

Could Russia Benefit From the Suez Canal Blockage?

The Kremlin wants to use the grounding of the Ever Given ship to promote its Northern Sea Route and counter European concerns over Nord Stream 2.

By [Jake Cordell](#)

March 26, 2021



The stranded Ever Given, captured by the Russian "Kanopus-B" satellite [rogozin_do](#) / Telegram

Almost \$300 million worth of Russian oil products are waiting to enter the Suez Canal, which remains closed following the grounding of the Ever Given container ship. But Moscow is hoping it can turn the freak grounding into long-term gain.

Efforts to dislodge the vessel are now in their third day and those tasked with moving the container ship have warned there will be little progress before next week, with some estimating the ship could be stuck well into April.

Goods worth a total of [\\$10 billion](#) pass through the canal — which cuts 15 days off the journey time for vessels travelling from Europe to Asia — every day, accounting for 12% of global trade.

Russia, as the biggest exporter of crude oil products through the canal, has been badly affected. On an average day, Russia ships 546,000 barrels of oil through the canal, energy analytics firm Vortexa calculates. That amounts to around 5% of Russia's total oil production, with a market value of close to \$35 million.

There are already six oil tankers travelling from Russian ports stuck in the congestion, Arthur Richier, senior freight analyst at Vortexa told The Moscow Times. They are carrying 3.2 million barrels of crude oil — worth approximately \$195 million — and 1.2 million barrels of clean petroleum product Naphtha worth another \$95 million.

“Naphtha is the big one,” Richier said. “Asian refiners are in dire need of Naphtha, and they really like Russian Naphtha. Over the last 15 months, an average of around 240,000 barrels of clean petroleum products have gone from Russia to the Middle East and Asia every day. So it's going to impact a crucial supply route to Asia.”

So far Asian refiners have been drawing down their inventories as they wait for delayed shipments from Russia and other European ports to arrive, analysts at OANDA said in a recent note.

The congestion has put oil prices on the front foot after a recent retreat amid concerns over fresh spikes in coronavirus infections in Europe. Benchmark Brent crude oil was up more than 3% to \$64 a barrel in trading Friday.

Mapping data shows many ships have already decided to avoid the canal and take the longer journey around the southern tip of Africa. With chartering costs for container ships standing at \$25,000 a day, ship owners and delivery firms are crunching the numbers to see what makes sense — wait out the delay, or head south.

Other empty Russian ships have been held up on their return journeys, including at least three Novatek gas-carrying vessels, the Kommersant business paper [reported](#) Friday.

Northern Sea Route

Despite having almost \$300 million of oil products already caught up in the congestion in just the first 72 hours, Moscow is hoping it can turn the freak grounding into long-term gain.

Officials have already started aggressively promoting Russia's Northern Sea Route (NSR) — an alternative Europe-to-Asia sea route which traverses the Arctic. The route cuts journey distances between China and Europe by 40%. While traffic has grown in recent years, it has not yet proved a challenger to the Suez Canal, or even sailing around Africa.

However, this delay could change that, and Russia is using the opportunity to tout fresh infrastructure development for the route.

“Obviously it's necessary to think about how to efficiently manage transportation risks and

develop alternative routes to the Suez Canal, first and foremost the Northern Sea Route,” Russia's ambassador-at-large Nikolai Korchunov told the Interfax news agency Friday.

Related article: [Russia Floats Arctic Shipping Route as ‘Viable’ Suez Canal Alternative](#)

Climate change is likely to prove a key factor in the NSR's viability as an alternative — with higher temperatures expanding the number of days ships can traverse the route without the need to be accompanied by expensive and slow icebreakers.

In what analysts at the Russian Academy of Sciences' Institute of Economic Forecasting dubbed an “optimistic scenario,” Russia could [triple freight](#) along the NSR in the next four years to 92 million tons if Arctic ice continues to retreat — a development which has concerned environmentalists.

Nevertheless, that would barely make a dent in Suez Canal traffic, which handled almost 1.2 billion tons of freight last year.

“The Suez accident is a net positive for Russia's efforts to expand direct pipeline routes to Europe, especially for gas, and to promote the Northern Sea route,” Macro Advisory founder Chris Weafer told The Moscow Times.

“But it is by no means a game changer. One accident is not going to change trade routes. Accidents can happen anywhere and at any time.”

Nord Stream 2

A more important win for Russia than the NSR could be the possibility of the Suez incident helping Russia restore its energy relations with Europe.

Despite geopolitical arguments and controversy over the Nord Stream 2 gas pipeline, Moscow values its reputation as a reliable supplier of both oil and gas to the European markets. Russia accounts for more than 40% of Europe's gas imports and 27% of its petroleum, according to official EU [statistics](#).

In the context of a major hold-up of deliveries from the Middle East, that could help Russia boost sales of both to Europe.

“One possible positive for Russia is if European refiners can't get their crude from Saudi Arabia or Iraq,” said Richier. “Russia's Urals blend is a very good substitute. We can assume European refiners are going to go to Russia's ports in the Baltic Sea and Black Sea and start buying Urals.”

That could push prices up and provide an extra fillip to the Russian budget, which is already benefiting from oil prices, in rubles, being close to their highest levels for three years.

“The real benefit may be to the Nord Stream 2 and Turk Stream 2 routes, especially at a time when the former is under such intense political scrutiny on both sides of the Atlantic,” said Weafer.

Related article: [MEPs: Sanction Oligarchs, Stop Nord Stream 2 After Navalny Detention](#)

Moscow's decision makers will be hoping the same, as opposition to Nord Stream 2 has reached deafening levels since the jailing of Kremlin critic Alexei Navalny in January.

Officials are already promoting the controversial pipeline in the wake of the Suez blockage.

"This clearly demonstrates the advantages Russia has as a supplier of gas to Europe," Konstantin Simonov, head of Russia's National Energy Security Fund [told](#) Rossiyskaya Gazeta, the official Russian government news site Friday.

Since Europe buys significant amounts of gas from the Middle East, analysts expect the continent to inevitably turn to Russia to help fill any short-term gap. The Kremlin will be hoping that gives them a chance to showcase their benefits as a close, competitive and secure energy exporter, despite U.S. threats of [sanctions](#) and fierce opposition in Europe.

"Pipelines are rarely disrupted and have always been by far the most reliable transport mechanisms," said Weafer.

"The Suez accident provides a very timely reminder of that fact."

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