MNI Oil Weekly: U.S. Trying to Force EU Sanctions on Russia

By Andrew Couper & David Lee (10/09/2025)

Executive Summary:

- **U.S. Trying to Force EU Sanctions on Russia:** Trumps oil threats on Russia keep getting kicked back. Markets still wait for his next proposed meeting with Putin while Washington aims to draw in Europe as part of the next sanctions measures.
- **Oil Markets:** Crude oil prices have fallen back from a high of just over $69.5/bbl last week with rising OPEC+ supply and demand uncertainty after Saudi Arabia cut most OSPs for October. Market surplus risks for 2026 are set against the potential for new sanctions on Russia.
- **Analyst Views:** See oil market views and outlooks from key industry names.

U.S. Trying to Force EU Sanctions on Russia:

Potential sanctions on Russia remain a key upside risk for oil markets but as Trumps vague deadlines pass, questions remain over his intent and whether sanctions would actually take barrels of the market. His efforts to include Europe as part of the deal signals further stalling is at play.

- Trump said at the weekend he was “not happy” with Putin following Russia’s largest aerial attack on Ukraine since the war began early on Sunday. He also said that he would be speaking to Putin soon, something he also said last week but has so far failed to materialise. He again expressed confidence that the war would soon be settled, saying "we're going to get it done".
- Trump was asked by reporters whether he is ready to move to the “second stage” of sanctions against Russia, and he replied yes. However, he did not specify what he envisions as the “second stage” of sanctions.
- US treasury secretary, Scott Bessent, said on Sunday that the US and the EU could put “secondary tariffs on the countries that buy Russian oil”

Bringing Europe into the Fold:

European countries should stop buying Russian oil and gas if they want Washington to tighten sanctions on Moscow, Chris Wright, US energy secretary, told the FT earlier this week.

- Trump has asked the EU to impose tariffs of up to 100% on India and China as part of a joint effort to increase pressure on Russia to end its war in Ukraine, according to three officials familiar with the matter speaking with Reuters.
- “We’re ready to go, ready to go right now, but we’re only going to do this if our European partners step up with us,” one US official said.
- A second US official said Washington was prepared to “mirror” any tariffs on China and India imposed by the EU, potentially leading to a further increase in US levies on imports from both countries.
- Reminder that India already faces chunky 50% tariffs with the U.S. for buying Russian oil. China meanwhile remains out of the crosshairs, likely to avoid destabilising trade talks.

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Europe Response:

Initial messaging on European 19th sanctions efforts appeared to fall short on targeting energy but the messaging is changing as the week progresses, especially as Russian drone incursions into Polish airspace ratchet tensions higher on Wednesday.

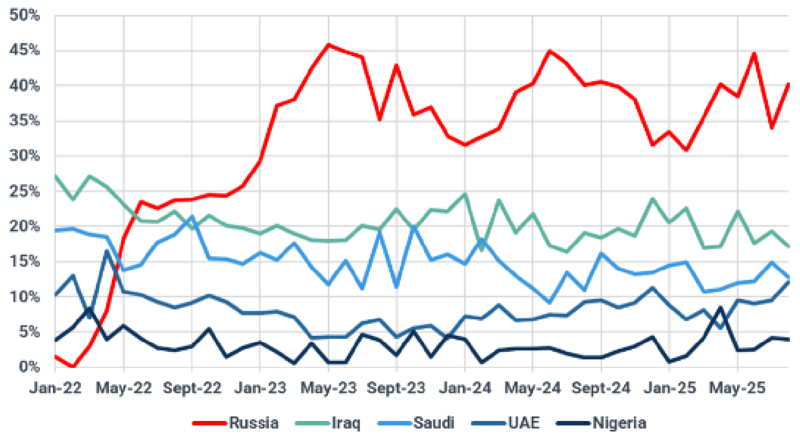
- The European Union is considering a faster phase-out of Russian fossil fuels as part of new sanctions against Moscow, European Commission chief Ursula von der Leyen said on Wednesday after U.S. pressure to stop buying Russian oil.
- In her State of the Union address to the European Parliament, von der Leyen said that the EU is "looking at phasing out Russian fossil fuels faster, the shadow fleet and third countries" as part of the 19th package of sanctions now being prepared.
- Hungary and Slovakia import around 200,000-250,000 bpd of Russian oil, equivalent to about 3% of EU oil demand and both countries remain opposed to speeding up bans.
- The EU is considering listing some independent Chinese refineries in its 19th package of sanctions against Russia, EU sources told Reuters on Wednesday. The European Commission may propose the new package as soon as Friday.

Response to Sanctions:

Oil markets will struggle to price in much risk if further sanctions are to be put in place by Europe and the U.S. because of the below factors:

- 50% India tariffs have failed to curb any Russian oil buying in recent weeks.
- The US has taken similar action as the EU is proposing against independent Chinese refiners for their purchases of Iranian crude this year, which curbed some buying (maybe more seasonal related), but did not result in a dramatic decline in imports
- Heavily sanctioned Arctic 2 LNG at first struggled to place its cargoes but they are now steadily flowing into China in recent weeks, highlighting a lack of concern about the measures.
- The recent meeting of the leaders of China, India and Russia in Shanghai at the start of September highlighted growing co-operation between these nations and eased tensions between China and India in particular in the face of Trump pressure during his second term.

Share of Key Suppliers in India's Total Crude Imports, % - Source: Kpler



Oil Markets:

Crude oil prices have fallen back from a high of just over $69.5/bbl last week with rising OPEC+ supply and demand uncertainty after Saudi Arabia cut most OSPs for October. Market surplus risks for 2026 are set against the potential for new sanctions on Russia.

Markets:

Crude Dec25-Dec26 backwardation continues to soften in line with the recent bearish pressure on front month prices. The Brent Dec25-Dec26 spread has fallen from a peak of $1.5/bbl on Sep. 2 to around $0.65/bbl.

- The second month 25 delta call-put volatility spreads have narrowed again so far this week after seeing puts rally faster than calls last week. On Sep. 5, the spreads fell to the most bearish since Aug. 8 with Brent around -2.3%. With oversupply still expected by many analysts into next year, despite geopolitical risks, the longer dated Brent Dec26 skew is currently showing a -5.05% skew to the puts.
- Managed Money net long crude oil positions rose in the week to Sep. 2 driven by Brent while WTI remained near the lowest since 2009, prior to the weekend OPEC+ meeting.

China's Oil Stockpiles Have Climbed Steadily in 2025: Source: Kpler data/Bloomberg graphics

OPEC:

OPEC+ agreed on Sunday to raise its output again in October as the group continues its six-month push for higher production. It begins the unwind of the 1.65mbp/d voluntary cuts in place since April 2023. Eight members of the group, including Saudi Arabia, Iraq and the United Arab Emirates, said they would increase their combined production quota by a total 137kb/d next month.

- Only Saudi and the UAE are likely to have spare capacity meaning the increase could be closer to 60kb/d OPEC sources told the FT.
- OPEC+ has already raised their oil production target by about 2.5mnb/d this year unwinding 2.2mnb/d of voluntary cuts as well as previously agreed boosted UAE quotas.
- Saudi Arabia cut prices for October across grades for its Asian buyers. The OSP for Arab Light to Asia was cut by $1/bbl to a $2.20/bbl premium to the Oman/Dubai benchmark for the month of October, more than the $0.4-$0.7/bbl cut that had been anticipated.
- Iraq also cut October crude prices to Asia and Europe. Iraq cut October Basrah Medium crude to Asia to a $1.35/bbl premium to the regional benchmark vs a $2.15/bbl premium in September.
- Middle East oil producers were expected to trim their OSPs for October-loading cargoes, with Dubai backwardation easing and oil consumption set to taper off, according to Kpler. Middle Eastern producers are facing increasing competition from West-of-Suez suppliers as well as from within the region itself, with deeper price cuts emerging as the most effective way to secure market share.
- One upside for Middle Eastern producers is that India is forecast to process significantly more crude this autumn, with no primary units at Indian refineries slated for maintenance in October.

Russia: (See main story for further details)

President Donald Trump has again warned of consequences for Russia if President Vladimir Putin doesn't agree to a meeting with Ukrainian President Volodymyr Zelenskyy.

- Trump told Zelenskyyy/Euro leaders that "there could be consequences if they don't meet", per WH official quoted by Reuters. Trump added: "We'll see what happens over week or two, at that point I'll step in," appearing to punt a possible US response to Moscow.
- EU officials are discussing potential sanctions against China and other third countries for purchasing Russian oil & gas, the FT reports.
- US President Trump has said he is open to new measures targeting Russia in conjunction with the EU after previous efforts to force President Putin into peace talks failed.
- Ukraine attacked the Druzhba oil pipeline in Russia’s Bryansk region, the commander of Ukraine’s drone forces said on Sep. 7. Crude oil deliveries to Hungary are running on schedule, a spokesperson for Hungarian refiner MOL said. The supplies are clearly facing increased threat of disruption as Ukraine steps up attacks on Russia’s energy infrastructure including recent prior attacks on Druzhba.
- Oil flows via the Druzhba pipeline to Germany's PCK refinery are expected to return to normal by the end of this week following repairs, according to Rosneft Germany cited by Reuters. The Nikolskoe oil pumping station in Russia’s Tambov region was struck by Ukrainian drones last month resulting in disruption to

operations of the Druzhba pipeline. KazTransOil said oil shipments via Druzhba to Germany in August rose by 18.7% month on month to 190k tons, Interfax reported.

- Rosneft has secured an additional deal on the supply of 2.5m metric tons of oil per year to China via Kazakhstan, Reuters reports citing Interfax.

Asia:

China's crude oil imports in August rose 4.9% on the month to 49.492m tons and 0.8% higher year on year Customs data showed. Jan-Aug 2025 crude oil imports rose 2.5% on the year to 376.05m tons, or 11.3mb/d. Imports were supported by high operating rates at both state-owned and independent refineries.

- Asia has increased US crude buying due to cheaper prices and a desire for favour with President Donald Trump. South Korea, Japan, and India have boosted their US crude purchases, with South Korea almost doubling its purchased oil volumes for November.

India:

State-owned oil refiners in India want to fully revive purchases of discounted Russian crude, pushing back against US pressure, but plans have been set back by a lack of cargoes, Bloomberg reports. The refiners are getting fewer offers for October-loading Russian cargoes. Barrels from Moscow had been redirected to China.

- Indian Finance Minister Nirmala Sitharaman said on Friday that the country would continue to buy oil from Russia, underlining the government's intent to defy US pressure.
- In the four weeks to Aug. 31, Russia's seaborne crude flows to India eased to 1.3mb/d from 1.97mb/d in March as China picked up the slack.
- New Delhi's imports from Moscow next month could drop by 250kb/d, FGE NexantECA Chairman Emeritus Fereidun Fesharaki said, adding that India's peak buying was over.

Middle East:

CPC crude oil loadings at the Yuzhnaya Ozereyevka marine terminal near Novorossiisk were holding steady at around 1.6mb/d so far in September with no disruption from an oil leak at a mooring, according to Reuters sources. The Caspian Pipeline Consortium briefly suspended operations at a second mooring point in late August following an accident during a loading operation and an oil spill at its Black Sea terminal. Caspian CPC Blend loadings were expected to be remain at 1.65m-1.75mb/d for September, according to Bloomberg sources last month.

- BTC Azeri crude loadings from Turkeys Ceyhan were set at 487kb/d for October and the lowest monthly volume since March 2022, according to Bloomberg, compared to 550kb/d in September.
- IAEA Director Rafael Grossi said he hopes for a successful conclusion to nuclear discussions with Iran in the next 'few days'. The talks are aimed at a last-minute deal between Iran and the UN's nuclear watchdog to avert the imminent re-imposition of 'snapback' UN sanctions. Foreign Minister Abbas Araghchi said yesterday the impact of 'snapback' will be "mainly political," suggesting its economic impact is being exaggerated. Without an agreement in place, a raft of UN sanctions that were lifted in 2015 would be reimposed in 30 days.

- Iraq is in talks with Exxon Mobil for oil storage in markets where it sells crude, including Asia, according to Iraq's SOMO cited by Bloomberg. Iraq seeks access to facilities to ensure continued supply to customers during times of crisis.

Venezuela:

Venezuela's oil exports rose 27% to an average of 966,485b/d in August and the highest since November following a US license granted to Chevron, according to Reuters based on tanker movements. In August, Chevron loaded the first Venezuelan crude cargo since obtaining a US license at the end of July as crude volumes began flowing towards the US after a four-month pause. The US received 60kb/d of Venezuelan oil and Cuba received about 29kb/d of crude and fuel.

- Production data from Canada showed that Alberta's oil production rose to a record 4.32mb/d in July as oil sands companies boosted output from well sites to fill the expanded Trans Mountain pipeline.

WAF:

- Crude supplies for loading next month from Angola and Nigeria are so far trading slower than September's cargoes did about a month ago, Bloomberg reports. Sixteen shipments of Angolan crude are yet to find buyers out of 31 scheduled, traders said, compared to about a dozen unsold in estimates compiled on Aug. 8, out of 33 scheduled. Offer levels may be starting to come down in response to the slower trading, with Nigeria's Brass listed at Dated +$2.20/bbl this week, down from +$3/bbl a couple of weeks ago according to traders.

Oil Products:

Diesel cracks continue the general trend higher amid refinery disruption and further Ukrainian strikes on a Russian facilities. However, gasoline cracks are facing pressure so far this week.

- **ICE Gasoil net longs** rose to the highest in five weeks and just below the most bullish since June 2024, in the week to Sep. 2. **Nymex diesel net longs** also rose on the week and are just below the highest since Oct 2021 seen in July. **Nymex gasoline net longs** also increased to the highest since February.
- **Russia's crude processing** rate fell to 4.98mb/d in the first three days of September following Ukrainian drone strikes, Bloomberg said. This is over 70kb/d below levels in late August and was driven by a complete halt to several refineries. No crude was processed at Rosneft's Kuibyshev refinery in the Volga region and the independent Novoshakhtinsk refinery in Russia's south in the first three days of September, sources told Bloomberg. These figures do not account for subsequent drone attacks on the Ryazan refinery Sep 5 and the Ilksy refinery Sep 7.
- The heavy increase in **Ukrainian drone strikes** in August disrupted more than 20% of Russia's refining capacity – knocking crude runs to 5.1mb/d in August Kpler reported. The disruption adds new pressures on Russia's diesel supply and crude export flows heading into the autumn.
- Ukrainian attacks have taken offline at least **17% of Russian oil refining capacity**, around 1.1mb/d, Reuters' calculations showed. Reduced domestic refining capacity prompted Russian to boost August oil exports from

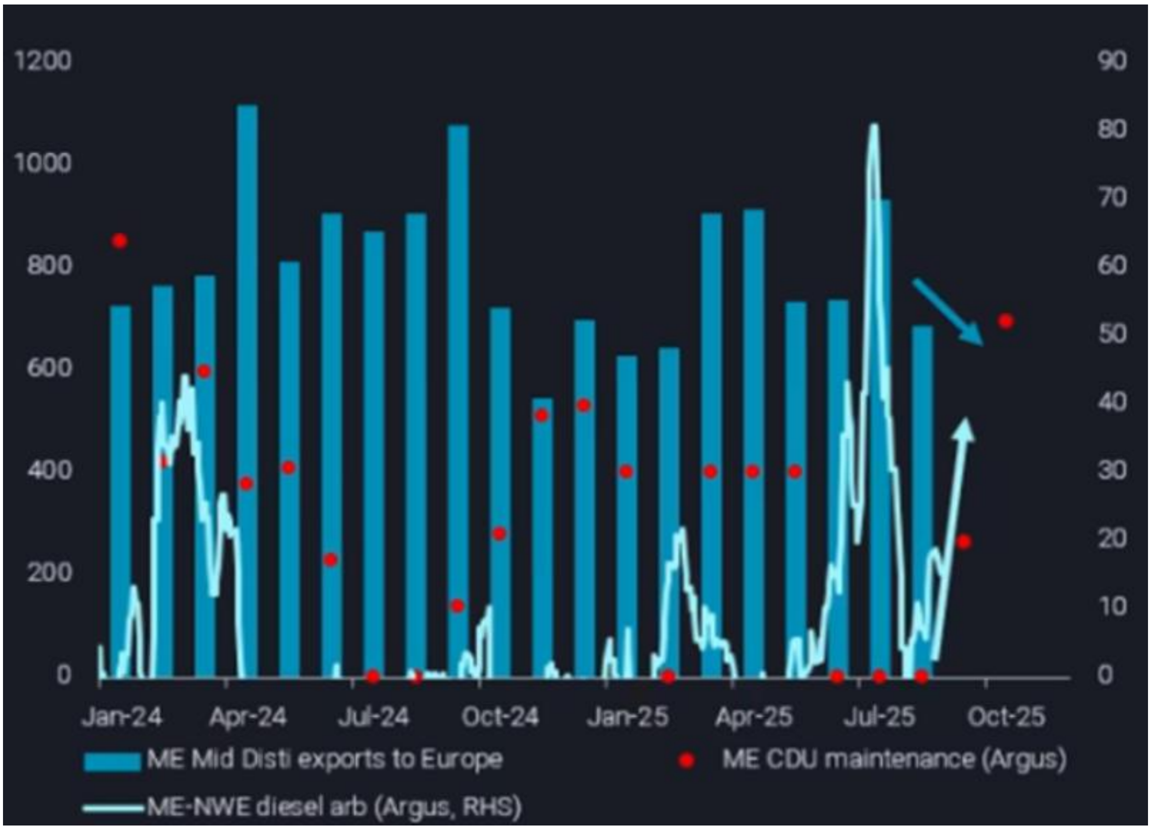
western ports by 200kb/d (11%). Reuters said that repair work to refineries could takes weeks or longer, overlapping with the global refinery maintenance period ahead of winter.

- Russia is weighing a **gasoline export ban** through October, Tass reports citing Russian officials, with the tight supply situation likely exacerbated by Ukraine drone strikes. The ban was recently extended through to the end of September.
- **Russia's Aug. diesel exports** were 744kb/d, down from 828kb/d in June. The strikes mean that exports are likely to remain depressed.
- **CDU capacity utilisation in China** is expected to rise this week according to OilChem, as Dongying Petrochem is scheduled to restart, and Yulin Petrochem is yet to reach full capacity. Among state-owned refineries, production scheduling is expected to change little, OilChem added.
- Among **independent refineries in China's** Shandong province, CDU capacity utilisation rates rose 0.53 percentage points to 50.10% last week. CDU capacity utilisation rates at state-owned refineries in China averaged 81.59% last week, up 0.19 percentage points on the previous seven-day period.
- **China's gasoline demand** is projected to remain flat with the summer travel peak now in the rear-view mirror, OilChem said. Gasoil demand is set to get a boost from the approaching harvesting season in North China, coupled with the resumption of infrastructure projects in South China. For fuel oil, LSFO products supply will fall amidst refinery outage, while HSFO products supply remains sufficient.
- **China state-owned refinery operating rates** remain largely unchanged at 82.55% in August, while independent refinery rates are up 3.4 percentage points since the end of July to 54.59%, SCI said. China' s refined oil product exports rose 8.4% year on year to 5.334m tons in August but year to date fell 5.4% to 37.858m tons, customs data showed.
- **China's small independent refineries** have cut spending, frozen new investments, and shown little interest in returning to mainstream crude markets or engaging with Western traders, Platts said. Instead, these refiners increasingly rely on sanctioned crude from Iran, Russia and Venezuela, which offers substantial discounts. Iranian Light cargoes were offered at discounts of $5.5–$6/bbl against Brent, with even cheaper rates for shipments on sanctioned carriers. Heavy Venezuelan crude traded at $7–$7.5/bbl below Brent, while Russian ESPO, though costlier, remained cheaper than Brazilian barrels. Margins remain thin: September returns were projected at just 45 cents/bbl for independents, compared with $4.92/bbl for state-owned refineries.
- **China's total oil demand** including all products is set to peak in 2027, while increasing by about 100kb/d this year, a state oil researcher said on Monday, cited by Reuters. China's petrochemicals demand won't peak before 2050, the researcher said, with ethylene demand growing 8% this year and propylene demand rising 7%.
- **Elevated middle distillates cracks** are expected in Q4 if the maintenance schedule transpires as expected, according to Vortexa. Wider Arabian Sea middle distillates move West in late summer, but export capacity is likely to be capped in Q4 by autumn maintenance in the Middle East and India's festive season. August exports show Wider Arabian Sea middle distillate flows steady year on year at 1.1mb/d. Relatively strong European middle distillate cracks, with diesel up by 50% y-o-y, and jet fuel cracks up by 39% y-o-y in August, incentivise strong exports into September.
- **Q4 refinery turnarounds in the Middle East**, such as the 460kb/d Satorp refinery and the 490kb/d Mina Abdullah refinery will limit exports. Over 700kb/d of the Middle Eastern CDU capacity will be offline in

October-November. Planned ARA works during Q4 including 404kb/d Pernis and 340kb/d Antwerp suggest some increased dependence on seaborne supplies, Vortexa added.

- **Indian Oil Corp. will have robust volumes** of oil products to export in the next 4-5 years as ongoing refinery expansions will leave room to cater to overseas markets, IOC's director of finance, Anuj Jain said. IOC is looking to scale up its annual group refining capacity from the current 1.62mb/d to 1.98mb/d by 2028. Commenting on the demand outlook, Jain said oil marketing companies were comfortable when crude prices hovered between $55/bbl and $70/bbl.
- **The gasoline unit at Nigeria's 650kb/d Dangote refinery** may be shut for 2-3 months for repairs, Reuters reports citing a source familiar with a IIR client note. The 204kb/d RFCCU was forced to shutdown on August 29 and a tentative restart is planned for September 20. However, it may remain shutdown for longer to complete major repairs and equipment replacements that were previously scheduled for December 2025, the note said.
- **Nigeria's Nupeng union has suspended strikes** targeting the Dangote oil refinery, ending two days of gridlock that had shut in its fuel supplies, the union said on Sep. 9, cited by Platts.
- **European ARA Gasoil stocks** rose for a fifth consecutive week to the highest since May and back in line with the five-year seasonal average, according to the latest Insights Global data cited by Bloomberg. Gasoline stocks rebounded back towards the five-year seasonal average after seeing a trend lower during August.

Middle East middle distillate exports to Europe and announced Middle East CDU capacity out (kbd, LHS) vs ME to NWE diesel arb ($/t, RHS) – Source: Vortexa



Analyst Views:

Goldman Sachs:

The OPEC+ decision to start gradually unwinding the 1.65mb/d cuts reflects the low OECD commercial stocks, according to Goldman Sachs cited by Reuters.

- "While a full 1.65mb/d unwind is plausible, we assume the group will leverage its flexibility to pause quota increases from January 2026 under our assumption that OECD commercial stocks start rising noticeably in 2025 Q4."
- "Although we revise up our 2026 surplus to 1.9mb/d (vs. 1.7mb/d prior), we assume only slightly faster OECD commercial stocks builds in Q4 2025- Q4 2026."
- Upgrades to supply from the Americas outweigh Russia's downgrade and any uptick in the outlook for global demand.
- The crude oil price forecasts were left unchanged with 2026 at $56/bbl for Brent and $52/bbl for WTI.
- "Risks to our 2025-2026 price forecast are two-sided but skewed modestly to the upside."

Goldman Sachs:

Brent is set to drop to the low-$50s/bbl next year on a global surplus, according to Goldman Sachs Group cited by Bloomberg.

- "We still see the current oversupply in oil markets intensifying," analysts said.
- "We expect strong non-OPEC ex-US oil supply growth to drive a 1.8mb/d surplus in global markets in 2026, ultimately pressuring Brent to the low $50s/bbl by late 2026.
- "Still, given OPEC+ spare capacity is moderating, that leaves oil markets "more vulnerable to upward price spikes under a supply shock."

UBS:

Brent crude futures are expected to remain around current levels for now with support from tightness in global balances, according to UBS cited by Bloomberg.

- Brent is seen "at the upper part of the $60-$70/bbl range" although could fall to $62/bbl at the end of the year with the prospect of higher supply in the coming months.
- US oil inventories increased by 18mbbls over H1 2025, but of that natural gas liquid stockpiles rose by 27mbbls. "Without those US NGL inventories, the market backdrop reveals a much tighter picture."
- Commercial OECD inventories, of which the US accounts for 60%, were little changed over the first half of the year.
- The tightness is despite record production in the US, Brazil, Norway and Alberta in Canada, while OPEC+ unwinds its production quota cuts.
- Demand has held up in regions including the Middle East, the US and even in China.

HSBC:

"We are skeptical that OPEC+ will blink unless oil prices fall materially, and expected output to rise by almost the full quotas," HSBC analysts said in a note cited by Bloomberg.

- "OPEC+'s move is further confirmation that the group has embraced a market share strategy to regain lost market share vs non-OPEC – at the expense of prices."
- "We assume that OPEC+ unwinds 1.65mb/d of 'first-phase' voluntary cuts over 12 months."
- "We previously thought OPEC+ would take a breather."
- "However, the group seems undeterred by negative demand seasonality and the prospect of a market surplus."
- Despite doubts over spare capacity in some members, HSBC assumes the group will add 1.5mb/d.
- OPEC+ is unlikely to reverse course unless Brent prices fall "to the mid-$50s or below."
- The bank maintained its Brent price forecast of $65/bbl from Q4 into 2026 and onwards.

Commerzbank:

Commerzbank Cuts Brent Price Forecast for 2026

- Commerzbank has cut its brent price forecast for 2026 to $65/bbl, according to Reuters. The previous forecast was not stated.
- The bank also revised down its WTI price forecast for 2026 to $62/bbl, compared to $67/bbl previously.

ANZ:

The build in China oil inventories will slow in Q4 pushing the oil market into a sizeable surplus and likely putting downward pressure on prices, according to ANZ cited by Bloomberg.

- China has taken advantage of OPEC's unwinding of production cuts this year to stockpile barrels amid rising energy security concerns.
- Inventories have grown by 190m bbl so far this year and are currently at 1.7bn bbls.
- Restocking will slow sharply in the coming months due to worsening economics amid competition from new capacities and domestic demand headwinds.
- Oil prices may rise toward $80/bbl due to lower-than-expected OPEC output increases and higher geopolitical risks. OPEC output only increased 0.6mb/d since March versus an expectation of 1.9mb/d.

Gunvor:

China's stockpiling of oil, which has helped soak up excess global crude production this year, is likely to continue at a similar rate in 2026, Reuters reports citing Gunvor's chief strategist.

- Frederic Lasserre, global head of research and analysis at Gunvor said China's purchases took off in March and the filling rate for its stockpiles is roughly 60%, meaning China has room for more.

- From March "we started to see a very impressive rate of stockpiling, like close to one million barrels per day," he said.
- Jim Burkhard, global head of crude oil market research at S&P Global Commodity Insights said China has been building stockpiles at a rate of 530kb/d so far this year.
- It's pace of stockpiling marks one of the fastest annual rates of increase, other than 2020, and has played a major role in helping to soak up surplus production, Burkhard said.
- "That is a very, very large increase, bigger than global oil demand growth," he said.
- S&P estimate global oil demand growth at 700kb/d for this year, with over half of that for NGLs and biofuels and the remaining 350kb/d for crude oil.
- China's total onshore crude oil inventories are at around 1.4 billion barrels, according to Burkhard.

Trafigura:

Oil demand growth in India looks set to outpace China this year, if you exclude strategic stockpiling, according to Trafigura.

- It is difficult to see how the extra oil supply coming to market will be absorbed with fewer clear drivers for global demand next year, Chief Economist Saad Rahim said.
- The shadow fleet is playing a key role in keeping Russian crude flowing although has expanded more slowly this year. The fleet continues to expand as new vessels frequently replace those sanctioned.
- US tariffs so far have had a limited impact on the global economy and fuel demand. There has not been enough time for the August 1 tariffs to really show on the demand side
- "Companies in the U.S. have had pre-tariff inventory that they have then been able to draw down at prices that they have not had to pass through to the consumer just yet," he added.
- US production is not expected to fall yet due to the time lag of six to eight months for the drop in rig counts to affect output. "I think you are going to see production start to stall at these levels and then potentially come down," he said.

TotalEnergies:

The Brent-Dubai crude price gap is expected to remain negative due to strong demand for heavier Middle Eastern oil, despite increasing OPEC supplies, a TotalEnergies executive said on Monday, cited by Reuters.

- Rahim Azouni, TotalEnergies' senior vice president of trading and shipping, was speaking at the APPEC conference in Singapore.
- A negative spread between Brent and Dubai quotes has made sweet grades more attractive for Asian refiners relative to Middle East sour grades.