

Centre for Research on Energy and Clean Air

Sanctions against Russia: How the EU can constrain the Kremlin war chest

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About CREA

- CREA provides **data-led analysis, research, investigations & policy insights** on fossil fuel revenues that **finance Russia's invasion of Ukraine**.
- Our research & analysis is focussed on **energy diversification, sanctions enforcement & improving their impact**.
- We are a dynamic team that aim to **provide analysis ahead of the curve** e.g. the refining loophole.

russiafossiltracker.com

🌐 Global

875,007,539,116 EUR



Oil (68%)

600,314 M EUR



Gas (20%)

183,626 M EUR



Coal (12%)

91,066 M EUR

🌐 European Union

209,147,691,989 EUR



Oil (49%)

104,020 M EUR



Gas (48%)

101,593 M EUR



Coal (3%)

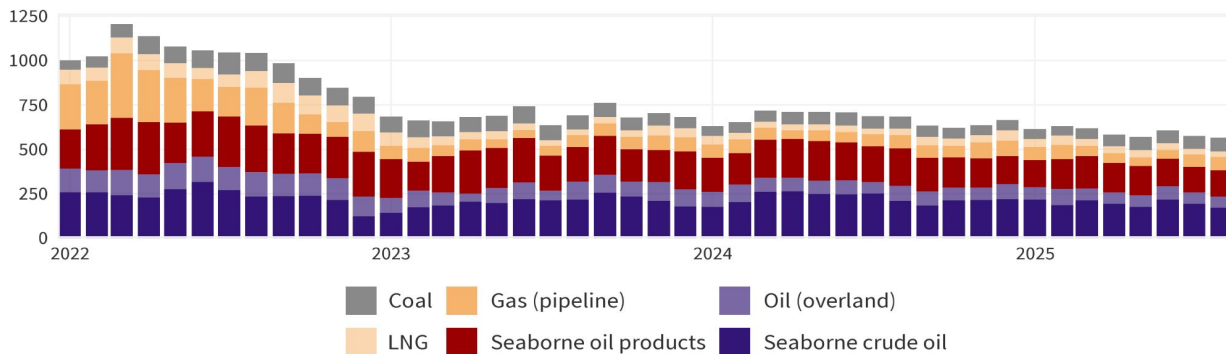
3,533 M EUR

Russia's fossil fuel export earnings remain robust despite sanctions

- In 2024, the oil & gas sector accounted for **one-third of all Kremlin tax revenues**, totaling EUR 113 bn. This covered **83% of Russia's military spending**.
- **Sanctions have hit Russia's export earnings**, but their **impact has diminished over time** as evasion tactics have become more effective & **loopholes persist**.

Russia's fossil fuel export revenue

Million EUR per day



Source: CREA analysis based on Kpler, Marine Traffic, ENTSOG and customs data.



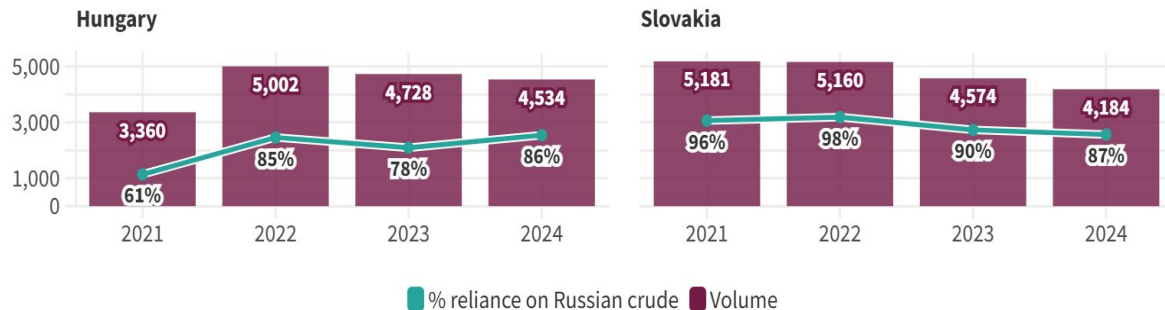
- In August, Russia's monthly fossil fuel **export revenues saw a 2% month-on-month decline** to EUR 564 mn per day.
- **India's imports of Russian crude dropped in July after US tariff threats. This was a momentary pause**, as in August, India's imports of Russian crude somewhat crept back up 5% on July levels.

Hungary & Slovakia exploit the exemption to the EU sanctions

- **Hungary & Slovakia show no signs of decoupling from Russian crude** – violating the terms of the derogation and sending the Kremlin **EUR 5.4 bn in oil tax revenues**.
- **Hungary increased its reliance on Russian crude** from **61% (2021)** to **86% in 2024**.
- **Slovakia remained almost 100% dependent** on supply from Moscow.

Russian crude oil imports by year

Thousand tonnes | 2021 to 2024



Source: CREA and CSD's analysis based on Eurostat



- A fully phase out Russian oil is technically feasible as:
 - 1) The **Adria pipeline from Croatia can meet both countries needs**.
 - 2) Both **MOL refineries are proven to be able to process non-Russian crude**.

Excuses, excuses: claims are unfounded in evidence

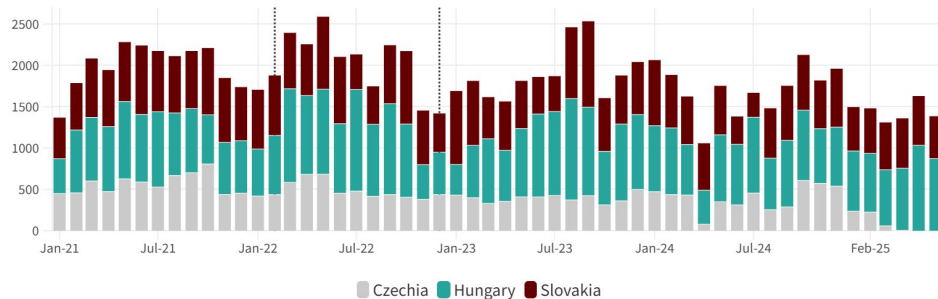
- **Excuse 1:** The Hungarian government has **claimed** without providing evidence that “*it would need EUR 200 mn in EU funding to expand the capacity of alternative pipelines and an additional EUR 500 mn — a figure revised down from EUR 700 mn — to reconfigure refineries in both Hungary & Slovakia to process non-Russian crude*”.

MOL's Managing Director of Downstream Production **confirmed** that its **refineries can process non-Russian crude**. In 2019, Druzhba pipeline contamination forced half of Hungary's crude to come from non-Russian source.


- **Excuse 2:** “operations would be unstable and present significant logistics and processing constraints”

Russian crude exports to Slovakia, Hungary and Czechia through the Druzhba pipeline

Thousand tonnes | Jan 2021 to Jun 2025



Source: CREA and CSD's analysis of Eurostat •

Dotted lines represent the beginning of Russia's full-scale invasion of Ukraine and the start of the EU's ban on seaborne Russian crude oil imports respectively. 

Technical tests conducted with JANAF confirmed that the **Adria pipeline's capacity stands at an annual throughput of 14.4 mn tonnes**, more than the total combined oil consumption needs of Hungary and Slovakia — a **more stable route than flows through a war zone**.

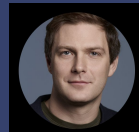
19th sanctions package: Policy recommendations

- **1) Sanction more ‘shadow’ tankers** — measures have proved effective at reducing the amount of oil transported after vessels have been sanctioned.
- **2) Prohibit the provision of Western maritime services that have facilitated the transport of 90% of Russian coal**, by repealing the existing derogations permitting EU vessel owners and managers to engage in such activities on grounds of ‘energy security’. Notably, major recipients of these shipments, including China & India, are not identified as vulnerable countries under the United Nations framework. The EU should coordinate with the UK to adopt equivalent measures, given the UK’s status as the principal provider of maritime insurance.
- **3) Stop attestation fraud that enables violations of the price cap policy** — The EU should make invoices mandatory alongside attestations.
- **4) Sanction new flag registries & falsely flagged vessels** — CREA have identified over 10 new flag registries (flagging over 50 tankers) that have started to register Russian ‘shadow’ tankers since the price cap came into force. Some of these registries are fake registries that should be sanctioned as well as the vessels using these registrations (some remain unsanctioned by the EU).
- **5) Sanction terminals re-exporting Russian oil products to sanctioning countries** — investigate re-export hubs of Russian refined fuels and sanction guilty violators (e.g. the terminals at the Turkish port of [Ceyhan](#)).
- **6) Close gaps in the proposed EU legislation to ban imports of oil products made from Russian crude** — prohibit imports from refineries that have imported Russian crude in the prior 6 months.

Thank you for your attention

Please don't hesitate to reach out to us:

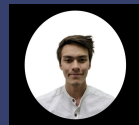
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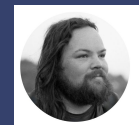
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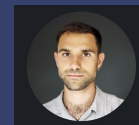
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Annexed slides

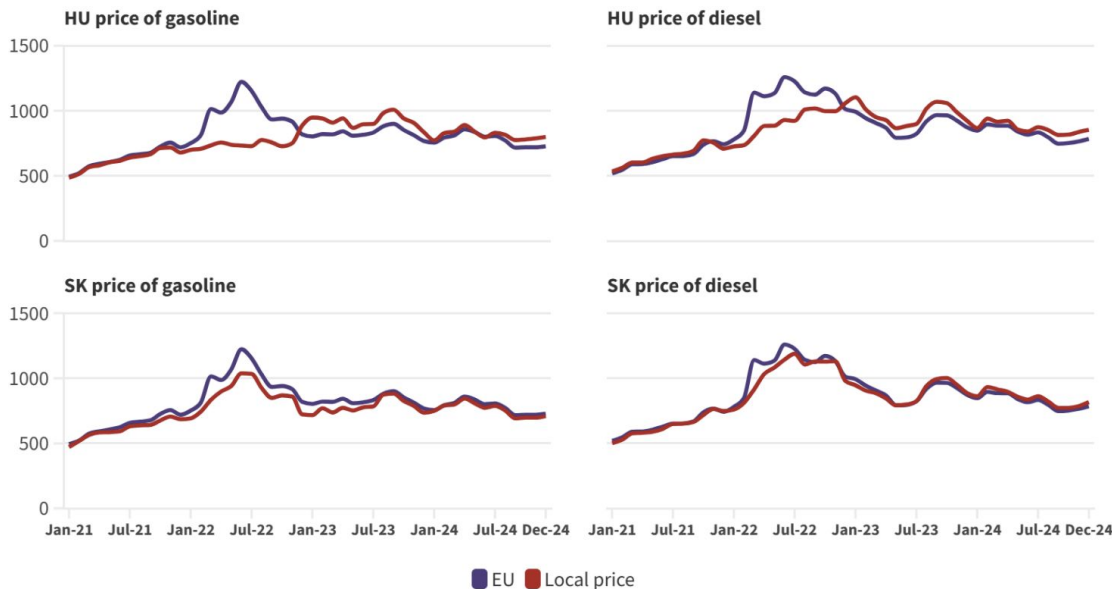
MOL & Hungarian Government capture the financial benefits of discounted Russian oil... not domestic consumers

- Hungarian oil & gas major **MOL captured the full benefit of discounted Russian crude without passing savings on to consumers.**
- **MOL's operating income rose by 30%** in comparison to pre-invasion levels even though domestic pre-tax **fuel prices in Hungary remained 5% above the EU average.** Meanwhile, Russian crude sold to Hungary at a 20% discount in 2024.

Discounted Russian oil increased 5% in price when it reached Hungary — suggesting that intermediaries like **Normeston siphoned off hundreds of millions of euros** through hidden markups.

Price of petrol and gasoline in Hungary and Slovakia

EUR per tonne | 2022 to 2024



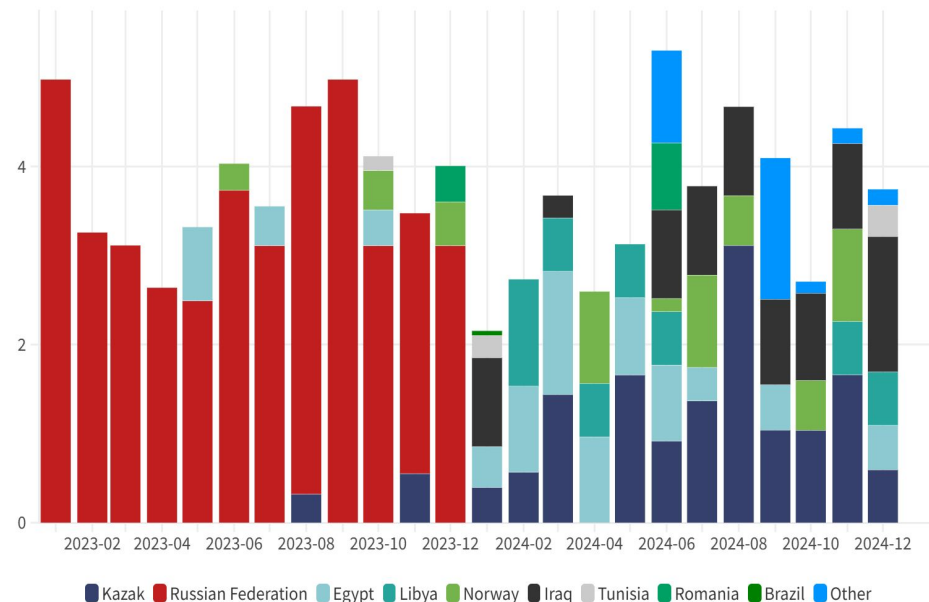
Source: CREA and CSD's analysis of the EU's Oil Bulletin

Successful case study: Bulgaria ends imports of Russian crude oil immediately with no spike in prices at the pump

- The year before the **exemption**, Bulgaria was **70% reliant on Russian** crude, this **went up to 93%** after the EU ban and then **ended over night** in 2024 with the urgent termination of the derogation.
- Bulgaria has already proven that **terminating the exemption from the EU sanctions** & ending reliance on Russian oil is **possible by completing an overnight transition**.
- The country has since **experienced stable or even falling fuel prices**.

Bulgaria's imports of crude oil by origin country

Crude oil in millions of barrels | 2023 until the end of 2024



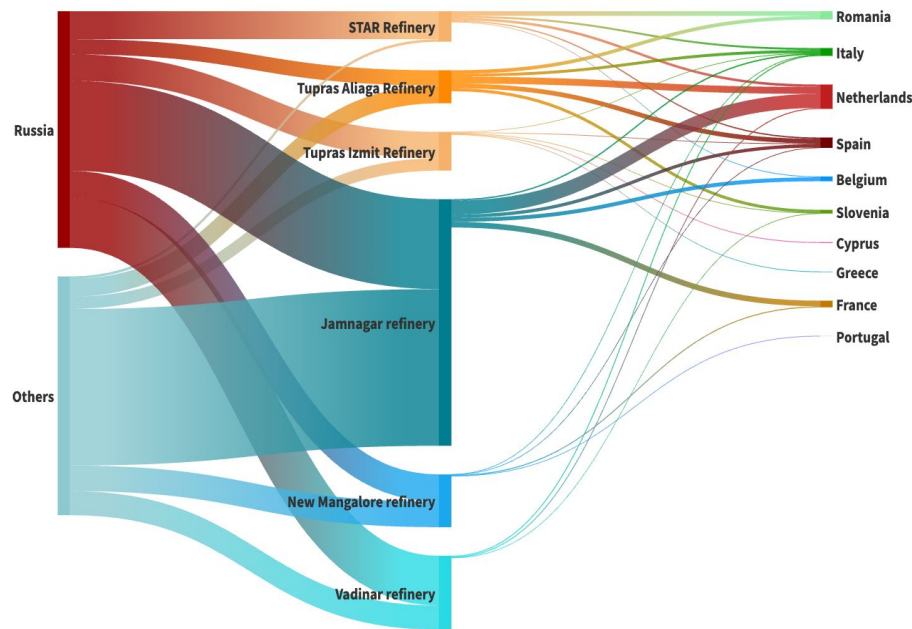
Source: CREA Analysis

The refining loophole

- In 2024, six refineries in India & Turkey used **EUR 3.5 billion worth of Russian crude** to produce 14.3 mn tonnes **of oil products for the EU**.
- The EU's imports of oil products made from Russian crude sent **EUR 2.2 bn in Kremlin tax revenues** — equivalent to the **recruitment cost of over 100,000 Russian troops**.
- The biggest importers were the **Netherlands** (EUR 3.4 bn), **France** (EUR 1.6 bn), **Romania** (EUR 1.2 bn), **Spain & Belgium** (EUR 1 bn each).
- **No sanctioning country** has received a shipment from the **Vadinar refinery** since it was sanctioned.

EU imports of oil products from refineries using RU crude

Imports from six refineries in India & Turkey | tonnes | Top 10 destinations | March 2024 to February 2025



Source: CREA analysis •

First step of flow shows crude imports by source. Second step shows oil products exported by refinery.

Gaps in EU legislation to close the refining loophole:

Recommendations for the 19th sanctions package

- 1) **Exempting net crude oil exporters creates a gap that could be exploited** — restrictions should apply at the refinery level to block imports of products made with Russian crude. Otherwise net crude exporters such as the UAE could start importing discounted Russian crude and export products to the EU.
- 2) **Certificates of origin are unreliable**, so refinery-level bans with independent auditing and penalties for repeat violations are needed to ensure enforceability.
- 3) **The current six-month wind-down period is too long and benefits Russia** — it should be shortened to 60 days.
- 4) **Allowing re-exports from exempt partners undermines sanctions** — this loophole must be closed and the EU should encourage allies to adopt the same measures (focussing on the UK).
- 5) **Ban imports of hydrocarbons from refineries that import Russian oil products** and further refine / blend these into petrochemicals that are being exported to the EU not just those running on Russian crude.

Further recommendations on gas

- A new draft of legislation intended to outlaw Russian imports, **removes provisions that would have banned providing LNG terminal services to Russian entities**. Belgium, a major provider of LNG terminal services, had requested the ban, fearing **Russia would reserve capacity and block future imports**. Belgium later informed a 2 September energy attachés meeting that the provision wasn't needed, and requested its removal. The proposed 1 January 2026 deadline for banning new contracts appears in square brackets, and is therefore open for discussion. However, it would still apply in principle to both LNG and pipeline gas. Hungary and Slovakia oppose the Commission's proposal. France, Spain and others are seeking stronger guarantees against potential commercial litigation.
- **Prohibit [EU shipyards](#) such as Damen (Brest, France) and Fayard A/S (Denmark) from repairing and maintaining Russian Arc7 ice-class LNG tankers.**