# Russia’s shadow fleet sustains oil exports despite £330bn energy revenue collapse



As Russia grapples with the economic fallout from Western sanctions implemented in response to its actions in Ukraine, the nation's financial landscape has taken a severe hit. The Kremlin has reportedly lost approximately £330 billion in energy revenues, with oil and gas sales constituting about 30% of its state income. This significant loss has profound implications for funding the war effort, which is projected to command a staggering £109 billion in defence spending this year alone.

The sanctions, particularly those targeting energy exports, have effectively severed Russia's access to European markets, leading it to increasingly lean on China and India as alternative buyers. This pivot highlights not only an economic shift but a geopolitical realignment, as these countries have emerged as key partners amidst growing isolation from the West. The situation has raised concerns over the long-term viability of Russia's economy, with many experts noting an alarming trend: for the first time since the dissolution of the Soviet Union, defence expenditures now surpass social spending, indicating a prioritisation of military funding at the expense of domestic welfare.

Efforts to circumvent these sanctions have led to the emergence of a "shadow fleet" comprising older oil tankers that operate under dubious ownership structures and often lack the necessary insurance and safety certifications. These vessels have been increasingly used to transport Russian crude oil, allowing the Kremlin to mitigate the impact of sanctions. An investigation by international reporters revealed that such tactics, including ship-to-ship transfers and spoofed location data, have allowed up to 70% of Russia’s seaborne oil to be shipped despite Western efforts to impose strict controls. According to various sources, the volume of oil transported by this fleet has surged to 4.1 million barrels per day, primarily to nations that are willing to purchase discounted crude.

Despite these adaptations, challenges remain for the Russian economy. The impact of sanctions is ongoing, with the economy facing both inflationary pressures and dwindling foreign investment. The stark reality is that while Russia's oil exports to India and China provide a lifeline, the sustainability of this revenue stream is uncertain. Analysts have cautioned that if current prices remain low, Russia could exhaust its sovereign wealth fund—already reported to be less than 3% of its GDP—within a year, exacerbating economic strife.

Moreover, as outlined by an adviser at the Stockholm Institute of Transition Economics, the looming risk lies in the compounded effects of high defence spending and reduced public investment. This precarious balance raises questions about the resilience of the Russian economy as the war drags on, with Lieutenant Colonel Joby Rimmer observing that the escalating conflict is inflicting a severe toll on ordinary Russians.

As Russia navigates this treacherous economic landscape, the question of enforcement presents a critical challenge. While sanctions were initially effective, their resilience is being tested by Russia's adaptive strategies and the complex web of operations surrounding its shadow fleet. The need for innovative and consistent regulatory measures is pressing, given the environmental risks and safety concerns associated with the continued use of these aging vessels.

In summary, while Russia's economic machinations may offer temporary respite from the sanctions, the long-term outlook remains grim. The transition towards a more militarised economy, coupled with increasing financial instability, could have lasting consequences, not just for Russia but for global energy markets and geopolitical alliances as well.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/world/2063357/russia-economy-energy-revenues-sanctions-putin), [[5]](https://www.apnews.com/article/dcf41b3db15b063bbc2c786904c81d10)
* Paragraph 2 – [[2]](https://www.reuters.com/markets/commodities/key-points-about-russias-shadow-fleet-oil-tankers-2025-05-15/), [[3]](https://www.theguardian.com/world/2024/oct/14/russias-shadow-fleet-oil-tankers-grows-western-sanctions), [[6]](https://www.theatlantic.com/international/archive/2025/02/america-russia-sanctions/681779/?utm_source=apple_news)
* Paragraph 3 – [[4]](https://www.reuters.com/business/energy/russia-provide-state-support-ailing-coal-industry-2025-05-30/), [[5]](https://www.apnews.com/article/dcf41b3db15b063bbc2c786904c81d10), [[6]](https://www.theatlantic.com/international/archive/2025/02/america-russia-sanctions/681779/?utm_source=apple_news)
* Paragraph 4 – [[1]](https://www.express.co.uk/news/world/2063357/russia-economy-energy-revenues-sanctions-putin), [[5]](https://www.apnews.com/article/dcf41b3db15b063bbc2c786904c81d10), [[6]](https://www.theatlantic.com/international/archive/2025/02/america-russia-sanctions/681779/?utm_source=apple_news)
* Paragraph 5 – [[2]](https://www.reuters.com/markets/commodities/key-points-about-russias-shadow-fleet-oil-tankers-2025-05-15/), [[7]](https://www.ft.com/content/0404db60-9635-4cff-99ef-3714eace1d7e)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.express.co.uk/news/world/2063357/russia-economy-energy-revenues-sanctions-putin> - Please view link - unable to able to access data
2. <https://www.reuters.com/markets/commodities/key-points-about-russias-shadow-fleet-oil-tankers-2025-05-15/> - This Reuters article discusses the emergence of Russia's 'shadow fleet' of oil tankers, which have been used to circumvent Western sanctions imposed after Russia's invasion of Ukraine. The fleet consists of aging vessels with obscure ownership, lacking proper insurance and safety certifications. These ships often operate outside international regulations, using methods such as ship-to-ship transfers, spoofed location data, and registration under loosely regulated flags. Despite sanctions and oversight efforts by multiple NATO and EU nations, Russia continues to benefit from sustained oil revenues, with China and India purchasing discounted crude. The shadow fleet presents environmental and safety concerns, exemplified by a recent oil spill from aging tankers in the Kerch Strait. Furthermore, the use of alternative Russian insurers and jurisdictions complicates enforcement and the response to potential spills. Global oil price increases have further diluted the impact of the sanctions, allowing Russia to continue leveraging the shadow fleet with minimal disruption.
3. <https://www.theguardian.com/world/2024/oct/14/russias-shadow-fleet-oil-tankers-grows-western-sanctions> - This Guardian article reports on the expansion of Russia's 'shadow fleet' of oil tankers, which now transports up to 70% of the country's seaborne oil despite Western efforts to curb Moscow's wartime energy revenues. The volume of Russian oil being transported by poorly maintained and underinsured tankers has almost doubled in a year to 4.1 million barrels a day by June. The findings underscore the multiple difficulties faced by Kyiv’s Western allies in their efforts to isolate Russia’s economy in an attempt to force Moscow to end its war in Ukraine. In December 2022, the UK – alongside G7 countries, Australia, and the EU – implemented a price cap of $60 a barrel to restrict Western companies from transporting, servicing, or brokering Russian crude oil cargoes in order to undermine Russia’s oil trade, which is heavily reliant on Western-owned and insured tankers. However, Russia quickly discovered a workaround to the measures by utilizing a so-called shadow fleet of older tankers with opaque ownership, enabling it to sell a significant portion of its oil above the price cap. The article highlights the challenges in enforcing sanctions and the need for more effective measures to address the issue.
4. <https://www.reuters.com/business/energy/russia-provide-state-support-ailing-coal-industry-2025-05-30/> - This Reuters article reports on the Russian government's plans to support its struggling coal industry amid challenges stemming from international sanctions related to the conflict in Ukraine. Measures include deferring mineral extraction tax (MET) and insurance contributions until December 1, 2025, as well as restricting dividends and executive bonuses. Additionally, debt restructuring may be offered to heavily indebted coal companies in coordination with the Central Bank of Russia. Despite a 1.3% rise in coal production to 438 million metric tons in the previous year, exports fell by almost 8% to 213 million tonnes, largely due to the European Union’s 2022 ban on Russian coal imports. Further compounding the industry's difficulties are rising transportation costs and reduced global demand. According to NEFT Research consultancy, the Russian coal sector has endured losses of 1.2 trillion roubles (around $15 billion) since 2022, mainly due to the sanctions and loss of European markets.
5. <https://www.apnews.com/article/dcf41b3db15b063bbc2c786904c81d10> - This AP News article discusses the increasing pressure on Russia's economy due to its ongoing war in Ukraine and the impact of Western sanctions. Torbjörn Becker, Director of the Stockholm Institute of Transition Economics, briefed EU finance ministers, noting that although Russia's economy has outperformed initial expectations—thanks to high defense spending, low unemployment, and wage growth—inflation and dwindling foreign investment present serious long-term risks. Despite maintaining revenues by exporting oil to India and China, EU and G7 sanctions, particularly on Russia’s 'shadow fleet' of oil tankers, have significantly reduced oil revenues, forcing Russia to dip into its sovereign wealth fund, now at less than 3% of GDP. Becker warned that if oil prices remain low, Russia could exhaust the fund within a year. He recommended stronger sanctions, targeting oil exports, financial transactions, and high-tech imports, and urged U.S. pressure on China and India to limit trade with Russia. The EU is also considering freezing assets related to the Nord Stream II gas pipeline. Becker emphasized that although Russia’s economy is under strain, Europe must remain vigilant and prepared for increased defense spending if Russia prevails in the conflict.
6. <https://www.theatlantic.com/international/archive/2025/02/america-russia-sanctions/681779/?utm_source=apple_news> - This Atlantic article discusses the U.S. economic sanctions imposed on Russia following its invasion of Ukraine in 2022. The U.S., led by President Joe Biden and advised by Daleep Singh, froze Russia's central bank reserves, which amounted to more than $630 billion, aiming to debilitate its economy and support Ukraine. This action deprived Putin of a significant pool of hard currency and provided financial aid to Ukraine. Although the sanctions worked initially, their long-term effectiveness was compromised due to delayed enforcement and loopholes. The strategy revealed weaknesses, such as Russia's adaptation through economic diversification and shadow fleets. The article highlights the inconsistent use of sanctions by the U.S., especially under Trump’s administration, leading to diminished impact and reliability of economic warfare as a deterrent. The need for decisive and well-prepared sanctions policies to effectively leverage economic power in international conflicts is emphasized. The narrative is adapted from Edward Fishman’s book 'Chokepoints: American Power in the Age of Economic Warfare.'
7. <https://www.ft.com/content/0404db60-9635-4cff-99ef-3714eace1d7e> - This Financial Times podcast episode, 'Behind the Money,' explores Russia’s 'shadow fleet' of oil tankers. These ships help Russia circumvent Western sanctions placed on its oil exports following its invasion of Ukraine in 2022. The sanctions included a cap on the price of Russian oil, below market value, and restrictions on the use of Western-owned ships and insurance. To dodge these restrictions, Russia has acquired a fleet of older, second-hand tankers managed through a network of opaque ownerships and offshore companies. An investigation revealed that British accountant John Ormerod and his longtime associate Tahir Lakhani were instrumental in purchasing and managing these vessels for Lukoil, Russia's second-largest oil producer. The shadow fleet, which is off Western radar due to its complex setup, moves millions of barrels of oil daily, providing Russia with critical revenue. Concerns include the shadow fleet's involvement in military activities and environmental risks from operating older ships. Despite the unpredictable geopolitical landscape and potential changes in US policies, the shadow fleet poses ongoing challenges for Western regulators and environmental agencies.