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Financial sanctions have taken the ammunition away from Fortress Russia.

It has no choice now but to sell its energy. But the sanctions are also creating so much uncertainty that people are simply refusing to buy Russian oil – with no correspondent banks, no letters of credit, no cargo insurance - so this will lead to a general increase in the price. Eventually, energy sanctions will also have to be implemented because markets will find a way to work around this uncertainty. For now, we don't have a one size fits all energy sanctions strategy. We have the US banning imports of all Russian energy, the UK banning gas but not oil, and the EU saying it will cut gas imports to two thirds. The question is whether these commitments will have follow through and whether they will backfire in the form of price increases, damaging the economies of sanctioning countries.

Is this market more fragile to demand destruction or supply?

I don't share the view of a big supply disruption and ever rising oil prices. When the invasion started, oil prices were in a much better place than gas, with the price of European gas equivalent to \$600 per barrel oil, three times the average of last year. Inflation and efficiencies also mean that \$100 oil today is not what it was ten years ago. Every year, we can produce the same global GDP as the last year, with 2 million bd less. High prices from 2011 to 2013 didn't cause a recession, and oil was about \$150 in today's prices. So, from a simplistic view, \$100 is not as shocking as it looks, and that's also what OPEC+ is thinking. We also have safety valves from sanctioned oil in Iran and Venezuela, which could free up more supply and an SPR of an additional one million barrels per day for 1500 days. So, oil seems to be plentiful. However, the demand side is concerning because of China's Covid lockdown, US interest rate hikes, and Europe being subject to all sorts of bottlenecks and constraints, in addition to a refugee crisis that will add to potential unemployment problems.

Where does China's stance go from here on the Russian invasion?

It will stick with Russia officially, but keep its cards close to its chest, continuing to push the envelope, but keep the situation from boiling, and it's in a good position to do this. China will continue to focus inwardly on getting President Xi into his third term and be prepared to pay an economic price for it.

How long can Russia hold out economically?

Nobody should underestimate the capacity of Russia's economy and of its people to withstand pressures much higher than what they're facing already. There is a substantial core which will rally around their leadership, and so we should not expect an Orange revolution. The conflict in the Ukraine looks like it will be scaled down and literally frozen. I don't see an end game other than a demarcation line and some sort of buffer state in the middle, which would probably make Russia happy. It's not pretty but it's stable. ■

**Paraphrased comments*