Centre for Research on Energy and Clean Air

Strengthening energy sanctions on Russia

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About CRCEA

We are an independent research organisation established in Finland in 2019. We use scientific data, research and evidence to support the efforts of governments, companies and campaigning organizations worldwide in their efforts to move towards clean energy and clean air.

Published studies 2020–2023

25 staff in eight countries across Asia and Europe

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Significance of energy exports for Russia

- EU energy imports from Russia was the largest bilateral fossil fuel trade flow in the world
- Since the start of Russia's invasion
  - Russia has made over EUR 600 bn on fossi fuel exports
  - Of which almost EUR 200 bn from exports to the EU
  - The average EU citizen has spent EUR 420 on fossil fuels from Russia
- The profits from energy exports are in practice taxed to the state in their entirety. Taxes on oil and gas exports make up 30–40% of the federal budget.
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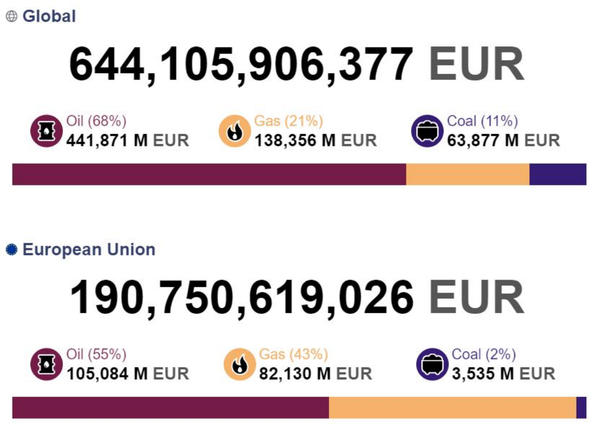

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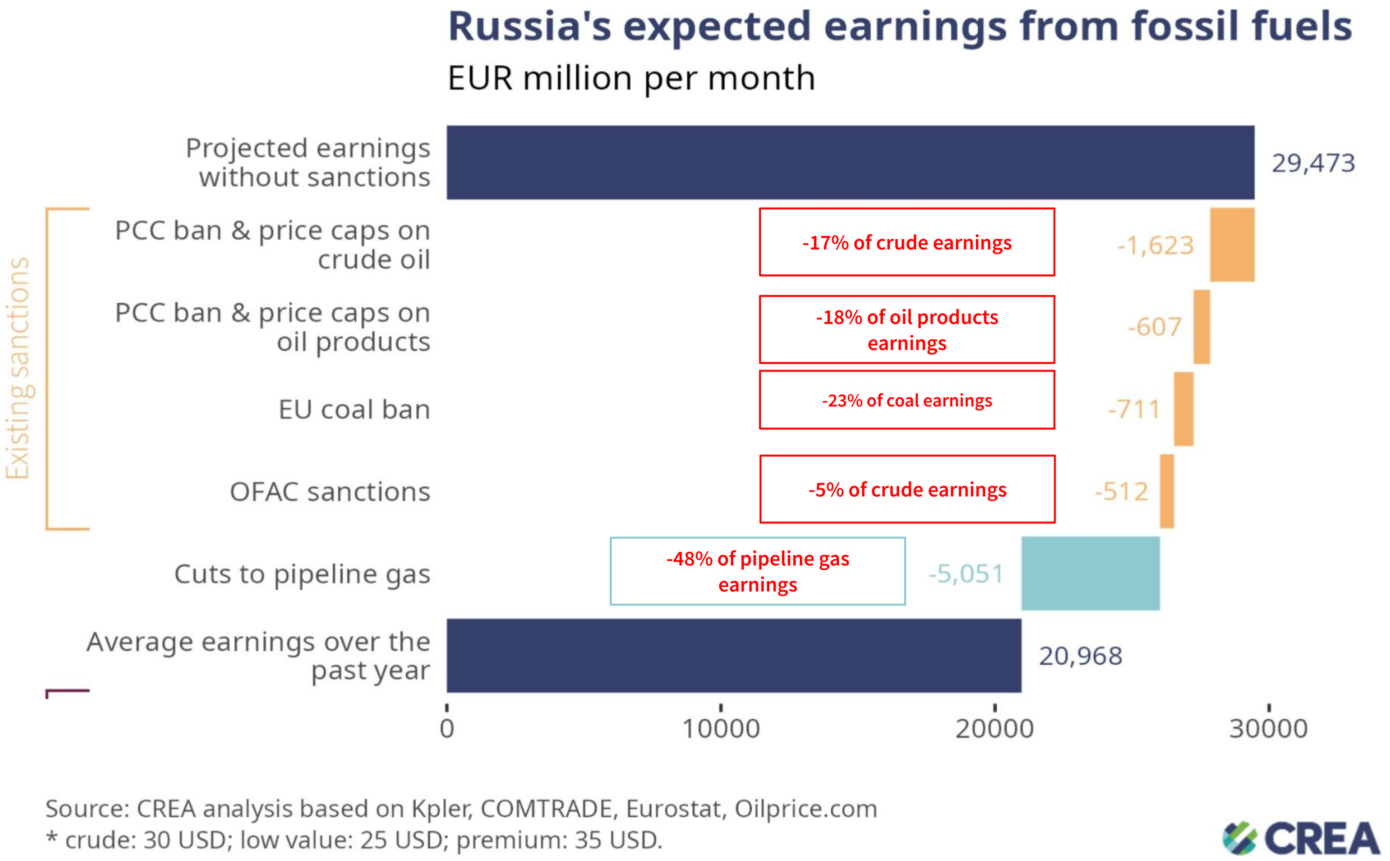
Energy sanctions do have an impact

Sanctions have cut Russia's revenues from fossil fuel exports by ca. 12% (not including Russia's decision to cut fossil gas exports to Europe)



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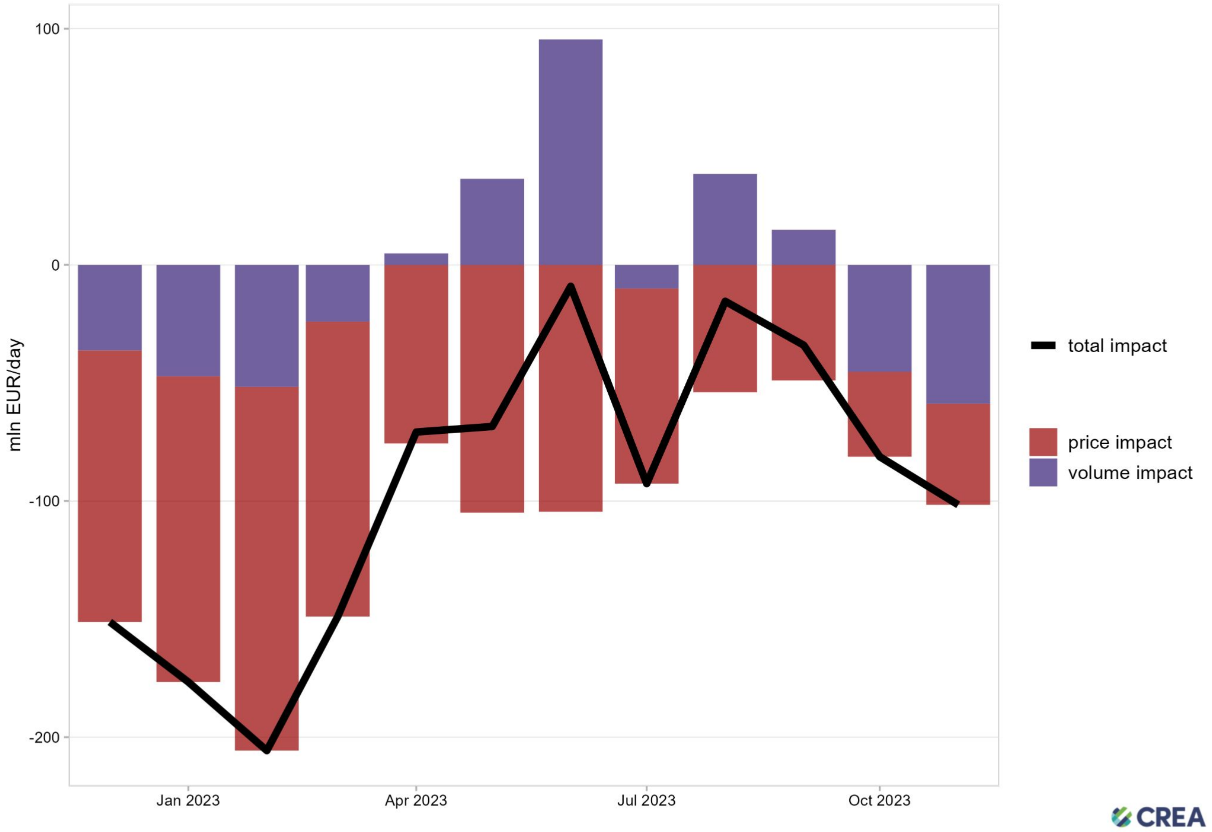
Why do energy sanctions need to be strengthened?

- Cutting Russia's tax revenue limits Kremlin's ability to fund the war, prepare for future aggression against Europe and keep the country running
- The EU's remaining dependence on Russian energy is a major security of supply vulnerability that Putin is certain to exploit — at a time of his choosing, not ours

Strengthening the implementation of existing sanctions

The enforcement of the oil price cap needs to be strengthened



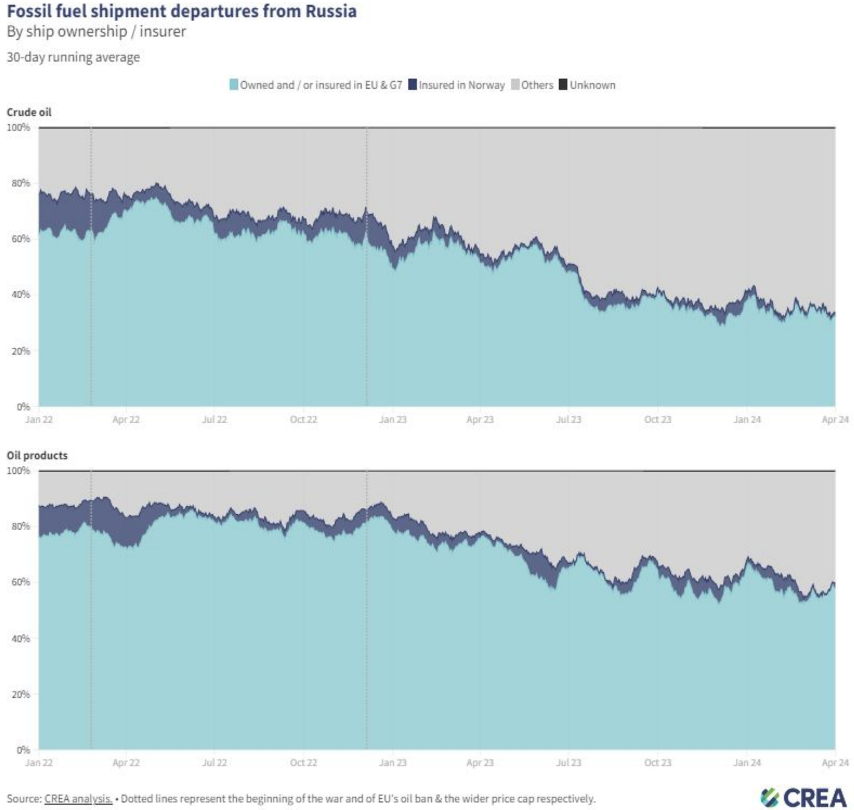
- The effectiveness of the oil price cap has declined due to poor enforcement
- A significant share of Russian oil is sold above the caps
- Monitoring and enforcement is currently based on so-called attestations — unverifiable declarations by traders

How should the enforcement of the price cap be strengthened?

- **Stricter monitoring: systematic audits of insurance and transport firms and scrutiny of documentation.**
- **Companies should be required to verify the price paid for cargo from bank statements and required to direct payments only through intermediaries that can be audited**
- **Stronger punishments for violations**
  - U.S. decision to add violators to the sanctions list immediately cut Russia's crude oil export revenue by ca. 5%

Sales of oil tankers from Europe to Russia and tax havens needs to be banned

- The increase in the number of “shadow tankers” operating outside of the price cap weakens the effectiveness of the price cap
- “Shadow tankers” transported 56% of oil exported from Russia in March 2024; the share before the invasion was ca. 20%



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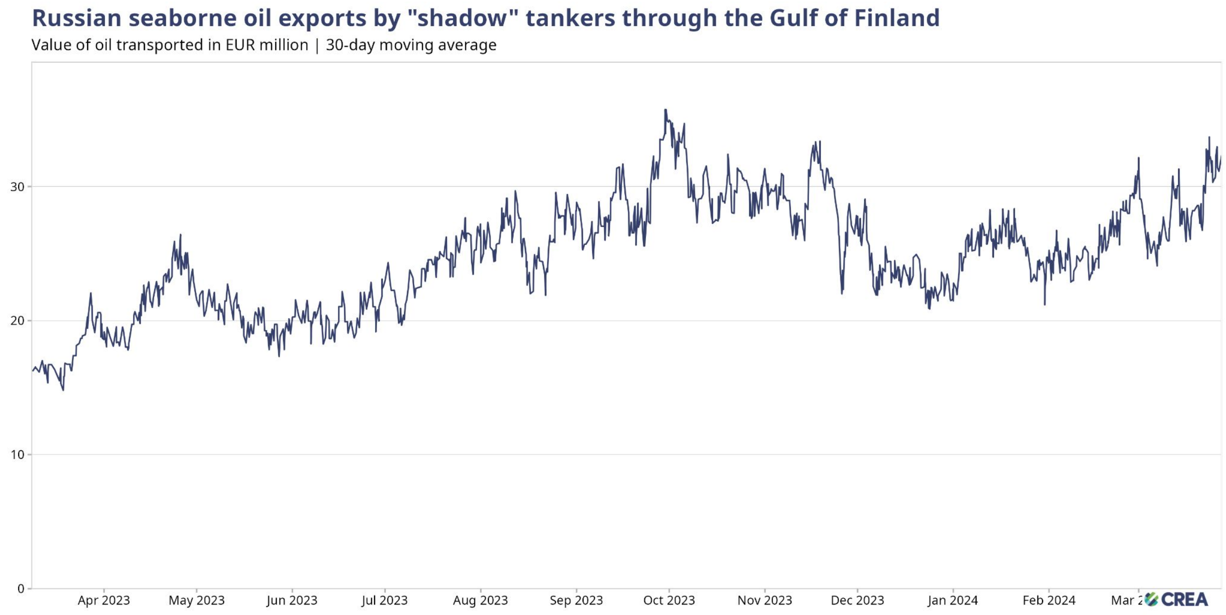
Inadequately insured tanker traffic in the Gulf of Finland and EU territorial waters must be tackled

- During the past 12 months, more than 300 individual “shadow tankers” with unknown or inadequate oil spill insurance coverage transited the Gulf of Finland
- They made up 27% of all tankers transporting Russian oil
- The value of the oil transported was an estimated EUR 31 bn



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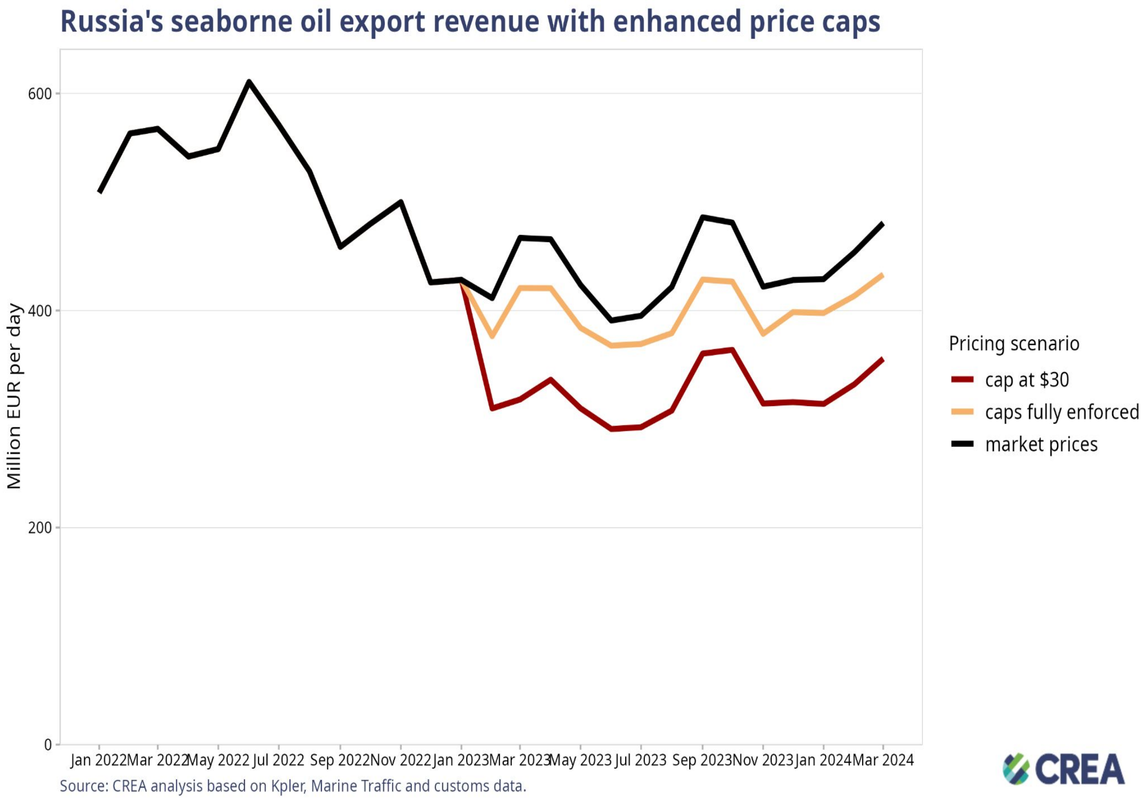
New sanctions needed

Lowering the oil price caps

- The current price caps are way too high: $60/barrel for crude oil cf. Russia's production cost of less than $25 — the rest is taxed and used to fund the illegal war
- Almost 50% of seaborne oil shipments from Russia take place using European-owned or insured tankers



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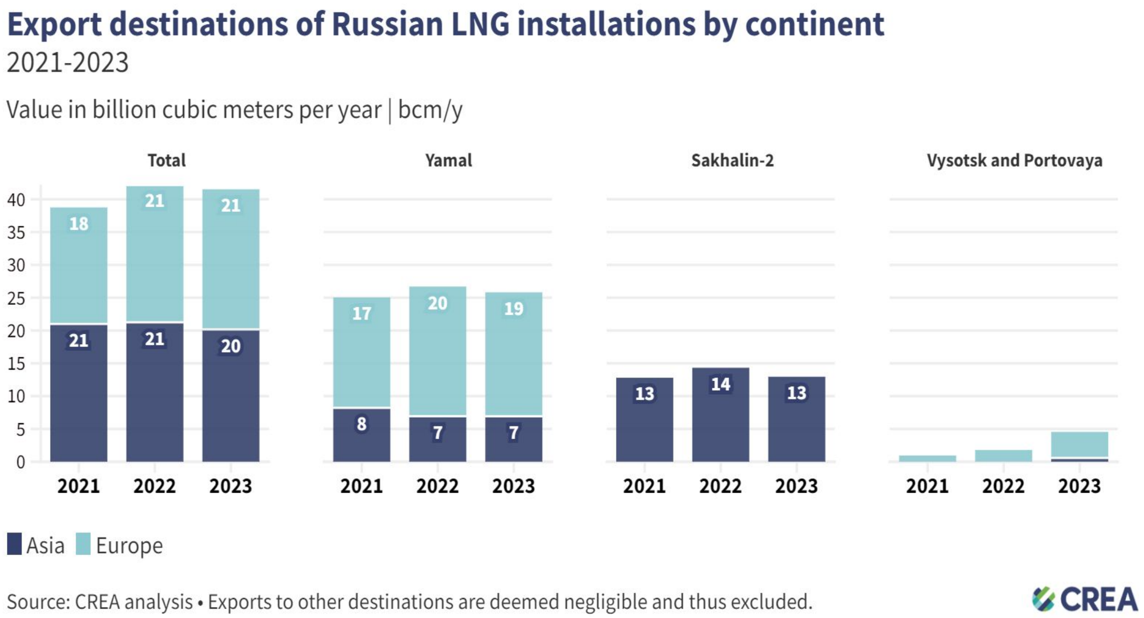
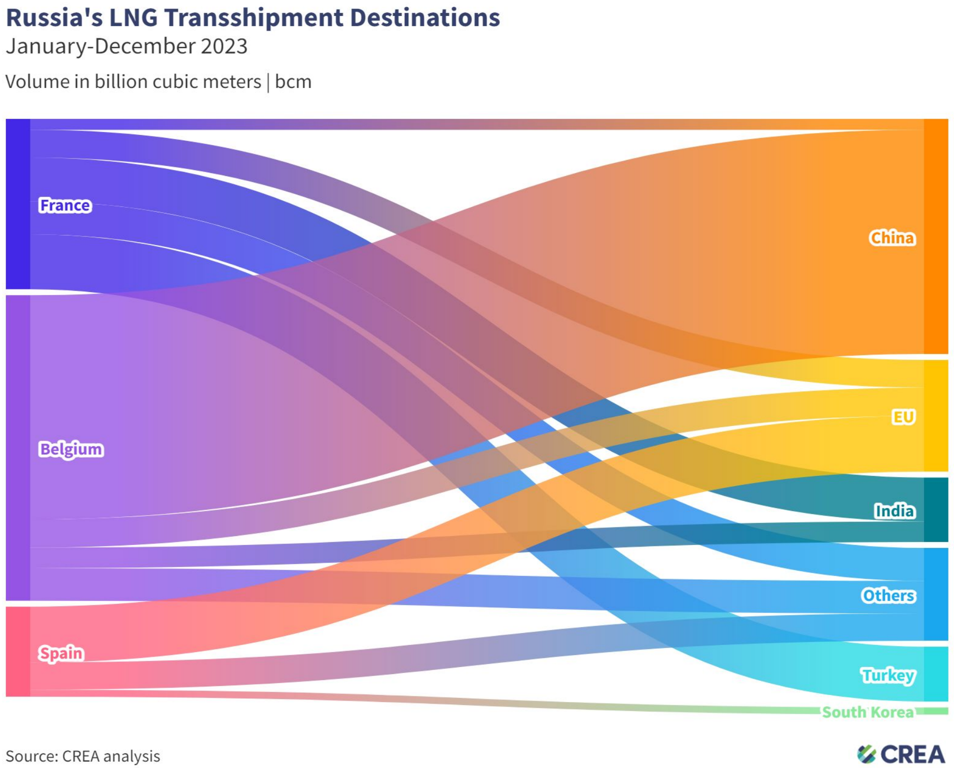
Banning LNG imports

- Imports of LNG into the EU continue: the EU buys 50% of Russia's exports, but this only accounts for 5% of EU consumption
- 93% of LNG shipments from Russia rely on European tankers!



Banning LNG transshipments

- **22%** (4.4 bcm) of Russian LNG imported into the EU was shipped onward to third countries in 2023 — the EU is providing the logistics also for sales to the rest of the world



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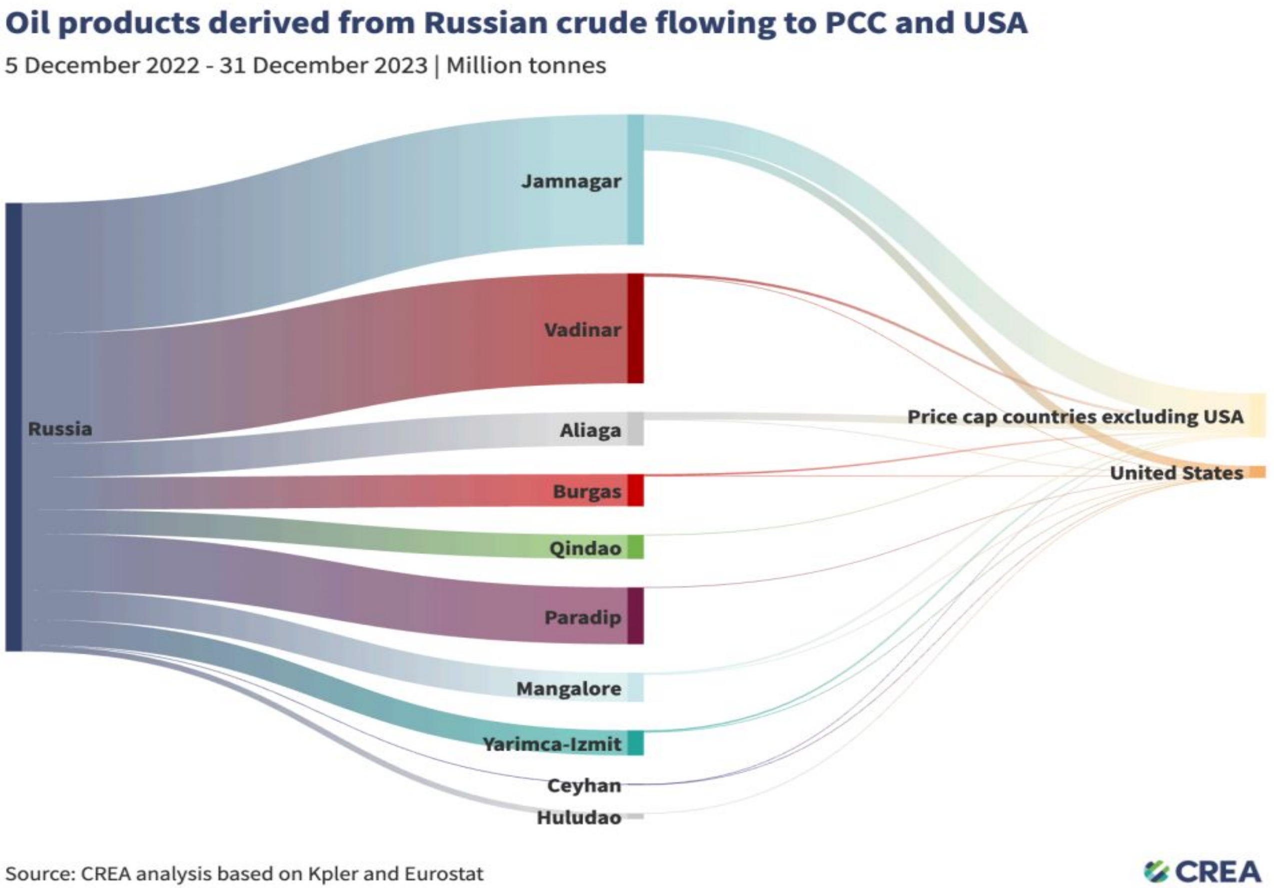
Plugging the "refining loophole"

- EU countries continue to import oil products refined out of Russian crude oil in third countries
- The value of these imports was **EUR8.5bn** in 2023
- The volume of imports jumped **44%**



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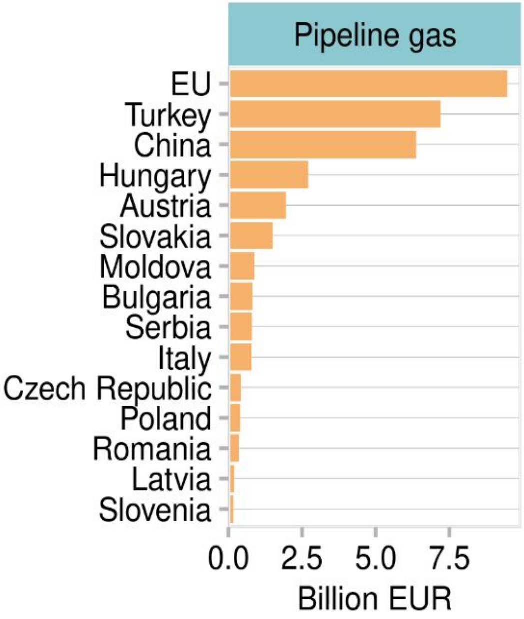
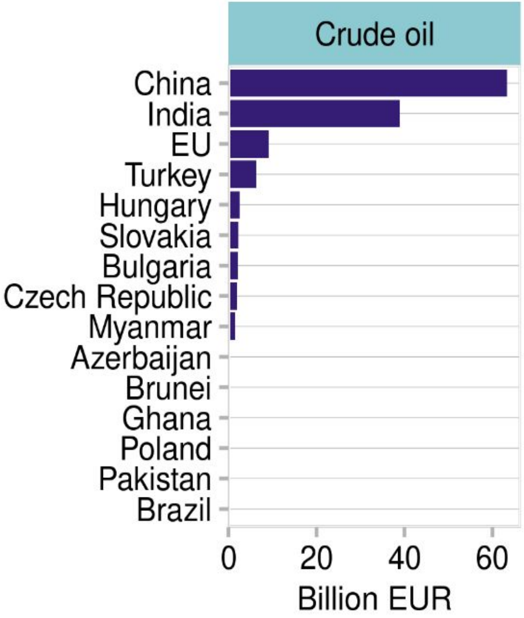
Banning pipeline imports of oil and gas

Largest importers from Russia since Dec 5, 2022 (EU seaborne oil ban)





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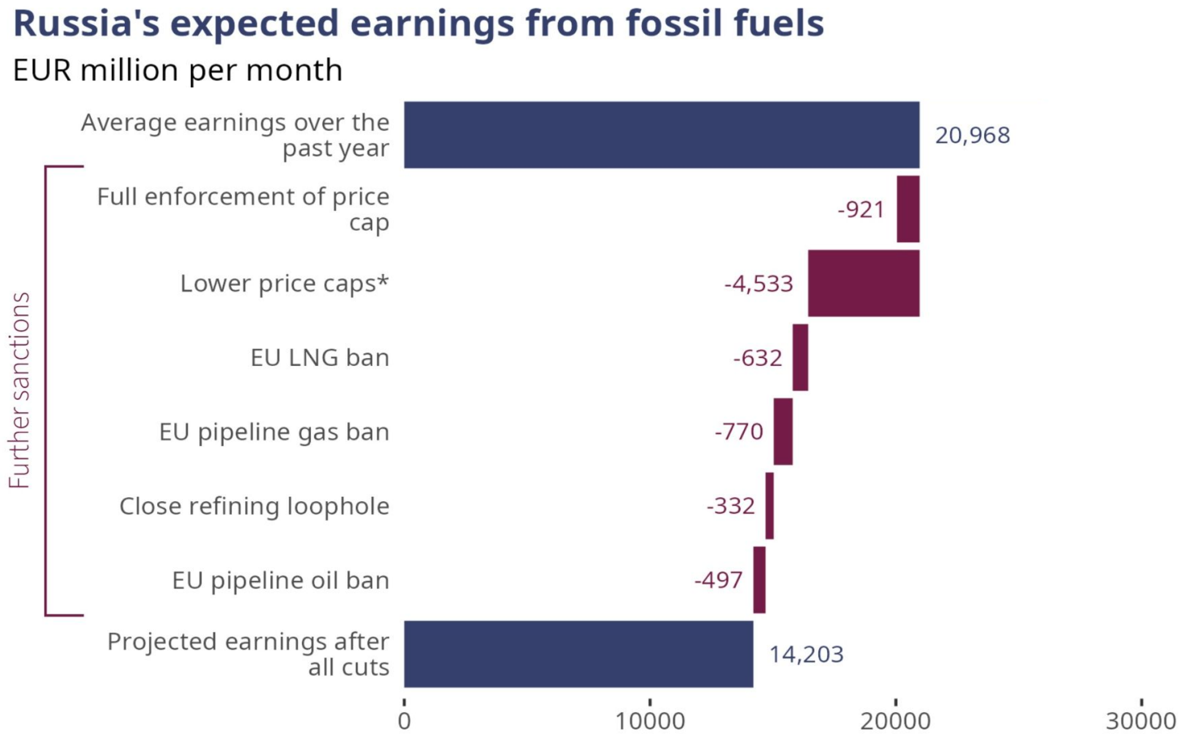
Strengthening the sanctions could cut Russia's export revenues by 30% (EUR 7bn/month)



Source: CREA analysis based on Kpler, COMTRADE, Eurostat, Oilprice.com
* crude: 30 USD; low value: 25 USD; premium: 35 USD.

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Energy policy is national security policy

- Dependence on fossil fuels and vulnerability to fossil fuel price hikes has been the greatest obstacle to more effective energy sanctions
- Speeding up the energy transition will weaken the leverage of Russia and other authoritarian fossil fuel producers, while strengthening the EU’s ability to pursue effective security and foreign policy

Getting ready for Trump (and Biden!)

- The EU, UK and Norway have a stranglehold on shipping, but currently rely on U.S. enforcement power, as well as diplomatic leverage towards third countries
- If the U.S. withdraws from energy sanctions under Trump, one obstacle to stronger oil sanctions is removed
- A victorious Biden could be a lot more assertive on energy sanctions

Kiitos!