

U.S. Oil Makes It to Ukraine in Another Blow for Moscow

Problems over contaminated oil and political pressure are squeezing Russian exports.

By [Reuters](#)

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Russia often struggles to export oil from the Black Sea due to congestion. nefterynok.info

U.S. crude exports are gaining traction in Europe as even Ukraine turns into a significant consumer of American barrels at the expense of Russian supplies amid heightened U.S. political pressure on Moscow and problems over contaminated Russian oil.

Ukraine this month received its first ever barrels from the United States, according to Refinitiv Eikon flows data, as the tanker Wisdom Venture unloaded 80,000 tonnes of Bakken crude in Odessa on July 6 for the Kremenchug refinery, the port said.

Russia often struggles to export oil from the Black Sea via the narrow Turkish Bosphorus and

Dardanelles straits due to congestion, making the arrival of the U.S. crude into the Black Sea from the Mediterranean even more extraordinary.

The oil was sold by BP to Ukratnafta, sources said, adding that Ukratnafta will receive a further similar amount of U.S. crude around July 24, and more purchases are likely in August.

"The Ukrainian oil industry is set to rise from the ashes with its new president (Volodymyr) Zelenskiy, so it's an obvious new market for the United States, though the price matters," a trader for a European oil major said.

Ukraine's oil sector, formerly mostly operated by Russian companies, has struggled since geopolitical tensions between the countries escalated in 2013-2014.

Since then most of the country's refineries have remained closed and the only oil supplied to Odessa is Azeri Light, sourced by Azerbaijan's SOCAR. Since January 2019 it has supplied 320,000 tonnes, Refinitiv Eikon flows data shows.

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U.S. oil has yet to become a common feedstock for European buyers, who complain about volumes and varying quality, but recent market changes have shown American barrels can be a reliable alternative, traders said.

The crisis that erupted at the end of April over contaminated Russian oil delivered through the Druzhba pipeline caused buyers to look for alternatives.

"Refiners who were solely reliant on Druzhba supplies have been forced to test alternatives and could easily make these their new baseload barrels given the contamination issue has taken so long to sort out," said Matthew Holland at Energy Aspects.

As a result, U.S. supplies to Europe have risen steadily since May and have remained above 2.5 million tonnes a month.

For example, Poland, which had not imported U.S. crude since June 2018, purchased three cargoes of WTI this year - one for delivery to Gdansk in May and two in July, the flows data shows.

Germany's Wilhelmshaven imported one cargo in June and will receive another two in July. According to traders, some of the cargoes are set for Ruhr Oel's Gelsenkirchen refinery.

In the Mediterranean, a typical buyer of Urals crude, Italy, increased U.S. imports to a monthly record of nearly 700,000 tonnes in June, Refinitiv Eikon data showed. Traders said buyers were looking to replace Urals volumes for both Italian and German refineries, which receive transit volumes via Trieste.

Spain has also increased U.S. crude oil imports, recently purchasing 300,000 tonnes each for June and July arrival, Refinitiv Eikon data shows.

Active Urals buyers Greece and Croatia also took several cargoes of U.S. oil. Some 215,000 tonnes were imported to Greece in May-June, the data shows, while one cargo of Eagle Ford condensate was unloaded in Croatia's Omisalj in May.

"Russia is a major oil supplier, but we like to have a choice. In recent years Russian supplies have been regularly connected to some sort of risk — sanctions, contamination etc. It makes you a bit nervous trading it. U.S. crude has its disadvantages, but it's always available nowadays and rather cheap at times," a Mediterranean trader said.

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Russia has been looking for ways to add Urals crude to the North Sea basket to play a role in the world's oil price formula, but so far such attempts have failed.

U.S. crude is a new product in the market and some price agencies are considering adding it to the basket. Among recent moves is the start of U.S. crude oil grades trading in the Platts window, along with North Sea grades.

The first deal with WTI crude oil for Rotterdam delivery was done in the Platts window last week.

Platts has not added WTI to dated Brent calculations.

Pricing agency Argus Media added U.S. WTI crude to its new North Sea dated assessment from Feb. 15.

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