

MNI Oil Weekly: Sanctioned Barrels Building

By Andrew Couper & David Lee (21/01/2026)

Executive Summary:

- **Sanctioned Barrels Building:** Under increased scrutiny by the Trump administration, sanctioned oil barrels face a host of difficulties placing themselves into the market in early 2026 as floating levels surge.
- **Oil Markets:** Brent crude front month has bounced within the \$63.3 to \$65.15/bbl range since pricing out some Iranian risk sentiment on Jan. 14. Near term Kazakhstan supply concerns have provided support while geopolitical uncertainty remains in focus. Crack spreads have been rising while the market watches for any disruption ahead of the EU ban on products made from Russian oil on Jan. 21.

Sanctioned Barrels Building:

If we look at the start of 2026, oil prices have faced significant geopolitical disruption and some inflection points that have spurred risk premium on and off, most notably recent Iran escalations and developments in Venezuela. Russia for its part, remains largely quiet for oil this year headline wise but is not without structural problems.

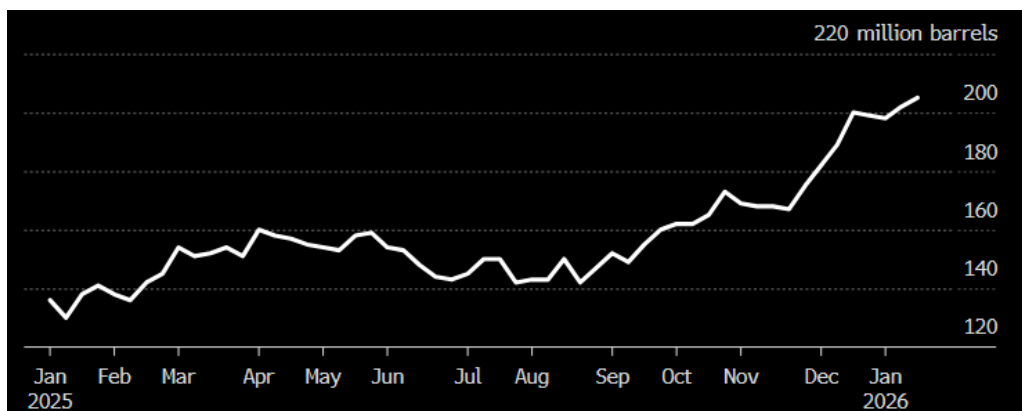
- Underlying this on the physical side of things is the significant oversupply on the market, the key factor in downward pressure in Q4 last year and something weighed upon by sanctioned barrels struggling to find a home in the face of greater scrutiny by the Trump administration. In recent years, sanctions on oil have largely seen as a PR mission, with little in the way of actual scrutiny – until recent months.

Russia:

Russia really kicked this trend off after Rosneft and Lukoil sanctions were dealt a major blow, facing the wrath of Trump last October with measures that came into effect on November 21. As a result, Chinese and Indian buyers have shunned Russian barrels, leaving a significant build up on the water, though workarounds are emerging.

- Russian crude deliveries to India slumped in December to about 1.2 million barrels a day from 1.78 million in November according to Kpler – representing a 3-year low.
- Russia shipped 3.16 million barrels a day in the four weeks to Jan. 18, according to vessel-tracking data compiled by Bloomberg. That’s down by about 700,000 barrels a day from a pre-Christmas peak and 260,000 barrels a day lower than the period to Jan. 11.

Russian Oil at Sea Surges as Buyers Shun its Barrels – Source: Bloomberg Finance L.P.



- The slump in deliveries has left at least 11 tankers full of Russian crude idling between Oman and the island of Socotra this week, adding to the floating sanctioned barrels glut.
- India's Reliance Industries is set to receive sanctions-compliant Russian oil in February and March after a one-month pause, Reuters reports on Wednesday, citing four sources. This at least highlights that workarounds are emerging in some fashion and its not an outright halt on Russian barrels heading to India.
- A European Union restriction came into effect on Wednesday, banning the import of petroleum products from third countries that are manufactured from crude oil originating in Russia – a blow for Indian refiners buying Russian oil and sending the refined products to Europe.

Venezuela:

The U.S. military seized a seventh tanker related to Venezuelan oil trade on Tuesday. It highlights how serious the Trump administration is taking its control of Venezuelan oil flows post its capture of Maduro earlier this month – though the seizing of vessels had begun Dec 10 as pressure ramped up on his power.

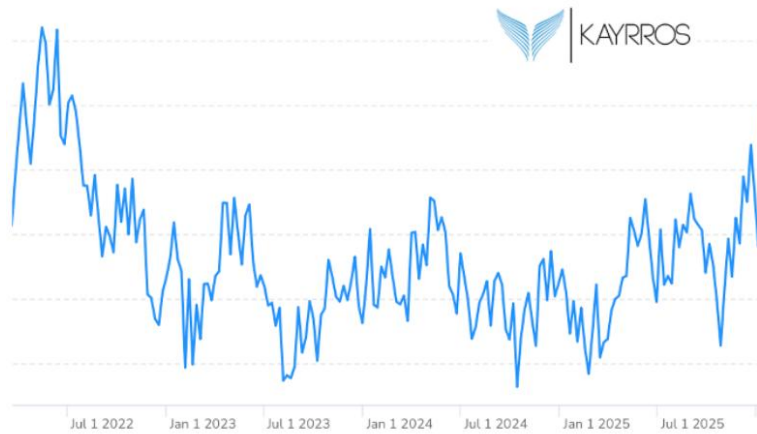
- Venezuelan crude exports to the US through the Chevron licence continue, US naphtha is headed to Venezuela for use as diluent, and sanctioned Venezuelan crude is moving to Caribbean storage facilities, where it is being marketed for sale by trading houses Trafigura and Vitol.
- Vortexa said that the Caribbean is emerging as a staging and holding area for Venezuelan oil as the new trade dynamic develops during these early days.
- Vortexa is tracking both Venezuelan oil on the water and the percentage seized by the US. Oil on the water remains high, at around 70m barrels, while the share seized has increased from 5% in mid-December to almost 9% currently.
- Trump told reporters on Tuesday that the US already has taken 50 million barrels of oil out of Venezuela.
- "We've got millions of barrels of oil left," he said at the White House. "We're selling it on the open market. We're bringing down oil prices incredibly."

Iran:

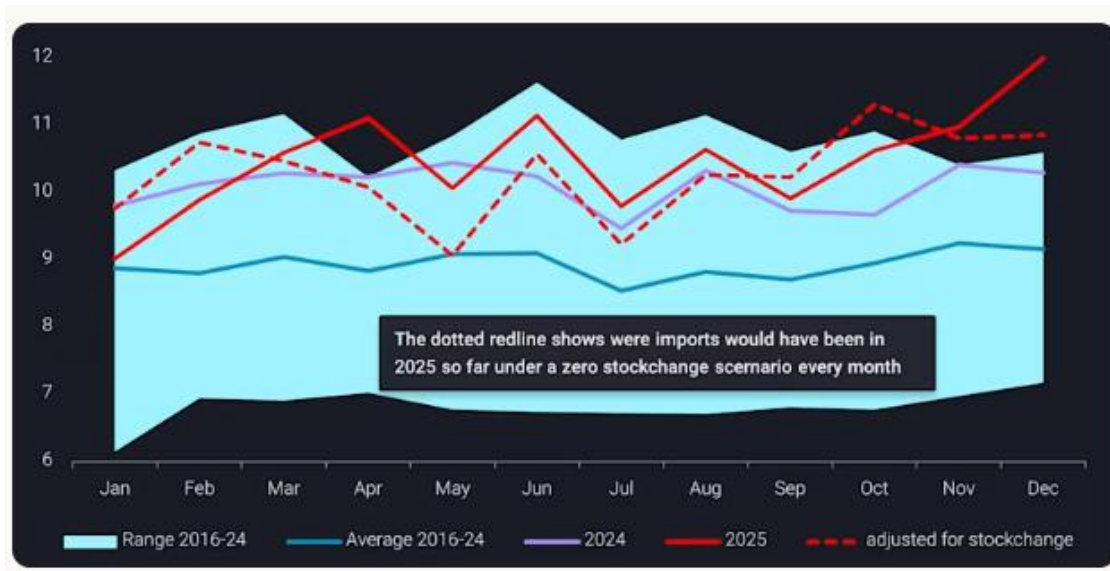
Iran's domestic unrest has been well publicised in recent weeks as protests surged across the nation and fierce government clampdowns emerged, a situation that many feared would result in a U.S. strike.

- Oil markets tried to price in the possibility of strikes but went heavily risk off as Trump claimed that protestors were no longer being harmed in the middle of last week. Operators in its oil sector have also faced increased sanctions and scrutiny as a result of the latest unrest, pressing its illicit supply network further.
- Earlier this month, shipping data from Kpler and Vortexa, showed that crude oil stored at sea by Iran had reached record highs, between 166 million and 170 million barrels, roughly equivalent to about 50 days of Iranian production.
- It's not just scrutiny of buying Iranian barrels that has formed in China, refiners there also slowed buying late last year as they were light on quotas and benefitted from sanctioned grade competition, pushing out some Iranian supply.
- Around half of Iran's floating barrels have ended up off Singapore to avoid any Gulf related disruptions with the U.S. Kpler said.

Iran crude inventories at their highest in 3.5 years – source: Kayrros



China's Role:



As the key buyer of sanctioned barrels, surging imports in December to record levels mean buying activity was unlikely to sustain.

- Shandong pulled in record high levels of sanctioned barrels in Nov-Dec.
- In November, China granted over 7mt of 2026 crude import quotas for use before end-2025, allowing teapot refiners to maintain strong operating rates. This came as refining margins improved sharply, driven by a collapse in prices for their key sanctioned feedstocks. Batches of quotas are being released for this year, unlike prior full year releases.
- Strong discounts for Russian barrels saw higher imports into China in Dec vs yearly levels (1.5mn bpd vs ~1.2mn bpd average)
- This influx pushed out other competing sanctioned barrels.

- Flows of Venezuelan barrels in particular are going to show a drop in the months ahead with nothing now heading there. Barrels can still go there but the discount is nowhere near where it was. Shandong refiners were also reported to be full for high viscosity Venezuelan storage in late December.
- State-owned refiners remain self-constrained in their exposure to sanctioned crude, with purchases in recent years largely limited to Russian barrels.
- State refiners largely halted Russian seaborne purchases in late 2025 following sanctions on Rosneft and Lukoil meaning those barrels remain an independent refiner play.

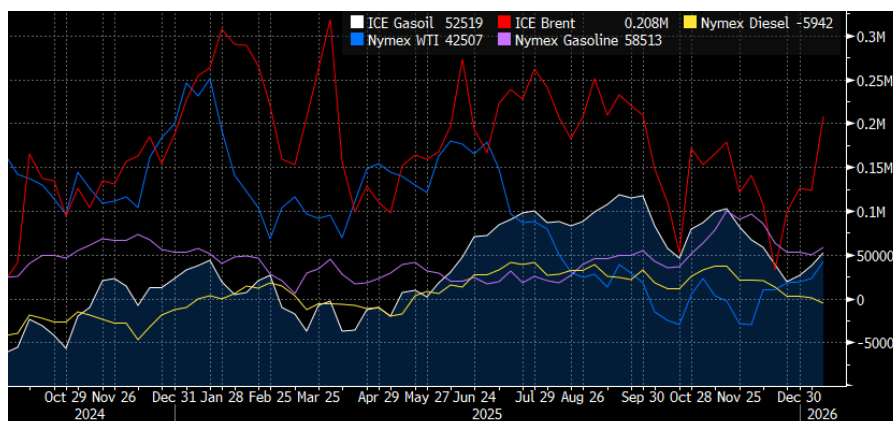
Oil Markets:

Brent crude front month has bounced within the \$63.3 to \$65.15/bbl range since pricing out some Iranian risk sentiment on Jan. 14. Ongoing geopolitical uncertainty in Iran, Venezuela, and Russian continue to add to price volatility while near term Kazakhstan supply concerns provide support. The US President's push to take Greenland has rattled wider markets and is weighing on oil over tariff/demand fears.

Markets:

- Money managers increased net long Brent and WTI crude positions to the most bullish since Sep. in the week to Jan. 13. Long only positions were the highest since June and short only were the lowest in eight weeks. The weekly rise was driven primarily by Brent while WTI net longs are the most bullish since August.
- The near-term crude call put option skews had shifted back toward the puts following an easing of Iranian supply risks last week although have edged slightly more bullish again since.
- The Brent second month call-put 25 delta spread is around +12.5% currently compared to a high of +16.9% on Jan. 14. The WTI second month skew is trading just below the highs from last week around +9.15%.
- Near term Brent curve backwardation has softened slightly. The Brent 1-2 month spread has fallen from its highest since September at around \$0.8/bbl on Jan. 13 to \$0.7/bbl and Jun26-Dec26 is down from \$1.14/bbl last week to \$0.7/bbl.
- The IEA slightly increased its forecasts for oil demand growth in 2026 for a third consecutive month to trim its glut outlook. World oil consumption will rise by 930kb/d this year, 0.9% higher than its prior estimates. Stockpiles are theoretically on track to climb by 3.7mb/d this year, although the actual overhang may not reach these levels in practice.

ICE and Nymex Commitment of Traders Managed Money Positions – Source: Bloomberg Finance L.P.



Kazakhstan:

Kazakhstan's Tengiz and Korolev oil fields could be halted for another 7-10 days after shutting down on Jan. 18, Reuters said on Jan. 20. Tengizchevroil says production was temporarily shut in at the fields due to an issue at the power distribution systems which follows a fire over the weekend.

- An industry source told Reuters last week that oil output at Tengiz more than halved from January 1-12, mainly due to export constraints at the CPC.
- The CPC is close to restarting Mooring 3 after operating at reduced capacity since November, Bloomberg reports. No detailed timeline for completion was provided following previous weather-related delays causing operation using just a single mooring.
- The planned return of Mooring 3 could lift shipments in the final days of January and support Kazakhstan's crude output in the months ahead. CPC Blend loadings for Jan. were last week revised down 45% from the initial loading program to between 800k-900kb/d. Loadings are expected to rebound to 1.45m-1.55mb/d in February.
- Kazakhstan re-directed about 300k metric tons of oil flows to alternative routes to minimise the impact of lower loadings from the CPC terminal in December, KazMunayGas said. Exports were redirected for further delivery to Germany, China, the Baku-Tbilisi-Ceyhan pipeline and via the ports of Novorossiysk and Ust-Luga.

Iran:

There have been no signs of protests in Tehran for days following harsh repression by authorities last week that killed thousands. Trump quickly changed course last week, backing away from threats after saying the killings had stopped.

- Iranian officials continue to promise harsh punishments for "rioters" arrested during recent nationwide protests which offers a possible escalation point with Trump again.
- Tensions remain high amid reports that additional forces will bolster the US assets already in the region. Several Middle Eastern allies urged the White House not to carry out strikes on Iran in revenge for Tehran's violent crackdown on protesters.
- There is no shortage of Iranian oil in the market, with Iranian crude in transit conservatively estimated at around 80m bbl, Platts said. While this is down from a record 113m bbl in early October, it remains the highest level for the time of year since at least 2017. Iranian crude exports were at 1.4mb/d in December, a nearly 20-month low and down from a peak of 2.02mb/d in October.

Venezuela:

The US is moving as fast as it can to grant Chevron an expanded license for its oil production in Venezuela, US Energy Secretary Chris Wright told Reuters. Chevron would become another marketer of Venezuelan crude under the plan.

- The Trump administration has been working on ways to try and incentivise U.S oil companies to invest in Venezuela over security and government stability concerns.
- The US government plans to allow more trading companies beyond Vitol Group and Trafigura Group to purchase Venezuelan crude, a Trump administration official said. The pending authorization, expected to involve a general license easing existing sanctions, would require all Venezuelan oil supply deals to pass through the US market.
- Several European partners of Venezuela's state-run PDVSA, including Repsol and Maurel & Prom, have applied for US licenses or authorisations to export oil from the country, Reuters reported.

- The US government is not currently considering using Venezuelan oil in an exchange with US oil companies to refill the country's Strategic Petroleum Reserve, the Department of Energy said on Jan. 16.
- Vitol Group has offered Venezuelan cargoes to Chinese buyers at discounts of around \$5/bbl to ICE Brent, testing Asia's appetite for the South American nation's benchmark heavy, sour crude Bloomberg reports.
- Venezuelan crude was being offered this week to US Gulf Coast refiners at a premium to competing Canadian barrels traders told Reuters.
- PDVSA Oil Production from the Orinoco Belt fell 22.6% to 398kb/d in the first two weeks of January, after PDVSA began shutting wells amid a US naval blockade, Bloomberg reported.
- MRPL is actively considering purchases of Venezuelan oil if commercial terms, including freight rates, are favourable. Reliance, Indian Oil Corp and Hindustan Petroleum Corp are also considering buying Venezuelan oil, according to Reuters.
- US Gulf tanker rates have risen to the highest in two years boosted by the prospect of increased oil exports from the US following the intervention in Venezuela, Bloomberg said. Increased Venezuela crude availability for US refiners would likely to be delivered on mid-sized tankers, while more WTI crude will also be pushed to Europe, squeezing availability.
- The US have seized the sixth and seventh dark fleet tankers this week as the US military is targeting the shadow fleet of vessels carrying sanctioned crude from countries including Venezuela.
- Currently, around 24m bbl of Venezuelan crude is held in floating storage globally, with roughly half that in Asia, Kpler estimates show.

Russia:

Russian Envoy Kirill Dmitriev said he held constructive talks on resolving the war in Ukraine with US counterparts, Steve Witkoff and Jared Kushner at a meeting in Davos Jan. 20. Dmitriev said "the meetings are constructive, and more and more people are realizing that Russia's position is right."

- The US, Europe and Ukraine are seen to be closing in on a deal regarding security guarantees and ceasefire monitoring that would look to deter any future Russian aggression.
- President Zelenskyy said earlier this month that a finalisation of security guarantees could happen as soon as the end of January.
- Zelensky said he might go to Davos if he has a bilateral meeting with Trump to sign "prosperity deal" between Ukraine and the US.
- Russia's oil exports fell 700kb/d from the pre-Christmas peak and 260kb/d lower on the week to the lowest since August in the four weeks to Jan. 18 at 3.16mb/d, Bloomberg reports. Deliveries to India slumped in December to about 1.2mb/d, down from 1.78mb/d in November ahead of the EU ban on imports of refined products made from Russian crude from Jan. 21

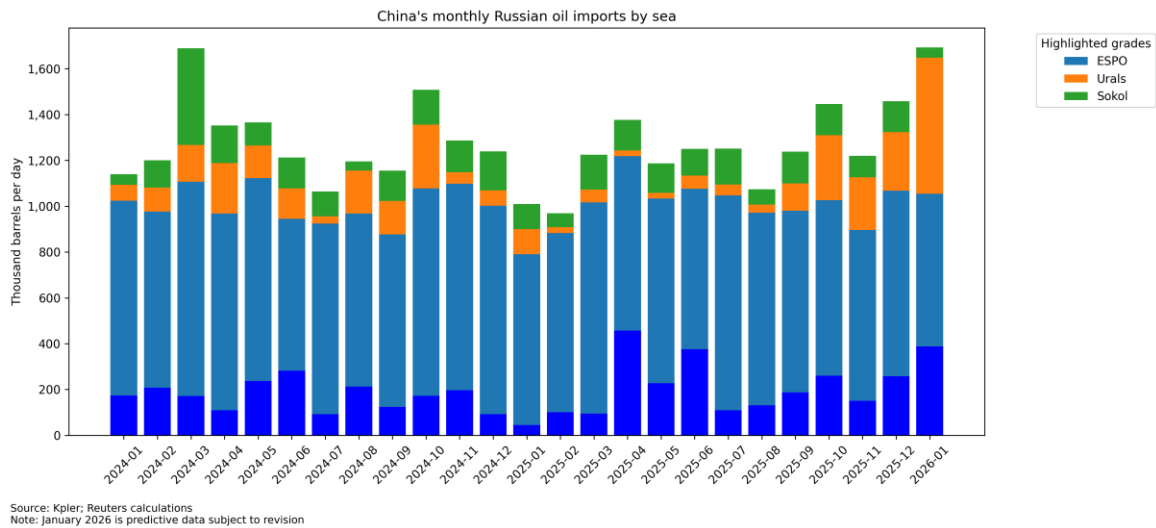
China:

China's crude oil imports from top supplier Russia fell 0.7% year on year in December while imports from transshipment hub Malaysia and Indonesia fell and UAE, Brazil and Canada supply surged, according to Customs data.

- China imports of Russian Urals are the highest since 2023 with prices lower than Iranian oil and after India cut Russian imports, Reuters said. China imports of Urals crude rose to 405kb/d so far in Jan with total seaborne imports from Russia at 1.4mb/d, Kpler showed.
- Urals discounts to Brent for delivery to China were as wide as \$12/bbl in late 2025 compared to \$8/bbl for Iranian Light, a Reuters source said. Prices are currently on par at about \$10/bbl for March delivery.

- China Dec. crude imports rose to 55.97m tons, or 13.18mb/d, from 50.89m tons in Nov. and 17% higher on the year, according to Customs data earlier this month.
- The last tankers carrying sanctioned Venezuelan crude to Asia are set to arrive in the coming days, effectively drawing to a close China’s access to a source of cheap oil that has helped sustain its refining sector, according to Bloomberg.

China Monthly Russia Oil Imports – Source: Reuters / Kpler



India:

The OPEC share of imports to India rose to an 11-month high of 53.2% in December as Russian oil imports fell to their lowest since Jan 2023 at 27.4%, Reuters said.

- India’s buying of Russian crude is likely to stabilise or potentially decline this month, leaving more Russian crude cargoes stranded, Bloomberg reports. Kpler’s Ritolia estimates the January level to be around 1.2m-1.4mb/d, though final levels could be lower than that.
- Indian refiners are turning to Middle Eastern grades to help replace barrels from Russia according to Reuters sources. BPCL has issued three tenders for three grades – Murban, Basrah, and Oman crude – for delivery from April to March 2027. Reliance Industries has been active in the Middle East spot market, buying grades including Qatar Land and Al-Shaheen earlier this month, traders said.

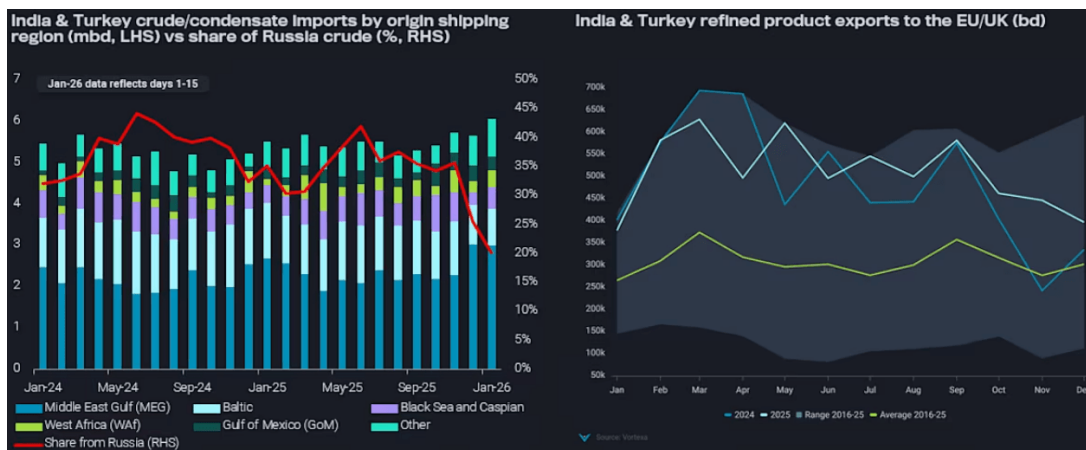
Oil Products:

Crack spreads have been rising with support from geopolitical risks, while the market watches for any disruption ahead of the EU ban on products made from Russian oil on Jan. 21.

- **The prompt ICE Gasoil spread** has rallied to \$8/mt after holding steady between mid-Dec and mid-Jan. The Jun26-Dec26 spread has rallied from a low in early Jan. of around \$3/mt to \$18.75/mt today driven geopolitical risk sentiment and cold weather in Europe.

- **ICE Gasoil net longs** rose again to extend a recovery after falling in December to the lowest since June, in the week to Jan. 13. Nymex diesel switched to a net short for the first time since May, but Nymex gasoline positions edged slightly higher to maintain a small net long position.
- Data last week showed **European ARA Gasoil stocks** 7.5% below the five-year average. US distillate stocks were 4.3% below normal and Singapore Middle Distillates inventories were 9.9% below normal.
- **Europe should see limited tightness** linked to the EU ban on products made from Russian oil starting Jan. 21, at least in the short-term, Vortexa said. India and Turkey are restructuring operations and alternative barrels are available from the US and the Middle East. An easing of refined product exports to the EU/UK likely aligns with seasonal E/W weakness and seasonal Pacific Basin rather than compliance difficulties.
- **If EU regulations treat the Sikka Jamnagar** as one installation, a 60-day interval for no Russian crude arrivals pushes the earliest compliant loading to Feb. 17, suggesting early March delivery into Europe. Earlier compliant loadings could be possible if terminal-level segregation is accepted.
- **Indian refiners appear well positioned** to continue to export oil products to Europe as EU restrictions come into effect, according to Kpler analyst Nikhil Dubey. The early alignment suggests India's middle distillate exports to Europe are likely to remain structurally supported into 2026.

India & Turkey Imports by Region and Export to EU – Source: Vortexa



- **Upside price pressure** was previously limited by higher runs in the West, and strong complex margins, particularly in Europe late last year following substantial ARA outages in Q3-Q4, Sparta Commodities said.
- The pace of **attacks from the Ukraine on Russian refineries** has slowed in recent weeks from levels seen in Q4 with increased focus of strikes on tankers and oil fields. However, Ukrainian drone fragments set the Afipsky refinery on fire overnight Jan. 20, but local reports suggest there has been limited damage and the fire was quickly extinguished.
- **Russia's refinery runs** averaged about 5.3mb/d in the first two weeks of January, Bloomberg reports. The runs are about 275kb/d below the average level for Dec. 18-24 following Ukrainian drone attacks in the last days of December. The Tuapse refinery and Novoshakhtinsk plant halted operations following attacks in late Dec.
- **Ultra-low-sulphur diesel** loadings from Primorsk may rise in January by about one-third from December and exceed 2.2m tons, supported by higher fuel output and seasonally weaker domestic demand, Reuters reports.

- **Russia's seaborne oil product exports** rose 17% m/m in December to 9.069m tons. Diesel and gasoil exports surged by nearly 40% in December from November to about 3.41m tons, driven by higher fuel production and a seasonal drop in domestic demand, Reuters reports.
- The Russian government and relevant agencies are considering **lifting the ban on gasoline exports** for producers effective Feb. 1, according to Interfax and TASS. A final decision on lifting the ban has not yet been made. The Ministry of Energy is scheduled to hold a market situation meeting on Jan. 22 to discuss the issue.
- **The global gasoil complex** is expected to lengthen in 2026, as supply is projected to rise by ~400kb/d to outpace demand, Kpler said. Support comes from stronger refining runs in the Middle East, new capacity from Dangote, Dos Bocas, Balikpapan, Barmer, and stronger year-on-year operations in Europe and the FSU. Demand growth is projected at 90kb/d y/y amid structural erosion in Europe, the US and China, partly offset by expansion in Africa and Southeast Asia.
- **Indian refiner's crude throughput** rose by 6.5% m/m in December to 5.62mnb/d according to provisional data. Reliance cut imports of Russian oil by 32.4% in December from the previous month to 310.2kb/d, the lowest level since February 2024.
- **CDU capacity utilisation rates** at China's state-owned refineries are expected to rise as CNPC Yunnan is in ramp-up stage and Sinopec Shanghai finishes maintenance, according to OilChem. Among independent refineries in China's Shandong province, CDU capacity utilisation rates are estimated to slow the production for narrowing margins or destocking needs.
- **China's refinery throughput** slowed in December to 62.46m tons but in 2025 rose 4.1% year on year to an all-time high of 737.59m tons, or 14.75mb/d, NBS showed.
- **Refining runs in 2025** were supported by capacity expansion among national oil companies and the ramp-up of the Yulong refinery, Energy Aspects said cited by Reuters.
- **China's gasoline demand** is projected to tick up in the week as end-market players begin stockpiling for the Chinese New Year holiday, OilChem said. Gasoil demand is expected to continue contracting in Southern China, with demand in northern China bottoming out.
- **China's oil product exports** rose 4.9% on the month in December to 5.37m tons and 43.6% higher on the year, Customs data showed. Exports in Jan-Dec were down 0.2% year on year at 58.02m tons.
- **China's Dec. domestic crude oil production** also slowed from the previous month to 17.8m tons and with total year output up 1.5% at a record 216.05m tons, or 4.32mb/d, NBS showed.
- **Asian oil refiners** are switching from Murban crude as other grades become cheaper, Bloomberg reports citing traders. Murban has become relatively more expensive than other heavier, sourer grades in Asia this month. The premium for Murban over Dubai was \$2.24/bbl on Jan. 16 and more than double end of last year levels, according to General Index data cited by Bloomberg.
- **Majority Russian-owned NIS** has restarted a refinery in Serbia, resuming crude imports after securing a sanctions waiver its energy minister said. The first diesel to be produced by the refinery after the restart should be on the market by January 27.
- **NIS has until March** to negotiate the divestment of Russian stakes in the business with Hungary's MOL expected to take over the refinery. Gazprom and MOL have agreed on the key terms of an agreement to sell shares in Serbia's NIS, which will be submitted to the US administration for a decision..
- **Nigeria's 650kb/d Dangote refinery** supplied less gasoline to the domestic market than planned in December, according to figures from the national oil regulator cited by Bloomberg. The plant supplied an average of 32m litres of gasoline a day – equivalent to 201kb/d – well short of a planned 50m litres. Average utilisation at the facility was just under 63%. IIR previously reported that the facility's RFCC, which helps make gasoline, began a 50-day turnaround on Dec. 8.