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Sanctions on Russia

How to Step Up Pressure and Prepare for a US Exit

Benjamin Hilgenstock
Head of Macroeconomic Research and Strategy
Kyiv School of Economics (KSE) Institute

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1. State of Play and Next Steps

Russia is in a vulnerable position

- **₽3.4 trillion** — January-May budget deficit
- **3x** — increase of deficit vs. January-May 2024
- **₽2.8 trillion** — remaining liquid NWF assets
- **71%** — decline in liquid assets since February 2022
- **10%+** — headline inflation in 2025

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Key to changing Putin's calculus: energy sanctions

54% — oil & gas share in total export earnings in 2024

30% — oil & gas share in total budget revenues in 2024

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Have energy sanctions had an impact? Yes!

$100 billion — lost oil & gas export earnings*

**December 2022-April 2025*

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Have we done enough? No!

$235 billion — Oil & gas export earnings in 2024

- 2023: $234 billion
- 2022: $348 billion (price spike)
- 2021: $245 billion
- 2020: $150 billion (Covid)
- 2019: $239 billion

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Have we done enough? No!

"Massive new sanctions"? No!

- **Nord Stream 1 & 2** — welcome, no immediate impact
- **Oil price cap level** — unlikely to have impact by itself
- **Shadow tanker listings** — enforcement challenge
- **Ban on refined products** — enforcement challenge

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How to step-up pressure on Russia?

Do the homework!

Remaining European imports of Russian O&G (in 2024)

- **€4.9 billion** — crude oil
- **€9.6 billion** — pipeline gas
- **€7.5 billion** — LNG
- [**€5.1 billion** — products from Russian oil (est.)]

Total EU imports of Russian O&G since February 2022

- **€207 billion** (26% of total)

Source: CREA

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Price cap: fix or abandon!

- **Lower price caps** are meaningless without addressing existing issues with compliance.
- **Attestation system** urgently requires reform to generate reliable pricing information.
- **Shadow tanker sanctions** need to be enforced to remove listed ships from commercial operations.

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- Do the homework!
- Price cap: fix or abandon!
- **Target volumes!**
  - Paradigm shift: **quick effect** is needed
  - Different strategy: reduce **export volumes**
  - **Enforcement**: Tariffs vs. secondary sanctions
  - **US buy-in** is needed to reach third countries
  - **Gradual approach** to protect energy markets

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The Cost of failure

Lives lost, **assets** destroyed, **recovery** delayed

Money: military and financial assistance (e.g., ERA2?)

2. Maintaining Sanctions without the United States

- Sanctions had limited impact in the past
- U.S. does not play/other partners play a key role for sanctions impact
- Can be (partially) offset with additional action by partners
- Difficult to offset for sanctions coalition partners

2. Maintaining Sanctions without the United States

A. Energy sanctions

- Oil price cap
- Import bans on Russian energy
- Nord Stream 2 sanctions
- LNG-related sanctions
- Shadow tanker designations
- Restrictions on technology, investments

C. Financial sanctions

- Sanctions on Russian banks (e.g., asset freezes, transaction bans)
- Disconnection from systems (e.g., SWIFT)
- Immobilization of sovereign assets (incl. CBR)
- Sovereign debt sanctions
- Sanctions on U.S. dollar access (e.g., MOEX)

B. Export controls

- Controls related to U.S. products (FDPR)
- Enforcement measures (incl. EO 14114)

D. Other restrictions

- Individual sanctions
- Trade sanctions

Elephant in the room: extraterritoriality!

Thank you!