

## 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](#)

