Insurance Marine News

EU member states unable to agree on structure of energy sanctions

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The European Commission has been bold in its statements on the part energy will play in sanctions on Russia, but differences between the needs and wishes of individual states continue to hamper efforts to achieve anything more than symbolic.

After a weekend of internal negotiations, the European Union looked likely to dilute its sanctions package on Russian oil exports. However, it hoped to keep a key shipping provision that would hamper Russia's ability to export its crude oil.

The EU will drop a proposed ban on EU-owned vessels transporting Russian oil to third countries, reported *Bloomberg*, citing documents seen and unnamed people familiar with the matter. Critically, a prohibition on insurance was said to be in the works and would remain a significant impediment to exports.

However, Greece was one of the member states that pushed for the provision on exporting to third countries to be dropped from the EU's sixth package of sanctions against Russia since February 24th, sources said. It was said that the lack of a single position among Group of Seven nations was central to the proposal being dropped.

Greece owns more than a quarter of the world's oil tankers by capacity, which meant that any action that it took would hurt Russia but would also hurt Greek tanker owners and could have had political repercussions for the Greek government.

Given the powerful position of the UK and Scandinavia in providing marine insurance, any ban on providing insurance would cover the vast majority of the global fleet of oil tankers seeking to transport Russian oil. This would mean that, whatever the wishes of the Greek tanker owners, they would find it financially and regulatorily impossible to move Russian oil from anywhere to anywhere.

EU countries were still debating the sixth package on Monday May 9th. Apart from the Greek shipping factor, objections from Hungary to a proposed ban on Russian oil were stalemating the situation.

The initial proposal from the EU had planned to prohibit the transportation, including through ship-to-ship transfers, to third countries of crude oil and petroleum products that originate in Russia, or have been exported from Russia. That has now been dropped.

The EU's executive arm is also proposing to ban European companies from providing services, including insurance, that are needed to transport Russian oil anywhere in the world. That provision is expected to stay.

Under the current proposals, the ban will fully exempt goods that don't originate in Russia even if they transit through the country. That would free up oil from major oil producer Kazakhstan, for example.

The EU's proposal seeks to ban crude oil imports into the bloc over the next six months and refined fuels by early January 2023.

The EU had offered Hungary and Slovakia until the end of 2024 to comply with the measures and the Czech Republic until June 2024. Bulgaria was also thought to be seeking a similar transition period.

Hungary's stance was claimed not to be political, but purely pragmatic, given Hungary's massive dependence on Russian oil for its energy requirements. Hungarian Prime Minister Viktor Orban has said that his country needs more time and investments to make the transition, given the huge logistical difficulties involved in obtaining other sources of crude oil or any other energy such as LNG.

The rest of the measures the EU's sixth package remain waiting on the platform while the baggage of oil is sorted out. Other measures planned included cutting more Russian banks out of international payments system SWIFT, including Russia's largest lender Sberbank; restricting Russian entities and individuals from purchasing property in the EU; and a ban on providing consulting services to Russian companies.