Kremlin’s military budget by banning oil products produced in refineries using Russian oil”.

“While highlighting the duplicitous nature of the UK’s support for Ukraine, the investigation also shows a simple route to cutting off Russian revenues even further,” said Vaibhav Raghunandan, EU-Russia Analyst. “While the UK is still importing oil derived from Russian crude, their relative low reliance on it means banning imports from refineries running on Russian crude would put no significant inflationary pressure on oil prices as a whole.”

The investigation follows on from a previous CREA report on how UK insurance companies continue to aid in the transport of Russian oil globally. A third of Russian oil transported globally is insured in the UK.

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1 These estimates of Russia’s tax revenues received from crude oil exports are based on calculations made from December 2022 to November 2023 data. The data was collected from Mineral Extraction Tax and Export Duties after the crude oil was sold to the 12 identified refineries that have imported Russian crude and exported a proportion of the products to the UK.
Note 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 UK 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 methodology

Assumptions

We look at locations that have exported oil products to the UK and conclude that these are refineries. We assume that refineries perfectly mix the crude imported over the period of analysis: December 2022 to November 2023.

Data sources

CREA analysis is based on an array of different data sources including: Kpler, Eurostat, Comtrade, Equasis, P&I providers, Global Energy Monitor.
Estimated crude consumption capacity and oil product output by refinery

For most refineries (except Ruwais, as discussed in the Limitations and Challenges section of our full report), we estimated crude consumption capacity based on whichever is higher: the total crude oil imported in tonnes, or the estimated crude required to export the products. This would produce a more conservative estimate of the refinery's reliance on Russian crude as a proportion of the total oil feedstock.

Estimated value of oil products using Russian crude for export to the UK

For each refinery, we take the percentage of seaborne Russia crude oil coming into the facility as a percentage of the capacity. To estimate the value of products sold to the UK that were produced from Russian crude, we multiply this percentage by the total value of products exported to the UK by each refinery.

Estimated Russia crude consumed to make products for UK

For each refinery, we assumed the percentage of seaborne oil products exported to the destination is the percentage of the oil product exported to that location. To estimate the value of crude required to produce the exported products, we multiply this percentage by the value of Russian crude imported to the refinery.

For further information on the detailed methodology and limitations of our data analysis, please see the relevant sections of the full report here.