

Study on Impact of International Sanctions on Russian Oil Exports



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European Law Forum: Prevention • Investigation • Prosecution

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News

In an [article](#) published on 22 February 2023, researchers (T. Babina, B. Hilgenstock, O. Itskhoki, M. Mironov, and E. Ribakova) assessed the impact of international sanctions on Russian oil exports. They focused on the EU's embargo on seaborne crude oil and the Group of Seven's (G7) price cap mechanism, both having taken effect on 5 December 2022.

The paper established four key findings:

- In 2022, Russia's exports of products hit a record \$532 billion, resulting in an all-time high trade surplus of \$316 billion, due to the fact that sanctions on Russian energy were only put in place toward the end of the year;
- Without sacrificing volume, Russia was able to divert crude oil exports from Europe to substitute markets like India, China, and Turkey, but at the cost of giving discounts in some of the areas in which the EU embargo has significantly reduced demand (i.e. shipments from Baltic and Black Sea ports);
- The crude oil discounts were not as significant as those indicated in Urals prices: based on the data, the average export price for Russian crude oil stood at about \$74 per barrel in the post-embargo/price cap period against Urals at \$52 per barrel;
- Russian oil exports from Pacific Ocean ports do not comply with the G7 price cap. The 50% shipments of oil, which are not transported via *Sovcomflot* or the *shadow fleet*, should be subject to the cap, as they involve Western shipping services.

The study put forth three policy recommendations:

- The sanctions on Russian oil exports should not be abolished, as the EU embargo on Russian oil played a key role in driving the deep discounts on Russian oil. The enforcement of sanctions on Russian oil exports, including ensuring compliance with price cap-related restrictions on shipping, maritime insurance, and other services is crucial;
- The fact that a sizeable portion of Russian crude oil is being sold considerably over the \$60/barrel price ceiling level urgently requires additional scrutiny of these transactions and reinforces the need for increased enforcement;
- The price caps on crude oil should be lowered as soon as possible. As the post-embargo period has demonstrated, Russia is willing to accept lower prices on some of its shipments and is unlikely to cut volumes as long as the price cap level remains above production costs. A lower cap could therefore significantly impact Russia's earnings from crude oil exports.

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ISSN: 1862-6947



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The project is co-financed by the [Union Anti-Fraud Programme \(UAFP\)](#), managed by the [European Anti-Fraud Office \(OLAF\)](#).



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