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Analysis of today
Assessment of tomorrow

By: Tomorrow's Affairs Staff

Will the 18th sanctions package break the Russian war budget?

The European Commission presented the eighteenth package of sanctions against Russia, targeting Moscow's energy and banking sectors.

Commission President Ursula von der Leyen announced a ban on all transactions by European companies with the Nord Stream 1 and 2 gas pipelines. Simultaneously, there was a proposal to lower the price cap on Russian oil from $60 to $45 per barrel. To implement the measures, it was proposed to expand the financial bans to twenty-two more Russian banks and additionally limit tankers that disguise the origin of crude oil.

The reason for the introduction of new measures lies in the fact that Russian oil and gas exports have recovered significantly in the first months of 2025 compared to previous years, although they are still well below the peak levels of 2022.

Despite the earlier sanction packages, Russia has expanded the sales channels for its energy products to markets in Asia and Africa.

With the G7's coordinated agreement to introduce a price cap, the EU and its partners are striving to harmonise the global price of Russian oil and thus reduce the revenues that finance the Kremlin's war activities.

Brussels’ strategy

The ban on transactions involving Nord Stream 1 and 2 means that no European service provider or equipment supplier can participate in the maintenance or operation of these pipelines.

Brussels is thus cutting all legal ties that have made it possible to service Russia’s important energy infrastructure.

This emphasises the need for faster diversification of gas supplies, in particular through imports of liquefied natural gas (LNG) from other regions and the strengthening of relations with suppliers from North Africa, the Middle East and the United States.

> The aim of this measure is also to further reduce the Kremlin's revenues, which support war activities – Ursula von der Leyen

This is why the EU proposed reducing the price cap on Russian oil from $60 to $45 per barrel.

Ursula von der Leyen emphasised that the aim of this measure is not only to harmonise prices but also to further reduce the Kremlin's revenues, which support war activities.

A formal discussion and adoption of this cap is expected at the G7 summit in Alberta (Canada) from 15 to 17 June, where all heads of state and government will discuss practical mechanisms for its implementation.

Expanding restrictions

By expanding the SWIFT restrictions to a further 22 Russian banks, the EU is directly restricting their access to international payment systems.

This will make it more difficult for these institutions to manage foreign exchange flows and reduce liquidity, while many loans and financial agreements with European companies are likely to be temporarily frozen, which risks slowing down joint projects.

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By circumventing the existing blockade with a fleet of tankers, Russia has so far been able to disguise the origin of the oil and thus circumvent the sanctions.

The eighteenth package stipulates that 77 such vessels will lose the ability to dock in European ports.

This will make it more difficult to manipulate the flow of goods and place an additional burden on the insurance markets, which previously had no interest in clarifying the origin of the cargo.

EU's evolving measures

Since the start of the invasion of Ukraine, the EU has constantly introduced new measures. The initial package from February 2022 restricted entry for specific officials. Tighter controls on the export of technology with potential military applications came next.

The tenth and fifteenth packages introduced comprehensive bans on nuclear technologies and oil services. Only now is the EU moving to intervene directly in financial flows and critical infrastructure.

> Differences will show how the political dynamics within the EU will influence the final decision on sanctions

Between the announcement and formal adoption, member states will review and harmonise their regulatory procedures in the Council of Ministers, with the European Parliament being consulted.

In parallel, investors and energy companies are pursuing diversification opportunities through the Southern Gas Corridor from Azerbaijan.

Hungary and Slovakia have expressed concern that a complete ban on Nord Stream could threaten their energy sectors, while Poland strongly supports the new measures as an important means of increasing pressure on the Kremlin.

These differences will show how the political dynamics within the EU will influence the final decision on sanctions.

EU's collective decision-making

Germany has strengthened its partnership with Norway and Portugal to diversify its gas supply, and a second LNG terminal was commissioned in Wilhelmshaven at the end of May.

Investors have already announced funding for the construction of similar gas terminals in Poland (Swinoujscie) and Croatia (Krk Island), indicating a shift in focus towards the import of liquefied natural gas.

The Kremlin responded by banning imports of fresh fruits and vegetables from the EU and announcing additional tariffs on chemical fertilisers; these measures are primarily symbolic.

Following the announcement of the sanctions, President Zelenskyy thanked the European Union and the G7 partners for their united stance and welcomed new deliveries of defence equipment and financial support for the reconstruction of Ukraine.

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Russia will face increased pressure on the financial system and the energy sector if the packages come into force before the G7 summit.

Restrictions on bank transactions and a price cap on Russian oil will significantly reduce the inflow of foreign currency, forcing the Kremlin to redirect budget spending towards mandatory items and savings.

In such an environment, pressure on the

military budget could force the Russian authorities to reconsider their options in Ukraine or open a channel for negotiations.

If the EU member states agree on all procedures by the end of June, the Union and the G7 partners will simultaneously demonstrate that a common response can survive internal disagreements.

The next logical step would be the introduction of a permanent price cap mechanism and the extension of bans to sophisticated transport routes, which would further strengthen the strategy of limiting the financial sources of the war.

This is an important moment because it concerns not only Russia but also the reliability of the European system of collective decision-making itself.

If the EU shows ability in adopting and implementing all measures, it will gain additional influence in the dialogue with China and India. Failure, on the other hand, could destroy the unity of the Union and create space for rivals to exploit the differences between member states.