The European Commission's Plan to Ban Russian Oil Imports Receives Backlash

EU to wean off Russian oil as China increases gas imports

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Global Research, May 06, 2022
InfoBrics

Region: Europe, Russia and FSU
Theme: Oil and Energy

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The European Union announced on May 4 their intention to ban Russian oil imports within six months and refined products by the end of the year as part of their latest round of economic sanctions against Moscow. According to Oil Price, a barrel surged to over $110 for Brent and $108 for West Texas Intermediate following the European Commission's announcement. Therefore, banning Russian oil imports is not only a rather arduous task, but the cost of this decision will be high.

> "In the short term it might leave Russian revenues high while implying negative consequences for the EU and the global economy in terms of higher prices – not to mention retaliation risks [by Russia] on natural gas supplies,"Brussels-based economic think tank Bruegel warned following the European Commission's announcement. However, an EU diplomat told EURACTIV on condition of anonymity that "Politically, Europe cannot afford not adopting the sixth package [of economic sanctions]."

The EU will be once again be divided as its rare instance of geopolitical posturing is being challenged by the economic interests of individual member states. Hungary and Slovakia oppose the European Commission's proposal despite being given until the end of 2023 to phase out Russian oil. At the same time, Bulgaria and Czechia have also asked to be given such an extension.

Sources have said Greece raised objections to another proposal to ban all shipping companies that are EU-owned or have European interests from transferring Russian oil into Europe or elsewhere, something of major importance since the Mediterranean country has the largest mercantile fleet in the world. Although Athens deeply supports all of the EU's hostile actions against Russia, such as the expulsion of diplomats, imposition of sanctions and even the sending of weapons to Ukraine that could have ended up in the hands of the Azov Battalion that has persecuted the Greek minority, threatening the profits of Greek oligarchs provokes one of the rare instances of opposition from Greece's ruling New Democracy party.

New Democracy is traditionally the pro-US/neo-liberal party of Greece that has served the interests of the country's oligarchs, or softly known as magnates or tycoons, particularly the shipowners. Consider that 71% of Greeks in a poll said Greece's position in the Ukraine War should be neutral, something that was categorically ignored by the Greek government as it strongly backed Ukraine instead. However, the moment that the profits of shipowners arethreatened, and not over the past few months as citizens have dealt with rising energy and food costs, Athens voiced its first concern against the EU's anti-Russia sanctions.

Theoretically, although Russian oil can be phased out of most of the EU within six months, it will none-the-less be a very difficult task, especially when taking into account the fact that there is currently an energy shortage. In addition, the imposition of such a policy could lead to a build-up of shocks in the EU economy.

The Russian economy will naturally be affected as it will be deprived of a major market. But of higher concern, for European citizens at least, is the realization of the effects that anti-Russia sanctions has even on their own daily lives. And whilst Europeans suffer from rising energy and food costs, Asia could very much become Gazprom's main export market in five to seven years.

Although this does not offset the loss of the EU as an oil market, shifting most exports to much friendlier Asian markets will lessen the effects of Western sanctions, even if this shift could take several years. Although the problem is the supply price and the development of the corresponding gas transport infrastructure, including in countries like China, it is recalled that Russian **President Vladimir Putin** made a directive to the government to submit a plan by June 1 on how to build related infrastructure. The directive requested a proposal for a large-scale development of a gas pipeline system in Eastern Siberia, aimed at directing the flow of gas exports to the Chinese market.

China currently consumes about 350 billion cubic meters of gas per year, while the majority of the energy balance (about 70%) remains coal. Demand for gas in China is expected to grow to 450-480 billion cubic meters by 2025 andin the next 10 years, as coal is phased out, perhaps even nearly one trillion cubic meters of gas per year.

Currently, Russian gas supplies to China arrive through the "Power of Siberia" pipeline. Deliveries along this route began at the end of 2019 and in 2020 reached 4.1 billion cubic meters. It is expected that the annual supply volume will gradually increase until it reaches its capacity of 38 billion cubic meters in 2025. Taking into account the new agreement signed in February, the total gas capacity supplied to China via the Far Eastern pipeline could reach 48 billion cubic meters per year.

In this way, although Russia will be hurt in the short term by losing the European market for its oil, this action will only propel the flow of Russian energy eastward to an Asia that is continuously increasing its demand. Equally of interest is that Europe persistently promises that sanctions against Russia cannot hurt European citizens in equal measure, but weaning off Russian oil within a six-month period will only increase the likelihood of such an outcome.

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