



About CREA

The [Centre for Research on Energy and Clean Air \(CREA\)](https://energyandcleanair.org) is an independent research organisation focused on revealing the trends, causes, and health impacts, as well as the solutions to air pollution. Global reliance on burning fossil fuels perpetuates conflict and energy insecurity as well as air pollution and climate change.

CREA tracks fossil fuel exports from Russia and proposes effective economic and financial countermeasures to help end the Russian military's unprovoked and unjustified attack against the sovereign nation of Ukraine. Detailed information on our data sources and our data methodology can be found [here](#).

Scope of this document

This document submission addresses the Committee's inquiry into '*curtailing the importation into Australia of fuels derived from Russian crude oil*'. It highlights the proliferation of this trade and the subsequent domino effect on generating tax revenues for the Kremlin, used towards military deployment for the full-scale invasion of Ukraine. The document seeks to provide targeted and technical policy recommendations to outline a justified implementation of a legal ban that prevents companies from participating in this trade.



Introduction: Australian imports of oil products made from Russian crude

In the wake of G7+ sanctions, the Russian fossil fuel sector has sought to recover its revenues by offering discounts on its oil and to attract new markets. Over the last three years, countries like India, China and Turkiye have become the biggest customers for Russian oil. A key loophole in the sanctions has aided this growth by allowing non-sanctioning countries to import Russian crude, refine it, and export the refined products to G7+ countries. Consequently, G7+ countries have increased their imports of oil products from these countries, thus propping up the price of Russian oil, as well as increasing the volumes Russia sells globally.

While the EU has finally [announced a ban](#) on the importation of oil products made from Russian crude, other countries still continue to finance Russia's invasion of Ukraine by purchasing products refined from Russian crude. The biggest single such buyer is Australia.

Since the full-scale invasion of Ukraine till the end of November 2025, Australia has bought USD 16.5 bn of oil products from refineries in India, China and Brunei that process Russian crude. An estimated USD 5 bn of this is refined from Russian crude. Australian imports of oil products from these refineries have generated more than USD 1.7 bn in tax revenues for the Kremlin, more than [the total aid provided to Ukraine](#).

In 2025 alone, Australian imports from these refineries totaled USD 4.4 bn, of which USD 1.8 bn is estimated to be refined from Russian crude.

Australia's continued engagement with refineries using Russian crude has also emboldened and enabled the growth of the Russian 'shadow' fleet — a network of old, ageing tankers, with opaque ownership, unknown insurance and deceptive flag registration methods — which serves not just as a means of carrying oil but as a conduit for threatening national security. These tankers also pose a huge environmental risk, whereby an oil spill could cost coastal taxpayers up to USD 1.6 bn to clean up oil on an uninsured tanker.

A huge number of these 'shadow' tankers have been sanctioned by Ukraine's allies, including Australia over the past 18 months but haven't completely stopped their activities in delivering oil to third countries. A key reason for this is that refineries in these countries



have been incentivised to continue buying Russian crude, knowing there are no reprisals to them doing so.

Despite enforcing sanctions on Russia and affirming that Australia is united with the EU [*“in our response to Russia’s illegal and immoral invasion of Ukraine,”*](#) a lack of action on curbing the refining loophole has significantly undermined sanctions and boosted Russian revenues from oil sales. To uphold this commitment and strengthen the impact of sanctions, **Australia must act swiftly to align its policies ahead of the implementation of the EU’s ban on 21 January 2026.**

While the Australian government has put the onus on businesses to ensure their supply chains do not fund Russia’s illegal invasion of Ukraine, B4Ukraine and CREA analysis have found that companies typically change behaviour only when legally compelled to do so. In the absence of strong sanctions enforcement measures and binding legal prohibitions, companies will limit their commitments towards Ukraine and act in their self-interest. This will continue to drive trade flows that undermine Australia’s support for Ukraine.

Benefits to Kremlin outweigh profits for Australian companies

Using the Australian Petroleum statistics database, CREA have found that Australian importers have received an estimated 4% discount on diesel from India, compared to that from South Korea (the biggest supplier to Australia). This has resulted in Australian companies benefiting to the tune of AUD 64.3 mn (approximately USD 41 mn, using averaged historical rates for this period) in the first eight months of this year. These savings pale in comparison to the almost ten times larger tax revenues sent to the Kremlin from Australian oil product imports from India — an estimated USD 421 mn in the first 8 months of 2025.

Additionally, it would be inaccurate to assume that these benefits are passed on to consumers at the pump, since the oil from different sources is never segregated and priced differently at the end point of the supply chain. Australian consumers aren't benefiting from the discount, only the companies are, and even their discount is insignificant when considering the larger revenues being sent to the Kremlin war machine.

Price impact fears are unjustified

Fears that Australia would face fuel price rises if it banned imports of oil products made from Russian crude are not supported by evidence from comparable economies. In



Europe, countries such as Bulgaria ended their reliance on Russian crude despite extreme prior dependence (over 80% reliance), yet fuel prices fell rather than rose after the transition.

More than a year after its final import of Russian crude, Bulgaria's pre-tax gasoline and diesel prices have declined by 7% and 9%, respectively, and remain below the EU average. This experience shows that, like the EU and UK, Australia could ban oil products made from Russian modules without harming consumers.

Policy recommendations

Apply bans at the refinery level: A simple procedure for implementation and enforcement would be to restrict imports of oil products at the refinery level, not the national level. Refined products should be subject to import restrictions if produced at facilities that have processed Russian crude within the past six months, regardless of the final product's declared origin or the host country's net export position.

Use updated data to establish guidelines on refineries' import status: When establishing guidance on the prohibition of imports, it is imperative that regulatory bodies use updated data on imports, refinery runs and crude feedstock, rather than relying on historical patterns. Relying on historical data (such as in the [EU's proposed ban](#)) opens the risk of Russian flows remaining untracked for months as the policy remains in force, creating a blind spot. It will leave gaps in monitoring and policy enforcement and allow refineries to exploit their exclusion from a ban, based on historical evidence.

An example of how flows change over time can be found in the operations of the Hengyi refinery in Brunei. The refinery started receiving regular supplies of Russian crude in June 2023, six months after the imposition of the price cap. Then, abruptly, for ten months, between June 2024 and March 2025, Russian crude imports were entirely removed from their feedstocks. In March 2025, the flows restarted and reached an all time high through the year where the refinery was 43% dependent on Russian crude. Relying on outdated data would exempt this refinery from any prospective sanction.

Establish independent infrastructure audits: Several refineries have stated their ability to distinguish and separate Russian oil from other sources when producing products for



export. This system relies on trust — much like the price cap policy — which will lead to frequent violations and undermining of the policy itself.

While refinery infrastructure might allow this — despite a lack of concrete evidence suggesting it is practically applicable — an audit of ability, processes and compliance must be conducted at regular intervals to ensure such separation is indeed being followed and isn't just paper compliance.

Independent audits must also demand pipeline information on oil transport into refineries, tank segregation structures, as well as documentation to show crude usage for exports and for domestic consumption.

Prevent attestation and documentation fraud: Any proposed mechanism must refrain from allowing third-country refiners to provide attestation documents themselves on the origin of the crude used at their facilities without putting in place adequate measures to verify the authenticity of these attestations. Examples of attestation fraud can be seen when analysing the lack of compliance with the Russian oil price cap policy. [Investigations by CREA, Bruegel](#) and the [Financial Times](#) have found a number of violations of the price cap policy whereby violators under-report the price paid for the Russian oil and fraudulently produce attestation documents so that they can gain access to Western maritime services. Similar risks of attestation fraud will arise from the ban on oil products made from Russian crude if compliance relies on these documents provided by third-country refiners.

Establish guidelines on non-Russian crude usage for refineries seeking access to the Australian market: A refinery may regain eligibility once it demonstrates six consecutive months of operations without Russian crude, verified by government-approved independent auditors. Oil market movements shift on a regular basis and importers often buy barrels far in advance of final delivery dates. Therefore, evidence of Russian crude diversification must be gathered and collated on a regular basis to ensure that refineries in the Australian supply chain do not suddenly increase Russian oil usage.

The case of the Hengyi refinery highlights the importance of implementing a ban that prohibits Australian imports from refineries that have received Russian oil in the six months prior to export, as refineries' feedstocks can change rapidly.

To prevent circumvention, repeat exposure to Russian crude should trigger an extended exclusion period (e.g. twelve months for a second violation). A limited exemption



mechanism may be maintained, subject to strict disclosure, oversight, and review by the Government to ensure alignment with the sanctions' objectives.

Ban the importation of oil products or petrochemicals from refineries that have imported Russian fuels: In addition to banning the importation of oil products (HS 2710) made from Russian crude oil under the trade code HS 2709 legislation must also include a ban on imports of Russian products under HS 2710 and petrochemicals (such as those included in HS 2707), which are blended or further processed for export to Australia. This would shut a potential loophole in advance.

[For example](#), the UK, EU, and USA imported USD 334 million of petrochemicals made from naphtha at the Mailiao refinery in Taiwan between the EU ban on oil products to the end of June 2025. The Formosa Petrochemical Corporation (FPCC) refinery at the port of Mailiao, Taiwan, has been 90% reliant on Russia for its imported naphtha in the first half of 2025 and is the world's single largest exporter of refined fuels to Australia. To prevent Russian refined fuels from entering Australia's supply chains, Australia must prohibit petrochemical and fuel imports from any refinery or port that has received Russian refined fuels, as well as crude oil.

Short wind-down periods: Any grace period provides Russia, as well as traders buying oil refined using Russian crude, with excessive time to adjust supply chains and maintain oil revenue. A short 60-day wind-down period, focused on high-risk refined products like diesel and jet fuel, would reduce Russia's fiscal gains and limit circumvention opportunities. It would also give the countries sufficient time to secure alternative suppliers.

Since the EU's announcement of a ban on oil products made from Russian crude in the [18th sanctions package](#) (18 July 2025), until the date the policy comes into force (21 January 2025), CREA estimates that the bloc will have imported EUR 4.4 bn of oil products from 7¹ of refineries running partially on Russian crude.

The EU's imports during the 6-month wind-down period generated an estimated EUR 2.2 bn in export earnings for Russia from crude oil used to produce these products. This

¹ The refineries include: Jamnagar refinery (India), New Mangalore refinery (India), Vadinar refinery (India); Tupras Izmir refinery (Turkiye), Tupras Izmit refinery (Turkiye), STAR refinery (Turkiye) and the Kulevi refinery (Georgia).



extended six month long wind-down period, sent over EUR 1 bn in tax revenues to the Kremlin used to finance their full-scale invasion of Ukraine.

Address re-export loopholes: Australia's current guidance on Russian oil sanctions offers an [exemption for *de minimis* quantities](#) of Russian molecules when importing from terminals in third countries that also import Russian products. The lack of specificity in defining this clearly leaves the door open for traders to exploit it and buy blended Russian products, as well as products refined from Russian crude.

Policies must ensure strict regulations on sourcing from terminals that receive Russian products or products refined from Russian crude. In addition to attestation documentation detailing the origin of the product, suppliers must also track and provide monthly evidence on flows of Russian products in those terminals to show that Russian molecules are not overstepping the limits of the *de minimis* guidelines.

In the cases of oil import hubs like Singapore, the government should work with partners to conduct an analysis of all pipeline interconnection points between terminals through which products are exported to Australia. The objective of this exercise is to identify details of flows and establish reasonable grounds to suspect that imports could be wholly or partially of Russian origin. Making the details publicly available to buyers and enforcement agencies will increase transparency in the network and improve compliance standards.

Source terminal operators and importers must be required to share information on the oil's source on a regular basis. This includes bills of lading, volumes imported from different sources, contracts, and pipeline flows. For any terminal exporting to Australia, this information must be shared 30 days prior to the first shipment. Terminals with Australian investments must be banned from storing Russian products — directly or indirectly, mixed with other sources via pipeline. Once compliance is ensured, the Australian market could be opened to them.

Widen net to include ports connected to a Russian crude oil pipeline: Any proposed ban on oil product imports made from Russian crude must also include ports connected to a pipeline that partially supplies them with Russian crude. Reported data is often opaque on some refineries' utilisation of Russian crude, but their role in expanding Russian revenues is vital. Refineries at the port of [Dalian in China](#) can be seen as a case study for refineries that receive Russian crude oil via the ESPO pipeline and also export refined products to the EU, US, UK and Australia.



Prohibit imports from refineries that have unloaded oil from Australian-sanctioned tankers:

Australia should ban the import of oil products from refineries that have unloaded oil from a Russian ‘shadow’ tanker that Australia has sanctioned. Such a measure would significantly increase the impact and credibility of Australia’s vessel sanctions regime by targeting the commercial incentives that sustain it, and by discouraging refineries from unloading oil from sanctioned tankers if they wish to retain access to key export markets.

Tackle ship to ship (STS) transfers of Russian oil: With severe restrictions now placed on Russian oil companies, vessels, as well as traders involved with Russian oil in certain geographies, there may well be an increase in the obfuscation of the origin of oil when it comes from Russia. This will mean an uptick in STS transfers of Russian crude — which could thereby be reported as non-Russian at the refinery level — as well as STS transfers of oil products to ‘net importing countries’ which subsequently export to those banning the trade. Tracking STS operations and banning them in territorial waters will limit Russian oil revenues severely.

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