

The UK Loophole That Keeps Russian Oil Coming In, “Refined in India”

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Global Research, January 18, 2023

[OilPrice.com](#) 16 January 2023

Region: [Asia](#), [Europe](#), [Russia and FSU](#)

Theme: [Oil and Energy](#)

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Russia’s 2022 invasion of Ukraine has forced a dramatic restructuring of energy markets in the west, with many European nations vowing to wean themselves off Russian energy products. The UK has been one of the more successful countries in achieving this target after committing to end imports of oil and coal from Russia by the end of 2022 and even [recently legislated](#) for a ban on Russian gas. By October, UK imports of Russian energy were down to a trickle, with the country buying just £2 million of oil, but zero coal or gas from Russia. But [reports have now emerged](#) that India has been offering a back-door for imports of Russian oil into Britain, blunting the country’s efforts to restrict funding for the Kremlin. Some British buyers have effectively replaced imports directly from Russia with imports from Russian-fed refineries, thereby indirectly supporting the Russian oil industry.

Although such a supply chain is actually legal under UK rules, still it cannot be overlooked because this is another covert way to fund Putin’s war. Before the war began nearly a year ago, it was pretty rare for Indian refiners to process Russian crude. The refiners have always exported to Europe, but they are now exporting even more because it’s more attractive as Europe’s diesel prices are higher and also buying more Russian crude because Russia is offering heavy discounts.

Indeed, Oleg Ustenko, adviser to Ukraine’s president Volodymyr Zelensky, says these companies are “exploiting weaknesses in the sanctions regime”.

“The UK must close the loopholes that undermine support for Ukraine by allowing bloody fossil fuels to continue flowing across our borders. About one in five barrels of the crude oil that they process is Russian. A big chunk of that diesel they produce now will be based on Russian crude oil,” he has said.

Kpler data has revealed that the Jamnagar refinery on India’s west coast imported 215 shipments of crude oil and fuel oil from Russia in 2022, 4 times as much as it bought in the

previous year. Meanwhile, the UK has imported a total of 10m barrels of diesel and other refined products from Jamnagar since the war began, 2.5 times what it bought during 2021 with Trafigura, Shell Plc (NYSE: SHEL), BP Plc (NYSE: BP), PetroChina Co. (OTCPK: PCYYF) and Indian multinational conglomerate Essar Group the key buyers.

According to [Bloomberg's oil strategist Julian Lee](#), Russia's flagship Urals have been trading at a massive discount of as much as 40% to the international Brent crude oil. In contrast, in 2021, Urals traded at a much smaller discount of \$2.85 to Brent. Urals is the main blend exported by Russia. Indeed, Moscow could be losing ~\$4 billion a month in energy revenues as per Bloomberg's calculations.

Europe Importing Russian LNG

But the UK is hardly the only culprit in Europe as far as helping fund Putin's war machine goes. Whereas supplies of Russian pipeline gas—the bulk of Europe's gas imports before the Ukraine war—are down to a trickle, reports have emerged that Europe has been hungrily scooping up Russian LNG.

Europe has been working hard to wean itself off Russian energy commodities ever since the latter invaded Ukraine. The European Union has banned Russian coal and plans to block most Russian oil imports by the end of 2022 in a bid to deprive Moscow of an important source of revenue to wage its war in Ukraine.

But ditching Russian gas is proving to be more onerous than Europe would have hoped for, with the Wall Street Journal [estimating](#) that the bloc's imports of Russian liquefied natural gas jumped by 41% Y/Y in the year through August.

"Russian LNG has been the dark horse of the sanctions regime," Maria Shagina, research fellow at the London-based International Institute for Strategic Studies, has told WSJ. Importers of Russian LNG to Europe have argued that the shipments are not covered by current EU sanctions and that buying LNG from Russia and other suppliers has helped keep European energy prices in check.

Although Russian LNG has accounted for just 8% of the European Union and UK's gas imports since the start of March, the trade runs counter to the EU's efforts to deprive Russia of fossil-fuel revenue.

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