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EUROPE

Europe Keeps Russian Oil, Gas Flowing Despite Tightening Sanctions

Germany resists far-reaching energy boycott as allegations of civilian killings in Ukraine add pressure to increase penalties on Moscow



European Union foreign-policy chief Josep Borrell said the bloc had made energy payments worth around \$38 billion to Russia since it invaded Ukraine.

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Six weeks after [Russia invaded Ukraine](#), the European Union is taking its first steps to reduce Russian energy imports, depriving Moscow of some of the revenue that covers much of its budget and helps fund its military campaign.

But the EU can't agree to sanction the bloc's biggest business dealings with Russia: the purchase of oil and natural gas. The EU, which imports around 60% of its energy needs, is making large payments to Russia, boosted by higher oil-and-gas prices during the war.

The EU's foreign-policy chief, Josep Borrell, said Wednesday that since the invasion, the bloc's 27 member states had made energy payments worth around 35 billion euros, equivalent to about \$38 billion, to Russia.

EU member states on Wednesday backed Brussels' latest proposal, presented Tuesday, for banning Russian coal imports; formal approval is expected by Friday. Before this year, such sales amounted to around €4 billion annually.

EU officials and some member countries are also urging steps to slash oil imports from Russia, but those proposals continue to face resistance from Germany and some other countries, diplomats say.

Meanwhile, the U.S. and U.K. on Wednesday unveiled more sanctions aimed at further punishing the Russian economy.

White House officials said the U.S. was implementing full blocking sanctions on Russia's largest financial institution, Sberbank, and its biggest private bank, Alfa Bank, as well as expanding other economic sanctions including on family members of Russian President Vladimir Putin and other top officials.

In addition, President Biden on Wednesday will sign an executive order prohibiting new investment in Russia by American investors, including those outside the U.S.

The U.S. actions announced Wednesday also include sanctions against Mr. Putin's two adult daughters, Maria Putina and Katerina Tikhonova, as well as the wife and daughter of Foreign Minister Sergei Lavrov and members of Russia's security council, including former President and Prime Minister Dmitry Medvedev and Prime Minister Mikhail Mishustin. The actions cut them off from the U.S. financial system and freeze any assets they hold in the U.S., the White House said. Most of these individuals have also been sanctioned by the EU.

The series of American and European sanctions are crippling Russia's economy but need time to take fuller effect, White House National Economic Council director Brian Deese said Wednesday. "We need to have patience and perspective when it comes to the impacts on Russia of this unprecedented and crippling sanctions regime that we have now put in place," Mr. Deese told reporters.

The U.K., which isn't an EU member, said that it was also freezing Sberbank's assets and banning outward investment in Russia, among other measures.

Berlin says sanctioning oil or gas would harm the EU's economy more than Mr. Putin's ability to wage war, according to officials. The EU imports around three million barrels of

Russian oil daily, according to the International Energy Agency. Russian gas accounted for 40% of the bloc's gas imports last year, according to the European Commission.

Pressure on the EU to reduce its Russian energy imports has intensified following accusations by Ukraine and independent observers in recent days that Russian troops have killed hundreds of civilians in occupied parts of Ukraine. Moscow has denied any responsibility for atrocities in areas its army recently occupied there.

Calls from Poland, the Baltic countries and others for the EU to stop buying Russian gas have encountered opposition from Germany, Hungary and Austria. Berlin has publicly warned of mass unemployment and poverty in Europe's biggest economy if its industries and households must forgo Russian gas.

The German government has set out plans to end its need for Russian oil imports by the end of this year and to stop Russian gas imports by 2024. It aims to expand the use of renewable energy, such as wind and solar power, and replace the entire Russian supply of gas with deliveries from elsewhere, including liquefied natural-gas shipments from the U.S., Qatar and other exporters.

That hasn't satisfied other EU governments or Ukrainian President Volodymyr Zelensky, who has called on Germany to act faster.

On Wednesday, four days after being re-elected in a landslide vote, Hungarian Prime Minister Viktor Orban told reporters he would be willing to pay for Russian natural gas in rubles, a move that would help Moscow sustain its currency's trading value. Mr. Orban campaigned for a fifth four-year term on promising to block any sanctions that would disrupt access to affordable Russian gas.

British Foreign Minister Liz Truss said the U.K. wants at least to agree to a timetable for ending Russian energy imports among the Group of Seven major economies North Atlantic Treaty Organization members. The U.K. said Wednesday it would end all imports of Russian coal and oil by the end of the year.

Some EU countries have proposed reducing oil purchases without a full embargo. European Commission President Ursula von der Leyen said Tuesday that the EU's executive arm was working on proposals regarding oil.

One idea under discussion is to place a large tariff on Russian oil imports to curb EU demand. However, the proposal could prove politically difficult among European

governments facing pressure from consumers, drivers and businesses over already high energy prices.

Ms. von der Leyen said the EU is also considering a way of making at least some of its energy payments into an escrow account, effectively freezing some of Russia's energy revenues abroad. That approach was used to freeze much of Iran's foreign energy sales under U.S. and international sanctions over the last decade. However, Russia has warned it would stop supplying energy if it can't access payments for it.

German officials have privately signaled they might agree to an oil embargo phased in over several months. That could give EU countries that import large amounts of Russian oil time to adjust their supplies and make changes to refineries built to receive Russian crude.

Several studies by economists have found that an immediate embargo on Russian oil and gas could shave 3% to 6% off Germany's gross domestic product, roughly the same contraction Germany's economy suffered during the Covid-19 pandemic and associated lockdowns.

German Chancellor Olaf Scholz has dismissed such findings as based on uncertain theoretical models, instead citing warnings by German industry that boycotting Russian gas in particular could cause an economic disaster.

—Drew Hinshaw, Gordon Lubold and Amara Omeokwe contributed to this article.

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