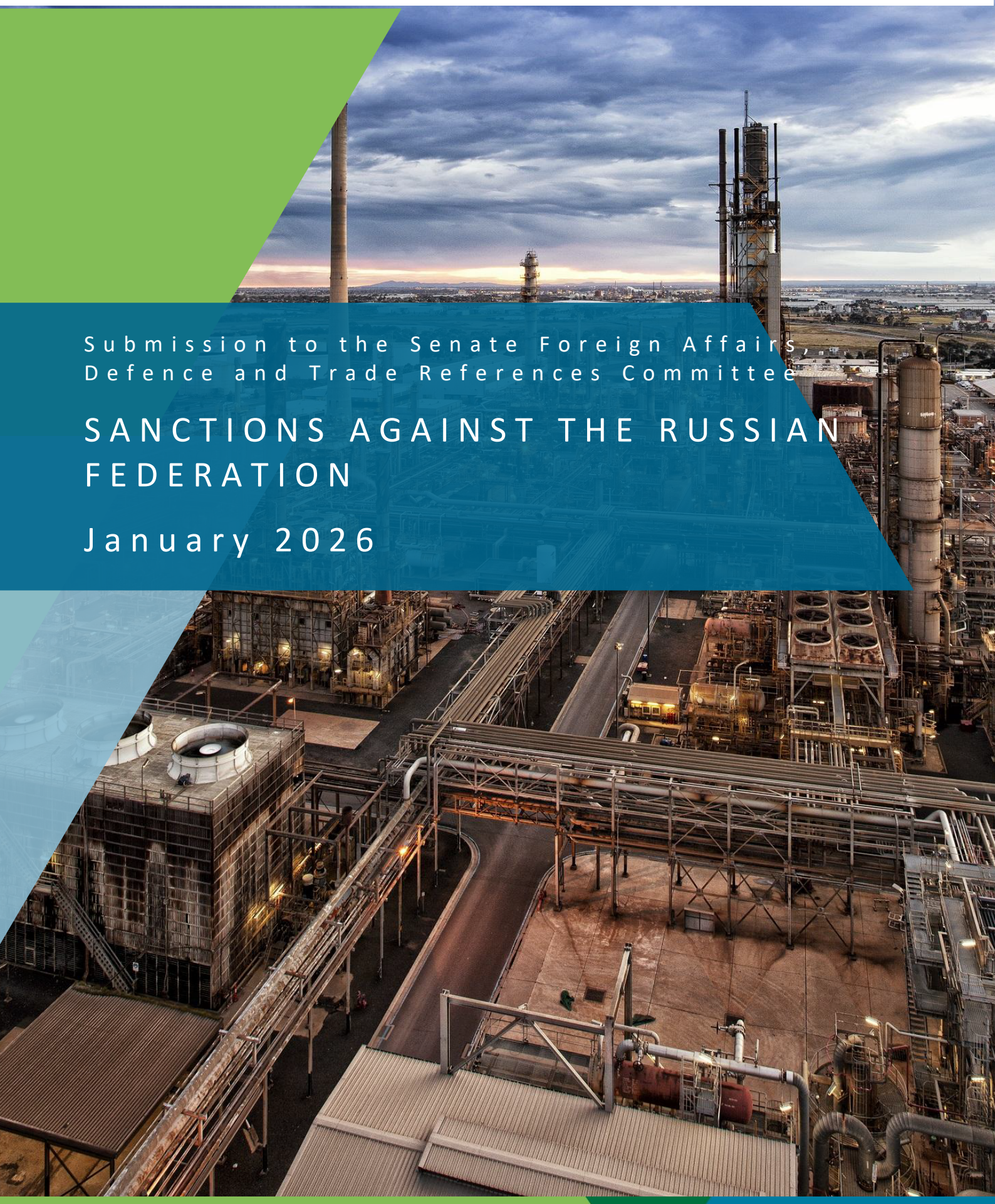
Australian Institute of Petroleum



Submission to the Senate Foreign Affairs, Defence and Trade References Committee

SANCTIONS AGAINST THE RUSSIAN FEDERATION

January 2026

CONTENTS

TERMS OF REFERENCE

1. the scope of sanctions imposed by the Commonwealth against the Russian Federation since February 2022, including but not limited to:
    1. curtailing the importation into Australia of fuels derived from Russian crude oil,
    2. identifying, seizing, freezing and liquidating Russian financial assets, including Russian central bank assets in Australia, and
    3. personalised restrictions against specific individuals and organisations.
2. the intended effects of sanctions imposed;
3. the effectiveness of Australia's sanctions, including in comparison to overseas measures;
4. the extent of efforts by Russia and other affected entities to evade Australian sanctions;
5. the extent of Russian retaliation and other responses to Australia's sanctions;
6. the attitudes and responses towards Australia's sanctions regime from Ukraine, North Atlantic Treaty Organization, European Union and other partners in the Coalition of the Willing; and
7. any other related matters.

AIP

AIP presents this submission on behalf of its core member companies:

- Ampol Limited
- BP Australia Pty Ltd
- Mobil Oil Australia Pty Ltd
- Viva Energy Australia Pty Ltd.

AIP member companies operate across the liquid fuels supply chain, including importing crude oil and refined petroleum products, refining, storing, distributing, marketing and retailing fuel. AIP members operate Australia's two refineries at Brisbane and Geelong.

AIP members supply about 85 per cent of the 64 billion litres in liquid fuels (petrol, diesel, aviation fuel) used in Australia every year. Most of these fuels are imported as finished products (about 52 billion litres) while some fuels are refined in Australia from local and imported crude oils.

This submission will concentrate on 1 (1) of the inquiry's terms of reference, as the most relevant to the fuels industry.

KEY POINTS

- Since 2022, AIP members have fully complied with Australian sanctions banning the import, purchase or transport of Russian crude oil and refined petroleum products.
- AIP members will, of course, comply with any future changes to Australia's sanctions.
- Historically, Western governments have not applied sanctions to imports of fuels refined in third countries from Russian crude oil. However, in July 2025, the EU announced it will prohibit these imports from 21 January 2026.
- Implementing these sanctions will be challenging, given the difficulties with identifying all sources of Russian crude oil in global supply chains. **There is no international system to track molecules from wellhead to refinery to import terminal.**
- As a general industry practice, crude oils from different sources are routinely 'co-mingled' in shipping, storage and refining. Refined products from different sources are also often shipped, stored, and sold 'co-mingled'.
- There are varying degrees of transparency in the market. Term contracts between overseas refineries and fuel importers will tend to be more transparent than one-off transactions in the spot market or purchases through blending hubs.
- The co-operation of overseas refiners will be essential to implementing any new sanctions. If refiners in countries importing Russian crude oil decide to comply with the EU policy, Australia may be able to implement a similar policy and secure supply on EU-style terms. If refiners do not align with the EU policy, it is doubtful that Australian importers have the market leverage to demand EU-style conditions.
- Australia and the EU have different market needs and often draw on different sources of supply. An EU-style policy is unlikely to be a simple, off-the-shelf solution for Australia.
- If the Australian government is considering EU-style sanctions, AIP supports the following principles to guide their design:
    - Comprehensive coverage of all fuel importers and all import channels into Australia to achieve the goal of excluding Russian-derived fuels and to avoid distorting competition in the local market
    - Clear and consistent requirements to give certainty to importers, their trading partners and overseas suppliers, with a statutory right for importers to re-open or terminate term contracts if the supply would breach the new sanctions
    - Reasonable transition periods for the delivery of existing contracted supply and to enable importers to re-negotiate term contracts and, if necessary, secure new sources of supply
- If the government decides to change Australia's sanctions, the industry wishes to work closely with policymakers to ensure an effective system which minimises risks to fuel security and prices.

1 (1) of the terms of reference raises the possibility of extending Australia's sanctions to fuels produced in third countries from Russian crude oils.

To assess the merits of this policy change and how it would need to be implemented, it is essential to understand how the global oil market works and Australia's place in that market.

The global oil market

The oil market is, arguably, the world's largest and most inter-connected market.

98 countries produce crude oil. Refineries in more than 70 countries process that crude oil (at the rate of 13 billion litres a day – Australia uses 64 billion litres of fuel a *year*).

Crude oil and refined products are exported and re-exported in huge volumes, on the water and overland. In 2024, almost 2,600 billion litres of crude oil and 1,529 billion litres of refined petroleum were traded across the world. Something of the complexity of these trade flows is captured in Figures 1 and 2. [1]

Most of this trade is seaborne. In 2023, about 2,454 billion litres of crude oil were carried by ships (c.18 per cent of all seaborne cargoes). [2] The main alternative to maritime cargoes is pipeline supply. Europe, China and the United States receive significant volumes from transcontinental pipelines.

Trade patterns reflect a host of factors besides the usual market dynamics of supply and demand. Refining is not simply a matter of buying any available crude oil. Each refinery has a specific configuration which relies on using a particular 'slate' (mix) of crude oils.

Crude oils are graded according to the key properties of density, viscosity and sulfur content. Light crude oils have low density, low viscosity and usually low sulfur content (the last described as 'sweet'); this grade of crude oil is readily refined and yields a higher proportion of fuels vis-à-vis other, lower-value products (e.g. bitumen, fuel oil). Medium and heavy crude oils have higher densities, higher viscosity and tend to be 'sour' (i.e. higher sulfur content). As such, they require more processing, for lower yields. Refineries typically use a range of suitable crude oils from different sources. For example, the Jamnagar refinery in India has processed more than 216 different grades of crude oil.

Through the physical infrastructure of global supply chains, crude oils from different sources are routinely 'co-mingled' (i.e. combined for shipping, storage and processing). There is no commercial reason to segregate cargoes from different sources of supply.

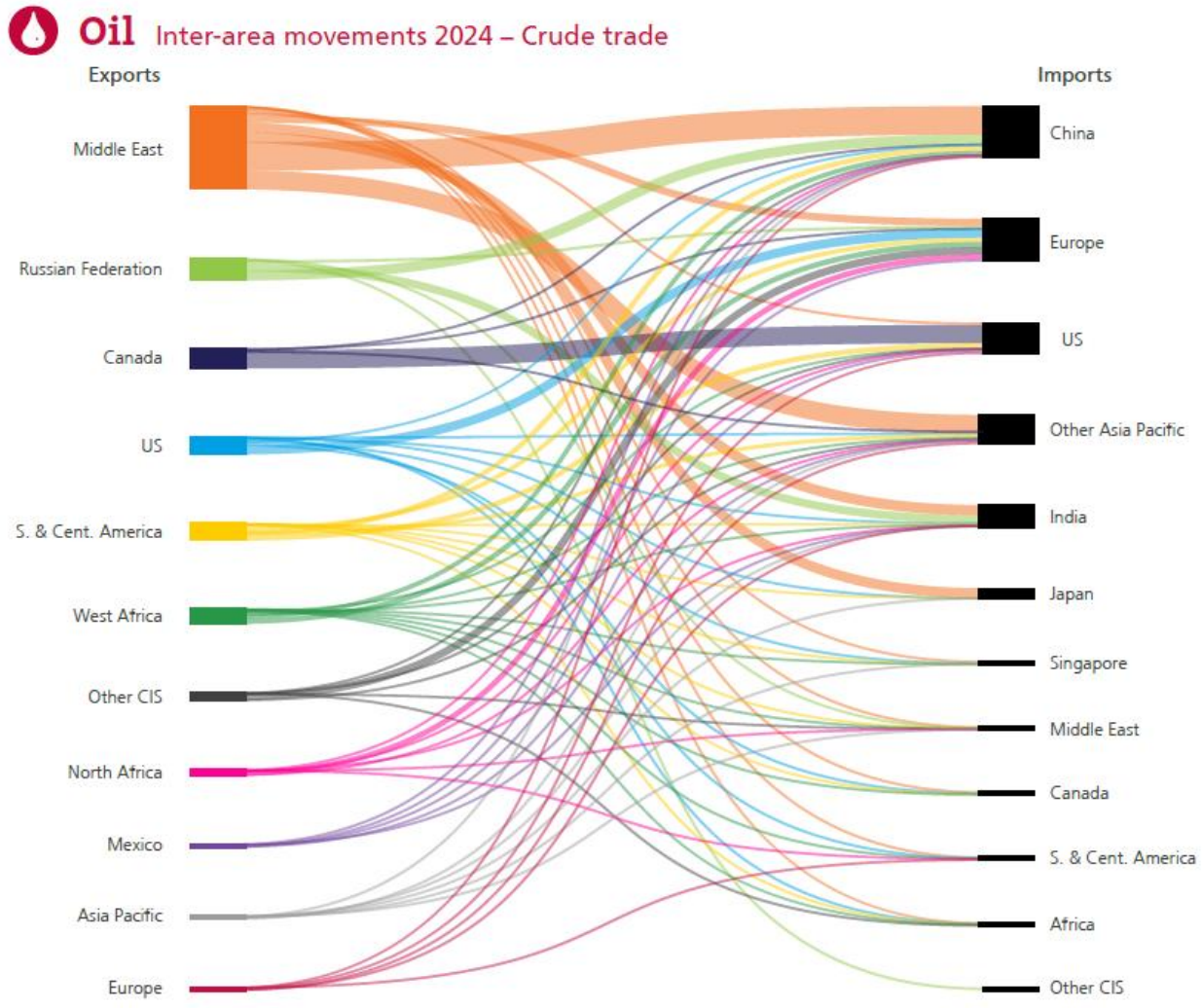
Just as crude oil is traded in huge volumes across the world, so are the products refined from crude oil. These products obviously include fuels (i.e. gasoline/petrol, diesel and jet fuel) but also associated by-products (e.g. bitumen, naptha).

Like other global commodity markets, the global oil market has evolved into sophisticated regional contract and spot markets, anchored in regional trading hubs and regional price benchmarks. Trading hubs (e.g. Houston, London, Dubai and Singapore) trade using their own price benchmarks (e.g. Brent Crude, West Texas Intermediate, MOPS) on different timelines. Most trade is conducted through long-

[1] Energy Institute. *Statistical Review of World Energy 2025*, p.32.
[2] UN Trade and Development (UNCTAD) *World Sea-Borne Trade by Type of Cargo*

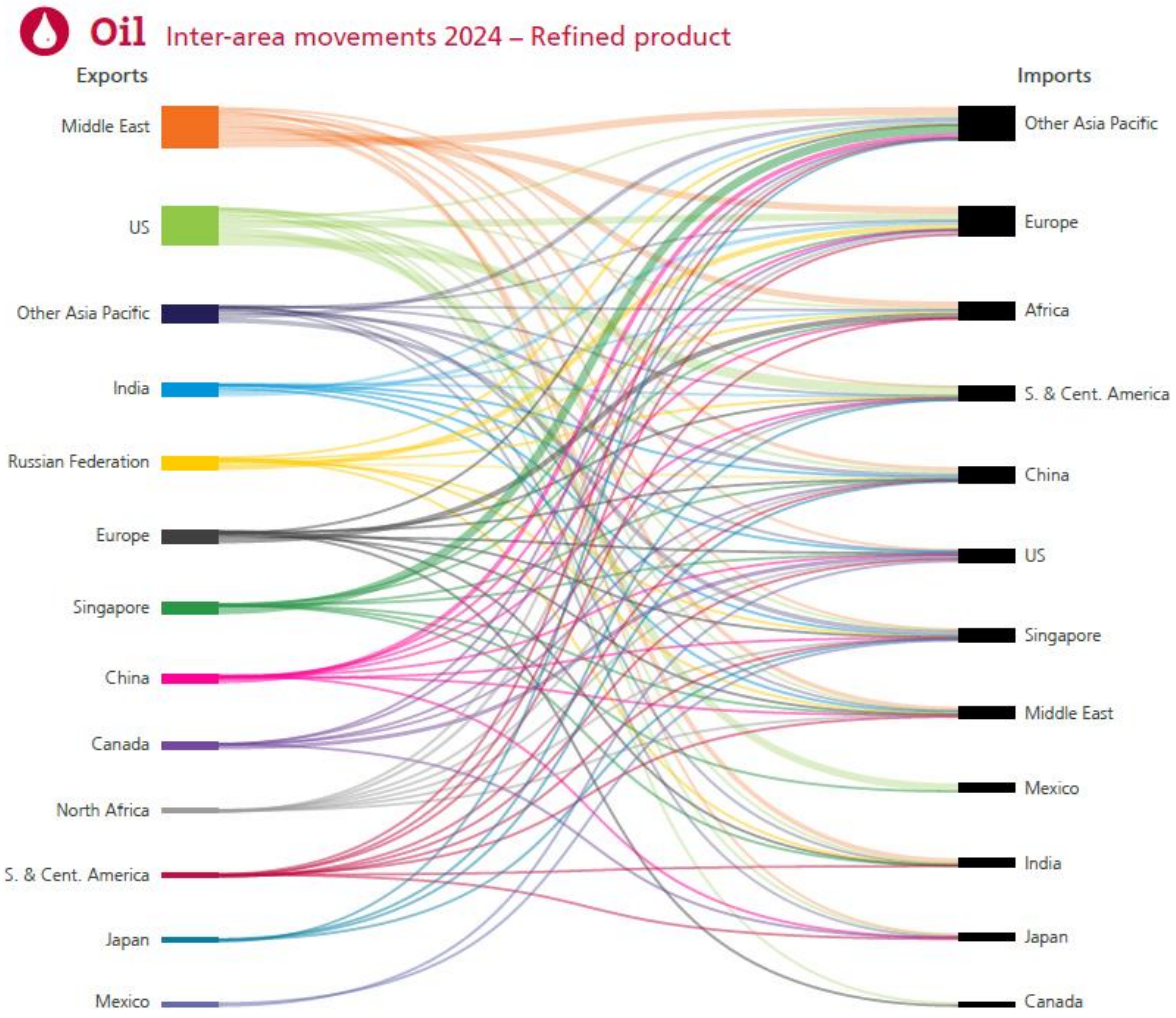
term contracts, supplemented by a large, dynamic spot market which provides the 'just-in-time' flexibility to meet fluctuations in demand. The term and spot markets are separate but linked.

Figure 1 Crude oil trade



Source: Energy Institute. *Statistical Review of World Energy 2025*, p.34.

Figure 2 Refined fuels trade



Source: Energy Institute. *Statistical Review of World Energy 2025*, p.35.

A term contract is a long-term (i.e. at least six months) supply agreement between the importer and the overseas refiner or trader. Term contracts for crude oil and refined products reduce the exposure of importers and refiners to (price and volume) volatility in the market. Contract prices are typically linked to an established benchmark, such as the relevant Mean of Platts Singapore (MOPS), and set FOB (Free on Board) at the loading port or CIF (Cost, Insurance, Freight) to the receiving port.

By contrast, a spot cargo is a one-off transaction, negotiated for delivery within days or weeks of the purchase. The price of the cargo will reflect current spot prices (e.g. MOPS), with a premium or discount depending on the state of the market and availability. Spot cargoes provide importers with flexibility, albeit often at a cost.

In both cases, pricing is based on transparent reported spot prices. In our region, the price reporting agency S&P Global Commodity Insights (formerly Platts) operates a daily trading window at the regional hub of Singapore (usually 4:00pm – 4:30pm Singapore time) where bids, offers, and trades for physical cargoes are submitted and published. The window provides benchmark spot prices for petrol, diesel and jet fuel; these spot prices in turn are used to set benchmarks for contract prices. Australian imports of petrol will usually be priced with reference to the Singapore price for 95 octane

unleaded petrol (MOPS 95). Diesel is priced with reference to the Singapore Gasoil 10ppm price.[3] Every week, AIP publishes these and other prices to inform Australian customers.

Importers vary the balance of their term and spot trades, in response to market conditions. Most fuel is purchased via term contracts, ensuring a secure minimum supply to the Australian market. Spot cargoes add flexibility, allowing suppliers to meet shortfalls and demand spikes as well to take advantage of favourable prices. If term contract prices are elevated, importers may seek more supply from the spot market.

Not all refineries in the region can supply Australia. Aviation fuel used in Australia must meet the international standard (ASTM D1655) but Australia has separate standards for petrol and diesel (including biodiesel and renewable diesel). For example, Australia's petrol standard effectively bans the octane-enhancing additive Methyl Tert-Butyl Ether (MTBE). MTBE is still widely used in the Asia-Pacific. Refineries in Japan, India, South Korea and Taiwan are more likely to offer MTBE-free supply. Local variations in fuel standards can limit or complicate regional sources of supply.

The volumes imported from individual refineries is information not publicly available, given commercial in confidence concerns.

About ten businesses account for nearly all fuel imports entering Australia.[4] These businesses include the four AIP members, Chevron, Impala/Trafigura, and United Petroleum.

Russia and the global oil market

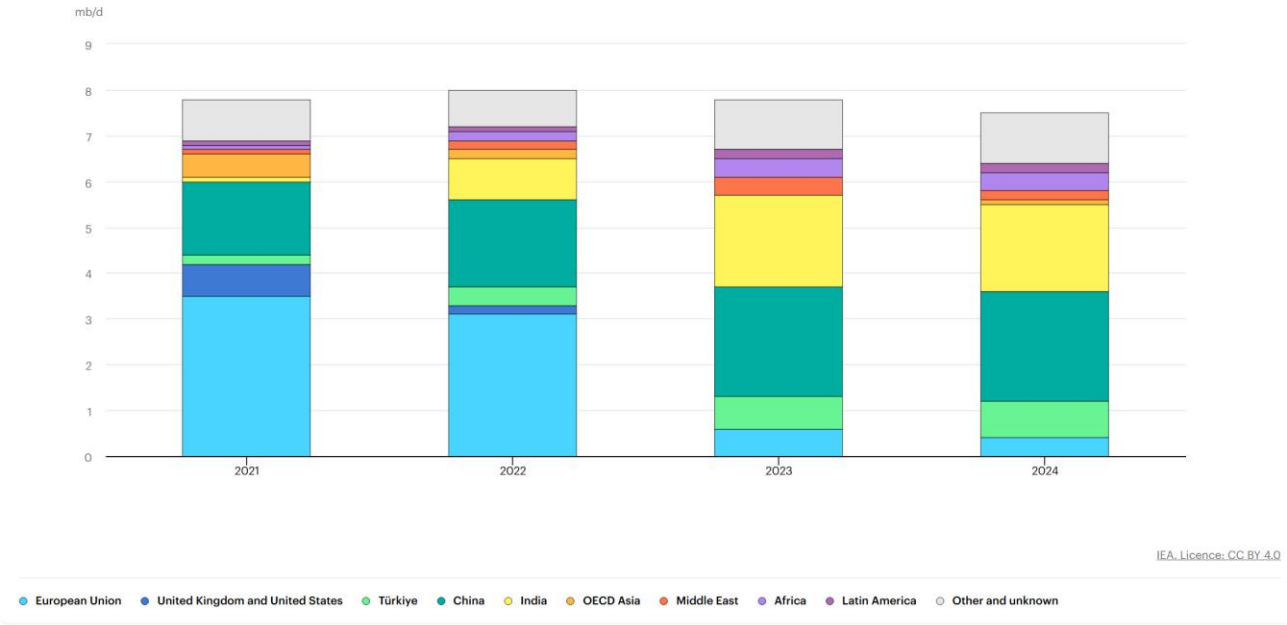
Russia is a major supplier to the global oil market.

Russia is second only to Saudi Arabia as an exporter of crude oil. In 2024, Russia accounted for 11 per cent of the global trade in crude oil (286 billion litres).

With Western markets virtually closed to Russian imports since 2022, Russian crude oil has increasingly found its way to China (an estimated 127 billion litres in 2024) and India (103 billion litres). China and India are major importers of crude oil and major exporters of refined fuels to many countries, including Australia. In 2024, China imported an average of 1.7 billion litres of crude oil a day while India imported 763 million litres. At the same time, China exported 188 million litres of refined fuels a day and India 300 million litres a day. [5]

[3]. The 10ppm refers to the sulfur content of the fuel. As of December 2025, Australia limits sulfur to 10 parts per million (ppm) in all grades of petrol.
[4] The Minimum Stockholding Obligation applies to businesses which import/refine at least 200 ML of petrol or 250 ML of jet fuel or 250 ML of diesel a year. The government does not disclose the names of these importers.
[5] Energy Institute. *Statistical Review of World Energy 2025*, p.34.

Figure 3 Russian oil exports, by country and region 2021-24

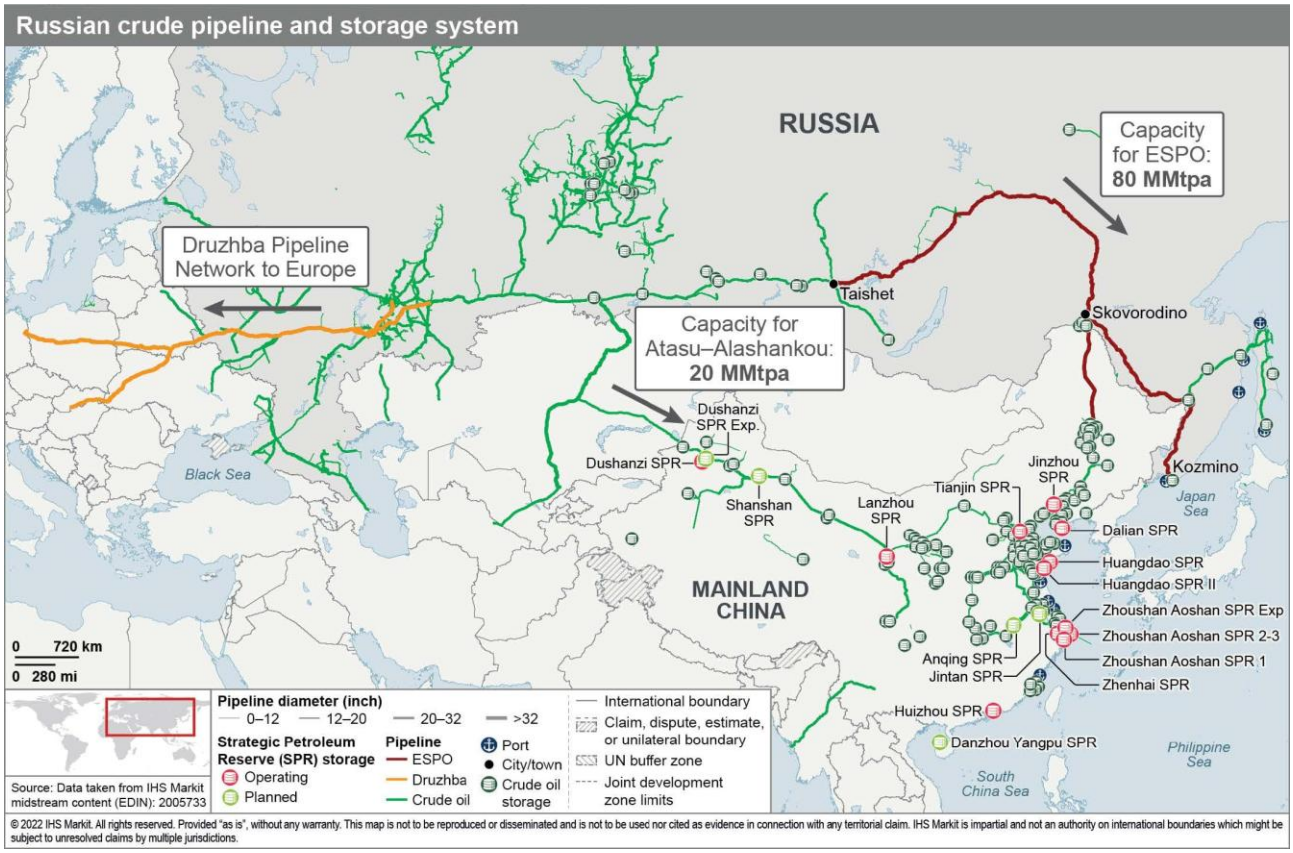


Source: IEA *Russia's War on Ukraine: Analysing the impacts on energy markets and energy security* Russia's War on Ukraine – Topics - IEA

While most Russian exports are seaborne, Russia also operates major oil export pipelines to Europe and China. Russia has been delivering oil to China, via pipeline, since 2011. The Eastern Siberian pipeline can ship 41 billion litres a year directly to China, while another 53 billion litres can be delivered to the Russian port of Kozmino for local refining/use and export (via ship) to China and other destinations. A second overland pipeline route to China winds through Kazakhstan, capable of delivering about 11 billion litres a year. [6]

[6] Carol Zu *Russia Crude Oil Pipeline Capabilities to Mainland China – the ESPO Crude Oil Pipeline*.

Figure 4 Russian export pipelines



Source: Carol Zu *Russia Crude Oil Pipeline Capabilities to Mainland China – the ESPO Crude Oil Pipeline*

A caveat to these figures should be mentioned. Russia, Iran and Venezula use a range of tactics to circumvent Western sanctions. Since 2022, a large proportion of Russia's seaborne crude oil exports have been transported by a shadow fleet of more than 500 vessels. One study estimates that this fleet transports two-thirds of Russia's seaborne exports (c. 600 million litres/day).[7] Another study suggests 400 million litres/day.[8] Given the use of ship-to-ship transfers in international waters and other deception tactics, the full extent of Russia's seaborne trade is difficult to determine.

Similar concerns can be raised about the pipeline transfer of Russian crude oil into neighbouring countries which do not support Western sanctions.

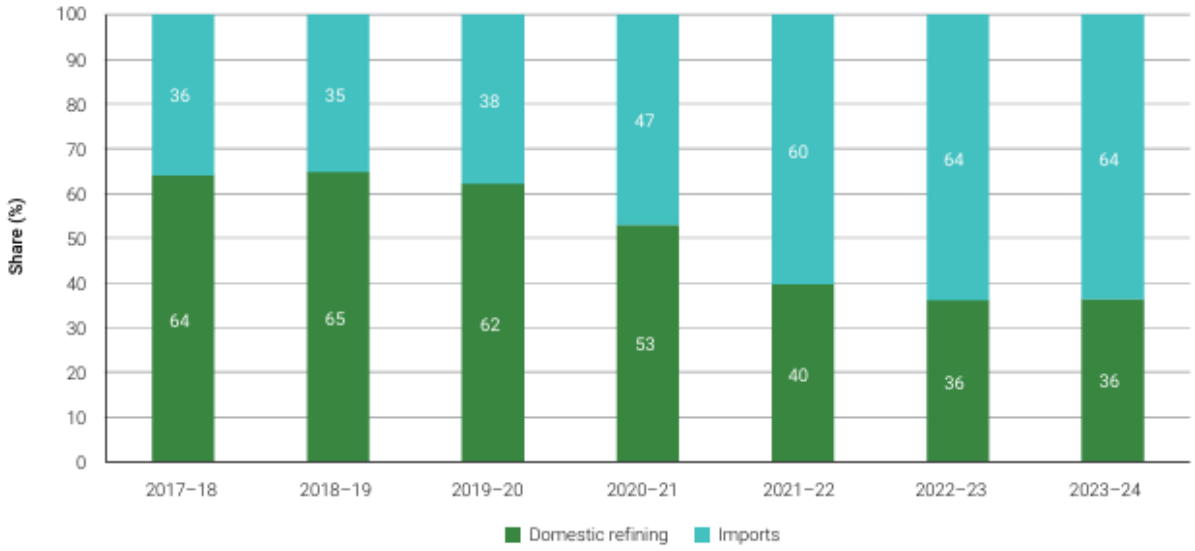
Australia's fuel supply

As noted above, Australians use 64 billion litres of fuel each year – 36.4 billion litres of diesel, 17.2 billion litres of petrol, and 10.7 billion litres of jet fuel.[9] Demand for diesel and jet fuel is continuing to grow. Customers buy about 16 billion litres a year from service stations, with business-to-business sales accounting for most sales.[10]

[7] Benjamin Jensen and Jose Macias *Ghost Busters: Options for Breaking Russia's Shadow Fleet* (CSIS)
[8] Carlos Nieves *Shadow Fleet Grows to Sustain Sanctioned Oil Trade* | World Ports Organization
[9] *Australian Petroleum Statistics*. October 2025.
[10] ACCC *Market Composition through Australia's evolving petroleum industry*, 2025.

Over the last decade, Australia has become increasingly dependent on imported fuels. In 2012-13, the six local refineries supplied about 34 billion litres or 60 per cent of the market (demand was then 55 billion litres). In the twelve months to October 2025, Australia's two refineries supplied about 13 billion litres or 20 per cent of the market; over the same period, Australia imported more than 54 billion litres of petrol, diesel and jet fuel, worth over $45 billion. Nevertheless, Australian refineries still supply a substantial share of the local petrol market (Figure 5).

Figure 5 Sources of Australian Petrol

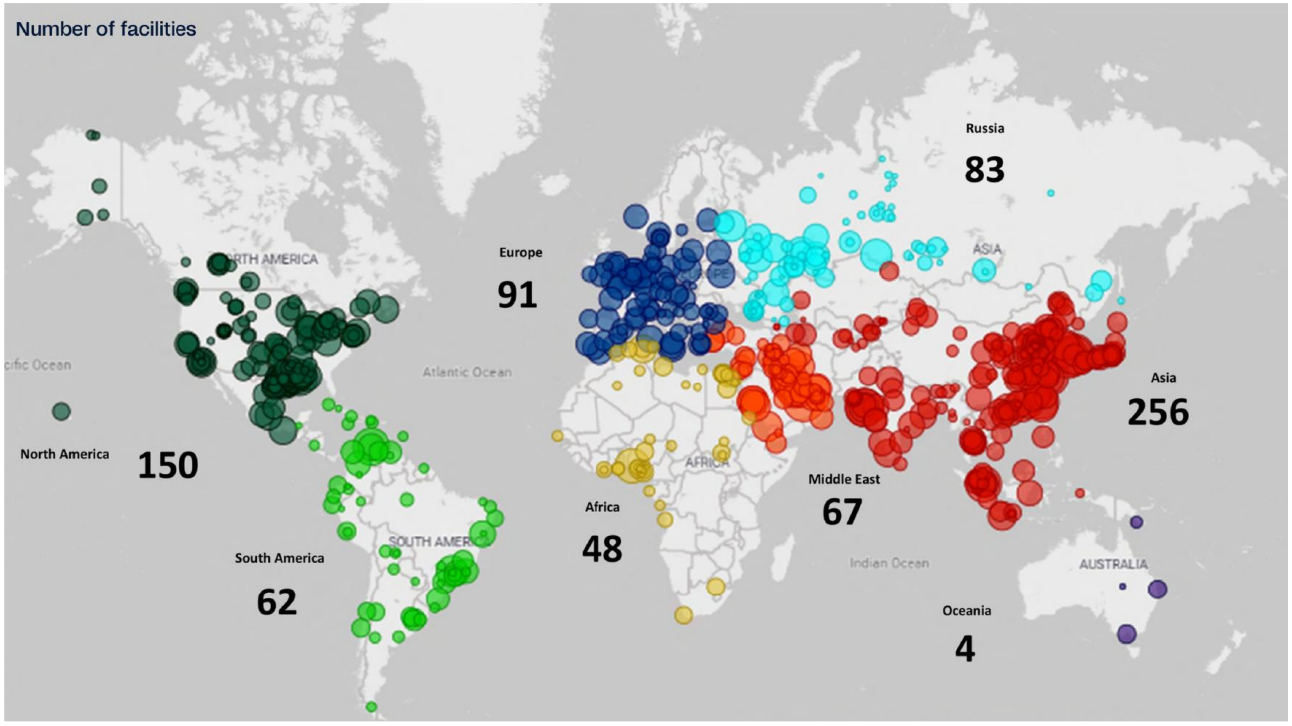


Source: ACCC *Market Composition through Australia's evolving petroleum industry*

The reduction in Australia's refining capacity is part of a global trend. Over the last twenty years, global refining has shifted to the Asia-Pacific, with older, smaller refineries closing in many Western countries (including Australia), replaced by larger refineries elsewhere (Figure 6). Since 2005, China's refining capacity has almost doubled (to c.3 billion litres a day) while India has increased capacity by almost 80 per cent (to c. 830 million litres a day).

The largest of the new refineries - Jamnagar (India), Dangote (Nigeria), Al-Zour (Kuwait) and Jazan (Saudi Arabia) – serve both domestic and export markets. For example, Jamnagar is the world's single largest refinery, with a daily capacity of 222 million litres. The refinery absorbs 1.5 per cent of global crude supply. Jamnagar provides refined products to the Indian market and a host of regional countries, including Australia.

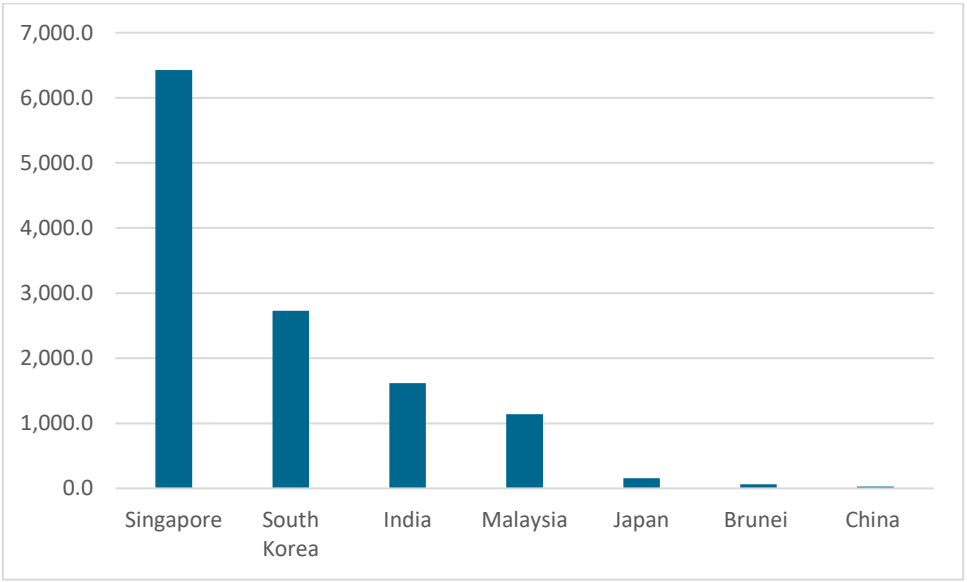
Figure 6 Global refineries



Source: Rystad Energy *The Future of Refining: Global Shifts and Strategic Outlook Towards 2030*

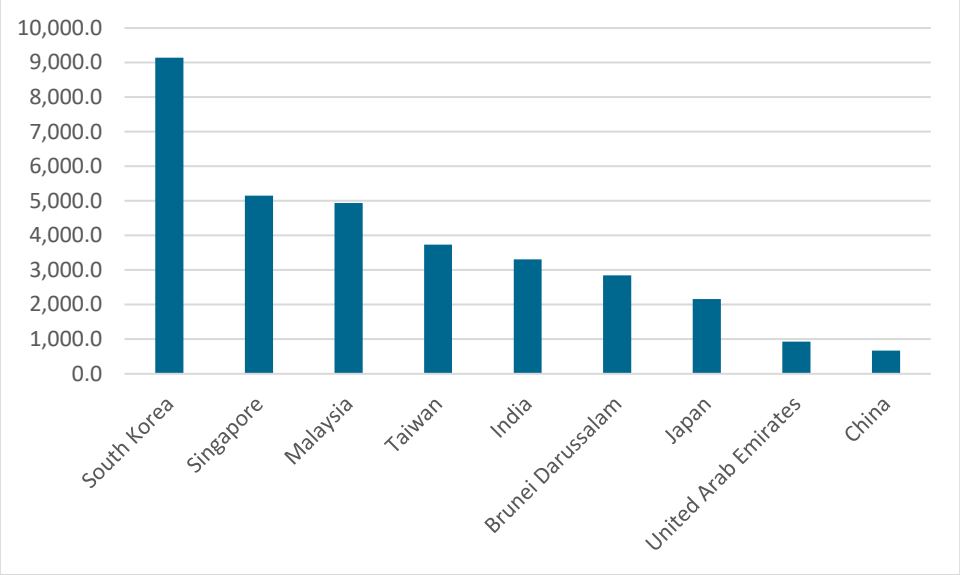
As Figure 6 shows, there are about 250 refineries operating in our region. It is therefore unsurprising that Australia imports fuel from many countries, in particular Singapore (51 per cent in 2023-24), South Korea (25 per cent), Malaysia (12 per cent), China, India, Japan, and Taiwan (Figure 7). Singapore is both a refiner (with capacity of c. 175 million litres/day) and the regional trading hub for spot cargoes. The next three charts capture imports from November 2024 to November 2025 (the latest available data).

Figure 7 Gasoline imports into Australia



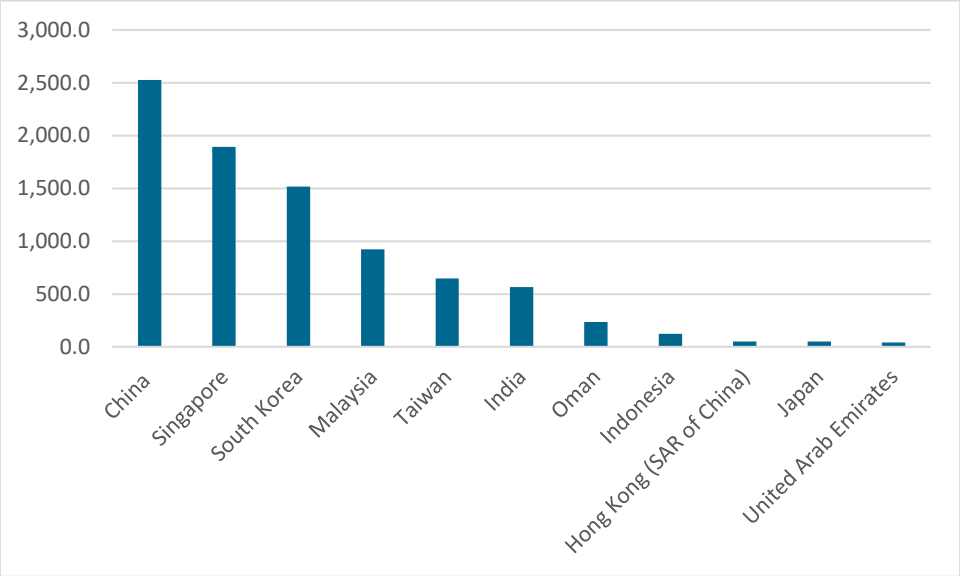
Source: AIP analysis drawn from *Australian Petroleum Statistics*

Figure 8 Diesel imports into Australia



Source: AIP analysis drawn from *Australian Petroleum Statistics*

Figure 9 Jet fuel imports into Australia



Source: AIP analysis drawn from *Australian Petroleum Statistics*

The import mix is dynamic, with sourcing decisions changing month to month, year to year, driven by many factors, including the state of the market, refinery outages, risk management and the global strategies of oil majors.

Media attention has recently focused on imports from India, especially the Jamnagar and New Mangalore refineries. Over the last three years, Australian imports from India have increased; India supplies about 11 per cent of our imports.

Western sanctions

Since 2022, the EU, the United States and the G7 have applied sanctions on Russia's oil and gas exports.

The EU's sixth sanctions package (June 2022) imposed an embargo on seaborne crude oil from Russia, with effect from 5 December 2022, and most other petroleum products, from 5 February 2023. These measures essentially closed the EU market to Russian imports.

However, the EU sanctions were not intended to eliminate Russian crude oil from the global market. Governments accepted that excluding Russian crudes would be very difficult to achieve, in the absence of co-ordinated global sanctions, and would risk a major supply shock to the global economy.

For these reasons, the EU did not sanction fuels refined in third countries from Russian crude oil. This approach is consistent with international customs law which deems fuels 'substantially transformed' (i.e. refined) in a country as products of that country, regardless of the source of inputs.

Australia's sanctions have the same treatment for substantially transformed products:[11]

> refined petroleum products (Tariff Code 2710) which have been manufactured in a third country using Russian-origin crude oil (Tariff Code 2709) and subsequently imported into Australia would be considered transformed goods for that third country and not 'import sanctioned goods' for Russia.

Besides stopping direct trade with Russia, Western sanctions were also intended to depress Russia's revenue from crude oil exports to third countries.

Since October 2022, the EU and G7 have applied price caps on Russian oil sales. Legislation has prohibited Western companies facilitating Russian exports (through shipping, brokering, maritime insurance or other services) unless that trade is below the price cap (initially set at US$ 60 per barrel, reduced to US$ 47.60 from 3 September 2025 and, from 1 February 2026, US$ 44.10). Price caps on seaborne Russian crude oil took effect in December 2022, in parallel with EU import bans.

The EU cites three reasons for applying price caps:

(i) maintain a reliable supply of seaborne Russian crude oil and petroleum products to the global market;
(ii) reduce upward pressure on energy prices; and
(iii) reduce Russia's revenues and curtail its ability to wage a war of aggression against Ukraine.

There is evidence that price caps have diminished Russian revenues (Appendix A).

The Russian response has been to shift exports to third countries and to expand the use of its shadow fleet to circumvent sanctions. As mentioned above, the first strategy has seen sharp increases in exports to India and China (also Turkiye). The second strategy has made the already difficult task of tracking Russian molecules even more challenging:[12]

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[11] Department of Foreign Affairs and Trade, Guidance Note (11 June 2025) *The Import, Purchase and Transport of Transformed and De Minimis Quantities of Russia-origin Petroleum Gases, Oil and Refined Petroleum Products*
[12] European Parliament *Russia's 'shadow fleet': Bringing the threat to light* 2024

> the Russian 'shadow fleet' makes use of flags of convenience and intricate ownership and management structures while employing a variety of tactics to conceal the origins of its cargo, including: ship-to-ship transfers; automatic identification system blackouts; falsified positions; transmission of false data; and other deceptive or even illegal techniques.

Russia's shadow fleet has steadily grown over the last three years. The number of EU sanctioned vessels has increased from about 150 in 2024 to almost 600, as of December 2025. In June 2025, for the first time, Australia applied sanctions (on 60 vessels), with another 95 vessels added in September.

The EU has regularly tightened its sanctions against Russia. The most significant changes to EU sanctions on Russian crude oil were announced in July (see box below).

EU's 18th sanctions package (18 July 2025)

In July, the European Commission announced new regulations to:

- Lower the oil price cap for Russian crude oil from US $60 per barrel to US $47.60 per barrel, from 3 September 2025.
- Provide a transition period of 90 days for EU importers to wind down any US $60 contracts concluded before 20 July.
- Introduce an automatic review to ensure that the price cap remains at least 15% below the average Urals price over the preceding six months. The first revision to the cap is scheduled for 15th January 2026, with six-monthly reviews to follow. The Commission will not change the price cap if the latest calculated price differs from the cap by 5 per cent or less.
- Provide a transition period of 90 days for existing compliant contracts after each revision of the price cap.
- Extend the port access and service bans to an additional 105 vessels linked to Russia's shadow fleet, bringing the total number of tankers affected to 444.
- Introduce a new import ban on refined petroleum products made from Russian crude oil and processed in third countries (excluding Canada, Norway, Switzerland, the UK and the US). Imports from 71 'net exporting' countries will be presumed to be free of Russian crude oil. Conversely, imports from China, India and Turkiye will be presumed to include Russian crude oil unless specific conditions are met. The ban commences on 21 January 2026.

For the first time, the EU proposed to ban imports from third countries of fuels derived from Russian crude oils. Since the announcement, AIP has been waiting to see the regulations to implement this major change. A short Q&A document was released by the EU Commission on 16th October and then amended slightly on 29 October. In November, the EU Commission published a consolidated Q&A for all EU sanctions against Russia.[13]

As announced, the EU regulations place the onus of proof on importers to establish that cargoes have not been produced with Russian crude oil. Importers are advised to:

[13] EU Commission. Directorate-General for Financial Stability, Financial Services and Capital Markets Union. *Consolidated FAQs on the implementation of Council Regulation No 833/2014, Council Regulation No 269/2014, Council Regulation (EU) No 692/2014 and Council Regulation (EU) 2022/263.*

> have in place **adequate due diligence** procedures … to provide to customs all relevant information necessary to identify the origin of the crude oil used in the production of the petroleum products, including appropriate evidence on the country where the crude oil used has been extracted … importers may reasonably rely upon any documentation providing evidence on the origin of the crude oil from which it has been processed but should exercise caution if they have reasons to believe that such documentation has been falsified or is otherwise erroneous.

Importers are advised to obtain contractual guarantees from their suppliers that the product has been produced from non-Russian crude oil. A presumption of innocence applies to cargoes from nominated EU partner or net-exporting countries. However, virtually all exporting countries in our region are deemed to be potential sources of Russian-derived fuel and will be required to provide documents confirming compliance with the EU rules. Cargoes from India, China and Turkiye require "enhanced due diligence" as do cargoes from (unnamed) "countries which are known for mixing crude of various origins". A refinery in India or China would need to either maintain a separate production line using non-Russian crude oil or show that it had not used Russian crude oils in the sixty days before production of the imported cargo.

The EU regulations are general, leaving national authorities with the responsibility to provide more detailed guidance for prospective importers. The EU intends to rely on (undefined) assurances from suppliers that their product is not derived from Russian crude oil. The EU has yet to explain how these claims will be assessed. Importers face uncertainty about what assurances will satisfy EU and national customs controls.

An obvious potential weakness is the reliance on assurances from exporting refineries. As there is no global or regional system to trace molecules to their source, importers will have to negotiate with refiners a credible assurance system. Ideally, this would include some form of external audit.

The EU rules seem designed for the most direct and transparent transaction – the ongoing purchase of cargoes from a refinery. Public announcements of supply contracts and shipping data, amongst other information, may help prospective buyers identify refineries which are likely to be using non-Russian sources of supply. Overseas refineries may be willing to accept restrictions on their freedom to source crude oils to secure long-term contracts, especially if the prospective buyer is seeking significant volumes.

Some suppliers in our region seem to be reducing their use of Russian crudes, presumably to protect their market access. The latest report from the Centre for Research on Energy and Clean Air estimates China's seaborne crude imports from Russia declined by 18 per cent in November 2025 (the same report estimates that India's imports *increased*).[14]

However, there are other, necessary but less transparent import channels into Australia.

As mentioned above, a significant proportion of fuel imports are obtained, usually at short notice, from the spot market. These *ad hoc* cargoes are often traded by parties other than the producing refinery (e.g. a fuel supplier, a trading house). The Platts trading platform in Singapore discloses some details (e.g. fuel specification, volume, shipping times) but not the origin of the spot cargo or its constituent crudes. The EU has yet to address the transparency issues in spot markets.

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[14] Centre for Research on Energy and Clean Air. *November 2025 – Monthly Analysis of Russian Fossil Fuel Exports and Sanctions*.

Another challenging source of supply are regional blend hubs which aggregate unfinished and finished products from multiple sources for shipment to Australia. Hubs in countries such as Singapore, Malaysia, Indonesia and China blend crude oils and refined products from multiple sources.

It should also be mentioned that the EU and Australia draw on different sources of supply. Australia naturally relies on suppliers in our region. The leading suppliers to the EU – the United States, Norway, Kazakhstan, Libya, Nigeria, and Saudi Arabia account for more than 60 per cent of imports – are marginal to Australia.

At this stage, AIP is uncertain about the potential impact of EU-style sanctions on Australia's fuel security and fuel prices. The key factor is the reaction of our established suppliers in the region.

If Australia adopted EU-style sanctions, Australian fuel suppliers would test whether their existing suppliers could guarantee that future cargoes for Australia would be free of Russian crude oil. Those assurances could include attestations, product testing certificates, and certificates of origin, presumably with some degree of external audit. If refiners declined to do this, Australian fuel suppliers would need to go elsewhere. Switching to new sources could entail additional costs, for example higher shipping costs (e.g. for more distant Middle Eastern and African refineries) or possibly paying premiums to secure supply against European competition. If spot purchases became more risky or costly under sanctions, importers could have less flexibility to manage fluctuations in demand and supply.

Conclusion

If the Australian government decides to ban third country imports derived from Russian crude oil, AIP supports three broad principles to guide design of new regulations:

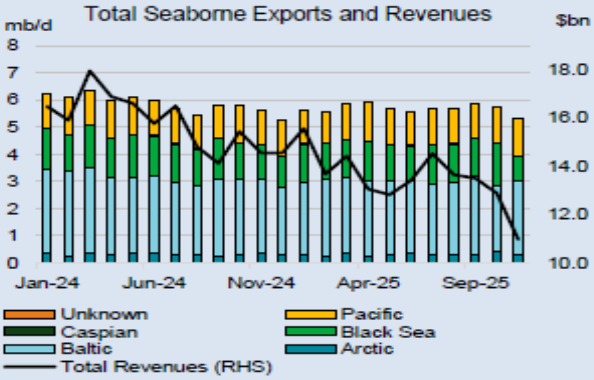
- Comprehensive coverage of all fuel importers and all import channels into Australia to achieve the goal of excluding Russian-derived fuels and to avoid distorting competition in the local market
- Clear and consistent requirements to give certainty to importers, their trading partners and overseas suppliers, with a statutory right for importers to re-open or terminate term contracts if the supply would breach the new sanctions
- Reasonable transition periods to enable importers to re-negotiate term contracts and, if necessary, secure new sources of supply

Close consultation with the industry will be essential to ensure an effective set of sanctions tailored to Australia's needs. AIP members and other fuel suppliers expect to be closely involved in the development of any new sanctions and stand ready to support the government.

Appendix A: IEA Assessment of Price Caps

Russian Export Revenue Hits Lowest Level Since Covid Pandemic

Russian crude and oil product exports declined by 420 kb/d to 6.9 mb/d in November, the lowest level since the start of the war. Reduced export volumes combined with weaker prices to slash revenues to $11 billion, down $3.6 billion y-o-y and $11.4 billion lower than the 1H22 average following the invasion of Ukraine.



Sources: IEA, *Kpler, Argus Media Group.*

Russian Crude and Product Exports (mb/d)

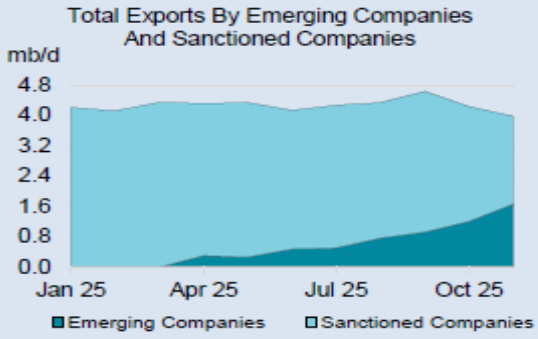
	Nov-24	Oct-25	Nov-25	m-o-m	y-o-y
Total Crude	4.83	5.01	4.71	-0.29	-0.11
pipeline and rail	1.44	1.24	1.25	0.00	-0.19
seaborne	3.39	3.76	3.47	-0.30	0.08
Total Products	2.56	2.27	2.14	-0.13	-0.42
Gasoline	0.13	0.06	0.06	-0.01	-0.08
Gasoil	0.82	0.72	0.74	0.02	-0.09
Resid+VGO	0.96	0.90	0.73	-0.16	-0.23
Jet-Kero	0.05	0.03	0.05	0.02	0.00
Naphtha+NGLs+LPG	0.57	0.53	0.54	0.00	-0.03
Total	7.39	7.28	6.86	-0.42	-0.53
Total Revenue ($Bn)	14.56	12.89	10.97	-1.92	-3.59
... of which crude	9.57	8.70	7.06	-1.64	-2.51
... of which product	4.99	4.19	3.91	-0.28	-1.08

Sources: IEA, *Kpler, Argus Media* Group.

Russian crude exports dropped by 290 kb/d m-o-m in November, while product exports fell by 130 kb/d. Notably, total seaborne exports through the Black Sea plunged by 42% to 910 kb/d, weighed down by recent Ukrainian attacks on dark fleet vessels and facilities. Türkiye and India appear to be the two main destinations affected by this decline. Russian total export revenues slumped by a significant $1.9 billion m-o-m as Urals FOB Primorsk and ESPO FOB Kozmino crude prices plunged by $8.18/bbl to $43.52/bbl and $5.49/bbl to $53.92/bbl, respectively, as renewed sanctions pressure sharply weakened demand.

The Urals discounts to North Sea Dated in November exceeded $20/bbl, and over $24/bbl in early December, their widest since June 2023. The price discount versus Dubai M1 for Urals DAP on the West Coast of India increased by almost $2.60/bbl to -$5.80/bbl in November as Indian buyers backed off. This is the largest discount since June 2024. Shadow tanker shipping costs from Primorsk in Russia to the West Coast of India rose $1.00/bbl m-o-m to $11.20/bbl reflecting tightening availability due to the multiplication of sanctions measures. The trading margin, or the difference between the price in India versus that in Primorsk less the freight costs, rose to an average $3.95/bbl in November, its highest since April 2023 and more than twice the level of the average in the previous twelve months. ESPO price discounts to Dubai in Asia widened by $5.60/bbl m-o-m to -$10.54/bbl in November and reached -$13.60/bbl in December.

Exports prices for Russian refined products increased m-o-m for gasoil (+$2.10/bbl), diesel (+$2.70/bbl) and gasoline (+$2.20/bbl), but fell for VGO (-$3.80/bbl), naphtha (-$3.30/bbl) and for fuel oil (-$6.80/bbl). They tracked the international product markets, but due to sharply weaker Russian crude price cracks versus Urals in the Baltic rose much more than product cracks based on North Sea Dated.



Source: Kpler. Notes: Sanctioned companies defined by Gazprom Neft, Lukoil, Rosneft, Surgutneftegas

Source: IEA *Oil Market Report December 2025*, p.22