

Oil Laundering: How did Russian Oil Circumvent the European Union’s Embargo?[†]

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Abstract

The European Union’s embargo on Russian crude and refined oil from 2022 may have unintentionally enabled the indirect entry of Russian oil into sanctioning EU markets through third-country refining, a process commonly described as “oil laundering.” To provide formal evidence of this mechanism, this paper examines whether Russian crude oil was rerouted to non-sanctioning countries—specifically China, India, Turkey, Singapore, and the United Arab Emirates—and whether these “laundromat” countries subsequently increased exports of refined petroleum products to the EU. Using a gravity-model framework and event-study analysis, we show sharp and synchronized shifts in trade flows consistent with laundering behavior. Imports of Russian crude oil into laundromat countries remained stable before 2022 but surged dramatically afterward, rising by 5,360% in 2023 and 10,894% in 2024. In parallel, EU imports of refined petroleum products from these same countries show no pre-embargo trend but a substantial increase by 105% in 2023 and 59% in 2024. Heterogeneity analysis indicates that China and India served as the most prominent intermediaries, while other sanctioning countries—such as the United States, Canada, Australia, and Japan—exhibited no comparable increases. Placebo tests confirm that EU members exempt from the embargo did not increase refined-product imports from laundromat countries. Because the EU’s 2022 embargo unintentionally facilitated indirect entry of Russian oil through third-country refining, these

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findings highlight the need for more comprehensive downstream product regulations and improvement of traceability mechanisms in sanction design.

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