

13 June 2024

War profiteering: Eight UK-insured tankers violate price cap, boosting Kremlin revenues by GBP 87 mn

Key findings

- 33% of all Russian oil (by volume) was transported on tankers insured in the UK since the sanctions were implemented on 5 December 2022 until early November 2023.
- Eight of 26 shipments of Urals crude between October and December 2023 departing from the port of Novorossiysk were on tankers covered by UK P&I insurance. In this same period, **no shipments of Russian crude oil departing from the port of Novorossiysk were traded below the price cap**, suggesting that these tankers conducted trades that were in direct violation of the EU/G7 sanctions.
- **Violations of the price cap by tankers covered by UK insurance contributed an additional GBP 87 mn (+27%) to the Kremlin war chest.**
- **GBP 444 mn of jet fuel imported by the UK is estimated as being produced from Russian crude oil.**
- Over half of the UK's imports of jet fuel (52%) from refineries using Russian crude comes from three refineries in India — Jamnagar, Vadinar and New Mangalore.
- For UK importers, jet fuel imported from Indian refineries processing Russian crude was a mere 2% cheaper than that from other sources in 2023. A ban on them therefore will not create significant inflationary pressure on the market.
- Although importing oil products refined from Russian crude is totally legal in the UK, **importing cheaper jet fuel benefitted companies, who may have saved an estimated total of GBP 21.8 mn** by importing jet fuel from India. Meanwhile, the **UK's imports of oil products derived from Russian crude have sent GBP 144 mn**

in tax revenue back to the Kremlin war chest — equivalent to [28% of the humanitarian aid it has so far provided to Ukraine](#).

- The UK must close the refining loophole that legally enables oil produced from Russian crude to flow into sanctioning countries, financing the Kremlin's war in Ukraine.

The UK's role in boosting Russian oil revenues

Sanctions imposed by the G7 and EU on Russia prohibit the importation of Russian crude oil and oil products. There is a [loophole in the sanctions](#) however that enables countries not imposing sanctions on Russia, such as India, China and the UAE, to legally import Russian crude oil, refine it into oil products, and export those petroleum products to the G7 and EU.

A previous CREA analysis has identified how refineries in third countries have exploited [this loophole](#) to import Russian crude and subsequently send refined products back to price cap coalition countries. A second analysis found that between December 2022 and November 2023, [3% \(GBP 574 mn\) of the UK's total imports of oil products](#) from 12 refineries was estimated as derived from Russian crude.

In addition to the refined oil loophole, UK insurance has also facilitated the transport and trade of Russian oil globally. According to an early 2024 CREA analysis, [over one third of the volume of Russian oil was transported on tankers insured in the UK](#) since the sanctions were implemented on 5 December 2022 until early November 2023.

This briefing focuses on detailed investigations into two specific aspects of the UK's role in the Russian oil trade:

- UK insurance enabled sanctions evasions, and
- oil companies derived financial gain from purchasing jet fuel refined from Russian crude.

UK insurance is enabling violations of the oil price cap

The Russian oil trade remains highly reliant on vessels insured in the UK for transport. In November 2023 alone, ships insured in the UK transported GBP 2.6 bn of Russian oil products and GBP 699 mn of crude oil. CREA has further investigated shipping and customs data and found that not only is UK insurance facilitating the trade of Russian oil but it is doing so by insuring tankers that appear to have violated the price cap.

Between October and December 2023, 26 shipments (of a total of 47) of Russian Urals grade crude oil from the port of Novorossiysk were carried on tankers owned or insured in price cap coalition (PCC) countries¹. CREA's analysis of Russian customs data shows that no shipments of Russian crude oil departing from the port of Novorossiysk appear to have been paid below the price cap level of USD 60 per barrel between October and December 2023. This provides strong evidence of a direct violation of the EU/G7 oil price cap policy.

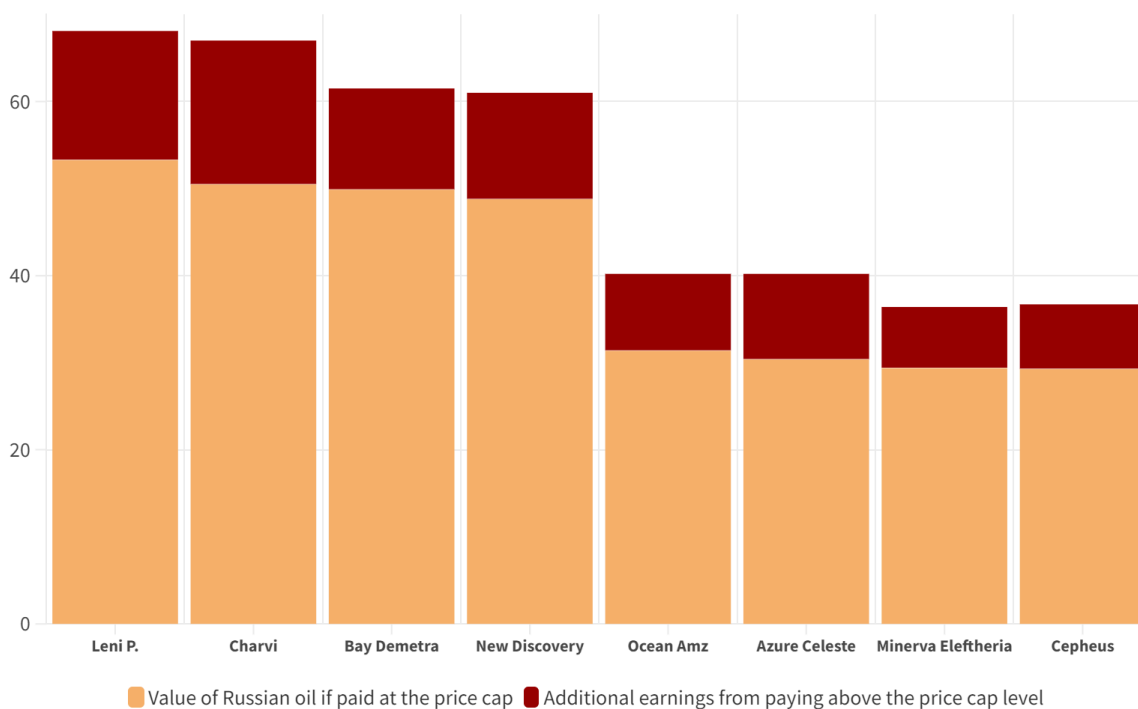
Eight of the 26 shipments of Urals crude between October and December 2023 were on tankers covered by UK Protection & Indemnity (P&I) insurance. Four of these tankers (named Azure Celeste, Cepheus, Charvi and Bay Demetra) were covered by West of England insurance and carried an estimated 464 thousand tonnes of oil to refineries in India. The oil traded by these tankers at prices above the price cap generated revenues of an estimated GBP 205.5 mn² for the Kremlin — GB 43.4 mn more than if it had been traded at the price cap level.

¹ [Price cap coalition countries](#) consist of the EU, G7 and Australia. [Norway](#) and [Switzerland](#) also implement the oil price cap policy.

² To calculate this value, CREA took the average price of Urals crude departing from the port of Novorossiysk between October and December 2023 and applied it to each shipment under analysis.

Difference in Russian revenues due to price cap violations

Eight tankers with UK insurance that departed Novorossiysk between Oct & Dec 2023 | Mn GBP



Source: CREA Analysis



While Azure Celeste and Cepheus' cargo was unloaded at the Mumbai and Visakhapatnam refineries, Charvi and Bay Demetra's cargo ended up at the Jamnagar refinery —all of which also export oil products to the UK.

The single largest shipment though went on the tanker Leni P, insured by the North of England P&I Association. The tanker, flying the Greek flag, moored at Sheskhari to load 147,195 tonnes of Urals crude on 6 October 2023. The tanker, owned by Summerton Investments Corp-MAI, a company registered in Greece, unloaded the Urals crude at the Jamnagar Refinery on 29 October 2023. CREA analysis suggests that the oil was sold at an estimated GBP 74 mn. If this shipment had been sold at the USD 60 price cap it would have been worth GBP 53 mn.

The eight tankers covered by UK insurance transported 928,546 tonnes of Russian Urals grade crude valued at GBP 411 mn from the port of Novorossiysk between October and December 2023. CREA calculated the value of this oil based on the average barrel price per

month exported out of the port of Novorossiysk, when all shipments were carried out above the price cap level according to Russian customs data.

If these eight shipments had been carried out at the price cap level, the Russian crude oil would have been sold at an estimated GBP 324 mn. **These eight cases alone of price cap violations have added an estimated additional GBP 87 mn (+27%) to the Kremlin war chest.**

How do UK companies benefit from importing jet fuel made from Russian crude?

CREA's analysis found 77% of the oil products imported by the UK from 12 refineries that import Russian crude, were comprised of jet fuel. The UK imported jet fuel worth GBP 2.2 bn from these refineries, all of which partially rely on and import Russian crude for their operations. 19.7% (GBP 444 mn) of jet fuel imported from these 12 refineries was estimated as being produced from Russian crude oil. This lies upon the assumption that jet fuel exported to the UK from these refineries is produced from the same proportion of Russian feedstock as for all oil product types. CREA's extensive analysis into Russian oil entering the UK can be [read here](#) and was covered by the BBC [here](#).

While the Ruwais refinery in Abu Dhabi is the single biggest exporter of jet fuel to the UK, over half of the UK's imports of jet fuel (52%) from refineries using Russian crude, comes from three refineries in India — Jamnagar, Vadinar and New Mangalore. These three refineries combined have sent GBP 1 bn of jet fuel to the UK since the start of EU/G7 sanctions on Russian oil in December 2022. Additionally, the Ruwais refinery runs on a small proportion (less than 8%) of Russian crude whilst the three refineries in India ran on 41% Russian crude in 2023. For this reason, we have focussed on analysis of the three refineries in India importing the largest amounts of Russian crude that exported the most jet fuel to the UK.

How much cheaper is jet fuel refined from Russian crude?

According to [UK trade data](#), the UK imported 10.1 mn tonnes (GBP 7.5 bn) of jet fuel in 2023. Three Indian refineries — Jamnagar, Vadinar and New Mangalore — contributed 13% (GBP 1 bn) of the UK's total imports of jet fuel in this period. CREA's analysis shows that a

significant proportion (41%) of the feedstock in these three refineries is Russian crude (based on 2023 data).

The average price for jet fuel imported into the UK in 2023 was GBP 0.74 per kilo. The average price paid for jet fuel from India was marginally lower at GBP 0.73 per kilo. The cost benefit of this 2% price discount will benefit UK importers but would not cause significant inflationary pressure on the market if the UK banned imports of oil products from refineries running on Russian crude.

This 2% discount in jet fuel prices from refineries running on Russian crude is essentially benefitting multiple importing companies who have saved an estimated total of GBP 21.8 mn with these imports in 2023. At the same time, importing these fuels made from Russian crude has sent over GBP 100 million in tax revenues to the Kremlin. This process is totally legal, highlighting that the UK must ban the refining loophole which enables oil produced from Russian crude to flow into sanctioning countries, financing the Kremlin's war against Ukraine.

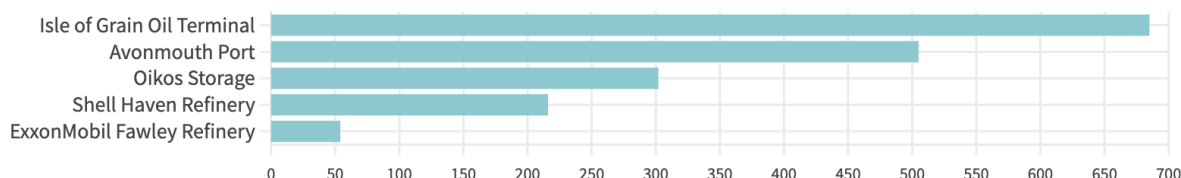
The UK's imports of all oil products derived from Russian crude sent GBP 145 mn in tax revenues to the Kremlin, equivalent to [28% of the humanitarian aid it has so far provided to Ukraine](#). The fact that the refining loophole has not been addressed means that the financial aid provided to Ukraine is being eroded by funds making their way back to the Kremlin's war chest through the UK importation of Russian refined oil, which is essentially financing the annihilation of Ukraine and its people.

If the UK does not close the refining loophole, companies will continue to take advantage of buying fuel made from Russian crude to widen profit margins. [CREA's recent analysis](#) showed that the refining loophole had widened in 2023, as countries that sanction Russian oil imported 44% more oil products estimated as being made from Russian crude in comparison to the prior year.

Who benefits from the imports of ‘cheaper’ jet fuel?

UK ports importing jet fuel from Indian running on Russian crude

In 2023 | Volume of jet fuel in thousand tonnes



Source: CREA analysis of Kpler data •

Indian refineries that exported jet fuel to the UK in 2023: Jamnagar, Vadinar and New Mangalore



In 2023, the UK imported 1.76 mn tonnes of jet fuel from the Indian refineries in Jamnagar, Vadinar and New Mangalore — all three of which ran on Russian crude (41% of feedstock crude imports came from Russia in 2023). These imports of jet fuel went to five major installations in the UK.

The Isle of Grain terminal received 39% of the UK’s total jet fuel imports from India. The terminal is [owned and operated by British Petroleum](#). Avonmouth port in Bristol received 29% of the total jet fuel imports from India. CREA has been unable to determine the owners and operators of this port.

There were two installations in the port of Thames Haven that received jet fuel imports from India. The first was the [Oikos storage facility](#), owned by Oikos, which received 17% of the UK’s total jet fuel imports from India. The second was the [Shell Haven Refinery](#), owned by Shell, which received 12% of the UK’s total jet fuel imports from India. The remaining 3% of jet fuel was received by the [ExxonMobil Fawley Refinery](#) in the port of Southampton.

Recommendations: How the UK can further cut Kremlin revenues from oil exports

Ban imports of oil refined from Russian crude: The first step for the UK to further cut Kremlin revenues from oil exports and enhance the impact of sanctions would be to ban the importation of oil products produced from Russian crude oil. This ban would disincentivize third countries from importing large amounts of Russian crude — a

proportion of which is turned into oil products for export to sanction imposing countries — and help cut Russian revenues.

The low reliance (3%) of the UK on oil products produced from Russian crude means that if the UK banned these imports, it would have no significant inflationary pressure on domestic oil product prices.

The UK could feasibly ban the importation of oil products from foreign refineries that had imported Russian crude oil, for example, in the previous six months. An amendment in the UK legislation to require oil product imports to show rules of origin documentation evidencing that the petroleum products sold to the UK were not made from Russian crude oil would plug the refining loophole. The refining loophole raises the volumes and prices at which Putin can sell his oil. The UK Government could also make a list of refineries that the UK would not be allowed to import from, e.g. Vadinar and others that are reliant on Russian crude as their feedstock.

Banning imports from these refineries would also drop the price of Russian oil, which has stayed above the price cap of USD 60 per barrel from [July until the end of November 2023](#) and has remained above the cap since early January 2024. [CREA's analysis of the one-year impact of the crude oil price cap](#) found that immediately after the sanctions came into force, Russia was forced to discount their oil to attract new buyers if they were to maintain similar export volumes that previously went to sanctioning countries. As Russia has found new and consistent buyers, these discounts have reduced and the price has risen. Higher export prices for Russian oil paired with evidence of price cap violations significantly negate the impact of the sanctions.

Stronger enforcement & harsher penalties: The UK Office of Financial Sanctions Implementation (OFSI) must investigate UK entities and insurance firms that have provided services to facilitate the maritime transportation of Russian oil above the oil price cap. Penalties must be imposed on firms that violate sanctions thereby facilitating the increase in Russian oil export earnings above the price cap that are then used to fuel the war on Ukraine.

As seen in the [OFSI guidance on the oil price cap policy](#), the UK insurers of Russian crude oil must undertake the required due diligence to ensure that the seaborne oil they are providing maritime insurance for has been paid below the oil price cap. OFSI must investigate whether these UK insurance firms have undertaken the required due diligence and request attestation documents which supposedly show the crude oil transported on

UK insured tankers did not violate the oil price cap policy. If OFSI's investigation provides evidence of violations of the oil price cap policy, they must impose consequential penalties on those entities that have breached sanctions. This will help send out signals to other entities involved in the trade of Russian oil that if sanctions are violated, penalties will be implemented. Greater enforcement of the oil price cap will widen the discount of Russian oil prices and lower their export revenues.

Penalties for entities caught violating the oil price cap are inadequate. The UK and sanctioning countries should ban maritime services in perpetuity for vessels used to transport Russian crude that do not comply with the price cap. The current ban of 90 days that prohibits vessels from attaining maritime services following a violation of sanctions, is far too weak. The UK's monitoring and enforcement agency can impose [fines](#) of around GBP 1 million for breaches of the oil price cap or 50% of the value of the breach. These fines are too weak and therefore do not sufficiently dissuade risk taking entities from violating the cap in pursuit of the lofty profits seen in oil trading.

The UK should work with the US [Office of Foreign Assets Control \(OFAC\)](#) sanctions enforcement agency to add more vessels to the OFSI and OFAC sanctions list. Sanctioning specific vessels that are part of the growing number of 'shadow' tankers that appear to have violated sanctions have cut Russia's crude oil export earnings by 5% (GBP [446 mn per month](#)), impacted by the first OFAC sanctions on specific vessels which started on 10 October 2023.

Addressing attestation fraud: Maritime insurers currently do not have direct access to price information of the traded oil that they insure. The current oil price cap policy therefore relies on attestation documents provided by oil traders to glean information about the price paid for Russian oil. The price cap coalition must strengthen the process that insurers must undertake to provide evidence that the insured seaborne Russian oil is paid below the price cap level. The [majority](#) of Russian crude oil is currently being traded by opaque entities located outside price cap coalition countries — such as the United Arab Emirates (UAE) and Hong Kong. Traders in non-sanctioning countries are able to fraudulently under-report the price they paid to avail of Western maritime insurance to transport Russian oil. In reality, as seen in customs data, the oil is often traded above the price cap. Insurers providing P&I coverage for Russian oil shipments claim that they cannot verify that the oil was traded below the price cap level as claimed in the attestation documents they receive.

In an attempt to combat this issue, price cap coalition countries must develop a ‘white list’ of traders that undertake a high proportion of their business operations in sanctioning countries. Only companies on this ‘white list’ would be allowed to attain maritime insurance from countries located in price cap coalition countries. Maritime insurers and oil traders must be required to obtain a bank statement showing that the Russian oil was traded below the price cap to avoid fraudulent attestation documents being produced. This bank statement must be verified by the bank themselves to reduce the risk of documents being fraudulently produced by the oil trader. This would also enable insurers to easily verify that the price of Russian oil was in fact paid below the price cap. If traders on the ‘white list’ violate the price cap policy, then sanctioning countries could easily impose penalties on them and their entities that conduct a significant proportion of their business in sanctioning countries.

Lower the price cap: The most important way to cut Russia’s export revenues though would be to drive down the oil price cap and use their reliance on G7/EU insurance to do so. Lowering the price cap would be deflationary, reducing Russia’s oil export prices and inducing more production from Russia to make up for the drop in revenue.

We recommend a price cap of USD 30 per barrel, which would have slashed Russia’s revenues by [GBP 2.5 bn](#) in April 2024 alone. If this price cap had been established in December 2022, Russia's oil export earnings would have been slashed by 24% (GBP 51 bn) by April 2024. A USD 30 per barrel price cap is still well above Russia's production cost that [averages USD 15 per barrel](#) and would be deflationary, reducing Russia’s oil export prices and inducing more production from Russia to make up for the drop in revenue.

Methodology

Assumptions

We looked at locations that have exported oil products to the UK and concluded that these are refineries. We assumed that refineries perfectly mix the crude imported over the period of analysis, December 2022 to November 2023.

We identified refineries in third countries that have bought Russian crude oil since the implementation of sanctions (5 December 2022) that have also exported oil products to the UK. We then calculated the proportion of each refinery's feedstock crude oil that came from Russia. Each identified refinery's reliance on Russian crude is used to estimate the

proportion of exported oil products (made from Russian crude oil) to the UK. A detailed explanation of this methodology is available in our published report [here](#).

Estimated oil export values are calculated in the currencies that our data models provide figures for (both USD and EUR) on the relevant date that they were exported. The total estimated export values are then converted into GBP using currency conversion based on the average 2023 figures. The currency conversion is based on the 2023 average exchange rate of 1 USD = 0.804368 GBP and 1 EUR = 0.870293 GBP. The data is taken from [OFX.com](#).

Data sources

CREA analysis is based on various data sources, including Kpler, Eurostat, Comtrade, Equasis, P&I providers, Global Energy Monitor and oilprice.com.

Annex: Tankers and insurers that may have violated the oil price cap

8 UK insured vessels that appear to have violated the price cap by transporting Russian Urals from Novorossiysk between October and December 2023			
IMO of vessel	Vessel Name	Estimated value the oil cargo was actually traded at (over the price cap)*	Name of UK insurer
9269075	New Discovery	GBP 60,922,593	The London P&I Club
9288722	Azure Celeste	GBP 15,175,446	The West of England Shipowners
9299721	Cepheus	GBP 36,780,950	The West of England Shipowners
9308065	Charvi	GBP 67,034,775	The West of England Shipowners
9394935	Ocean Amz	GBP 40,250,127	North of England P&I Association
9408190	Bay Demetra	GBP 61,464,377	The West of England

			Shipowners
9594133	Leni P.	GBP 68,113,336	North of England P&I Association
9787168	Minerva Eleftheria	GBP 36,414,849	Britannia Steamship insurance Association Ld

****Note: The estimated value of Urals crude that was transported on each ship is calculated by taking the volumes reported using Kpler data and multiplying it with the average monthly price taken from the Russian customs data for shipments that left the port of Novorossiysk in the relevant month. The total shipment values are then converted into GBP from USD estimates.***

About CREA

The Centre for Research on Energy and Clean Air (CREA) is an independent research organisation focused on revealing the trends, causes, health impacts, and solutions to air pollution. CREA uses scientific data, research, and evidence to support the efforts of governments, companies, and campaigning organisations worldwide to move towards clean energy and clean air, believing that effective research and communication are the keys to successful policies, investment decisions, and advocacy efforts. CREA was founded in Helsinki and has staff in several Asian and European countries.