



Center on
Global Energy Policy
at COLUMBIA | SIPA



The impact of the Russia-Ukraine crisis on our energy outlook

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One year and a half since “the strictest ever sanctions” imposed

GENERAL SANCTIONS:

- Frozen financial reserves.
- Financial restrictions on loans and payments.
- Export controls for new technologies needed for the future development.

OIL:

- US, UK and EU oil and oil product embargo.
- G7 “price cap” on oil and oil products.

GAS:

- US, UK, Canada and Australia: LNG embargo
- No sanctions for pipeline gas
- Technological sanctions for liquefaction equipment

COAL:

- US, UK and EU coal embargo

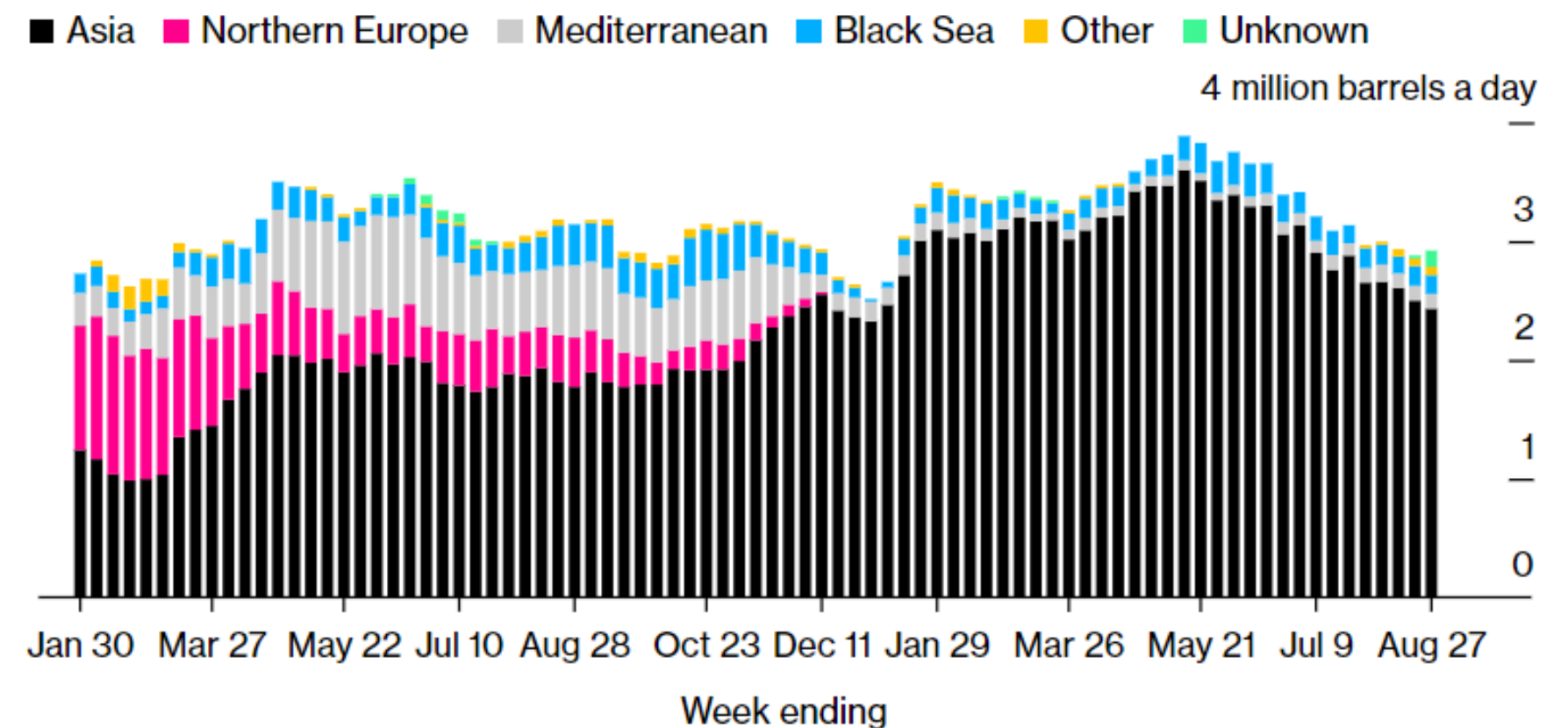
Main impact surprisingly came from self-sanctioning as well as Russia`s own supply cuts

What are the results of the sanctions for the Russian oil sector?

Historical crude oil production in Russia
(2005-2022, million bpd)



Russia's Seaborne crude shipments by destination
(2023, million bpd)

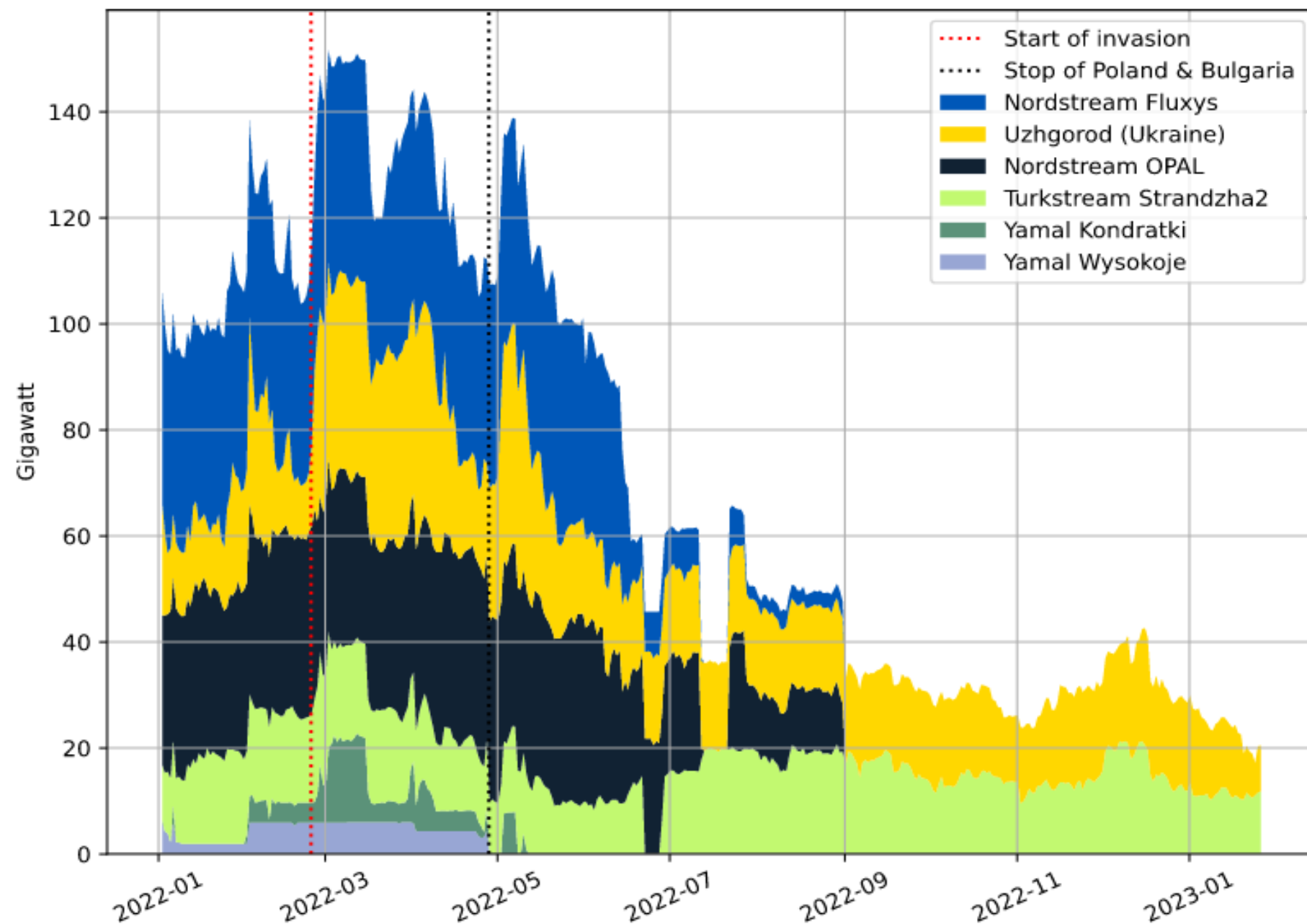


Source: Vessel tracking data monitored by Bloomberg

- After that initial struggle, Russia has found new customers: most of its crude is ending up in Asia — notably China and India — but also in Turkey and elsewhere in MENA.
- Russia is building up shadow fleet, developing network of counterparties in “friendly” jurisdictions.
- Russia actively coordinates with OPEC and KSA on production cuts. It has already pledged to reduce its oil output by around 500,000 bpd (5% of its oil production), from March until year-end. In early July together with Saudi Arabia it announced additional voluntary supply cuts (by 300,000 bpd), by cutting its exports by that quantity.
- Initially, Moscow was forced to sell its crude at huge discounts. In recent months, however, Russia has regained pricing power, taking advantage of a tight market.

What are the results of the sanctions for the Russian gas sector?

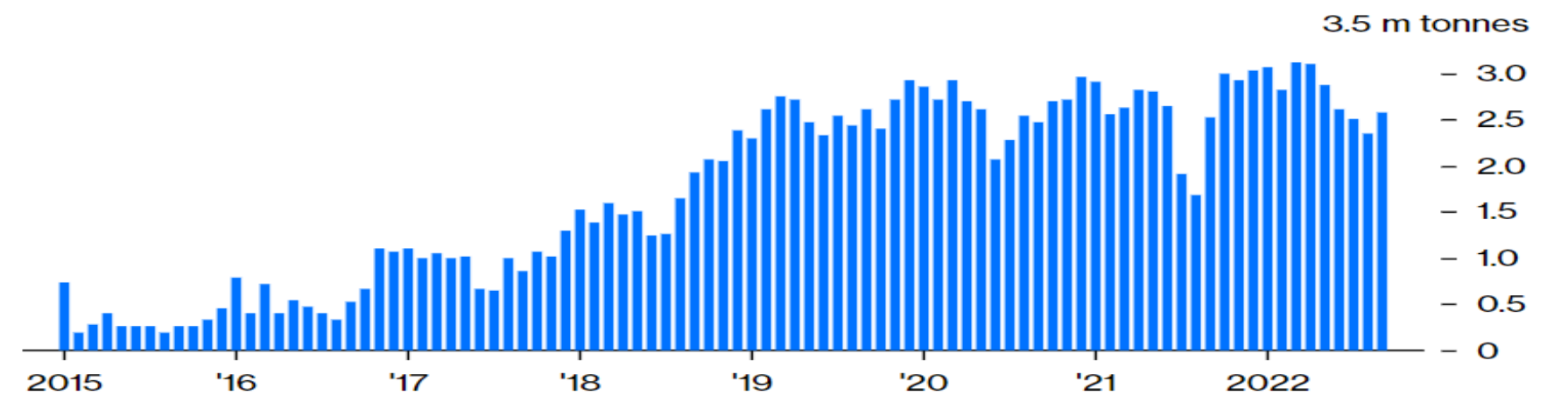
Russian pipeline exports to Europe



Source: ENTSOG

- In 2022 after demand for Ruble payments and later sabotage on Nord Stream Russian pipeline gas export reduced by 80%. Only two routes are now operational (via Turkey and... Ukraine!)
- Russia has been able to keep its exports of LNG at historically high levels - in 2022 Russian LNG production rose by 8% to 46 bcm.
- Russia is building up pipeline gas supplies to China and moving ahead with the new Arctic LNG projects.

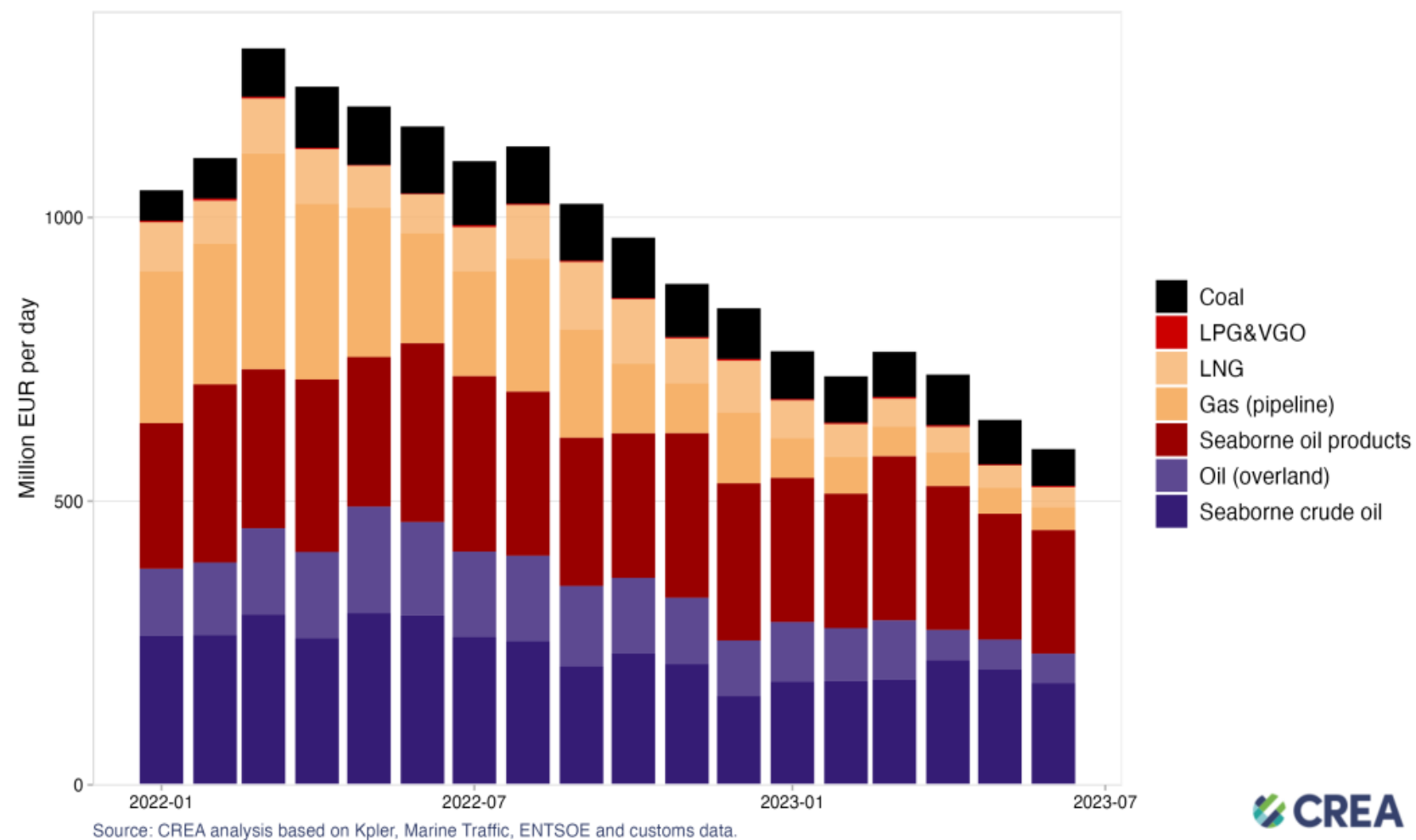
Russian LNG exports



Source: Tanker tracking by Bloomberg News

Russian oil&gas revenues halved since 2022, but they are still higher than in 2016 or 2020

Russian fossil fuel export revenues,
MIn EUR per day



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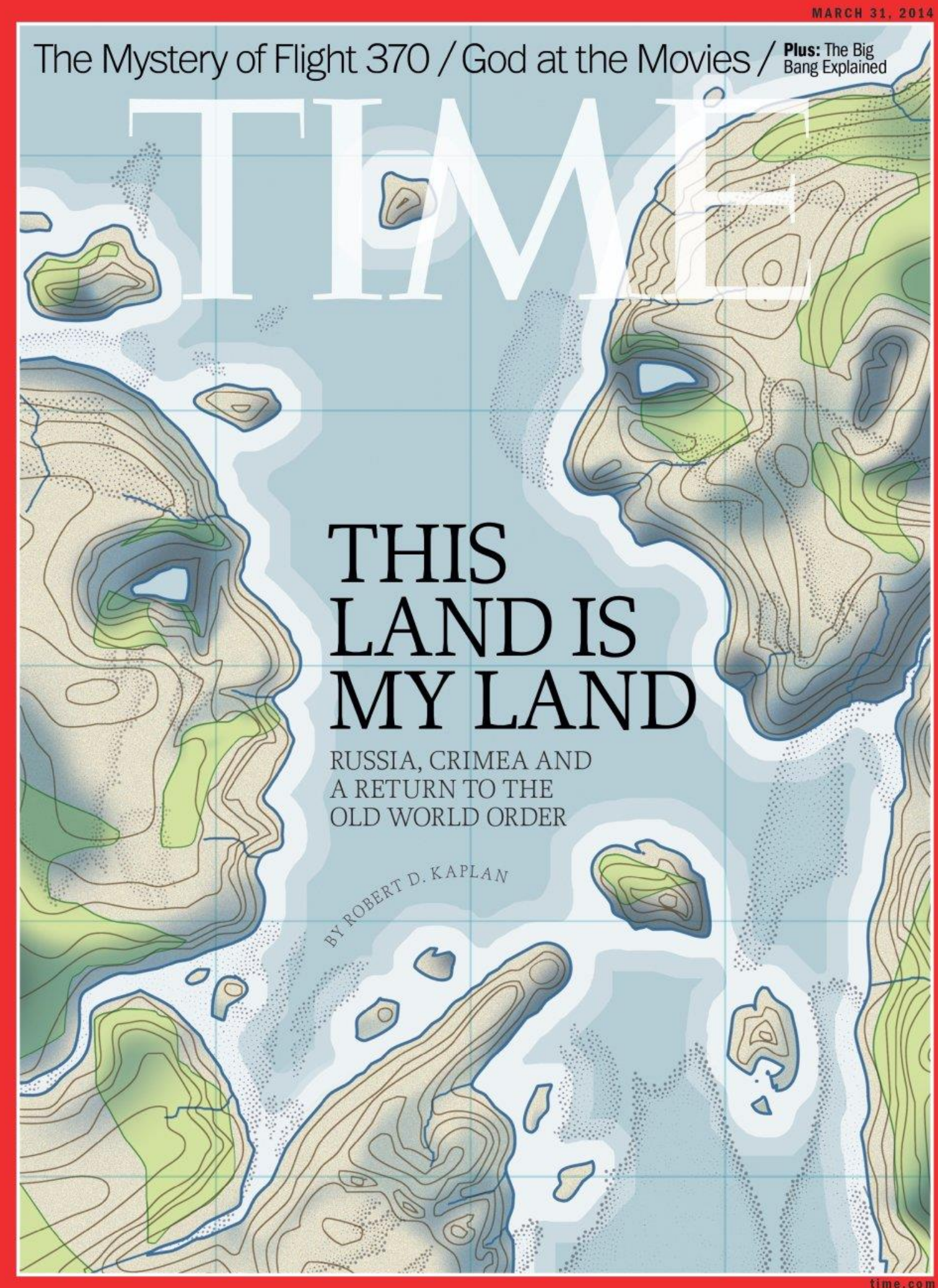
- Despite "the strictest ever sanctions" imposed on Russia, it is still doing quite well in terms of redirecting energy exports and sustaining export revenues from hydrocarbons (they halved compared to the record levels of 2022, but still exceed 2016-2018 average).
- the **Russian economy advanced 5% year-on-year** in July of 2023. It marked the fourth consecutive month of growth after the GDP stayed in contraction for 12 straight months, due to the Kremlin's measures, boosting the production of military equipment and raising pensions, salaries, which increased demands and prices for a range of products and services in Russia.

Consequences: changing global geopolitical order

Back to the great confrontation

- Economic basis: pariah states/ sanctioned states providing already for a significant part of the international trade, growing shadow markets and non-dollar payments.
- Ideological basis: anti-Western sentiment, rising dissatisfaction with the Western policies. OPEC+ activities and BRICS enlargement are good examples of this trend.

Changing energy markets: less transparency, fragmentation of the markets, localization and de-dollarization trends





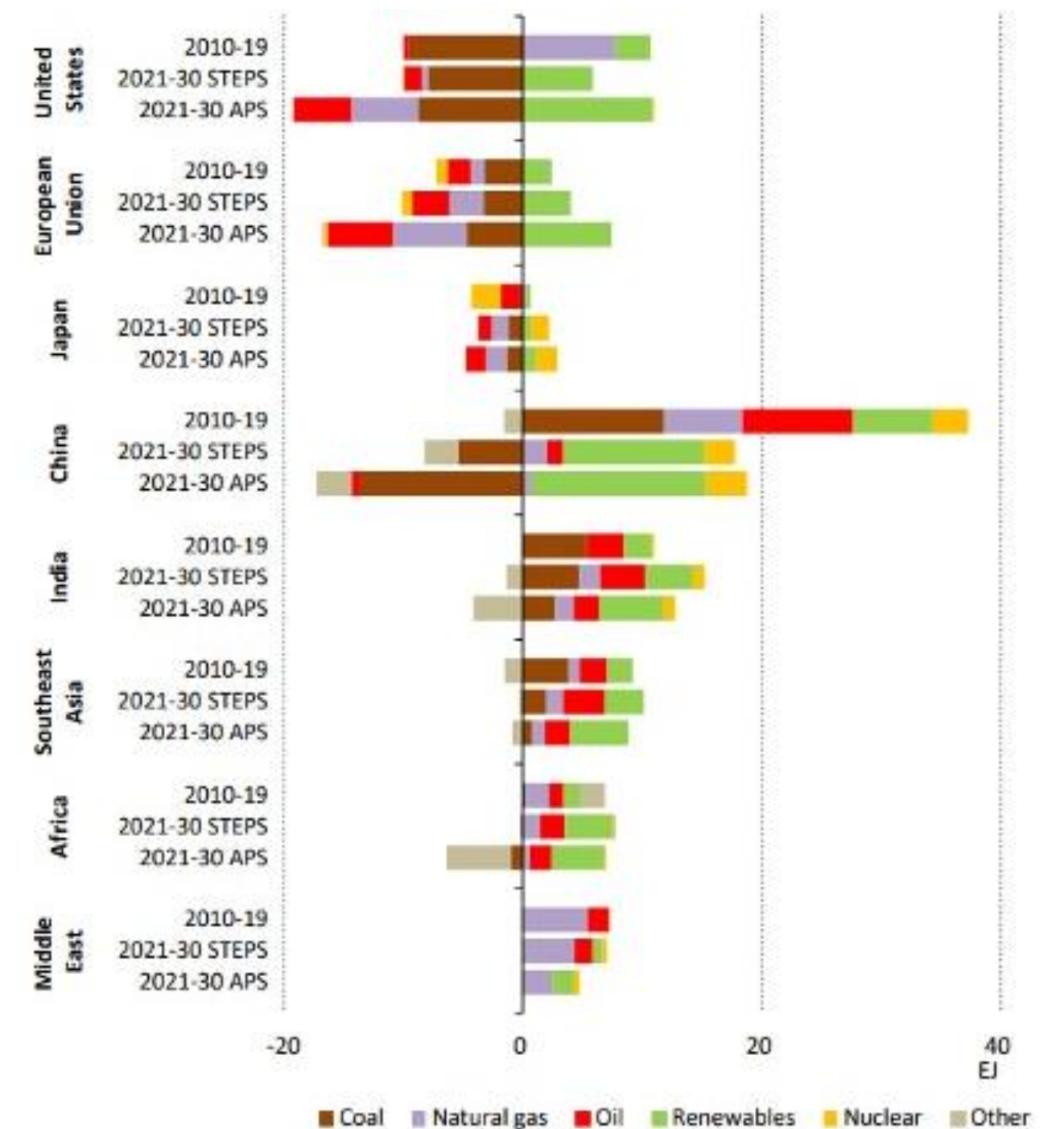
Consequences: the poorest countries of the Global South are most at risk

- The markets are becoming more volatile and vulnerable, so the poorest countries are the first to suffer from any volatility and disbalances.
- Like in Cold War time these countries also become a playing field for the competing powers. But differently from the 1970-ies, today there is third very powerful player – China.

New paradigm: global division and numerous energy transition pathway

- The crises has controversial impact on decarbonisation and climate goals: on one hand, there is visible negative impact both inside Russia and in the other parts of the world which are forced to use more coal (as Russian gas became unavailable). On the other hand, in Europe and OECD Asia it speeded up implementation of energy transition policies.
- Global confrontation between Russia and the West and rising share of “non-aligned” marks new geopolitical era. Energy policy is affected: energy mixes change based on national / regional policy preferences, unique circumstances - each region has its own energy transition pathway.
- In the more untransparent, fragmented, volatile and tight markets many potential risks to energy security are rising. And there are no longer working global mechanisms to manage these risks.

Change in total energy supply by region, fuel and scenario, 2010-2019 and 2021-2030





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Thank you.