Insurance Marine News

European Union agrees to ban seaborne imports of Russian oil

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The European Union has agreed, in principle, to ban seaborne imports of oil from Russia. Hungary achieved its objective of exceptionalism, with the European Council conceding a carve-out for pipeline shipments.

The effect will be to reduce the immediate impact to 75% of Russian oil imports, intended to rise to 90% by the end of the year.

The Council also agreed to ban Sberbank, Russia's largest bank, from the SWIFT financial messaging system. It has banned Russian vessels from the EU insurance and reinsurance markets, formalizing a situation that was already in progress within the International Group towards the ending of Russia-related business.

The EC failed to reach a full agreement, with several important details left undefined ahead of a Brussels summit on Monday June 6th.

Despite sanctions, the Russian government's energy revenue has increased since February 24th, because prices have risen. State oil and gas revenues doubled (year-on-year) to $75bn over the first four months of the year. Although Russia is being forced into discounted sales in non-EU markets, mainly in Asia, the baseline 100% price has increased to such a degree that the money being earned from sales has held up well.

The EU continues to struggle to implement wider sanctions on Russia, with Russian gas remaining the elephant in the room. Within a group of countries, including Germany and Italy, the concern at the economic impact on their own economies is high. Even with the oil embargo, the agreement "in principle" leaves some tough practical details to be sorted out.

There was broad agreement on the rest of the package, including the removal of Russia’s biggest bank, Sberbank, from the SWIFT messaging system. That move could have a bigger practical effect on Russia than the headline-grabbing oil moves.