

G7 and EU banning Russian diesel

Why in news?

G7 and The European Union(EU) has joined [the United States](#) and the United Kingdom in banning imports of Russian diesel with a price cap on refined fuel in response to attack on Ukraine.

What is G7 and EU?

- G7 is an informal forum of leading industrialised nations, which include Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.
- Representatives of the European Union are always present at the annual meeting of the heads of state and government of the G7.
- The European Union (EU) is a unique economic and political union between 27 European countries.

What is the ban about?

- The European Union and the Group of Seven (G7) agreed to set a \$100 (€91) per barrel price cap on Russian diesel and a \$45 per barrel cap on discounted products like fuel oil.

To know about G7's price cap plan, click [here](#)

What is the impact of the ban?

On Russia

- **Nor a big difference** - A \$60 cap will not have much impact on Russia's finances.
- If the cap had been as low as \$50, it would cut into Russia's earnings and make it impossible for Russia to balance its state budget.
- **Alternative markets** - Russia has managed to keep its crude oil flowing, largely with support from India and China fixed up the oil escalated by traditional buyers at discount rates.
- **Rerouting** - Rerouting its diesel away from its largest market could be more challenging in the absence of a ready market for Russian fuel.
- Experts expect Russian diesel earlier sold to Europe to be diverted to Turkey and countries in Latin America and Africa.
- **Discounted rates** - There are countries that are willing to accommodate and to take discounted barrels.
- **Retaliation** - Russia could retaliate by shutting off shipments in hopes of profiting from a sharply higher global oil price on whatever it can sell around the sanctions.

On European Union

- **IMF report** - Half of the European Union is expected to be in recession this year and the slumping gas price also signals diminished demand for energy.
- **Imports from other countries** - EU intends to plug the fuel demand with increased supplies from the Middle East, Asia and the US to stop itself off Russian fuel.
- **Washing** - Russian diesel would be blended with other non-Russian products in countries such as Turkey and re-exported back into Europe.

What does it have for India and China?

India and China which have emerged as the biggest buyers of Russian crude oil in the last 12 months, could play a big role in hold up the EU's diesel stocks.

- **India** - India's diesel exports to Europe have escalated as refiners take advantage of low feedstock costs yet the Russian crude and high diesel prices been steeply discounted.
- When workers strikes shut down the French refining sector the EU saw a rise in diesel and related products imports from India which isn't a traditional supplier of the fuel to Europe.
- **China** - China policy is the game changer as it holds the key to all of the surplus refining capacity globally.
- China has raised its export quotas for diesel and other refined oil products which could potentially help push barrels from other producers westward into Europe.

References

1. [The Indian express | G7 and EU announce price cap on Russian diesel](#)
2. [The Indian Express | What's the effect of Russian oil price cap, ban?](#)
3. [The Indian Express | Why the G7's oil price cap is unlikely to impact Russia](#)

