Press release

Average EU citizen has paid more than EUR 400 for Russian fossil fuels since invasion

HELSINKI, 23 FEBRUARY - Two years since Russia's full-scale invasion of Ukraine, despite a range of sanctions and embargoes, Russian fossil fuels continue to flow into the European Union and boost the Kremlin war chest. CREA's latest analysis reveals that while existing sanctions have cut Russian revenues from fossil fuels exports by 12%, the EU continues to fund the invasion, buying EUR 28.1 billion of Russian fossil fuels in its second year, more than double the Union's annual financial support to Ukraine. Since the beginning of the war, the average EU citizen has paid an astonishingly high EUR 420 for Russian fossil fuels.

Due to lagging government energy policies, citizens of Slovakia (EUR 525), Hungary (EUR 440), Belgium (EUR 188), Czech Republic (EUR 188) and Austria (EUR 185) — considered allies of Ukraine — have continued to contribute heavily to the Kremlin's war chest in the second year of the invasion. It is clear evidence of how Russian fossil fuels continue to not just fund Putin's invasion of Ukraine, but also devalue and slow down the EU's green energy transition.

The EU/G7 ban on Russian crude and the introduction of the price cap policy in December 2022 has cut Russian revenues from crude oil by 17% (EUR 23.7 bn) — equivalent to EUR 1.6 bn per month. The ban on oil products and associated price caps implemented in February 2023 cut Russian export revenues from oil products by 18% (EUR 8.9 bn) — equivalent to EUR 606 mn per month.

While the sanctions have impacted Russian revenues, there is huge potential for Ukraine's allies to do more. A ban on LNG flows and pipeline gas to the EU, for example, could cut Russian export revenues by EUR 632 mn per month and EUR 497 mn per month, respectively.

Lowering the price cap for crude oil down to USD 30 (still above Russia's production cost that averages USD 15 per barrel), USD 35 per barrel for premium products and USD 25 per barrel for low value products, would have cut their revenues from seaborne oil by 27% (EUR 4.5 bn per month).

Over the second year of the invasion, the Kremlin has found various ways — via legal loopholes and circumventions — to counter EU/G7 sanctions and continue to gain significant revenue from fossil fuel exports. CREA's analysis identified the three biggest loopholes in the existing sanctions and policies — the refined oil loophole, ship-to-ship (STS) transfers of Russian oil that take place in EU/G7 waters, and the proliferation of 'shadow' tankers.

A previous CREA analysis revealed that in 2023, there was a 44% year-on-year increase in sanctioning countries' imports of oil products by volume, produced from Russian crude. Oil products produced from Russian crude consisted of 3% of sanctioning countries' total imports between December 2022 and December 2023.

"After two years of full-scale invasion Russia continues to receive cash from exporting its energy resources including from oil. Part of the blood money pumping up to Russia goes in a form of revenue from refined products produced from its oil in third countries and imported by the coalition countries," Oleg Ustenko, Economic advisor to the President of Ukraine, said. *"CREA's study clearly shows that these activities should be stopped immediately. A full ban on refined products produced from Russian oil should be introduced as soon as possible."*

Fixing this loophole would cut off 4% (EUR 332 mn per month) of Russia's revenues from sales of its crude to third countries which subsequently sell Russian refined oil products to countries in the price cap coalition. The relatively low reliance of G7 / EU countries on imported products made from Russian crude means that closing the refining loophole and banning these products would not create significant inflationary pressure on oil prices.

A second loophole involves ship-to-ship transfers of Russian oil within EU waters, which shot up 150% in the first year of the invasion. While this number has fallen by 27% (from 999 to 727) in the second year, the EU has enabled STS transfers of an estimated 24 mn tonnes of Russian oil (equivalent to EUR 30 mn per day) in its waters since the implementation of oil sanctions in December 2022. These STS transfers allow traders to obfuscate the origin of the oil by mixing it with non-Russian oil subsequently sold in countries that have implemented import bans. It also allows Russia to use EU waters to ship its oil across the globe, splitting large cargoes into smaller ones that deliver to different ports.

While Russia's fossil fuel exports still remain heavily reliant on Western owned or insured ships, there has been a noticeable rise in the use of 'shadow' tankers, responsible for transporting more than one-third of total Russian oil exports. These tankers transported 20% of Russia's total volume in the first year of the invasion, which escalated to 40% in the second. This strategic shift to circumvent the price cap also comes with its share of ecological risks, as many of these tankers are old, environmentally hazardous, and lack accountability due to unclear ownership and insurance.

"With Russia's brutal full-scale invasion of Ukraine now entering its third year, it is critical to remain focused on Russia's fossil fuel exports. These earnings keep its economy afloat and help Putin's regime pay for the war," Benjamin Hilgenstock, Senior Economist at the Kyiv School of Economics said. *"This report summarises in clear terms what energy sanctions have achieved, what is not working as intended, and what more can be done to step-up pressure on Russia. Should Ukraine's allies succeed at reducing Russia's fossil fuel exports as envisioned here, macroeconomic stability would be dramatically eroded and the regime's war run into serious financial roadblocks."*

"*The EU's recently announced EUR 75 million of humanitarian aid given to support Ukraine is a drop in the ocean compared to the EUR 28 billion of Russian fossil fuels they bought in the second year of the invasion. Without urgent actions to tie up loopholes in the sanctions that allow Putin to increase fossil fuels flowing to Ukraine's allies, the 12% impact of existing sanctions will be eroded further,*" Isaac Levi, Europe-Russia Policy & Energy Analysis Team Lead said.

"*The EU has introduced 13 sanctions packages, including a price cap on Russian oil and oil products, which have yielded some desired results. However, these measures alone are insufficient to cut Russia's budget and halt the full-scale invasion of Ukraine. To address this, EU Member States must focus not only on maximising the introduction of sanctions packages but also on ensuring their effective enforcement, rigorous monitoring, and coordination between member states,*" Petras Katinas, Energy Analyst said.

CREA urges the Price Cap Coalition (PCC) to strengthen the price cap, improve monitoring and enforcement, close loopholes and introduce further sanctions on Russian pipeline gas, LNG, pipeline oil and refined oil products. These further sanctions, combined with a lowered and enforced price cap of USD 30, can cut Russia's export earnings by an additional 32% (EUR 6.8 bn per month).

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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, the dominant role of the UK shipping industry in transporting Russian oil and the refined oil loophole allowing third countries to export oil products produced from Russian crude into sanctioning countries. An analysis on the impact of the crude oil price cap one year from its implementation revealed to have cut Russia's export revenues from oil by EUR 34 bn.

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.

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About the data methodology

CREA analysis is based on an array of different data sources including: Kpler, Eurostat, Comtrade, Equasis, P&I providers, Global Energy Monitor and oilprice.com. The impact of the ban and price cap was calculated by taking the price impact (the discount of exported Russian crude oil compared to global prices) multiplied by the volume of oil Russia exported in the timeframe of interest. CREA have estimated the impact of each of the sanctions implemented on Russian fossil fuels as well as forecasted the impact of recommended further measures with varied modelling techniques which can be seen documented here.