



ENERGY IRELAND UPDATE

*EU's proposed
ban on Russian
oil imports*



Irish Offshore
Operators'
Association

Update on EU's proposed ban on Russian oil imports

The 27 EU leaders agreed on a plan on Monday, 30th May 2022 to ban all seaborne oil imports from Russia. In addition, it was agreed that some member states will be granted temporary exceptions in order to ensure security of supply. The ban *"will cover crude oil, as well as petroleum products, delivered from Russia into member states, with a temporary exception for crude oil delivered by pipeline"*. Two-thirds of Russian oil arrives by sea.

Negotiators will still need to work out technical details in the coming days, converting the agreement into a legal text. However, the agreement represents a major breakthrough after a month in which the opposition of Hungary (which imports 65% of its oil from Russia through pipelines) prevented the EU's sixth package of sanctions from coming into force.

Although the ban only covers two-thirds of Russian oil imports, Ursula von der Leyen, the president of the European Commission, said the ban *"will effectively cut around 90% of oil imports from Russia to the EU by the end of the year"* because Germany and Poland had already committed to ending their own pipeline imports by the end of this year. *"Left over is around 10-11% that is covered by the southern Druzhba"*, Ms Von der Leyen said, referring to the Russian pipeline supplying oil to Hungary, Slovakia and the Czech Republic. Following the announcement, the oil price rose to more than \$124/barrel, its highest level in three months.

Likely impact of the ban on the EU

Renewables will not be able to fill the shortfall in the near to medium term. A slowdown in EU economies may decrease overall oil demand, while increasing energy efficiencies may also help fill some of the shortfall. The OPEC+ group (of which Russia is a member) has been reluctant to date to increase oil production significantly beyond their scheduled modest output rises. Norway, the USA and other non-OPEC countries may provide some additional crude oil, while some of the EU's strategic oil stocks could be released to assist in preventing supply issues in the near term.

Russia currently provides approximately 20% of total European refinery crude throughputs. It also provides a significant volume of oil products, providing 10% of European diesel demand in 2021.

Likely impact of the ban on Ireland

Ireland imports 100% of its oil needs and is therefore very vulnerable to any interruptions in oil supply. In addition to a probable further rise in the price of petrol, diesel and other oil products, the oil ban will likely result on a shortfall in crude oil and products to Ireland unless alternative sources are found. Of particular concern is the supply of oil products such as diesel.

The Whitegate oil refinery in Co. Cork supplies 30-40% of Ireland's demand with the remainder provided through imports of refined products. All crude oil and oil products imports to Ireland are shipborne, and are likely to be impacted by the ban. 6.3% of our oil and oil products were imported directly from Russia in 2020. However, our dependence on Russia, either directly or indirectly, for specific fuels such as diesel is more significant. 54% of Ireland's petrol imports came from the UK in 2018. However, UK refinery output meets only 60% of UK diesel and kerosene (jet fuel and heating oil) demand with the remainder imported. 40% of the UK's oil product imports in 2018 were from Russia. Ireland may therefore be impacted by the cessation of the UK's oil product imports from Russia, unless the UK sources alternative supplies.

Off the coast of the Cork Harbour there is an 8.5 million barrel, deep water crude oil and oil products storage complex located in Bantry Bay. However, the absence of a pipeline connection means that all product stored at Bantry Bay must be shipped in and out by tanker, and is therefore prone to potential delays depending upon tanker availability.

