

Russia seeks new fuel markets in Africa, Middle East as Europe turns away

Russia is increasing gasoline and naphtha supplies to Africa and the Middle East as it struggles to sell fuel in Europe. Asia is already taking bigger volumes of Russian crude, Refinitiv Eikon data showed and sources said.



Oil refinery in Omsk, Russia. Reuters/Alexey Malyavko

The development is likely to increase competition for Asian customers between Russia and other big fuel exporters – Saudi Arabia and the United States – which are the top three suppliers to Asia.

The European Union has slowly reduced imports of Russian crude and fuel since March and agreed on a full embargo that will take effect by end-2022.

Asian buyers have stepped in to rapidly increase purchases of Russian crude, even though Asia is not a natural market for Russian fuel because Asia refines more oil than it needs and is a net fuel exporter. That makes finding new outlets such as Africa and the Middle East paramount for Russia to protect its global market share and avert a deeper decline in oil exports and output.

"Africa and the Middle East seem to be main options for Russian oil product suppliers, so we expect more shipments there in the second half of the year as the EU embargo gets closer," a trader involved in Russian oil product trading told Reuters.

Russia exported more than 2.5 million barrels per day (bpd) of crude and some 2 million bpd of fuel to Europe before sanctions on the Russian financial sector, which has made trade much more difficult.



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Increased supplies exported to Africa and Middle East

Russian oil companies have recently increased supplies of gasoline and naphtha to Africa and the Middle East from the Baltics, traders said. Before sanctions, most Russian supply to the regions came from the Black Sea ports.

At least five cargoes carrying about 230,000 tonnes of gasoline and naphtha were supplied in May-June from the Baltic port of Ust-Luga to Oman and to the UAE oil hub of Fujairah, based on Refinitiv data.

In total, naphtha and gasoline supplies from Russian ports to Oman and the UAE have totalled nearly 550,000 tonnes this year compared with zero in the whole of 2021, data showed.

Nigeria and Morocco have been major destinations in Africa for Russian gasoline and naphtha in recent months, Refinitiv Eikon data showed and traders said, while several cargoes also were supplied to Senegal, Sudan, Ivory Coast and Togo.

Overall, monthly supply of Russian gasoline and naphtha to the region was at about 200,000 tonnes during recent months, including volumes shipped from storage in Latvian and Estonian ports, Refinitiv Eikon data showed.



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Senegal, Togo top destinations for diesel

Russian diesel shipments to African countries have reached 1 million tonnes since the beginning of the year, up from 0.8 million tonnes in January-June 2021, with Senegal and Togo as top destinations, Refinitiv data and Reuters calculations showed.

In May, Russian fuel oil arrivals in the UAE oil hub of Fujairah also jumped sharply.

Despite higher shipping costs, supplying Russian oil products to Africa and the Middle East helps trading firms to preserve margins as options to resell oil products in Europe have been limited due to sanctions, traders said.

"Sohar (in Oman) and Fujairah (in the UAE) could offer storage and blending capacities for all these barrels, while European ports have started to refuse Russian oil products," a market source involved in Russian oil product trading said.

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