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# Russia's refineries burn, but its budget thrives on crude exports, including to Europe



Russian oil and gas remain Europe's greatest political riddle. On the one hand, many European leaders have long **argued** that cutting off Moscow's energy revenues is essential to stopping its war.

On the other hand, the continent still **depends** on those same supplies — and some of Ukraine's most vocal supporters have even increased imports since the invasion began.

The contradiction exposes not only gaps in strategic planning but also the lack of coordination within national governments—and, more fundamentally, the absence of a coherent vision for how to contain Russia's energy leverage.

Take President Emmanuel Macron. According to my sources, Macron personally believes that increasing pressure on Russia's oil sector is key to ending the war in Ukraine. He was reportedly **satisfied** with Moscow's outrage over the recent seizure of a shadow-fleet tanker, viewing it as confirmation that such measures are beginning to work.

## The five EU states driving Russia's energy revenues

And here lies the contradiction: France is among the countries that have quietly increased imports of Russian energy this year. According to Reuters, French **purchases** of Russian oil and gas rose by about 40 per cent, reaching €2.2 billion.

Five countries - Hungary, France, Slovakia, Belgium, and Spain - account for more than 80 per cent of all Russian energy imported into the European Union, more than €11 billion in the first eight months of this year alone.

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Hungary and Slovakia are often portrayed as

the usual culprits inside the EU, yet the data suggest a broader pattern. In January-August 2025 France has become the second-largest buyer of Russian energy in Europe after Hungary, larger than Slovakia.

Slovak volume of Russian energy imports itself is closely followed by Belgium and Spain. Hungary's imports rose by 11 per cent, while Croatia's increased by 55 per cent, Romania's by 57 per cent, and Portugal's by 167 per cent. Even the Netherlands remains a significant buyer.

France's Energy Ministry has explained that part of the increase reflects purchases made on behalf of foreign clients, with market data from Kepler indicating that some of the imported gas is later re-exported to Germany. It appears that Donald Trump was not wrong in **urging** the EU to halt its purchases of Russian energy.

## U.S. pressure on Russia's energy sector

The current U.S. administration has adopted a more assertive stance, appearing to embrace the idea that pressure on Russia's energy sector could be key to ending Vladimir Putin's war in Ukraine.

Recent reports **indicate** that, for months, the United States has been assisting Ukraine in conducting long-range strikes on Russian energy facilities, including oil refineries, by providing intelligence support and helping with target selection and planning.

**"It is extremely important to increase pressure on the shadow fleet because it clearly reduces Russia's ability to fund its war effort" - Emmanuel Macron**

President Macron has remained publicly silent on these operations, choosing instead to focus on the so-called shadow fleet, most of whose vessels are Russian-controlled.

"It is extremely important to increase pressure on the shadow fleet because it clearly reduces Russia's ability to fund its war effort," **said** Emmanuel Macron at a European Political Community summit in Copenhagen. He added that France has decided "to take a step further by moving towards a policy of obstruction when we have suspicious ships in our waters that are involved in this trafficking."

## From seizure to release

However, following the widely **publicised** seizure of the Boracay tanker — identified as part of Russia's shadow fleet used to circumvent Western sanctions on oil exports — French authorities ultimately released the vessel, permitting it to resume its voyage to India.

Russia's financial loss from the delay in the Boracay tanker's detention by French authorities can be **estimated** at around \$4.7 million or higher **based** on the vessel's 100,000-tonne cargo of Urals crude oil and typical daily demurrage/freight rates for shadow fleet tankers. This is a relatively minor loss compared to the impact of broader sanctions.

**Ukrainian strikes are estimated to have damaged up to 20 per cent of Russia's fuel production capacity**

Meanwhile, videos circulating on Russian social media show long lines at gas stations. Ukrainian strikes are estimated to have **damaged** up to 20 per cent of Russia's fuel production capacity, prompting Moscow to increase fuel imports from Belarus fourfold and impose restrictions on exports.

Still, it is not clear that these attacks are dealing a major blow to the broader Russian economy. Even before the war, Russian economists acknowledged that the refining sector contributed little to overall growth, consuming more in subsidies than it produced

in added value.

## Why strikes on Russian refineries miss the target

Historically, oil prices on Russia's domestic market have been kept artificially low, often as much as 40 per cent below European levels. In contrast, prices for refined products — such as gasoline and diesel — have typically been only about 15 per cent lower than in Europe.

Before 2022, subsidies to the refining industry amounted to roughly one per cent of Russia's GDP. In practical terms, not much has changed since the Soviet period.

From the perspective of the federal budget and the wider economy, oil refining remains the least consequential part of Russia's energy sector, possibly even producing a negative fiscal effect. Crude oil and other raw energy exports **remain** Russia's main source of revenue.

**"Regionally tied to refineries, supply chains leave remote areas like Crimea stranded, while major hubs like Moscow remain well-fed" - Sergey Aleksashenko**

"From a budget burden perspective, the efficiency [of strikes on Russian refineries] is zero. Oil companies earn more from crude oil exports, thus contributing higher taxes to the state treasury," Sergey Aleksashenko, former deputy minister of finance of the RF and former deputy governor of the Russian central bank, who left Moscow many years before the war in Ukraine because of opposition to Putin, told me. – "There are minor revenue losses, mainly for regional budgets, but this has almost no impact on the federal level. Moreover, the federal budget benefits, as it avoids paying subsidies to oil companies for domestic sales."

However, Ukrainian attacks caused some economic disruptions, mainly in the regions,

according to Aleksashenko: "Oil giants battle for domestic market share as global prices drop and logistics falter, squeezing independent stations out. Regionally tied to refineries, supply chains leave remote areas like Crimea stranded, while major hubs like Moscow remain well-fed."

impact, it may require a reassessment by the economists so that the measures intended to strike the sectors sustaining the Russian state actually do so.

Otherwise, the vast military resources and political capital allocated to them risk being lost to an ineffective strategy.

## Europe has yet to replace Russian energy imports

Although fuel shortages in some Russian regions have become visible on social media, the country's finances still depend far more on energy exports than on domestic fuel consumption.



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Europe has yet to **replace** Russian energy imports entirely, while Moscow has **diversified** its sales, with India now the leading buyer of Russian crude and steadily increasing its imports.

If the European Union truly aims to wage an economic campaign against Russia, it would need to move from temporary detentions of shadow-fleet tankers to systematic seizures and long-term enforcement.

For now, most European capitals appear unprepared for such steps — or for a complete break with Russian energy.

If this "economic front" is to have a real