

MNI Oil Weekly: Ukraine's Drone Strikes Intensify

By Lawrence Toye & David Lee (03/12/2025)

Executive Summary:

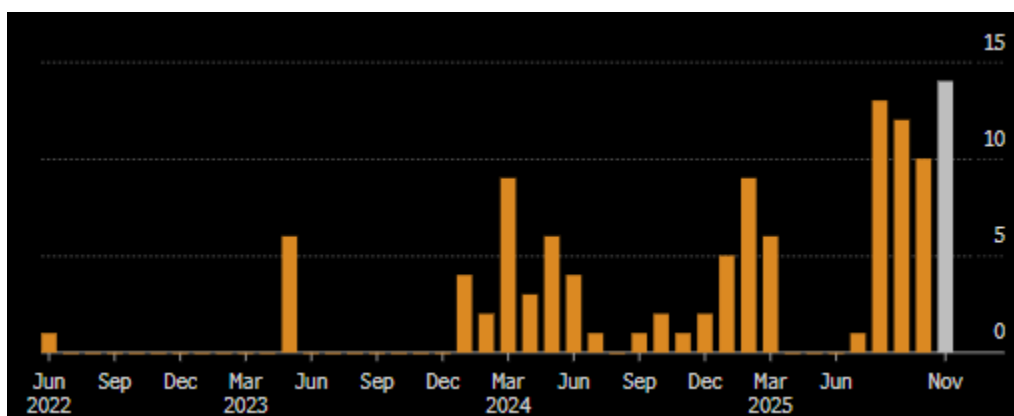
- **Ukraine is expanding its targeting** of Russia's energy infrastructure **beyond refineries**
- **Oil Markets:** Brent crude oil prices are bouncing within the \$61.6/b to \$63.8/b range in the last week amid doubts regarding a Ukraine peace deal. Diesel and gasoline cracks spreads have stabilised in the last week following the pullback see earlier in November.
- **Analyst Views:** See oil market views and outlooks from key analyst names

Ukraine Expanding Drone Strike Intensity

As talks drag on over a possible end to the war in Ukraine, Kyiv is expanding its targeting of energy infrastructure in an attempt to pile pressure on Putin.

- Russia is grinding forward on the battlefield - albeit at a slow pace - with Ukraine now on the verge of losing the fortress city of Pokrovsk in the Donbas. Meanwhile, recent peace proposals lean towards Kyiv making significant territorial concessions to stop the fighting.
- Against this diplomatic and security backdrop, Ukraine's fight is expanding to new theatres as the urgency to drain Russia's oil-backed war chest intensifies.
- Earlier strikes focused on Russia's domestic market, but rising global supplies now give Kyiv room to escalate.
- While Ukrainian strikes on refineries hit a new monthly record in November, targeting is expanding, hitting Black Sea oil-loading facilities, pipelines, and – for the first time – shadow-fleet tankers.
- Ukrainian intelligence officials have been explicit about the logic driving this escalation: "The Russian oil network, as the main source of income for the aggressor state and financing for the military-industrial complex, will continue to explode and burn until the enemy stops trying to attack Ukraine," a source in Ukraine's military intelligence agency (HUR) told the Kyiv Independent.

Ukraine Drone Strikes on Russian Refineries Per Month - Source (Bloomberg Finance L.P)



Loading Ports

Ukrainian operations struck the Russian Black Sea ports of Novorossiysk and Tuapse, disrupting crude and product loadings.

- The strikes led to a two-week suspension in loadings at Tuapse, slashing the port's product exports by 64.4% on the month in November.
- Moreover, the CPC terminal at Novorossiysk had one of its three moorings damaged in Ukrainian attacks on Nov. 29.
- CPC's November loadings fell to a 10-month low, while shipments are likely to be disrupted through H1 2026.
- With 88% of CPC crude originating in Kazakhstan, the disruption has prompted protests from Astana, which has urged Kyiv to halt the attacks. Moscow has taken a stronger line, calling the actions "terrorism".

Flows to Europe Now in the Crosshairs

Ukraine's attack on the Druzhba oil pipeline on Dec. 1 – which continues to supply Russian oil to Europe – suggests that previous restraint is fading.

- The attacks came despite Hungary and Slovakia previously urging Kyiv to refrain from further strikes on Druzhba. Previous targeting of the pipeline in August caused temporary disruption to flows to both countries.
- While allies of Ukraine, they have warmer relations with the Kremlin and continue to prioritise their own energy security over sanctioning Russia. President Trump even granted a one-year exemption for Hungary from Russian energy sanctions.
- The strikes may show Ukraine's willingness to extend pressure on countries continuing to take Moscow's oil, raising questions around the reliability of Russian supplies.

Tankers

The escalation has not been limited to fixed infrastructure; Ukraine is now directly targeting the maritime logistics that move Russian oil.

- Ukrainian naval drones hit two empty oil tankers in the Black Sea – Gambia-flagged Kairos and Virat – both part of Russia's "shadow fleet".
- Putin called the attacks "piracy" and said Russia would consider retaliatory measures against ships assisting Ukraine if strikes continued.
- Yet, the attacks serve as a warning, suggesting that ships carrying Russian oil in the Black Sea face the risk of direct attack, not just Western sanctions.
- The FT also noted that Ukraine is probably targeting empty tankers to "demonstrate both capability and intent", while avoiding environmental and political risks of striking laden vessels.

Maximise Disruption

Taken together, the strikes on refineries, loading facilities, and tankers indicate a clear broadening of Ukraine's operational scope.

- The attacks send a message that Ukraine has the capability to disrupt elements of Russia's energy supply chain.

- Faced with to defending not only its refineries, but its ports, pipelines, and shadow fleet, Russia faces rising costs to keep exports flowing.
- This comes at a time when its oil revenue already fell by a third year-on-year in November due to weaker global crude prices.
- Accordingly, Ukraine's strategy is to widen its targets across the Russian energy machine, even if it draws criticism from its allies.

Oil Markets:

Brent crude oil prices are bouncing within the \$61.6/bbl to \$63.8/b range in the last week amid doubts regarding a Ukraine peace deal. Support comes from Russia energy infrastructure and tanker strikes and as US President Trump threatened Venezuela. OPEC confirmed that it would pause its production increases in Q1, but market concerns remain over the projected record surplus for 2026.

Market:

Money managers reduced net long Brent crude oil positions in the week to Nov. 25, as short only positions surged although remain below the peak seen in late October.

- The Brent crude options skew to the puts has narrowed slightly in the last week, reflecting market doubts regarding a Ukraine peace deal. Put volatilities remain above calls with the market still expecting oversupply rising into next year.
- Rising oil on water reflects logistical and processing constraints not weak demand, as strong refining margins limit downside price pressure, Kpler said. Oil-on-Water volumes have surged 215m bbl higher since September and are approaching levels seen during the 2020 crisis.
- The rise is driven primarily by structural trends including rising OPEC+ and Atlantic Basin non-OPEC+ supply, Russia sanctions-related dislocations, and refining capacity constraints in Asia and West of Suez.

OPEC:

On Nov. 30, OPEC confirmed that it would pause its production increases in Q1 2026 as previously stated at the meeting last month amid expectations of seasonally low demand. An OPEC statement reiterated commitment to market stability and flexibility to continue pausing or to reverse production adjustments. OPEC has also received updated compensation plans from Iraq, the UAE, Kazakhstan and Oman.

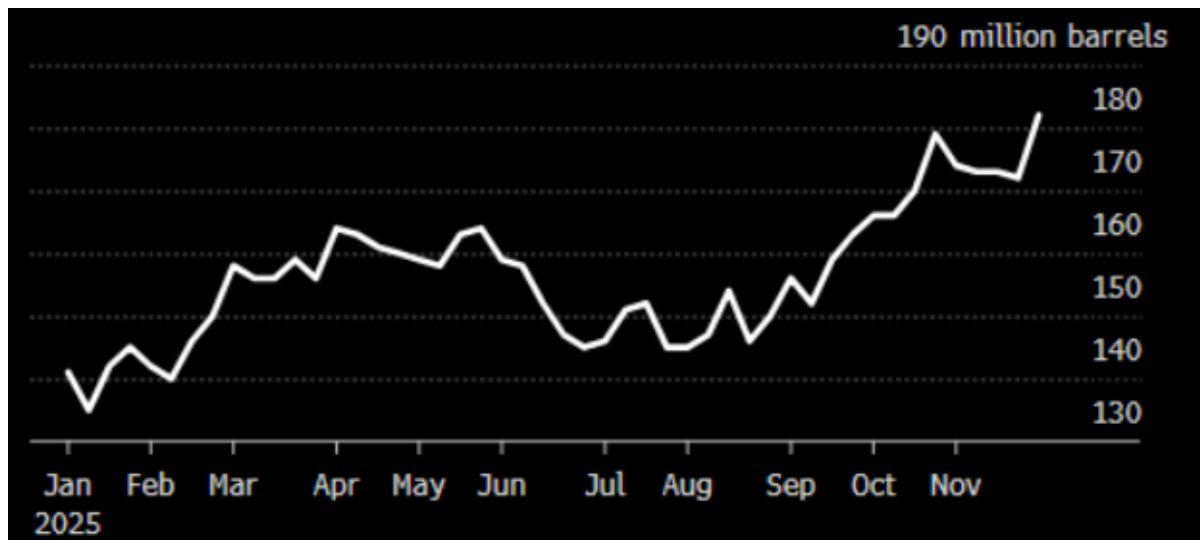
- OPEC+ also set out a methodology for a review of individual member output capacities to help set quotas in 2027. Aligning quotas more closely with actual capabilities could make any future cutbacks more credible.
- OPEC+ countries are approximately 500k b/d behind their production targets, according to Russia's Deputy PM Alexander Novak. Global oil markets are stable, largely thanks to OPEC, he added.
- Observed crude exports from Saudi Arabia edged lower in November to 6.71m b/d but remained close to the 2.5-year high seen in Oct, Bloomberg said.
- Saudi Aramco may reduce the OSP for Arab Light crude by 30 cents/b on the month for sales to Asia in January, according to a Bloomberg survey.

Russia:

Comments from Kremlin spox Dmitry Peskov appear to rule out any swift Ukraine peace deal but also claim progress has been made. Following the meeting between Putin and the US delegation, Peskov said "some things were accepted, others rejected as unacceptable in what was a normal working process".

- US Secretary of State Rubio said that talks are currently at the point of trying to work out what Ukraine can accept and to bridge the divide between it and Russia.
- Russian President Vladimir Putin says that Russia will expand its strikes on Ukrainian ports and ships docking at these ports. This comes after Ukraine struck oil tankers in the Black Sea that were part of Russia's 'shadow fleet'.
- Reports suggest Ukraine struck the Saratov, Novokuibyshevsk, Afipsky, and Slavyansk refineries, CPC mooring 2, and as many as four sanctioned tankers over the last week.
- Russia's four-week average seaborne crude shipments rose 210k b/d in the week to Nov. 30 to 3.46mb/d as volumes at sea continue to rise, according to Bloomberg. Russian oil at sea has risen by 21% in the last three months to over 180m bbl, Bloomberg tanker tracking shows, amid challenges offloading cargoes amid US sanctions.

Russian Oil at Sea (m bbl) - Source (Bloomberg Finance L.P)



- The amount of crude being stored at Russian oil fields jumped to more than 16m bbl to a level seen only twice since early 2022, a sign that recent US sanctions are stressing the nation's producers, Bloomberg reported. Russia's oil fields still have about 22m-23m bbl of available storage space, giving producers some breathing room if export and refining issues persist.
- Russia's seaborne oil buyers imported 23% less crude in the seven days to Nov. 25 as US sanctions took effect, with key buyers like India and Turkey curtailing supplies, Platts said.
- Russian producers, Rosneft and Lukoil, are working much harder to get around US sanctions and are even more reliant on arms-length intermediaries, such as in the UAE, Energy Intelligence said. Since the new US

restrictions, the proportion of Russia's crude and products handled by intermediaries appears to have risen from over 50% to well above 75%.

India:

Putin starts a two-day visit to India from Dec. 4, where he is expected to try and revive oil trade following the recent collapse due to US sanctions on Lukoil and Rosneft.

- India's Russian oil imports are set to hit their lowest in at least three years in December, down from multi-month highs in November, as refiners turned to alternatives to avoid breaching Western sanctions.
- India's December imports from Russia are likely to fall to about 1m b/d a day, Kpler said. Reuters sources last week said Russian oil flows to India in December are expected to arrive at around 600-650k b/d.
- India's imports of Russian crude were on track to rise to 1.8m b/d in November, the highest since 2.1m b/d in June, according to Kpler cited by Bloomberg. High imports are driven by front-loaded arrivals ahead of the Nov. 21 sanctions deadline and increased run rates from Indian refiner Nayara Energy.
- The price of Urals for Indian refiners had slipped to a discount of as much as \$7/b on a delivered basis, sources told Bloomberg.
- India's state-run refiners Indian Oil Corp. and Bharat Petroleum Corp. have bought Russian crude for January delivery amid attractive discounts of about \$5/b from non-sanctioned sellers, Bloomberg reports.
- Two supertankers have begun hauling crude from Guyana to India as refiners snap up alternatives to sanctioned Russian crude, Bloomberg reports.
- India says it expects a US trade deal before the end of the year now that most issues have been resolved, its trade secretary said last week according to Reuters.

Kazakhstan:

- CPC shipments may decrease in December and H1 2026 after a mooring was attacked and damaged over the weekend, according to Kommersant. Loadings at Novorossiysk "are continuing at this time," Tengizchevroil said, cited by Bloomberg.
- The Caspian Pipeline Consortium said it had resumed oil shipments from mooring 1 after one of its three moorings (mooring 2) was damaged by Ukrainian attacks overnight on Nov. 29.
- The CPC aims to complete repairs on its third SPM at its Black Sea terminal ahead of schedule, seeking to restore full CPC export capacity, sources told Reuters. Repairs of SPM-2 are expected to take months. The precise timeframe for repairs or its replacement is being studied.
- On Nov. 27 prior to the attack, Black Sea CPC Blend oil exports were expected to rise to 1.7mb/d in December from about 1.45mb/d in November, sources told Reuters.

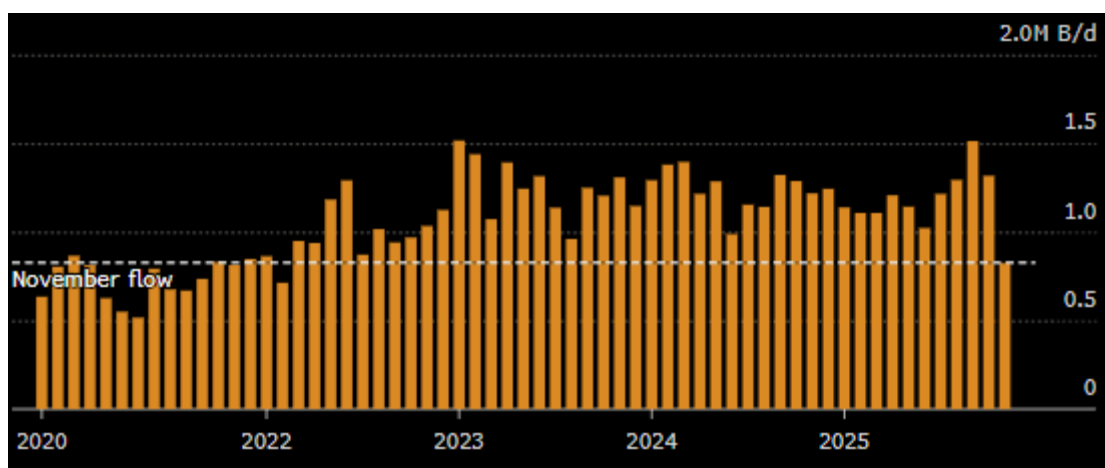
China:

- Beijing has released an additional quota of about 10m mt to qualified independent refineries for crude imports in 2025, Platts said. The new quota allocation is expected to boost the country's crude imports from the independent sector for the remainder of 2025.
- Disruption from sanctions on China's Rizhao Shihua Terminal has cascaded well beyond Shandong, Vortexa said. Sanctioned crude is likely to keep accumulating on water as imports lag Iran's export pace despite

new import quotas. Near-term stockbuild remains constrained with private refiners run rates well below pre-2024 and state-run tanks already tight after exceeding 60% utilisation by June.

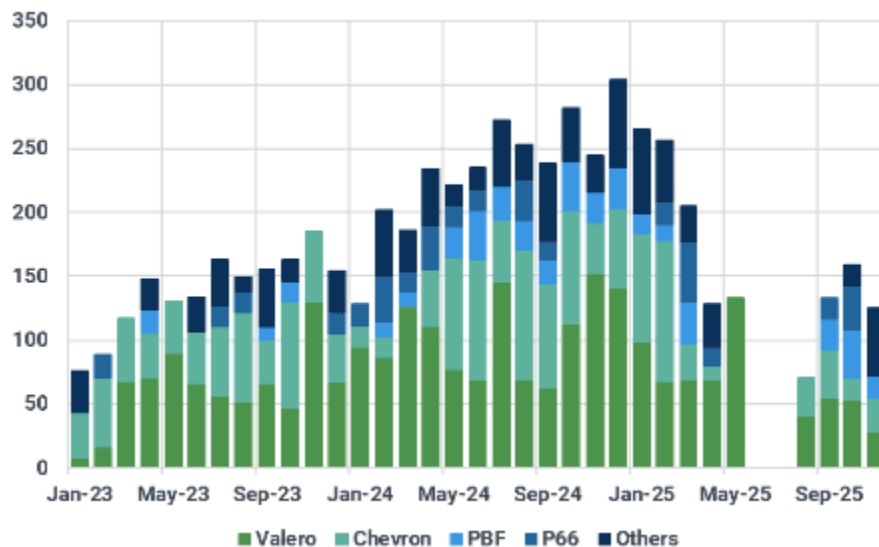
- Independent refiners in China are increasing Iranian crude imports from onshore storage and idle ships at sea following the release of new import quotas, Bloomberg said.
- Iranian crude volumes on tankers at sea have risen to the highest since May 2023 at more than 54m bbl, Kpler data shows. Iranian Light discounts have widened to as much as \$8/bbl to ICE Brent compared to about \$4/bbl in August.

Russian Crude Flows to China (m b/d) - Source (Kpler/Bloomberg Finance L.P)



Venezuela:

- Traders continue to monitor geopolitical tensions between the US and Venezuela, but crude flows remain unaffected at this stage.
- US said it will continue targeting drug running vessels and Rubio said that negotiating a deal would be difficult as Venezuela's Maduro has "broken every deal he's ever made".
- Venezuela's Merey was offered to traders at discounts as wide as \$15/b to ICE Brent on a delivered basis to China, compared to less than \$10/b two months ago, Bloomberg reports.
- Venezuelan crude held on tankers at sea has climbed to near 18m bbl, the highest in more than three years, according to Kpler data cited by Bloomberg.
- Venezuelan oil exports rose 37% month on month in November to 586kb/d, even as US military activity in the Caribbean ramped up, according to Bloomberg citing Kpler data.

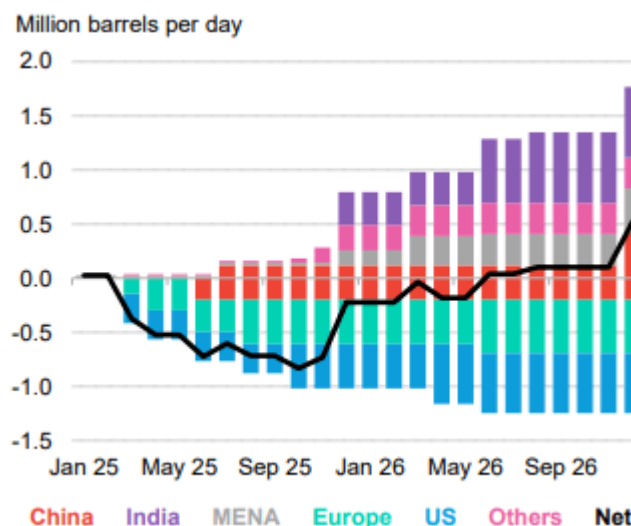
US Crude Imports from Venezuela by Buyer (k b/d) - Source (Kpler)**Oil Products:**

Diesel and gasoline cracks spreads have stabilised in the last week following the pullback seen earlier in November. The US diesel crack has fallen from around \$52.7/b to \$37.5/b but remains elevated compared to levels for much of this year with focus on developments in Russia.

- ICE Gasoil net longs fell in the week to Nov. 25 to halt the trend higher seen through late October and much of November.
- European ARA Gasoil stocks fell last week to their lowest since late-July and back in line with seasonal norms. US distillate stocks were still 6.5% below the five-year average and Singapore Middle Distillates inventories were 20.8% below normal in data last week.
- Russia's average crude processing rates through most of November have rebounded more than 100kb/d from October levels to more than 5.1mb/d, a Bloomberg source said. Processing rose 340kb/d in the week to Nov. 26 to nearly 5.3mb/d driven by a recovery in runs at the Tuapse and Volgograd refineries.
- Ukraine's military struck the Afipsky oil refinery overnight on Nov. 28-29, according to Ukraine's General Staff. Meanwhile, Astra reports that a drone attacked the 100k b/d Slavyansk oil refinery overnight on Nov. 29-30.
- Ukraine struck the Saratov oil refinery on the night of Nov. 28, according to Ukraine's General Staff while an oil refinery in Novokuibyshevsk was also targeted, according to Astra.
- Russia's seaborne diesel and gasoil exports rose 3% m/m in November to about 2.37m mt, despite US sanctions and infrastructure damaged caused by drone attacks, Reuters said. Exports of ULSD via Primorsk surged 39.3% m/m to 1.221m tons as major producers completed seasonal and unplanned overhauls, market sources said.
- Russian oil product exports from the Black Sea port of Tuapse are set to rise to 1.123m mt in December, up 21.4% on a daily basis from the 0.895m mt scheduled for October, two traders told Reuters. Actual oil products shipments via Tuapse fell last month by 64.4% from the initial plans to 0.319m mt, amid refinery disruption after a drone attack.

- European gasoline market dynamics continue to suggest a tight picture, with prices supported by a wide lack of tonnage availability, Platts sources said. Gasoline supply appears to have been fulfilled for the H1 December, placing further pressure on existing supply for spot. Robust buying from West Africa continues to promote healthy flow.
- ARA gasoline stocks were almost unchanged in the week to Nov. 20 at 975k mt---- to remain well below the seasonal five-year seasonal average of around 1.2m tons according to Insights Global data.
- Indian refiners' crude throughput rose by 6.8% on the month in October and 5.6% year on year to 5.50m b/d (22.50m mt), according to provisional government data. India's crude imports rose nearly 9% in October to 20.28m mt month-on-month, the highest level since April.
- India's fuel consumption hit a five-month high in October, with demand rising 7.7% from September to 20.17m mt, according to government data
- India's oil product consumption increased on the year in November, data from state-run companies showed cited by Bloomberg. Diesel sales rose 16.4% on the month to 7.465m mt and 3.7% higher on the year. Gasoline sales fell by 0.2% on the month but rose by 1.8% on the year to 3.160m mt.
- CDU capacity utilisation rates at China's refineries are expected to rise in the week to Dec. 4, according to OilChem, with Jincheng Petrochem yet to resume normal operations and the gradual release of a new round of crude import quotas. However, state-owned refineries are expected to slightly reduce crude throughput.

Cumulative Refinery CDU Capacity - Source (Bloomberg Finance L.P)



- China's gasoline demand is projected to extend the seasonal lull, especially when there lacks support from holidays, OilChem added. Gasoil demand is expected to weaken with outdoor projects further slowing amidst falling temperature in northern China. In the southern China, the demand in logistics sector will shrink with ending double-eleven shopping festival.
- Nigeria's Dangote refinery has pledged to produce a minimum monthly supply of 1.5 billion litres of gasoline for the domestic market through January as minor maintenance is conducted. The facility will

supply an average 50m litres (about 10k bbl) of gasoline a day, increasing to 60m litres a day in February according to an emailed statement to Bloomberg.

- Dangote said last week that the residue fluid catalytic cracker unit is facing some design issues and will have minor repairs in December for five weeks. It came as the refiner announced its plans to double the refineries capacity in the coming years.
- Global oil refining capacity is set to rebound 743k b/d in 2026 driven by growth in markets East of Suez, particularly China, India and the Middle East, according to BNEF. Capacity fell 223k b/d in 2025 as closures in Europe and North America have bolstered margins in the second half of this year. That is 35k b/d more than a prior forecast reflecting commissioning delays in the Middle East and Africa. Net refining capacity is projected to rise almost 500k b/d in Q4 2025, supported by Hindustan Petroleum's 180k b/d Barmer refinery and Pertamina's 100k b/d Balikpapan upgrade. The Pemex's 340k b/d Dos Bocas reached a record 195kb/d in September and could exceed 220kb/d by year-end, BNEF added.
- Motiva's 640.5k b/d Port Arthur, Texas refinery plans maintenance on a coker in December and on the large CDU in Sep 2026, Reuters sources said.
- Valero Energy's 380k b/d Port Arthur, Texas refinery plans upgrade to the large crude distillation unit in February, Reuters sources said. A series of upgrades are planned to the AVU-146 CDU aimed at boosting the unit's capacity from an average of 235k b/d to 260k b/d.
- Serbia's NIS refinery will keep operating in idle mode until Dec 2, energy minister Dubravka Djedovic Handanovic said. The country requested a sanctions waiver for the refinery on Nov. 19 for the duration of negotiations for the sale of the Russian stake in NIS. Hungary's MOL could buy a stake in Serbia's NIS refinery, Prime Minister Viktor Orban's chief of staff said last week based on local news reports.

Analyst Views:

Commerzbank:

Brent has stabilised in the middle of its trading range as it appears unlikely that a plan to end the war in Ukraine will be reached quickly, according to Commerzbank.

- A ceasefire would likely halt attacks on energy infrastructure on both sides, while sanctions may be eased or lifted, the bank noted.
- With talks dragging on, Brent has remained between \$60-\$65/b, a range in place since early October.
- The upcoming OPEC meeting on Sunday is unlikely to deliver any major new drivers for the market, Commerzbank said.

Barclays:

The Russian position towards a Ukrainian peace deal has not changed a lot since the Alaska summit according to Barclays energy analyst Amarpreet Singh speaking to CNBC.

- "Ultimately it does not change the view on fundamentals, if you look at Russia, crude oil production has been flat to slightly down this year despite the increase in OPEC+ targets which means they are producing close capacity," Singh said.
- "Even if we get a ceasefire and potentially sanction relief, I don't think that necessarily means they will produce more," he added.
- "We are sticking with our \$66/bbl Brent outlook on average for next year," he said.

- “A pause on [Russian] refinery attacks in the event of a ceasefire could result in refining margins becoming lower, I don’t think on the flat price for crude, it would make a whole lot of a difference,” Singh said.

Goldman Sachs:

A Russia-Ukraine peace deal would allow geopolitical risk premiums to fade and freight rates to normalise leading to a stronger immediate decline in refined oil product prices, according to Goldman Sachs cited by Bloomberg.

- A decrease in oil on water would also “provide some relief for overheated tanker freight rates” with clean product rates \$3/b higher since the war started.
- The European diesel margin risk premium is estimated at \$7/b over Brent.
- A higher geopolitical risk premium is currently priced in product margins than crude due to a “structurally much tighter and fragile refinery system.”
- Russia refinery outages remain high at 0.5m-0.6m b/d, increasing the risks posed by outages outside Russia.

Reuters Poll:

Brent oil price forecasts for 2026 have been reduced to an average of \$62.23/b, according to a Reuters poll.

- A survey of economists and analysts fell from a consensus of \$63.15/b from a poll last month.
- The WTI poll average for 2026 was \$59.0/bbl compared to \$60.23/b projected last month.

Sparta Commodities:

The Atlantic crude arbitrage to Asia for North Sea Forties, CPC and West African light grades has closed after Murban prices weakened, Sparta Commodities said cited by Bloomberg.

- Murban premiums “look most attractive in Asia even against WTI” after falling late last week.
- Brent and WAF look to have hit a hard ceiling after physical diffs recovered in Nov. North Sea and Med economics are getting squeezed by higher freight, spot premiums and CFD structure.
- North Sea premiums may need to “cool a little bit,” but any tightening of CPC supply and higher runs post-maintenance provide support.
- A slightly better balance is expected as European and US refineries ramp up, Al Zour and other middle eastern refineries return, and with less Russian crude exports.
- Some medium West Africa grade cracking margins into Asia are also negative while West African crude also looks expensive in Europe.
- Cargoes of WTI into Europe are looking cheaper.
- Chinese import quotas may start to clear some floating barrels with a test for spot Arabian Gulf at the beginning of the next trading cycle next week.

Sberbank:

The average price of Brent during December 2025 assessment dates is forecast to be \$62/b, according to analysts at Russia’s Sberbank.

- Analysts see lower levels of demand for oil as well as expectations for a supply surplus next year.
- Geopolitical impacts may also pressure oil prices, the bank said.

Rystad Energy:

The Middle Eastern refining sector is in a uniquely advantageous yet complex position following the US and UK sanctions on Russian entities, Rystad Energy said.

- Sanctions have opened opportunities for higher crude exports to buyers replacing Russian barrels including India, China, Turkey.

- The restrictions also provide possibility of increased product exports, especially middle distillates, to fill the supply gap left in Europe.
- The evolving market landscape also influences OPEC+ decisions with the goal to preserve crude market share and protect a growing refined-products market presence.
- Refinery runs are near 9.6m b/d with high utilisation rates across most Middle Eastern refineries, except for Iran and Iraq.
- The diesel-to-runs ratio is high (excluding Iran/Iraq) with exports equal to ~30% of refinery runs. This underscores the Middle East's strong diesel export capacity and product flexibility amid tight global middle distillate balances.
- A consistent medium sour/total crude ratio signals the region's sustained ability to maintain robust crude supply flows.

Hengli Petrochemical International:

Chinese oil demand is likely to remain subdued until at least the middle of next year, according to Janet Kong, CEO of Hengli Petrochemical International, cited by Bloomberg.

- "It's difficult to find a very bright spot unless the government rolls out new policy at beginning of next year," she said.
- The market is watching the so-called Two Sessions, the annual meetings of the China National People's Congress and the Chinese People's Political Consultative Conference, to see if there will be more stimulus, she said.
- Any move by authorities to raise fuel export quotas for refineries could boost demand, Kong said.
- China's purchases for its strategic petroleum reserves might lift imports, she added, but with inventories already high it's unclear how much further buying Beijing will do.
- "The urgency isn't there, but the capacity, the ability is there," Kong said.
- "So, it means any SPR build will be a lot more policy induced."