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VESSEL PERFORMANC

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The European Union has passed a new round of measures against Russia that lower the price cap on Moscow's oil, sanction additional vessels, prohibit refined fuel imports and target a tanker master and a flag registry.

The move comes after Slovakia lifted its veto on the EU's 18th sanctions package to punish Russia for its invasion of Ukraine.

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Slovakia delays oil price cap reform amid sanctions wrangling

"The EU just approved one of its strongest sanctions packages against Russia," the bloc's foreign policy chief Kaja Kallas announced on X today.

According to a press release issued later on Friday by the European Council, the 27-country bloc lowered the ceiling above which EU-linked tankers, insurers or financiers are not allowed to buy Russian oil from $60 to $47.6 per barrel.

On top of that, the EU said it introduced a new "automatic and dynamic mechanism to modify the oil price cap" and "ensure it's effective".

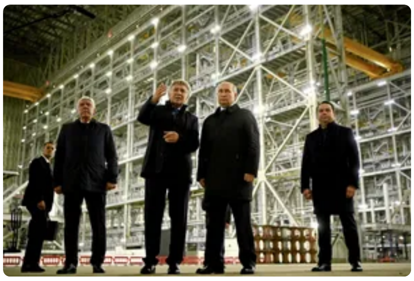
This is in line with previous reports that the bloc was contemplating a floating price cap set at a fixed percentage below the average market price of crude over a previous reference period.

The EU pushed ahead on its own with the oil price cap revision after failing to get the G7 to do so, following objections by the US.

Brussels also decided on Friday to prohibit imports of clean fuel produced in any third country by refining Russian crude.

Five countries are exempted from such a ban: the US, the UK, Canada, Norway and Switzerland.

The EU, however, ended an exemption for oil imports from Russia to EU member Czechia.



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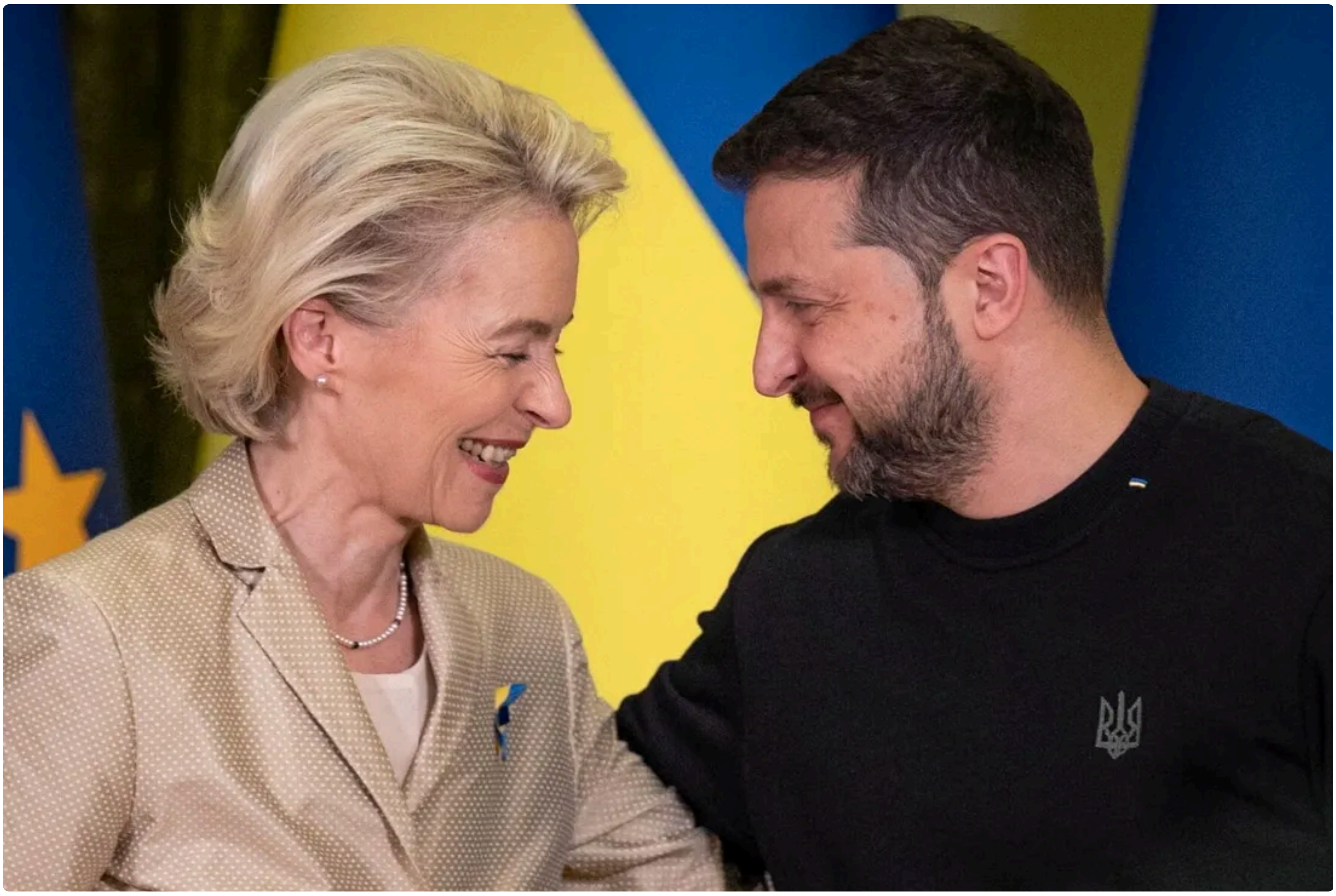
As part of its move against clean fuel products made from Russian oil, the EU for the first time sanctioned the biggest refinery that Russian energy firm Rosneft operates in India.

EU sanctions furthermore apply against another 105 ships involved in carrying Russian oil, bringing the total number of EU-blacklisted vessels to 444.

Friday's announcement goes beyond the 77 ships that the European Commission (EC) had originally singled out for sanctions last month, when it unveiled its proposals for the 18th sanctions package.



European Commission President Ursula von der Leyen and Ukrainian President Volodymyr Zelenskyy. (Photo: Office of the Ukrainian President)

Ukrainian president Volodymyr Zelenskyy separately said on X on Friday that the new sanctions “target … not only the vessels themselves, but also the captains of the shadow fleet and the companies enabling such oil-financed acts of killing”.

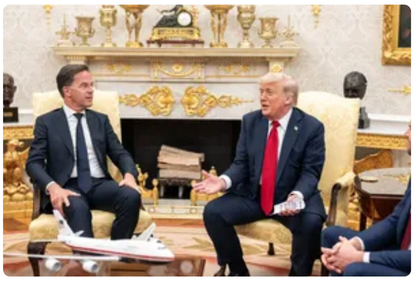
Later on Friday the EU Council said in its more detailed press release that it is targeting just one shadow fleet master, as well as a “private operator of an international flag registry” which it did not identify. This is the first time the EU is resorting to such measures.

The Russian co-owned Nord Stream natural gas pipelines in the Baltic — one of which has been destroyed by sabotage likely carried out by Ukraine three years ago — is also covered by the new sanctions.

In line with the EC’s initial proposals, the new sanctions bar an additional 22 Russian banks from accessing Swift, on top of the 23 already sanctioned. Swift-related prohibitions have been extended from messaging services to a full transaction ban.

Why did Slovakia give in?

The EU had struggled to implement the new set of measures because member states Slovakia and Hungary vetoed them on 23 June.



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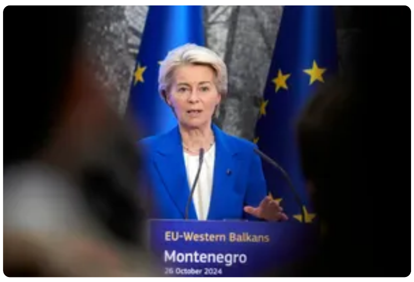
Slovakia reiterated its veto when sanctions came up for a vote again earlier this week.

Slovakia Prime Minister Robert Fico took the step not so much to prevent the measures included in the package, but rather to pressure the EU to drop a parallel plan to ban all remaining Russian energy business not already sanctioned.

Under its REPowerEU plan, the EC wants member states to stop all imports of Russian pipeline oil, pipeline gas and LNG by the end of 2027.

Unlike sanctions packages that require a unanimous approval, the EU can push through wider policy guidelines and directives, such as REPowerEU, through a majority vote, which smaller countries such as Slovakia or Hungary are unable to sway.

In a letter to the EC earlier this week, Fico asked the EU to grant Slovakia an exemption that would allow it to fulfil its existing contract with Russian natural gas provider Gazprom until it expires in 2034.



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New round of Russia sanctions blocked by Hungary and Slovakia

However, the EC rejected this and offered instead a mechanism that would act as an emergency brake on the gas import ban if Slovakian energy prices spiked.

It is unclear, which compromise — if any — Slovakia and the EC reached to sway Fico to give up his opposition.

“At this point, it would be counterproductive to continue blocking the 18th sanctions package tomorrow, ” Fico said late on Thursday in a video message posted on Facebook.

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