



Written by [Angeline Tan](#) on September 8, 2023

Russian Oil Shipments Increase Despite Sanctions, Production Cuts

In the week leading up to August 27, Russian crude shipments increased by an average of 880,000 barrels per day (bpd) — totaling 3.4 million bpd — reportedly the highest in two months, based on tanker-tracking data reported by Bloomberg. Data also revealed that more stable four-week average numbers had soared by 40,000 bpd.

Shipments to Russia's Asian clients, even those indicating no final destination, escalated to 2.57 million bpd during the reporting period, from 2.53 million bpd in the period to August 20. The same Bloomberg report stated that most of the cargo on ships without an initial destination ultimately landed in India.



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Furthermore, Russia's seaborne crude exports to EU countries amounted to 125,000 bpd in the 28 days to August 27, with Bulgaria being the only destination of these shipments.

Notably, no Russian crude arrived at northern European destinations in the four weeks leading up to August 27, Bloomberg claimed, elaborating that exports to Russia's sole remaining Mediterranean customer, Türkiye, were around 156,000 bpd during that time frame.

"Despite last week's jump, the figures support the notion that Moscow is now honoring a pledge to keep supply off the global market alongside its allies in the OPEC+ producer coalition," Bloomberg reported.

Additionally, the news platform quoted Russian Deputy Prime Minister Aleksandr Novak, who announced this month that Moscow would extend its export reductions into September, after a similar declaration from Riyadh. Thus, Russia would lower its supply cut to 300,000 barrels daily, from 500,000 barrels daily in August, Novak posited.

Russia has been diversifying its energy supplies following Western sanctions since the EU began rejecting the country's oil shipments. In February, Russia vowed to voluntarily cut oil production by 500,000 bpd from March this year in retaliation to embargoes while Moscow also stopped selling to buyers who adhered to a Western-imposed price ceiling of \$60 a barrel.

On August 21, Bloomberg also reported that Russian oil exports using Western-insured tankers were continuing notwithstanding the prices of Urals grade surpassing the \$60-per-barrel cap determined by the Group of Seven (G7) countries and the EU.

According to Bloomberg, about 40 percent of vessels transporting crude from Russia's Baltic and Black Sea ports were either owned or insured by companies located in countries that adhered to the price cap.

About half of the tankers taking on Russian oil were Western-owned before the limit was violated, with



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a large number of vessels having insurance routed through London, Bloomberg reported. On December 5, the EU, G7 nations, and Australia introduced the price cap on Russian seaborne oil exports at \$60 per barrel, forbidding Western companies from offering insurance and other services to shipments of Russian oil unless the cargo is bought at or beneath the set price.

“Though technically the price of Russian oil needs to be \$60 or less in order for companies in the US, EU or G7 to provide services such as vessels and insurance, all the firms need to do so in practice is receive a written pledge — called an attestation — that the cargo was purchased below that threshold,” Bloomberg indicated.

“We are monitoring the market closely for potential violations of the price cap,” said Megan Apper, a spokesperson for the U.S. Treasury. “It is worth noting that trades above \$60 that do not use Coalition services are not in violation of the price cap and a substantial proportion of Russian oil trades still use coalition service providers.”

Russia’s Urals crude surpassed the price cap in mid-July for the first time since the mechanism was enforced.

Another Bloomberg report on August 17 stated that Russia has overtaken the United States to become Brazil’s largest fuel provider, with Brazil ramping up on purchases of Russian petroleum products, quoting commodity tracking data by energy analytics firm Kpler.

“Brazil is the largest Latin American market, so Russian refiners are focused on supplies to the nation,” Kpler’s lead crude analyst, Viktor Katona, asserted. “Even Brazilian companies admit that their buying of Russian diesel creates a competitive edge, so I’d expect it to continue going forward.”

Katona contended that “getting discounted barrels is a financial boon” for Brazil, as the government is grappling to cut the cost of transport fuels. Kpler’s estimates depict that purchases of Russian diesel have reduced Brazil’s imported prices of the fuel by \$10 to \$15 a barrel.

To boot, Russia has also started gasoline and naphtha exports to Brazil, which are poised to increase, added Kpler.

On the other hand, shipments of crude oil from Saudi Arabia, another global oil supplier, plummeted to their lowest levels in almost two years, based on data by the Joint Organizations Data Initiative (JODI) in mid August.

Riyadh’s oil exports amounted to 6.80 million barrels per day (bpd) in June, representing a drop of 124,000 bpd compared to May, according to data compiled by JODI.

Crude supplies from Saudi Arabia fell below seven million bpd for the first time this year as the country, along with other major OPEC+ producers, decided in favor of a collective output reduction of 1.6 million bpd in May.

Saudi Arabia’s oil product stockpiles fell by 1.64 million barrels in June, while its crude inventories increased by 1.45 million barrels, JODI stated.

Oil production in Saudi Arabia was poised to average nine million bpd in July, August, and September this year after a unilateral voluntary output cut of one million bpd that the nation imposed to “support the stability of the oil market.”

The output cut was initially declared only for the month of July, but was then prolonged to August and September.



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