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Centre for Research on Energy and Clean Air

Phasing Out Russian Oil and Gas in Hungary and Slovakia:

Hosted by Political Capital

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CSD CENTER FOR THE STUDY OF DEMOCRACY

About CREA

- CREA provides **data-led analysis, research, investigations** & **policy insights** on fossil fuel revenues that **finance Russia's invasion of Ukraine**.
- Our research & analysis is focussed on **energy diversification, sanctions enforcement & improving their impact.**
- We are a dynamic team that aim to **provide analysis ahead of the curve** e.g. the refining loophole.

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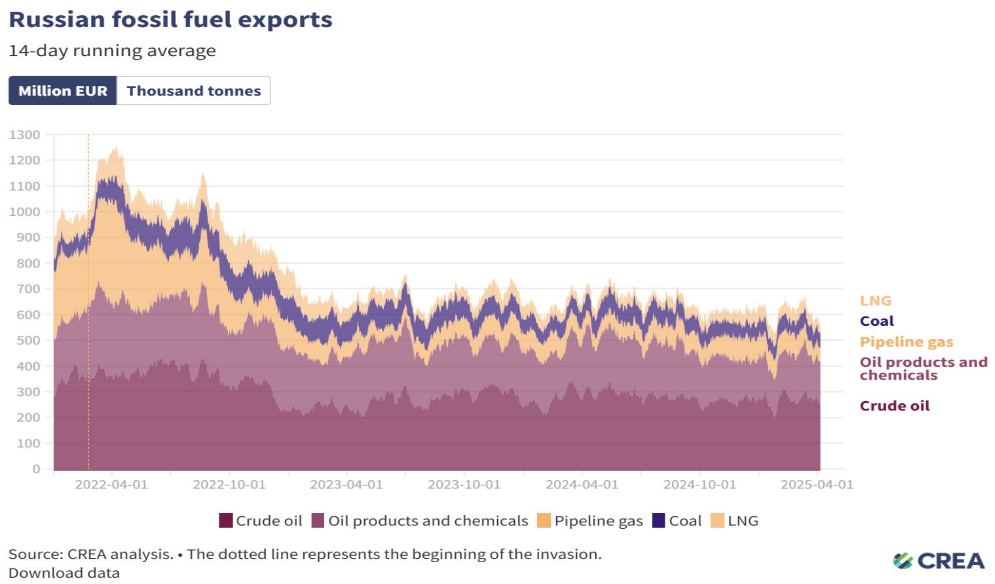
Russia's fossil fuel export earnings remain robust despite sanctions

- Russia is **incredibly reliant on fossil fuel export earnings** to finance their war in Ukraine. In 2024 a **third of all tax revenue came from oil & gas exports** (EUR 102 bn).

- **Tax revenues from oil & gas exports** covered **83%** of the Kremlin's **colossal military spending** in 2024 (EUR 124 bn).

- **Sanctions have hit Russia's export earnings**, but their **impact has diminished over time** as evasion tactics have become more effective & **loopholes persist**.



	2021	2022	2023	2024
Export rev	EUR 238 bn	EUR 342 bn	EUR 234 bn	EUR 228 bn
YoY % change	—	**+44%**	**-32%**	**-3%**

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The Refining Loophole

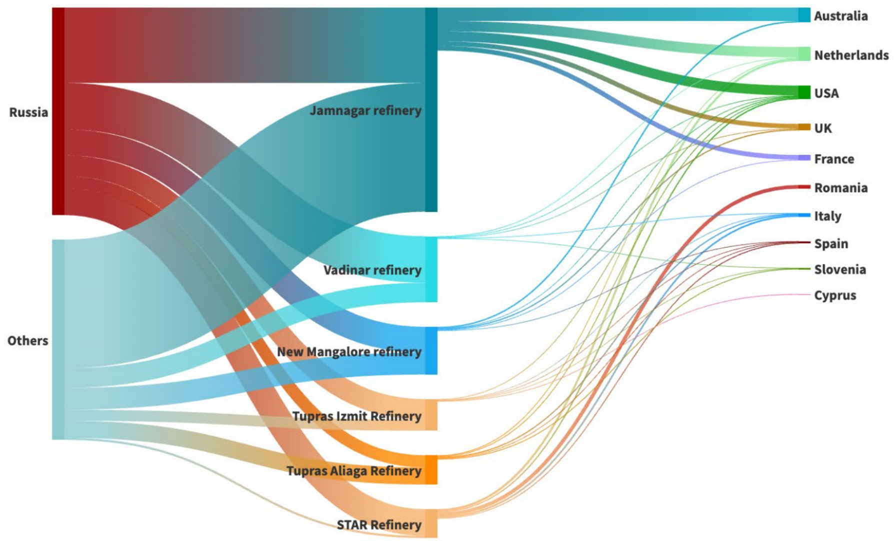
- The EU introduced a ban on Russian crude imports (Dec 2022) but a **legal loophole allows Russian oil molecules to enter the EU**.

- Between 2024 and Q1 2025, six refineries in India & Turkey used **EUR 8.3 billion worth of Russian crude** to produce 31.6 mn tonnes **of oil products for G7+ countries**.

- The biggest importers were the **Australia** (EUR 4 bn), **the Netherlands** (EUR 3.8 bn), **USA** (EUR 3.3 bn), **the UK** (EUR 1.9 bn) & **France** (EUR 1.8 bn).

G7+ countries' imports of oil products from refineries using RU crude

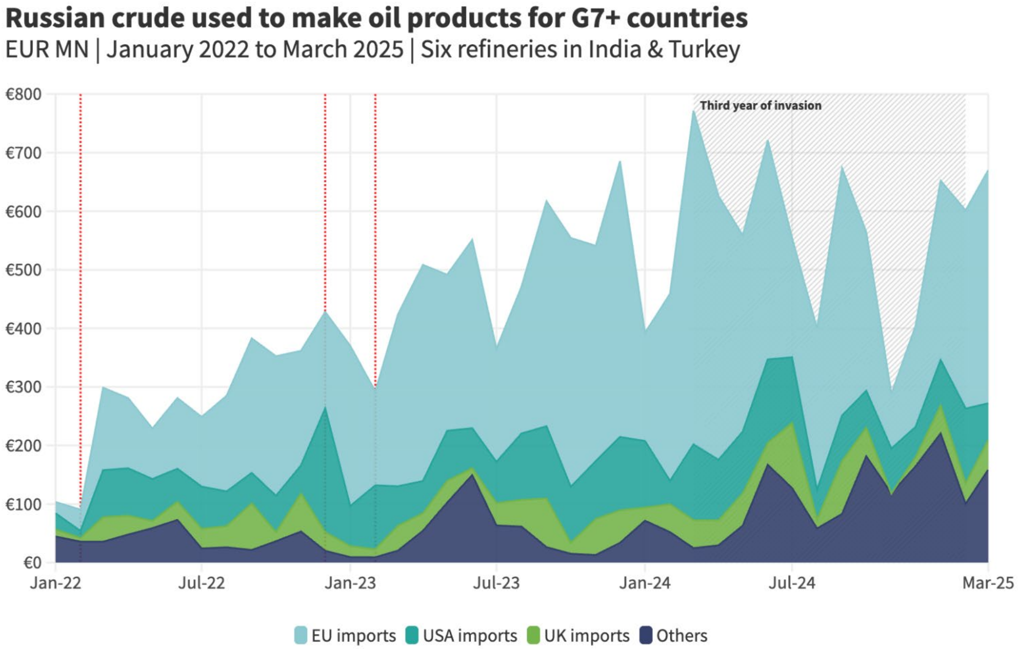
Six refineries in India & Turkey | Tonnes | Top 5 destinations for each refinery | January 2024 to March 2025



Source: CREA analysis •
First step of flow shows crude imports by source. Second step shows oil products exported by refinery.

The Refining Loophole: EU is the biggest buyer of Russian refined oil

- EU Member States are the biggest buyers of products from these refineries. The bloc **sent Russia EUR 3.7 bn in crude oil export earnings** from the import of these products in 2024.
- EU countries' imports from these refineries constitute **7% of their total imports** in this period.
- At the same time, on average, **15% of these refineries total production is exported** to the EU.



Source: CREA analysis •
Dotted lines indicate: Russian invasion of Ukraine on 24 Feb 2022; G7+ import ban and price cap on Russian crude oil on 5 Dec 2022; ban on imports of refined oil products on 5 Feb 2023

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CSD & CREA’s new report: Sanctions loophole has allowed Hungary, Slovakia & Czechia to send Russia EUR 20 bn in crude oil purchases

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Hungary and Slovakia can quit Russian energy, report finds

Ample alternatives exist, but both countries have increased reliance on Moscow and made millions, researchers say.

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How has the exemption to the EU ban been exploited?

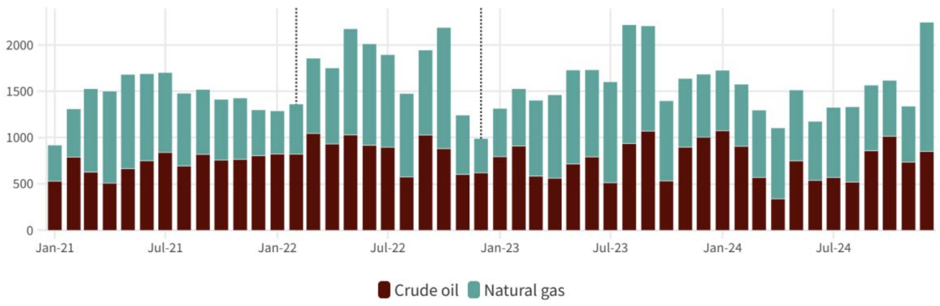
- The **EU granted Hungary, Slovakia and Czechia an exemption** to the **Russian crude oil ban** to give them more time to diversify away from Russian crude.

- The legislation stated — *"Member States take all necessary measures to obtain alternative supplies to ensure that imports by pipeline of crude oil from Russia are made subject to the prohibitions **as soon as possible**".*

- **Hungary has threatened to veto the extension of EU sanctions**, which would have released EUR 200 bn in Russian assets — **tied to demands** for **continuation of the Druzhba pipeline flows**.

Hungary and Slovakia's monthly import volumes of Russian crude oil and natural gas

Thousand tonnes | 2021 to 2024



Source: CREA and CSD's analysis of Eurostat •
Dotted lines represent the beginning of Russia's full-scale invasion of Ukraine and the start of the EU's ban on seaborne Russian crude oil imports respectively.

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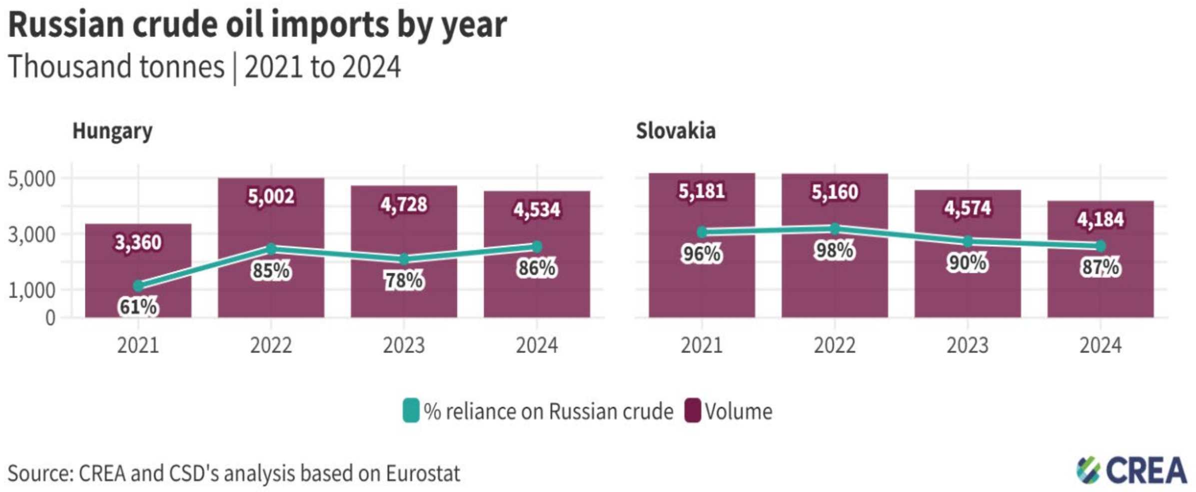
- Hungary & and Slovakia have imported **EUR 13 bn of Russian crude & EUR 20 bn of natural gas** since the start of the full-scale invasion until the end of 2024.

Russian pipeline crude to Hungary & Slovakia 2% above pre-invasion levels

- **Hungary & Slovakia show no signs of decoupling from Russian crude** – violating the terms of the derogation and sending the Kremlin **EUR 5.4 bn in oil tax revenues**.
- **Hungary increased its reliance on Russian crude** from 61% (2021) to **86% in 2024. Slovakia remained almost fully dependent** on supply from Moscow.
- **MOL must be prohibited** from **extending their contract** with **[US sanctioned Lukoil]** which **ends in mid-June 2025**.



- A full phase out Russian oil is technically feasible as:
  1) The **Adria pipeline from Croatia can meet both countries needs**
  2) Both **MOL refineries are proven to be able to process non-Russian crude**.

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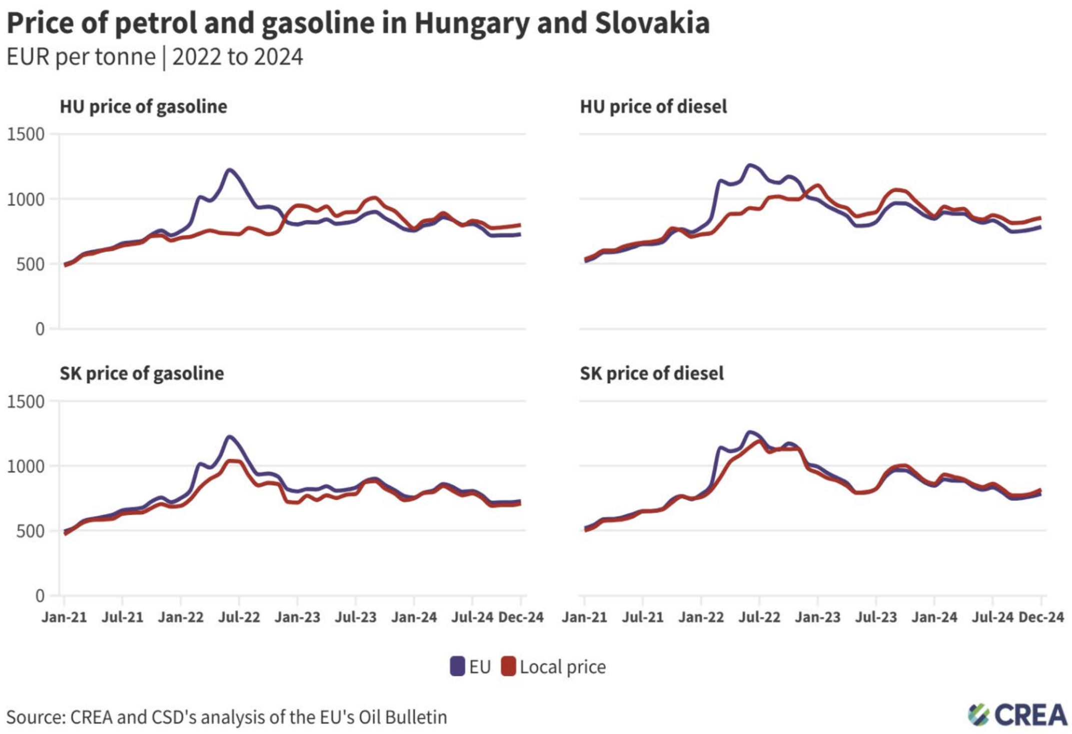
MOL & Hungarian Government capture the financial benefits of discounted Russian oil… not domestic consumers

- Hungarian oil & gas major **MOL captured the full benefit of discounted Russian crude without passing savings on to consumers**.
- **MOL's operating income rose by 30%** in comparison to pre-invasion levels even though domestic pre-tax **fuel prices in Hungary remained 5% above the EU average.**
  Meanwhile, Russian crude sold to Hungary at a 20% discount in 2024.

Discounted Russian oil increased 5% in price when it reached Hungary — suggesting that intermediaries like **Normeston** siphoned off hundreds of millions of euros through hidden markups.



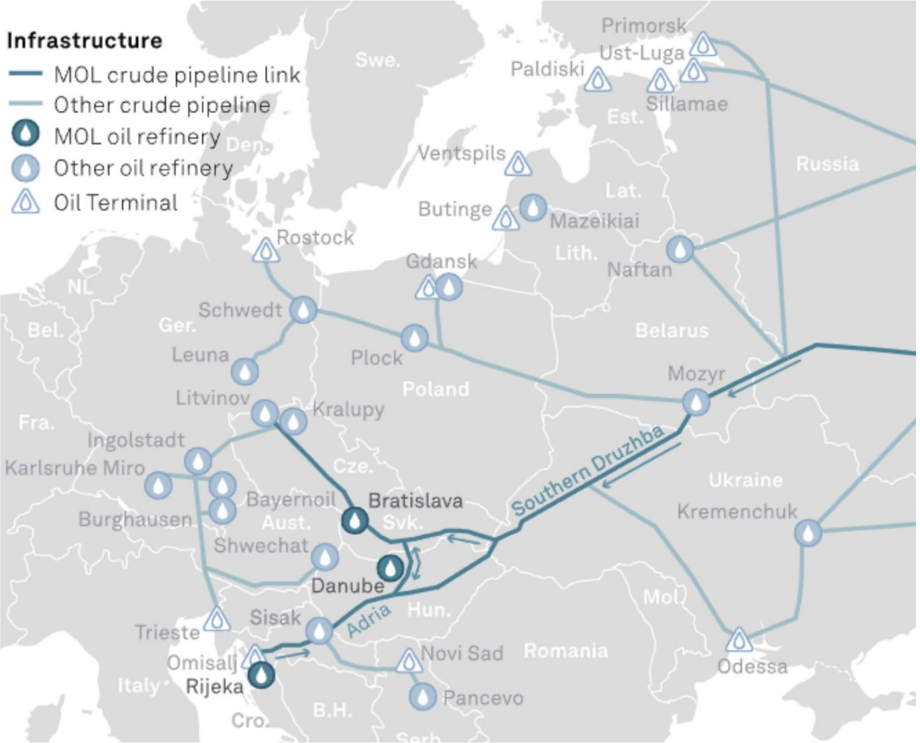
Sufficient supply can be accessed through the Adria pipeline

- **MOL decides on the mix of Russian and non-Russian oil** processed in both countries, owning the only two refineries in the region.

- Between 2022 & May 2024, the Hungarian Government and MOL together seized an **estimated EUR 1.7 bn in *"extra profit"* from purchasing discounted Russian crude** oil while maintaining high consumer fuel prices.

- MOL has served as an **instrument for transferring public resources into the hands of oligarchic networks** with deepening ties seen through the **establishment of a joint public trust between MOL and the Hungarian Government**.

- **MOL & Lukoil's ties strengthen** as the Hungarian giant **expands its operation in the region. MOL became the largest shareholder in Croatian oil company INA** in a controversial deal.



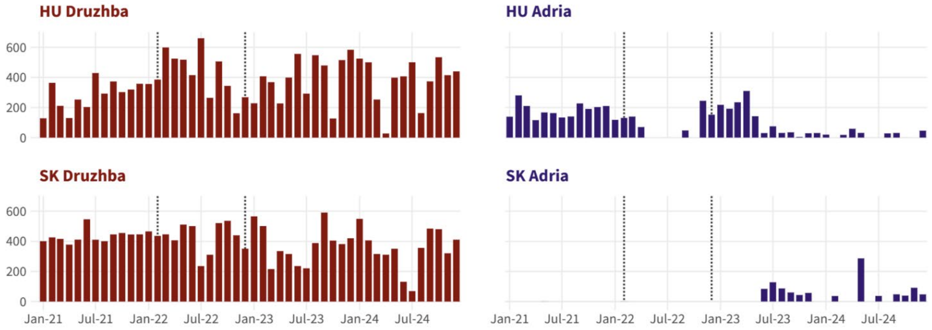
Excuses, excuses: claims are unfounded in evidence

- **Excuse 1:** The Hungarian government has **claimed** without providing evidence that "***it would need EUR 200 mn in EU funding to expand the capacity of alternative pipelines and an additional EUR 500 mn*** *— a figure revised down from EUR 700 mn —* ***to reconfigure refineries in both Hungary & Slovakia to process non-Russian crude***".

MOL's Managing Director of Downstream Production confirmed that its **refineries can process non-Russian crude**. In 2019, Druzhba pipeline contamination forced half of Hungary's crude to come from non-Russian source.

- **Excuse 2:** *"operations would be unstable and present significant logistics and processing constraints"*

Hungary and Slovakia's monthly crude oil imports by pipeline
Thousand tonnes | 2021 to 2024



Source: CREA and CSD's analysis of Eurostat •
Dotted lines represent the beginning of Russia's full-scale invasion of Ukraine and the start of the EU's ban on seaborne Russian crude oil imports respectively.

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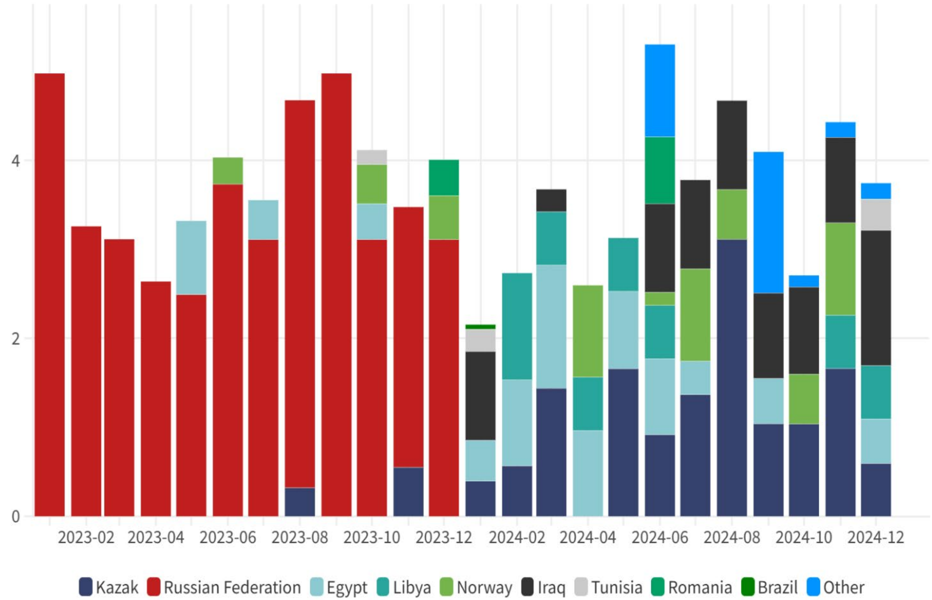
Technical tests conducted with JANAF confirmed that the **Adria pipeline's capacity stands at an annual throughput of 14.4 million tonnes**, more than the total combined oil consumption needs of Hungary and Slovakia — a **more stable route than flows through a war zone**.

Successful case study: Bulgaria ends imports of Russian crude oil immediately with no spike in prices at the pump

- The year before the **exemption Bulgaria was 70% reliant on Russian** crude, this **went up to 93%** after the EU ban and then **ended over night** in 2024 with the urgent termination of the derogation.
- Bulgaria has already proven that **terminating the exemption from the EU sanctions** & ending reliance on Russian oil is **possible by completing an overnight transition**.
- The country has since **experienced stable or even falling fuel prices**.

Bulgaria's imports of crude oil by origin country

Crude oil in millions of barrels | 2023 until the end of 2024



Source: CREA Analysis

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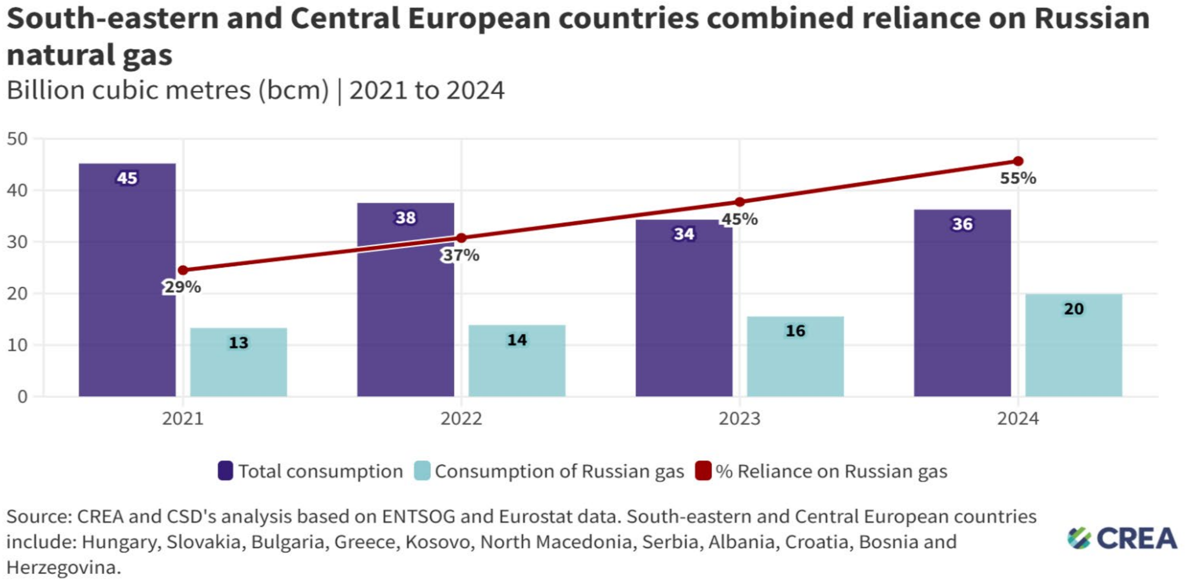
South-East and Central Europe increase reliance on Russian gas

- **Reliance on Russian pipeline gas in the region increased from 29%** (2021) **to 55%** (2024).

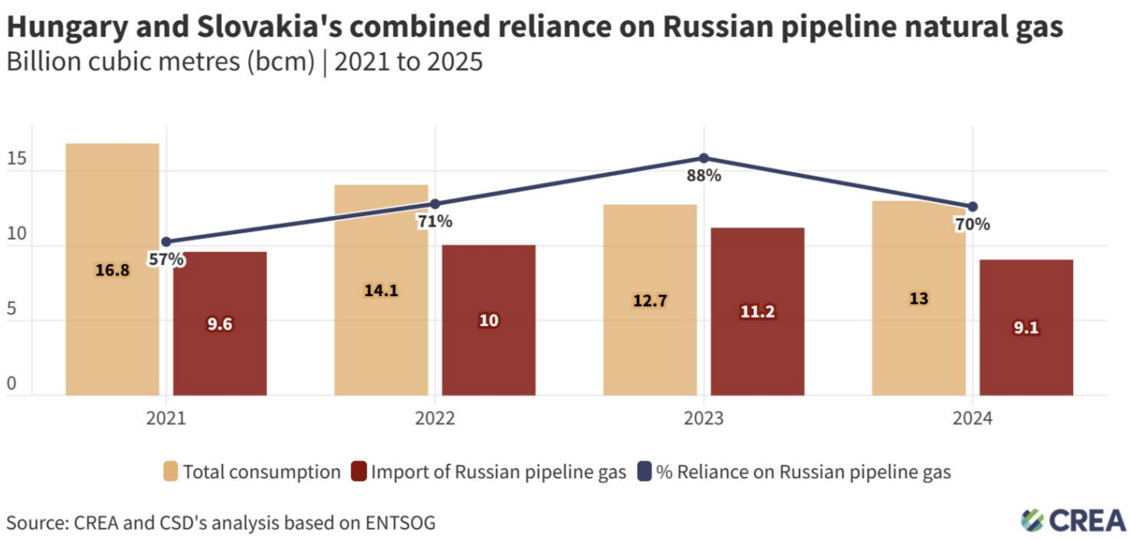
- The increase is **driven by higher flows through TurkStream** which has happened despite the US Treasury Department's sanctions on Gazprombank (the financial intermediary for gas supply & transit).



- To secure the uninterrupted gas flows, Turkey, along with Bulgaria, Serbia, Hungary and Slovakia, **received a waiver from the US in December 2024**, and then again in March 2025, **allowing them to continue paying for Russian gas**.

Something seriously needs to change if the EU roadmap is to be achieved

- Hungary & Slovakia have **imported an estimated EUR 19.7 bn of Russian pipeline gas** since the start of the full-scale invasion.
- The two countries combined **Russian pipeline gas imports fell a mere 5.5% in 2024** compared to pre-invasion levels of 2021, **whilst the rest of the EU reduced total imports of Russian pipeline gas by 81%.**



- The two EU Member States' total **gas consumption dropped 23%** therefore highlighting **reliance on Russia actually rose from 57% in 2021 to 70% in 2024%**.

Turkstream flows keep the region hooked on Russian supply

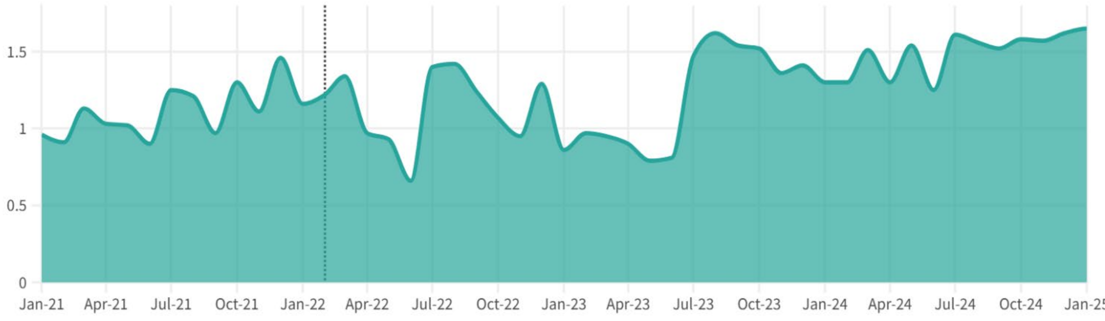
- **TurkStream** has transported over 62 bcm's of Russian natural gas to Europe — **sending Moscow EUR 22 bn in revenues**.

- TurkStream undermines European diversification by flooding the market with discounted gas (estimated as sold at a **13–15% lower price to EU buyers in 2024**).

- Buyers have **no financial reason to stop relying on Russian gas**, leaving regions **vulnerable to energy blackmail** & **discouraging diversification**.

Monthly export volumes of Russian natural gas to Europe via TurkStream

Billion cubic metres (bcm) per month | January 2021 to February 2025



Source: CREA and CSD's analysis of Eurostat and ENTSOG data. •

Dotted line represents the beginning of Russia's full-scale invasion of Ukraine.

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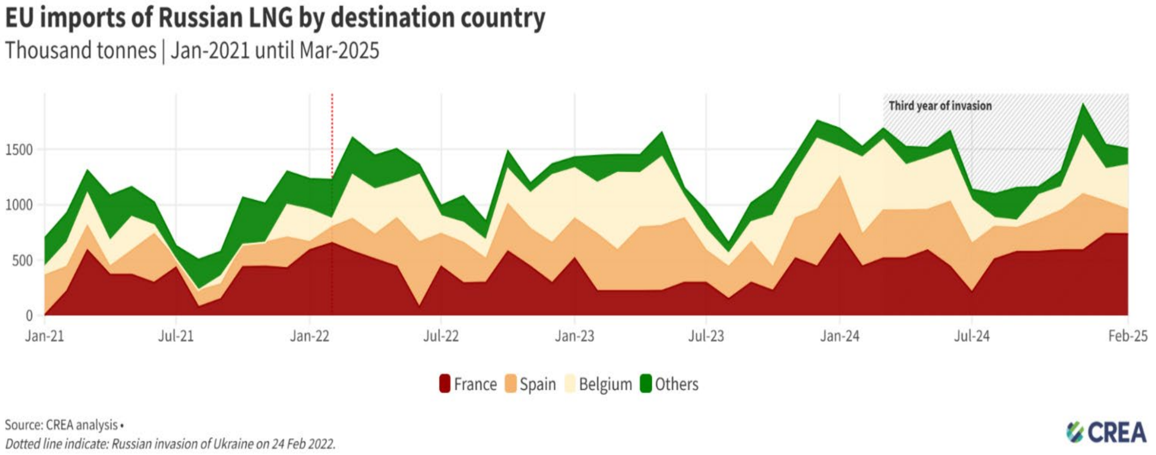
- As TurkStream's capacity grows — with **Gazprom now attempting to relabel gas as "Turkish Blend"** — Russian linked company **MET will use its role as the perfect enabler** to continue European buyers to remain hooked on volatile Russian gas.

EU imports of Russian LNG are on the rise

- **Which Member States are importing Russian LNG?**
  87% of all EU imports of Russian LNG **arrived in Spain, France or Belgium** – but LNG arriving at these terminals does not necessarily stay in these countries.

- **France**: Increased imports by 46% to 7.7 bcm.
- **Spain**: Saw a 12% decline to 5.7 bcm.
- **Belgium**: Imports dropped by 21% to 5.1 bcm.
- **Netherlands**: Recorded an 81% surge, reaching 1.7 bcm.



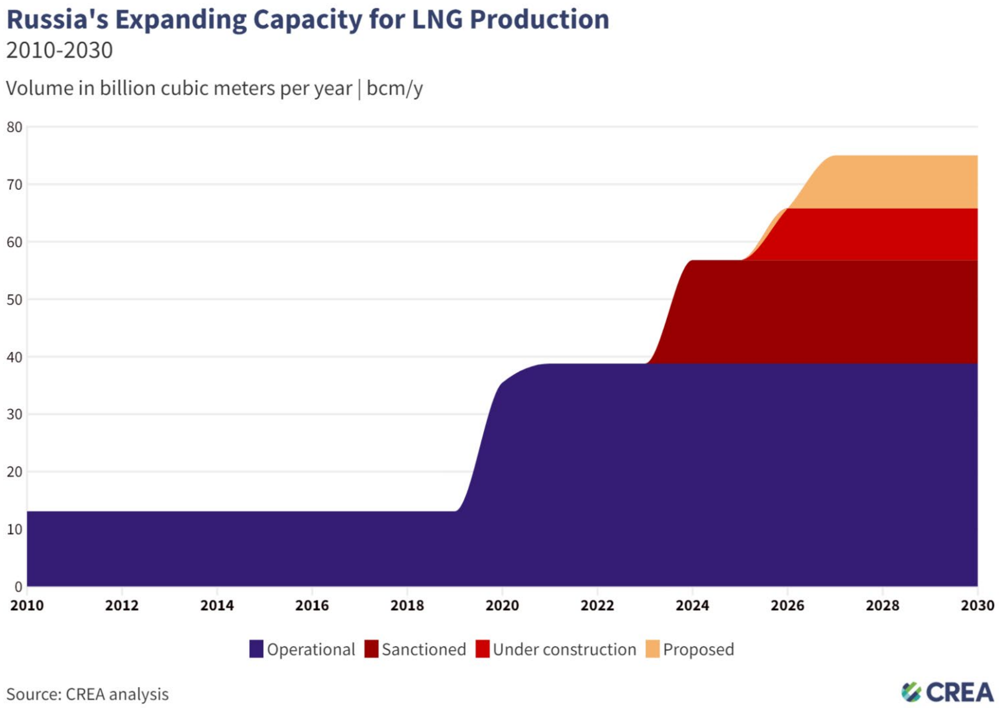
- **EU imports of Russian LNG rose 12% Y-o-Y in 2024**, while imports from other sources including the US declined.
- Russia is **hugely reliant on the EU market for its gas exports**, providing **52% of its LNG export revenue**.
- **EU paid EUR 7 for Russian LNG** during the third year of invasion.

Russia aims to nearly double LNG output by 2030: Will sanctions hinder its plans?

While **Gazprom's pipeline gas market has shrunk**, **LNG has become strategic for Russia's revenues** and gas sector. The new Russian Energy Strategy 2050 aims to:

- Increase global market share
- Diversify exports
- Expand projects
- Develop technology
- Focus on the Arctic

US sanctions have effectively blocked Russia's new LNG projects; lifting them could increase flows of Russian LNG to the EU again.



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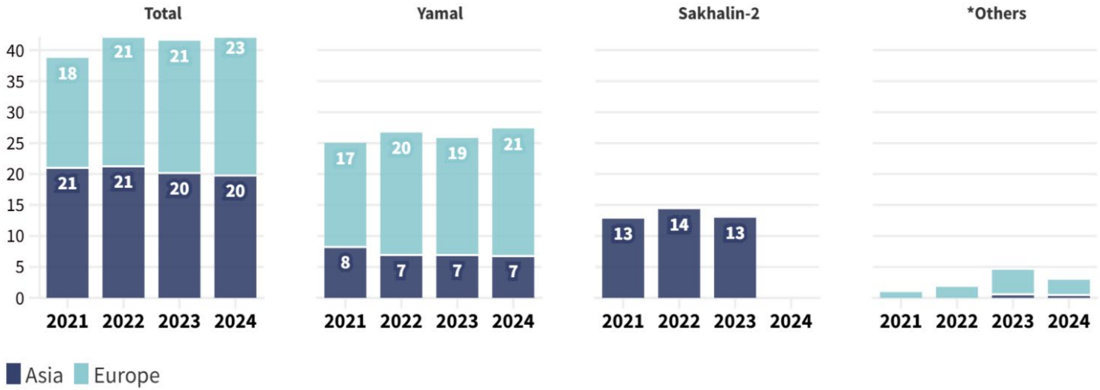
Russia’s LNG exports are heavily dependent on Western markets

- **63% of Russia’s LNG exports are directed to G7+ countries.**
- **Yamal LNG**, Russia’s largest LNG installation (Novatek owned) sends **77% of its production to Europe**.
- **Sakhalin-2** (Gazprom) exports **56% of its LNG to Japan**.
- **Other installations**—including Portovaya, Vysotsk, and Arctic LNG-2—are currently **under sanctions and not operational**.

Export destinations of Russian LNG installations by continent

2021-2024

Value in billion cubic meters per year | bcm/y



Source: CREA analysis • Exports to other destinations are deemed negligible and thus excluded.
*The 'Other' category includes LNG facilities such as Portovaya and Vysotsk, which have been under sanctions since 2025 and are not operational, as well as Arctic LNG-2, which was already sanctioned prior to 2025."

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Western insurers or ships handle 95% of Russian LNG exports

- **Russian LNG exports depend not only on G7+ markets but also on Western-controlled maritime logistics & insurance.**

- Over **94% of vessels** carrying Russian LNG are **insured in Western countries** — primarily the **UK (60%)**, **Japan (17%)**, and **Norway (17%)**.

- With few exceptions, and most now under sanctions, **the majority of LNG carriers serving Russia are owned by G7+ countries**.

Russian LNG shipments by vessel ownership and insurance
January-December 2024
Value in percent

G7+ countries | Non-G7+ countries

Source: CREA analysis • *The 'Other' category includes LNG facilities such as Portovaya and Vysotsk, which have been under sanctions since 2025 and are not operational, as well as Arctic LNG-2, which was already sanctioned prior to 2025."

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Arctic projects rely entirely on Western-owned Arc-7 class vessels

- **Arctic LNG exports (Yamal & Arctic LNG-2)** require **Arc-7 class icebreaking LNG tankers** — only **15 exist**, all built specifically for Yamal.

- **Year-round exports** rely entirely on these vessels, which are **essential for Arctic navigation**.

- **Ownership breakdown**: **14 of 15 Arc-7 tankers** are owned by **Western companies**: UK (6), Greece (5), Japan (3), **1 is Russian-owned (Sovcomflot)** and is **under sanctions**.

- **Russia is unable to replace them**: New Arc-7 vessels for Arctic LNG-2 are **under sanctions and remain docked**.

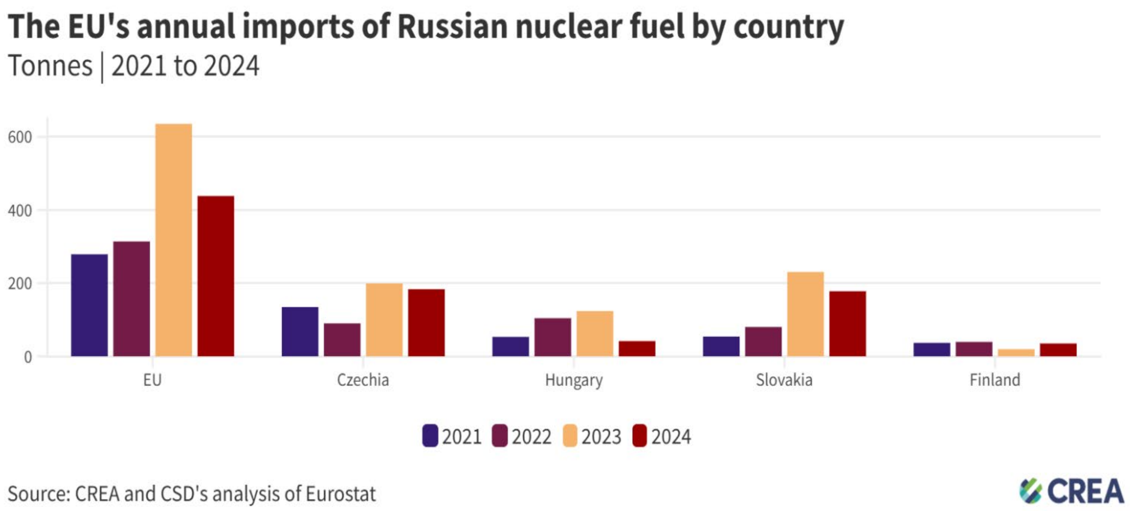
Conclusion: Arc-7 tankers are a **strategic bottleneck**, making them Russia's **Achilles' heel** in Arctic LNG exports.

EU imports of Russian nuclear fuel rise above pre-invasion levels

- **Several EU countries remain heavily dependent on the Kremlin's nuclear monopoly**, **Rosatom**, both through fuel imports & large-scale, **corrupt projects like Hungary's Paks II** nuclear expansion.

- In 2024, **Hungary & Slovakia's combined imports** of **Russian nuclear fuel were 105% above** 2021 levels.

- This was **driven by Slovakia's increased purchases** & **stockpiling** due to **fears of sanctions** or **disrupted supply from Russia**.



- **Paks II project** totals an **estimated cost of USD 14 bn** – equivalent to **approximately 12% of Hungary's GDP** – primarily **financed by a Russian state loan**. The contract was awarded to Rosatom in a **non-competitive and non-transparent process** investigated by the U.

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Policy recommendations: Ending reliance on Russian gas

The EU must not go back to Russian gas!

1) <u>**Reminder:**</u> Any **reliance on Russian fossil fuels entails a huge risk of security of supply**. The **2022 energy crisis**, **triggered by Russia**, <u>forced the **EU to spend over EUR 800 bn** on consumer subsidies</u> to ease the supply crunch.

2) The **deadlines for phasing out all Russian gas imports in the new EU Commission Roadmap** for phasing out Russian energy imports should be **pushed forward to the end of 2025**, and the EU should **make the target legally binding**.

3) **End Russian pipeline gas deliveries through TurkStream** — coordinating LNG imports & the use of reverse-flow interconnection capacities across Central & Southeast Europe.

4) **Introduce an EU-wide certification and traceability system for gas country of origin**, requiring all suppliers to disclose the composition and source of gas entering the EU via Turkey and other entry points.

5) **Impose a windfall tax on the price differential between discounted Russian pipeline imports and EU hub prices**. Tax revenues should be earmarked for Ukraine's reconstruction fund.

6) Implement an immediate **LNG price cap & volume quota** to lower Russia's export revenues and ensure a phase out.

Policy recommendations: Ending reliance on Russian oil & nuclear fuel

Cut off Russian nuclear fuel exports

1) **Sanction Rosatom** and all of its subsidiaries.

2) **National governments should accelerate supply contracts with non-Russian fuel suppliers** – clear legally binding deadlines.

3) **Expand public disclosure of nuclear fuel inventories** to enable independent monitoring of nations' decoupling progress.

4) **Discontinue all joint nuclear power plant projects with Rosatom including Paks-2** — locked-in governments to long-term technological and financial dependence on the Kremlin.

End reliance on Russian crude overnight:

1) There is **no end date in the EU exemption** – must be **set by the EU as the end of June-2025 (legally binding)**. Any extension in the contract will undermine the EU's announced plan to end reliance on Russia by 2027.

2) **Ban the exemption on the export of oil products to Czechia** that are made from processing Russian crude oil in Hungary & Slovakia – **EUR 520 mn of oil products were exported to Czechia** (2024).

3) **Hungary must separate collaboration between MOL & the Government** used to promote Orbán's agenda financed by Russian oil profits.

4) **Launch an independent audit of JANAF transit fees to dispel claims of non-competitiveness** — introduce an EU-backed arbitration framework for resolving payment disputes with JANAF.

Thank you for your attention

Please don’t hesitate to reach out to us:

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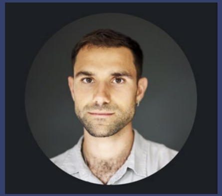

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