

# Russia Running Out of Oil Customers

By [Joseph Sotinel for AFP](#)

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The price might be working in Russia's favor, but it faces a major freeze-out from buyers. **Yegor Aleyev / TASS**

Russia is struggling to sell oil as buyers flee the stigma, logistical challenges and fears of further sanctions that come with dealing with Moscow in the wake of the Ukraine invasion.

Even without direct sanctions on its energy industry Russia will lose around 1 million barrels per day (bpd) in oil exports, according to analyst Jarand Rystad, head of Rystad Energy, from the 10.5 million bpd it sold last year.

That is despite the scarcity of global supplies sending prices soaring.

Brent North Sea crude oil — the industry benchmark — rocketed this week to nearly \$120 per barrel, while gas hit a record peak.

OPEC and other major oil exporters, including Russia, refused to increase production beyond previously-agreed levels when they met on Wednesday, dashing hopes of easing supply

pressures.

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Energy Aspects estimates that 70% of its oil exports are paralyzed as brokers and refineries shun Moscow in spite of the red-hot market.

### **European response**

For now, Western sanctions over the Ukraine invasion have avoided Russia's energy sector, since Europe is so reliant on it.

Germany imported 55% of its gas from Russia last year, and its vows to slash this figure and boost renewables like wind and solar will take years to realize.

Pipeline deliveries continue from Russia, but facing the threat of global condemnation and potentially more sanctions to come, European importers are looking elsewhere.

Finland's energy group Neste says it has "mostly replaced" Russian crude with alternatives such as North Sea oil.

Sweden's bitumen product manufacturer Nynas says it will end purchases of Russian raw materials altogether.

Some non-Russian crudes like Kazakh oil are also being penalized since they are exported via Russia ports, which have been blacklisted by shipping companies.

### **China and India return?**

Nonetheless, some buyers may return if the West definitively rules out sanctions on the energy industry.

"We should start to see which buyers are willing to resume purchases and which are not," said Energy Aspects analyst Livia Gallarati.

"China and India are still not buying, but we think they will slowly start to buy the crude once issues around shipping, insurance and payments are navigated," she added.

India, which also relies on Russia for military supplies, has called for a ceasefire but has stopped short of condemning the invasion.

China, Russia's largest trading partner for more than a decade, has also yet to condemn the attack.

Despite their size, however, the pair lack the capacity to make up for all of Russia's energy export losses.

Western firms have taken swift and decisive action in the past week.

Britain's BP and Shell, along with Norway's Equinor, have decided to end their Russian operations entirely.

Germany has suspended the controversial Nord Stream 2 gas pipeline from Russia.

### **Uncertainty over new projects**

Proposed new energy infrastructure could also be hampered, such as Rosneft's flagship Vostok Oil project in Siberia.

Switzerland's oil trading giant Trafigura stated that it was "reviewing options" over its Vostok minority stake.

With Russia sidelined, European buyers are turning to oil from the crude-rich Middle East.

However the two nations with the most spare capacity — the United Arab Emirates and OPEC kingpin Saudi Arabia — are reluctant to hike output.

One uncertain factor is Iran, where last-ditch talks are underway with world powers to lift its own set of sanctions related to its nuclear programme.

Tehran has stated that it is ready to step up exports if a deal is reached, though how quickly its oil sales could impact the market has yet to be seen.

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