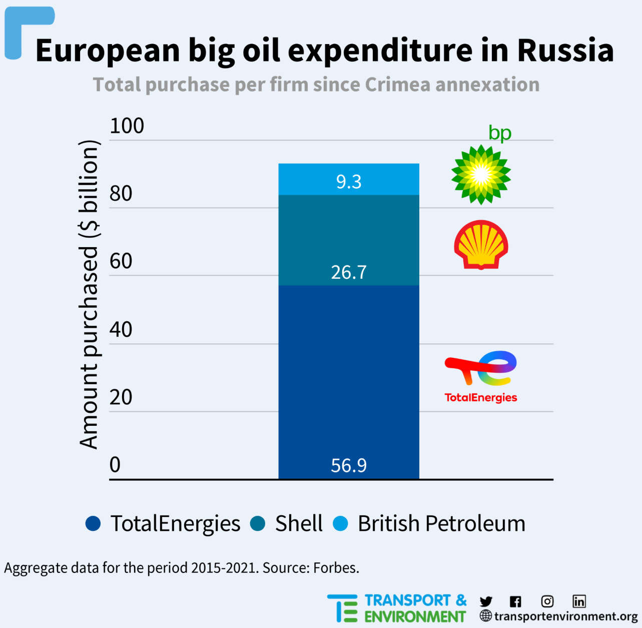
# How European Big Oil has fuelled Putin’s war

## Crude oil purchases by Total, Shell and BP since Russia’s annexation of Crimea

March 2022

## Summary

Since the annexation of Crimea by Russian President Vladimir Putin in 2014, three European oil majors (TotalEnergies, Shell and BP) directly purchased almost $100 billion worth of oil from Putin’s regime. Our research[1] shows that Russian military spending closely mirrors revenues from its oil exports, and directly enables Putin’s military aggression.




Of the three European oil majors, TotalEnergies has been the largest contributor to Russian state revenues, purchasing almost $57 billion of Russian oil. By far the largest European buyer of Russian oil between 2015 and 2021, TotalEnergies initially resisted public and political pressure to stop doing business with Putin. Only in the last few days have they made vague announcements that they might be pulling out from the country, even if not immediately.

Shell was the second largest purchaser of Russian oil since 2015, contributing $27 billion to the Russian state despite the international outcry caused by Crimea’s annexation. Even after the unprovoked invasion of Ukraine, and amidst the bombing of civilian centres, Shell profited from the situation and bought a shipment of Russian oil at a discounted price. This move sparked a fierce public backlash for which

[1] Transport & Environment (2022) How Russian oil flows to Europe. Available: https://www.transportenvironment.org/discover/how-russian-oil-flows-to-europe/

they were forced to apologise. Only in the face of this public relations disaster and tightening sanctions regimes, did Shell decide to pull out of Russia.

BP came third in this ranking of European oil major infamy. T&E estimates that in the last few years, BP bought $9 billion of Russian oil from the Putin regime. This has provided much needed foreign currency critical to funding Putin's military ambitions.

Once again, European oil majors have been seen to put shareholder dividends and top management bonuses before people. It took a humanitarian catastrophe, caused by a belligerent fossil fuel funded regime that they have been all too comfortable doing business with, before they took action. While they have now disengaged from Russia , they continue to fund climate change, environmental destruction or human right abuses.

The oil industry is not a reliable partner. It is time to make them pay for the historical and current climate, environmental and societal damage they have caused.

## 1. Putin's actions since 2014 and big European oil

In the first part of 2014, following Ukraine's revolution and the stepping down of pro-Russian president Viktor Yanukovych, Putin ended up invading the Ukrainian peninsula of Crimea. A pro-Russian government was installed in the regional parliament, and a referendum (not recognised by the international community) was held to annex Crimea to the Russian Federation.

As a consequence, the European Union, the United States and other countries imposed sanctions on Russia, which was also expelled from the G8. A very large majority of the UN General Assembly condemned the annexation, both in 2014 and 2016.

Despite the international outcry, European oil majors turned a deaf ear and decided to continue doing business with Putin's regime, fuelling his war machine.

Just over a month ago Putin decided to completely invade the sovereign country of Ukraine. This time around, the international community has responded even stronger, imposing unprecedented sanctions on Russia. European oil majors were under immense pressure to stop their activities in Russia. BP took the lead and announced on February 27th that it would leave the 20% of its shares in Russian state-owned oil giant Rosneft[2]. Shell was the next European oil major to follow suit on March 8th[3]. After weeks of pressure, TotalEnergies seems to be next[4], but as a laggard and only later this year, as announced on March 22nd.

Even in the middle of the war, European oil majors were willing to continue funding Putin's war. For instance, Shell decided to buy a cargo of Russian oil at a discounted price. Once they got caught, they were forced to apologise, and later retract after public pressure.[5]

But why didn't European oil majors reconsider their engagement with Putin's regime after the invasion of Crimea? For years, European oil majors accepted Putin's despotic regime, and accepted it as the cost of doing business there. Like with climate change, environmental destruction or human rights abuses, these companies put greed and profits above society.

This briefing quantifies how much three main European oil majors (the French TotalEnergies, the Anglo-Dutch Shell and the British BP) contributed to Putin's coffers since 2015, revenues which would in turn be used to invade Ukraine.

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[2] BP (27 Feb. 2022) bp to exit Rosneft shareholding. Available: www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-to-exit-rosneft-shareholding.html

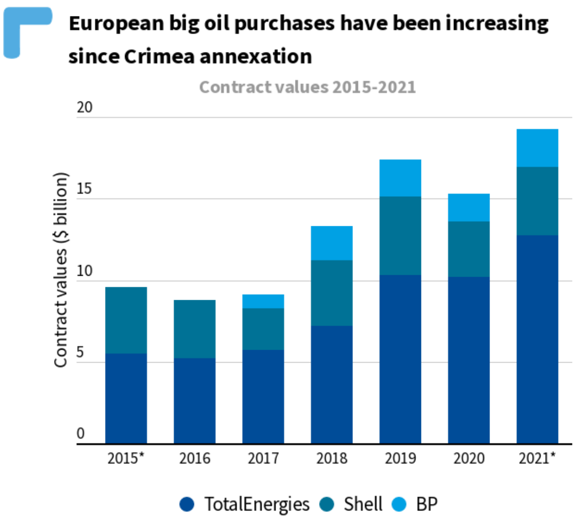
[3] Shell (8 March 2022) Shell announces intent to withdraw from Russian oil and gas. Available: https://www.shell.com/media/news-and-media-releases/2022/shell-announces-intent-to-withdraw-from-russian-oil-and-gas.html

[4] TotalEnergies (22 March 2022) Russia: TotalEnergies Shares Its Principles of Conduct. Available: https://totalenergies.com/media/news/press-releases/russia-totalenergies-shares-its-principles-conduct

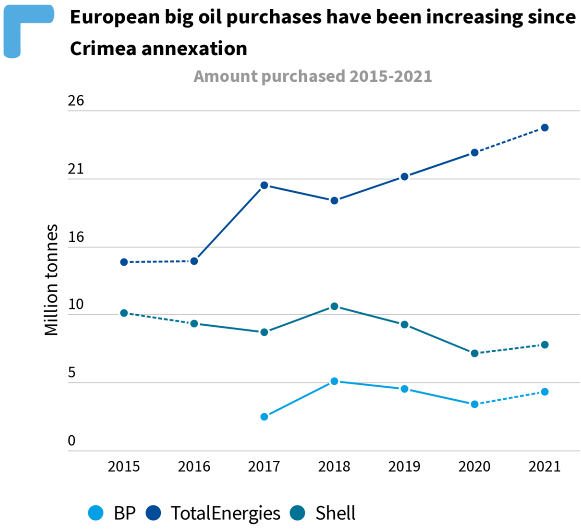
[5] BBC (8 March 2022) Shell sorry and pledges to stop buying Russian oil. Available: https://www.bbc.com/news/business-60661611

## 2. How much has European big oil contributed to Putin's war machine since the invasion of Crimea

The aim of this section is to quantify how much the three main European companies sent to Putin's regime since the annexation of Crimea in 2014. We consider the period from 2015 to 2021. Note that data on the quantities of imports are only available from 2016 to 2020, so 2015 and 2021 total purchases are based on a 5 year trend of sales and the average price per barrel. The methodology can be found in the Annex. An overview of each oil major is presented, then the last section contains an overall evaluation of the phenomenon.




* estimated values. Source: Forbes.




Dotted lines refer to estimated values. Source: Forbes.

### 2.1 TotalEnergies

Since the annexation of Crimea in 2014, TotalEnergies has been the largest European and the fourth largest global buyer of Russian oil. During this period, the French giant has increased its exposure to the Russian market from 14.5 million tonnes in 2016 to 22.8 million tonnes in 2020; this 57% growth is larger than what any other non-Russian oil company has achieved in the same timeframe[6]. Even more impressive are the economic numbers: their total expenditure rose from an estimated $5.5 to $12.7 billion, for a total of $56.9 billion spent in the period under consideration.

The company has been able to gain this predominant position in the market thanks to an efficient organisation and strong business relationships with the local firms. They buy both oil and natural gas from their main partners Gazprom Neft, Surgutneftgaz and Rosneft, as well as the subsidiary

[6] Forbes (Accessed March 2022) Total Oil Trading. Available: https://www.forbes.ru/profile/343963-total-oil-trading

Total Exploration Development Russia[7]. Direct investments mainly include Novatek[8], Russian largest independent gas producer, of which TotalEnergies owns a 19.4% stake[9].

A combination of the high volumes of oil and the consolidated purchase structure allows them to get competitive prices (an average of $53.39 per barrel over the period, 6.7% lower than BP and 1.3% lower than Shell): among all the non-Russian firms considered in our analysis, only Orlen got a cheaper deal. This might also explain why TotalEnergies is the only one who has recovered its pre-COVID stock value, of the three firms analysed. Moreover, the company's attitude towards the current situation does not seem to have an impact on its performances. No negative reactions from the market nor political pressure has been asserted so far. The group has recently announced that they will phase out buying Russian oil by the end of 2022, but we still have to see if and how this will really happen.

## 2.2 Shell

Like TotalEnergies, Shell mainly runs their businesses with Surgutneftegaz, Gazprom Neft and Rosneft, managing purchase orders and commercial relations via subsidiaries and proprietary purchasing structures.

Looking at the time series chart about oil purchases, it immediately stands out how they are the only company who has decreased its import from Russia over time. They indeed went from 9.7 million tonnes in 2016 to 7.4 million in 2020. Also the contracts' value has not changed much since 2015, even though the market fluctuations have made this value quite unstable during the period considered in this analysis.

This behaviour might suggest that the company was already taking some distance from Russian oil dependency, and the recent announcement that they will completely stop buying it after the invasion of Ukraine[10] seemed to be a decisive leap in this direction. The reality is much different than this. Right after the war started, Shell decided to buy a large amount of Russian oil (100,000 metric tonnes) to take advantage of the record discount on Urals crude ($28.50 per barrel)[11]. They

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[7] TotalEnergies in Russia (Accessed March 2022) Committed to doing business in Russia. Available: https://corporate.totalenergies.ru/en/total-russia/total

[8] Novatek's shareholders include the Volga Group, the investment vehicle of Gennady Timchenko, who had been on a US sanctions list since 2014, when Russia annexed Crimea, and has been targeted by the EU's newest asset freezes

[9] White, S. and Abboud, L. (6 March 2022) Oil major Total sticks with Russia despite exit of rivals. The Financial Times. Available: https://www.ft.com/content/4adac2e1-0288-4eb0-a593-479c1815c864

[10] Bousso, R.(1 March 2022) Shell to exit Russia after Ukraine invasion, joining BP. Reuters. Available: https://www.reuters.com/business/energy/shell-exit-russia-operations-after-ukraine-invasion-2022-02-28/

[11] Wallace, J. and Anna Hirtenstein, A. (4 March 2022) Shell Buys Russian Oil at Bargain Price. WSJ. Available: https://www.wsj.com/livecoverage/russia-ukraine-latest-news-2022-03-04/card/shell-buys-russian-oil-at-bargain-price-2ZljvO2HQlmPm5d5aAgG

apologised for this just a few days later[12], but it is really hard to imagine that they did not consider the gravity of their actions before, especially given their early condemnation of Putin's attack[13].

The main takeaway of this story is that ethical standards might be considered valuable in the business world, but they only come in second place after profits. We have said that oil purchases have slightly decreased after the annexation of Crimea, but we should also remind ourselves that Shell has still bought around $26.6 billion in oil since then.

## 2.3 BP

With respect to the companies we just presented, British Petroleum (BP) has a slightly lower share of the Russian oil imports. Their 2020 purchases were 3.5 million tonnes, with a $1.7 billion expenditure. Despite the relatively smaller numbers, we notice that they have increased their exposure on the Russian market by 73% (from 2.6 to 4.5 million tonnes estimated for 2021). They also partner mainly with Surgutneftegaz and Gazprom Neft, even though they do not have subsidiaries like TotalEnergies and Shell.

Right after Putin's declaration of war, BP announced the intention to offload its 19.75% stake in Rosneft, a Russian state-controlled oil company. Despite having worked in Russia for more than 30 years, they suddenly decided to abandon their affairs with Ural oil. Different sources also reported that they have been decisively pressured by the UK government[14] to make this decision. Such a drastic decision might be read as a permanent commitment towards a future free from dirty businesses. However, it still has to be seen whether and how they will find other suppliers, considering that they have spent almost $10 billion in Russian oil since 2017.

## 2.4 TotalEnergies, Shell and BP combined

Together, TotalEnergies, Shell, and BP have purchased an estimated $92.7 billion worth of oil.

In 2019 and 2020, the combined purchases of the three companies purchased $17.4 billion and $15.3 billion, respectively. In both years, this was equivalent to 1% of Russian GDP[15]. For the sake of comparison, Russia's military expenditures in those years was between 3.8% and 4.3% of GDP.[16] The three European oil majors purchased oil equivalent to a quarter of Russia's military budget.

The most optimistic say that, as markets are becoming increasingly severe on companies' reputation, they will not tolerate the three giants ignoring the European collective effort to stop the war in Ukraine. However, we have seen how a similar situation occurred during the annexation of

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[12] Shell (8 March 2022) Shell announces intent to withdraw from Russian oil and gas. Available: https://www.shell.com/media/news-and-media-releases/2022/shell-announces-intent-to-withdraw-from-russian-oil-and-gas.html

[13] Vinopal, C. (28 Feb. 2022) Shell's exit from Gazprom intensifies pressure on Total and Exxon. QZ. Available: https://qz.com/2135252/shells-3-billion-russia-exit-puts-pressure-on-total-exxon/

[14] Bursztynsky, J. (27 Feb. 2022) BP offloads its nearly 20% stake in Russia's Rosneft. CNBC. Available: https://www.cnbc.com/2022/02/27/bp-offloads-stake-in-russias-rosneft.html

[15] The World Bank (Accessed March 2022) data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=RU

[16] The World Bank (Accessed March 2022) data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS?locations=RU

Crimea, and we can observe business as usual behaviour. A hint towards this direction is given by the fact that TotalEnergies didn't lose its stock value despite not having taken a position against Putin's war.

## 3. How European Big Oil should pay back to society

Just three European oil majors (TotalEnergies, BP and Shell) have spent almost $100 billion since the annexation of Crimea. It is inexplicable why companies that claim to be socially responsible continued to finance Putin's war machine, despite the international outcry. Only one explanation is possible: profits. Like they did with climate change, environmental destruction or human rights abuses, they put profits first: dividends for their shareholders and bonuses for their top management. It is about time to make them pay back to society.

The European Union is considering introducing a carbon pricing mechanism on road transport fuels. T&E has recently commissioned work[17] that shows there are legal mechanisms to ensure at least part of the cost associated with this new tool is absorbed by oil companies. Revenues from such a scheme should be used to help those most vulnerable in the energy transition, through a contribution from the oil majors to the new Social Climate Fund.[18]

In parallel, in the short term, European governments should implement a new windfall profit tax. Oil majors are massively profiting from increased oil prices that are a direct consequence of the war that they partly financed in the first place. The revenues from this tax should also be used to support the lowest incomes. That would be a more targeted social response to the price hikes than many member states' current approach to reduce excise duties, which T&E found[19] benefits the richest motorists on average eight times more than the poorest.

Oil companies, fuel retailers and petrol stations must urgently disclose what share of petrol and diesel sold originates from Russia and other despotic regimes. Governments should introduce rules to ensure fuel retailers provide this information. Finally, Europe should introduce an import tariff on Russian fossil fuel imports into Europe to reduce Russian oil profits ahead of a complete end to Russian fossil fuel imports into Europe.

[17] Transport & Environment (2022) EU has the right to pass on carbon price to oil majors, legal analysis shows. Available:
https://www.transportenvironment.org/discover/eu-has-the-right-to-pass-on-carbon-price-to-oil-majors-legal-analysis-shows/

[18] Transport & Environment (2022) The road to a road ETS: How to design a socially fair and environmentally effective system. Available:
www.transportenvironment.org/discover/the-road-to-a-road-ets-how-to-design-a-socially-fair-and-environmentally-effective-system/

[19] Transport & Environment (2022) A dereliction of fuel duty: Europe's €9bn gift to Putin and the rich. Available:
www.transportenvironment.org/discover/a-dereliction-of-fuel-duty-europes-e9bn-gift-to-putin-and-the-rich

## Further information

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## Appendix - Technical note

The goal of the report is to highlight the magnitude of Russian affairs with European big oil companies after the Crimean war. The great majority of the data comes from Forbes' "20 largest buyers of Russian oil" reports[20], including amount purchased in tonnes and contract value, as well as a quick overview on each company's main purchase sources and recent activities.

The data show the amount of oil purchased (in million tonnes) and the price paid for the deal (in nominal $US). The price per barrel is inferred by simply dividing the contract value by the amount purchased, and then rescaled to the value to price per barrel, using a conversion factor of 7.33 barrels per tonne of crude[21].

We restricted the analysis on those companies that have headquarters in Europe, as they are subject to European regulation and socio-political pressure. For this reason, we disregarded companies registered in Switzerland (Litasco, Tatneft Europe, Glencore) as their businesses are usually extremely diversified across the world. We note that between 2016 and 2020, their total purchases amounted to $104.6 billion.

We cross-checked the Forbes data on purchase contracts with the World Bank database on average yearly oil price. Even though the two measures are generally consistent within each other, in case of conflict we used the latter source.

Data was not available for 2015 and 2021 purchases, and BP does not appear on the top 20 list in 2016. For the former issue, we estimated the missing quantities by linear extrapolation on the existing data. We assumed BP did not have purchases in 2015. The final contract amount for these years was then the product of the estimated quantity of oil purchased and the World Bank Brent crude oil price, used as a proxy for Urals oil price.

[20] See for example: Forbes (2021) 20 largest buyers of Russian oil - 2020. Available: https://www.forbes.ru/rating/398821-20-krupneyshih-pokupateley-rossiyskoy-nefti-2020
[21] BP (2021) Statistical Review of World Energy; Approximate conversion factors. Available: https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-approximate-conversion-factors.pdf