Press release

War profiteering: Tankers insured in the UK committed price cap violations to bolster Kremlin revenues by GBP 87 mn

HELSINKI, 13 June, 2024 - The effectiveness of the EU/G7 enforced oil price cap policy has been severely undermined due to violations committed by tankers covered by UK insurance. The price cap was originally introduced to cut Russian export revenues from crude oil and oil products. Just eight investigated violations have added an extra GBP 87 mn (+27%) to the Kremlin war chest financing their full-scale invasion of Ukraine.

An investigation led by the Centre for Research on Energy and Clean Air (CREA) found that between October and December 2023, no shipments of Russian crude oil departing from the port of Novorossiysk were traded below the price cap. In this same period, 8 of 26 shipments of Urals crude from the port were covered by UK Protection & Indemnity (P&I) insurance. There is strong evidence to suggest that these tankers conducted trades that were in direct violation of the EU/G7 sanctions, trading Russian crude oil above the USD 60 per barrel price cap according to customs data.

These eight tankers covered by UK insurance transported 928,546 tonnes of Russian Urals grade crude valued at GBP 411 mn from the port of Novorossiysk between October and December 2023. CREA calculated the value of this oil based on the average barrel price per month exported out of the port of Novorossiysk, when all shipments were carried out above the price cap level according to Russian customs data.

If these eight shipments had been carried out at the price cap level, the Russian crude oil would have been sold at an estimated GBP 324 mn.

In addition to a lack of enforcement of the price cap, a major loophole in existing sanctions has also allowed Russia to boost its revenues from exports of crude oil. This loophole enables countries not imposing sanctions on Russia (e.g., India, China and the UAE) to legally import Russian crude oil, refine it into oil products, and export those petroleum products to the UK and EU.

A previous analysis by CREA found that between December 2022 and November 2023, 3% of the UK's total imports of oil products from 12 refineries was estimated as derived from

Russian crude and 77% of these imported oil products comprised of jet fuel. Over half of these imports of jet fuel (52%) comes from three refineries in India — Jamnagar, Vadinar and New Mangalore.

CREA's analysis has found that for UK importers, jet fuel imported from these Indian refineries was a mere 2% cheaper than that from other sources in 2023. A ban on them therefore will not create significant inflationary pressure on the market. This 2% discount is only serving importing companies who have saved an estimated total of GBP 21.8 mn with these imports, in 2023.

At the same time, importing these fuels made from Russian crude has sent over GBP 100 million in tax revenues to the Kremlin.

"*CREA's investigation uncovers how a lack of enforcement of the oil price cap policy has enabled eight tankers using UK insurance to violate the sanctions. This case study exemplifies weak sanctions enforcement that has sent an extra GBP 87 million to fuel Putin's military spending and finance their invasion of Ukraine*," said Isaac Levi, Europe-Russia Policy & Energy Analysis Team Lead. "*Policy makers in countries that consider themselves allies to Ukraine must act immediately to tighten sanctions and stop boosting Russia's earnings*."

If the UK does not close the refining loophole, companies will continue to take advantage of buying fuels made from Russian crude to marginally widen their profit margins while sending hundreds of millions of pounds to fuel Putin's military spending. A ban would disincentivize third countries from importing large amounts of Russian crude — a proportion of which is turned into oil products for export to sanction imposing countries — and help cut Russian revenues.

"*The sheer absurdity of this loophole can be identified by the case of the Vadinar refinery in India, which the UK imports jet fuel from*," said Vaibhav Raghunandan, EU-Russia analyst at CREA. "*The refinery is owned by Nayara Energy, a company whose majority shareholders are the Russian energy giant Rosneft. Ironically, Rosneft's CEO Igor Sechin is sanctioned by the UK, and yet oil from a refinery owned by him continues to flow into the country. Better sense dictates that the loophole be shut to ensure funds from crude oil exports don't flow back to the Kremlin*."

Furthermore, the UK Office of Financial Sanctions Implementation (OFSI) must investigate UK entities and insurance firms that have provided services to facilitate the maritime transportation of Russian oil above the oil price cap. Punitive penalties must be implemented on firms that violate sanctions and facilitate Russia to increase their oil export earnings above the price cap used to fuel the war on Ukraine.

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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 and 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. A recent investigation also revealed how three Turkish ports with no refineries may have been relabelling and re-exporting Russian oil into EU markets. CREA's analysis also found that Russia's need for the EU market to sell its LNG greatly outweighs the bloc's dependence on fossil fuel and there is an urgent need to ban transshipment of Russian LNG within the EU.

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

CREA analysis is based on an array of different data sources including: Kpler, Eurostat, Comtrade, Equasis, P&I providers, Global Energy Monitor.

For further information on our methodology to determine crude runs for refineries exporting oil products to the UK, and the limitations and assumptions of our data analysis, please see the relevant sections of the full report here.