



Tapping the Loophole

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About CREA

The Centre for Research on Energy and Clean Air (CREA) is an independent research organisation focused on revealing the trends, causes, health impacts, and solutions to air pollution. CREA uses scientific data, research, and evidence to support the efforts of governments, companies, and campaigning organisations worldwide to move towards clean energy and clean air, believing that effective research and communication are the keys to successful policies, investment decisions, and advocacy efforts. CREA was founded in Helsinki and has staff in several Asian and European countries.

About CSD

Founded in late 1989, the Center for the Study of Democracy (CSD) is a public policy institute fostering the reform process through impact on policy and civil society. CSD's mission is "building bridges between scholars and policy-makers". Since 2014, CSD has pioneered the assessment of Russian economic influence through the Kremlin Playbook series of reports, focusing particularly on Russia's weaponization of energy and state capture to exert outsized influence over decision-making in strategic economic and political areas.

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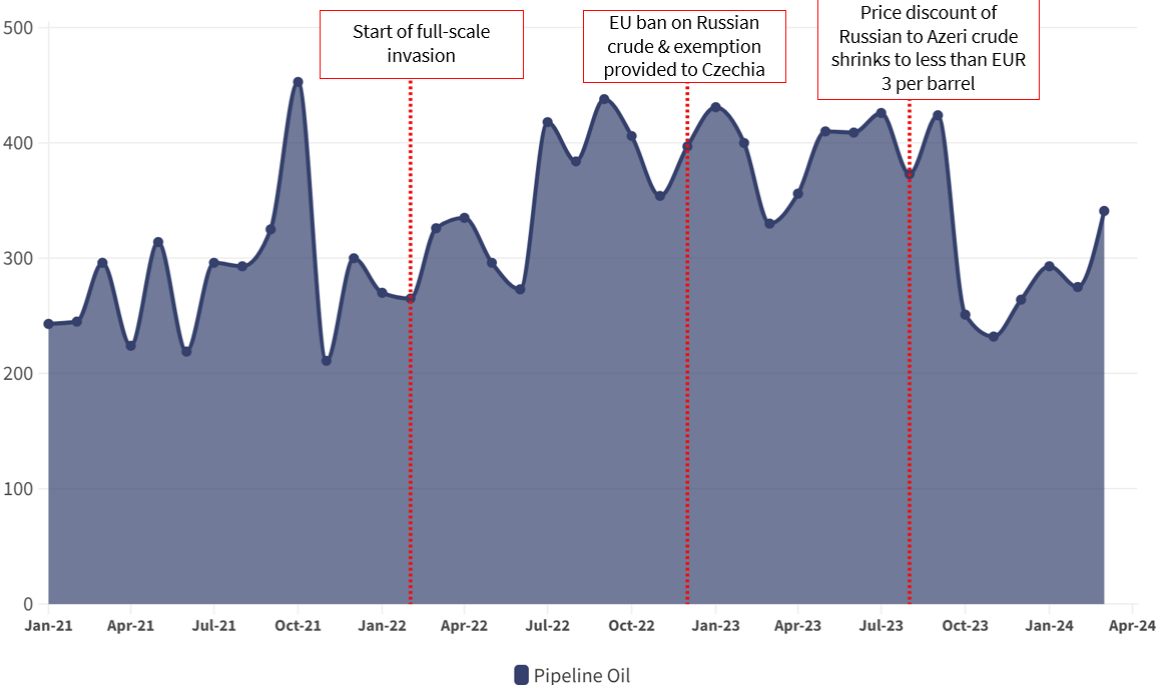
Key findings

- **Financing the Kremlin's War:** Since the start of Russia's full-scale invasion on February 24, 2022, the Czech Republic has spent over EUR 7 billion on Russian oil and gas — more than five times the [EUR 1.29 billion](#) it has provided in aid to Ukraine. Czechia's oil imports have resulted in over EUR 2.3 billion in tax revenues for the Kremlin since the start of the invasion.
- **Exploiting the Loophole:** In 2023, Czechia's reliance on Russian crude oil rose to 60%, despite government intentions to phase it out. By early 2024, this reliance had decreased to pre-invasion levels of 50%.
- **Maximising Profits:** The sole crude oil refiner in Czechia, the Polish company Orlen Unipetrol, utilised the exemption from the EU ban on Russian oil imports to purchase large volumes of discounted Russian crude, which was on average 21% cheaper than Azeri crude in 2023. This strategy contributed to surplus profits of around EUR 1.2 billion. However, during the periods of high reliance on Russian crude the savings from cheaper Russian oil were not reflected in lower consumer gasoline prices in Czechia.
- **Mission Possible:** Czechia can fully replace Russian crude oil supply by maximising the utilisation of the TAL pipeline, increasing petroleum products imports from Germany and tapping into the country's vast crude oil stocks.
- **Russian Gas Again?** After largely halting Russian gas imports in 2022 and 2023, Czechia spent EUR 440 million on supplies from Gazprom in 2024, despite having ample alternative non-Russian supply options from Norway and the global LNG market.

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The Czech Republic's imports of Russian crude oil did not go down despite phaseout pledges

The Czech Republic's monthly import volume of Russian crude oil via pipeline
January 2021 to March 2024 | Thousand tonnes



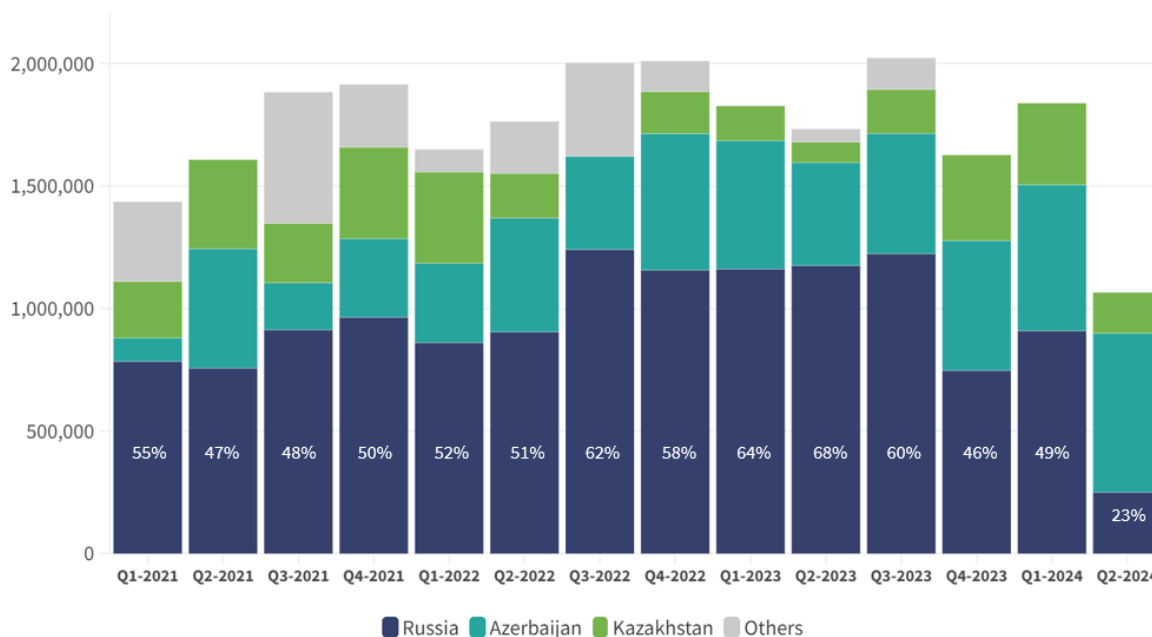
Source: CREA analysis • Note: Czechia experienced a significant drop in imports observed in April and June 2024 due to an unexplained disruption to oil supply via the Druzhba pipeline. Therefore, the data shown is until the end of March 2024.

The Russian oil and gas sector is the [most important revenue source](#) for the Kremlin, and accounted for 32% (EUR 97 bn) of the country's federal budget revenues in 2023. An important component of this revenue stream is pipeline flows to Hungary, Slovakia and the Czech Republic, who were granted an exemption from the EU's ban on Russian oil imports. The intention of the derogation was to allow these EU Member States more time to reduce their reliance on Russian oil. In reality, Russian oil purchases have barely changed. Pipeline oil exports contributed EUR 2.5 bn to Russian export revenues in the first half of 2024 alone, around a fifth of that coming from the Czech Republic.

While supportive of Ukraine in defending against the Russian aggression, the Czech Republic has, ironically, sent over five times more money to the Kremlin via fossil fuel purchases (EUR 7 bn) than it provided in aid to Ukraine ([EUR 1.29 bn](#)) since the start of the invasion.

Countries exporting crude oil to Czech Republic

January 2021 to June 2024 | Tonnes | Top 3 countries



Source: Eurostat • Call outs show % reliance on Russian crude.

Note: The significant drop in Russian pipeline oil imports observed in April and June 2024 was due to an unexplained disruption to oil supply via the Druzhba pipeline.



The Czech government has not done enough to phase out Russian energy imports. In 2022, Russian oil accounted for 56% of the country's total imports of oil. This figure rose to 60% in 2023 and only returned to levels similar to those from before the full-scale invasion of Ukraine at 49% in the first quarter of 2024.

In the first half (H1) of 2024, the Czech Republic imported 1.2 mn tonnes (EUR 542 mn) of Russian pipeline oil, consistent in value terms with average imports from before the invasion (EUR 574 mn in H1 2021). While monthly average imports of Russian crude oil fell by 46% in H1 2024 compared to the same period last year, the decrease was not the result of Czech efforts to reduce the reliance on Russian crude but rather that of two unexplained disruptions to Russian oil supply via the Druzhba pipeline in Q2. Even after the monthly cuts, the Czech Republic's imports of Russian crude oil have generated EUR 300 mn in tax revenues for the Kremlin in the first half of 2024. The crude import disruptions also revealed that Czechia can maintain normal oil supply to consumers even when import volumes fall, as the countries' refineries can obtain ample alternatives without a spike in domestic petroleum prices.

Orlen Unipetrol exploits the exemption from the EU sanctions to generate huge profits from discounted Russian oil

In December 2022, the EU imposed sanctions targeting the Russian oil industry, which included an import ban on seaborne crude oil and the introduction of a USD 60 per barrel price cap. Several EU Member States — Czech Republic, Hungary, and Slovakia — were granted an [exemption](#) to the sanctions due to their heavy reliance on Russian oil via the Druzhba pipeline, a crucial conduit for landlocked countries in Central Europe. A key component of the derogation was that “*Member States take all necessary measures to obtain alternative supplies so as to ensure that imports by pipeline of crude oil from Russia are made subject to the prohibitions as soon as possible*”. Two years after receiving the derogation, the Czech Republic is making only limited progress in transitioning away from its Russian oil dependence.

Purchases of Russian crude oil rose to 4.3 mn tonnes in 2023, the highest volume in [over a decade](#), a strong indicator that the Polish company Orlen Unipetrol — the sole processor of crude oil in Czechia — has maximised the imports of discounted Russian crude.

Orlen Unipetrol wrongly [claimed](#) that the Czech Republic cannot switch to non-Russian oil due to inadequate pipeline capacity and the need for refinery modifications to process other crude. Then in August 2024, when the Ukrainian presidential aide Mykhailo Podolyak suggested that Russian flows may stop from January, 2025, the Czech state energy security envoy, Vaclav Bartuska, had said that any such cut off was “[not a problem](#)”, as Czechia can fully replace Russian oil supply similar to how the country coped with the transit halt in 2019.

Prime Minister Petr Fiala also indicated his intention to [end reliance on Russian crude](#) oil once the project for expanding the TAL pipeline is completed in early-2025. The Czech government can make an executive decision to halt the supply on the Druzhba pipeline from 1 January 2025, just as [Poland and Germany acted](#) to end their imports of Russian crude through the Northern branch of the Druzhba pipeline at the end of 2022.

Czechia’s decision to delay the Russian oil phaseout is a typical reaction for many European governments, who aim to preserve Russian energy supply serving concrete domestic business interests. Similar to Czechia, for example, the Bulgarian government opposed the lifting of the derogation it had received from the EU ban on Russian oil imports by presenting false claims about the inability of the Neftohim refinery, owned by Lukoil, to process non-Russian crude; the unnecessary need for storage capacity expansion and the potential negative impact of the Russian oil phaseout on fuel prices. CSD and CREA’s detailed [analysis](#) on how Lukoil takes advantage of the derogation to

maximise its profits from importing Russian crude oil in Bulgaria exposed that there are no economic and technical reasons for the existence of this sanctions loophole. Following the decision of the Bulgarian government to end the derogation one year earlier, there has been neither security of oil supply risks, nor an increase in fuel prices on the domestic market.

The only two refineries that operate in the Czech Republic can [already process](#) non-Russian crude oil. In addition, a cut in supply through the Druzhba pipeline is not without precedent. In 2019, the pipeline suffered a major outage due to the contamination of the oil with organic chlorides. Countries dependent on the Druzhba pipeline overcame the unexpected disruption relatively smoothly through a combination of inventory draws and the maximisation of alternative supply deliveries. The Czech Republic was able to cope without any Russian oil and witnessed no [rise in petrol or diesel prices](#).

In fact, the [Adria pipeline](#) from Croatia's Omisalj terminal can supply refineries in Croatia, Hungary, Czech Republic and Slovakia, as it links up to the Druzhba pipeline. The Adria pipeline's installed capacity of 400,000 barrels per day (b/d) is more than enough to cover the three countries' normal operating needs at about 80% utilisation rate. The use of drag-reducing agents could also increase the operational capacity of the pipeline, allowing for even higher utilisation rates.

Czech refineries could negotiate with the Hungarian oil and gas major, MOL, a owner of the Adria pipeline, to obtain non-Russian crude via the Adria pipeline, which links with the Slovakian stretch of the Druzhba pipeline, and from there, with Czechia. This could enable the supply of [an additional 7.2 million barrels of oil per year](#) (13% of the Czech annual domestic consumption).

Additionally, the Transalpine pipeline (TAL) connecting the Trieste port in Italy to Austria, South Germany and the Czech Republic offers further alternative oil supply routes. The TAL network has a total capacity of 43 mn tonnes per year. To secure diversified oil supply, the Czech oil pipeline operator MERO ČR acquired a 5% stake in the TAL pipeline back in 2012, granting it the right to access any spare capacity. The utilisation of the TAL pipeline has been 85% on average meaning that the proposed expansion of the link with IKL by 4 mn tonnes per year by the Czech oil pipeline operator, MERO, seems like an unnecessary delay strategy, paid by Czech taxpayers.

Czechia connects to the TAL pipeline via the Ingolstadt Kralupy Litvínov (IKL) oil pipeline. The transport capacity of the pipeline, which is [usable for Czechia](#), is 10 mn tonnes per year — greater than their total crude oil consumption. The actual capacity usage of the IKL pipeline is on average around 20-40%, according to the IEA, which makes it fully manageable for Czechia to replace all Russian oil imports overnight.

Czechia can also fully phase out its Russian crude dependence through a combination of maximising petroleum product imports from Western Europe, which traditionally cover around 30% of domestic consumption, and the full utilisation of its ample storage capacity, worth around 3.6 mn tonnes (around half of total annual imports). Most of the crude oil and product stocks are held by the state-owned oil operators, MERO (crude oil) and CEPRO (products), which maintain the national stocks of the State Material Reserves Administration of the Czech Republic (ASMR). ASMR holds a total of 15.2 million barrels (mb) of government stocks, consisting of 49% crude oil and 51% refined products. The Czech oil industry maintains an additional 8.6 mb of domestic stocks, with 39% crude oil and 61% refined products. All ASMR crude stocks are Russian oil, which means that in case of a halt to the Druzhba oil supply, the Litvínov refinery, largely dependent on Russian oil supply, could withdraw from the emergency oil stocks in the ASMR until there has been sufficient utilisation of the alternative oil pipeline routes.

Formally terminating the EU exemption requires an amendment to [regulation 833/2014](#) by unanimity in the European Council. In addition, there is no clear deadline for when the exemption will end. As long as this exemption remains in place, the Czech Republic can continue to drag its feet on diversifying supply away from Russia. Instead, Czechia could independently stop relying on the exemption by introducing a new piece of legislation — similar to how [Bulgaria banned the importation of Russian oil despite its exemption to the EU sanctions](#).

While [Ukraine has stated](#) that it will honour its existing contract to transit Russian oil to Europe via the Druzhba pipeline until 2029, this is by no means guaranteed. Russian oil currently transits a war zone making a potential disruption of supply quite possible, which represents an enormous risk to the security of oil supply.

Cost benefits of buying Russian crude oil

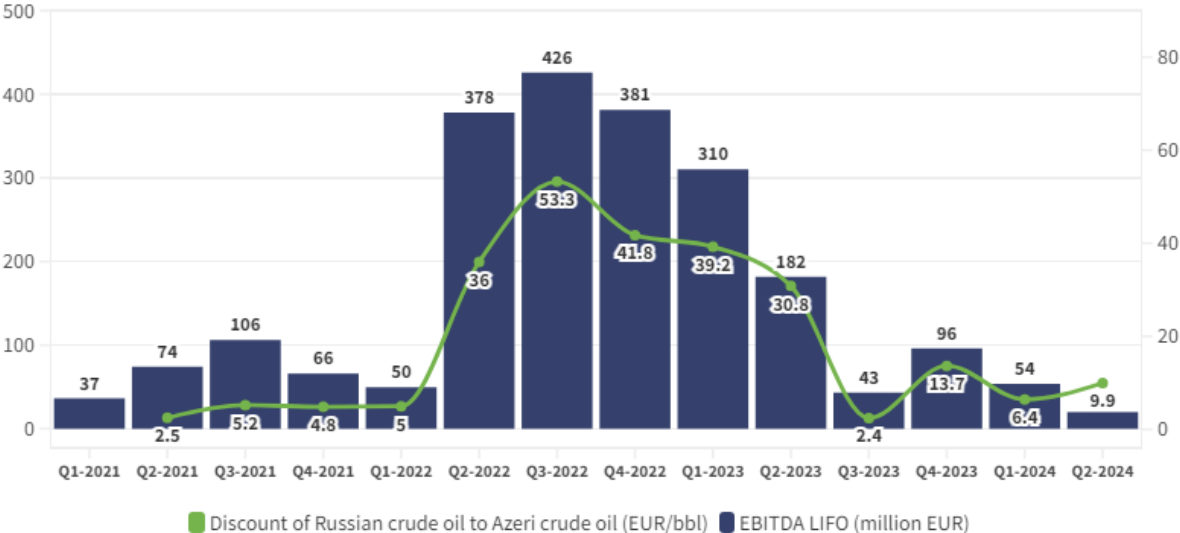
All of the Czech Republic's crude [oil imports](#) are managed by the Orlen Unipetrol Group, the country's sole crude oil processing company and a subsidiary of the Polish energy giant PKN Orlen. Its Litvínov refinery is exploiting the oil exemption to buy discounted Russian crude from Rosneft — its main supplier in the Czech Republic — rather than seek alternative supplies. Orlen Unipetrol has a [contract](#) with Rosneft for around 5 mn tonnes of crude oil per year that is due to expire by mid-2025. Although the exact terms of the contract are unclear, it is not surprising that Orlen Unipetrol has been slow to cut imports of Russian oil. Cheaper Russian crude allows refineries to make considerable margins from selling to an [overheated oil products market](#).

In 2023, the Czech Republic's imports of Russian crude were, on average, 25% cheaper (EUR 63.8 per barrel) than oil from the country's second-largest supplier, Azerbaijan (EUR 85.3 per barrel), based on an analysis of Eurostat trade data.

If Orlen Unipetrol had been passing on their financial savings to final consumers, wholesale gasoline prices would have dropped when the reliance on Russian crude was at its highest. In fact, the opposite has been true. When in Q3 2022 Czechia imported their highest volume of Russian crude since the start of the full-scale invasion, pre-tax domestic gasoline prices fell by just 4%. This further evidence shows how higher reliance on Russian crude has not really benefited the consumer through lower gasoline prices but rather channels funds to the Kremlin war-chest.

Orlen Unipetrol's EBITDA vs Russian price discount to Azeri crude oil

January 2022 until end of June 2024



Source: CREA analysis of Orlen Unipetrol's financial reports

The Price discount = Price of imported Azeri crude - Price of imported Russian crude: the differential is presented as positive [+]

EBITDA LIFO refers to earnings before interest, taxes, depreciation, and amortization, with inventory costs calculated using the Last In, First Out (LIFO) accounting method.



An analysis of Orlen Unipetrol's [financial reports](#) shows that between Q3 2022 and Q1 2023, their average quarterly earnings before interest, taxes, depreciation, and amortisation (EBITDA), using the Last-In, First-Out (LIFO) inventory method increased nearly four-fold to EUR 372 mn, compared to their average quarterly EBITDA of EUR 70 mn in 2021.¹ The total surplus profit of Orlen since the Russian invasion is estimated at around EUR 1.2 billion. This was primarily driven by the company's decision to increase reliance on Russian crude to 60% along with the fact that the discount for Russian crude oil compared to Azeri crude averaged around EUR 45 per barrel between Q3 2022 and Q1 2023.

By Q1 2024, the Russian price discount compared to Azeri crude narrowed significantly to around EUR 6, which is the likely reason reliance on Russian crude oil returned to levels

¹ The LIFO valuation methodology assumes the most recently purchased inventory will also be the highest cost. This method likely underestimates Orlen Unipetrol's profits as it assumes higher costs.

observed before the full-scale invasion (50%). With a much smaller discount for Russian crude oil and stable gasoline prices, Orlen Unipetrol's EBITDA fell to EUR 54 mn, and the company decided to reduce Russian crude imports. This suggests a clear exploitation of the EU's exemption for pipeline Russian oil imports, allowing the company to capture substantial profits without significantly benefiting consumers through lower domestic gasoline prices.

Czech refineries can cope with non-Russian crude oil without substantial modifications and operational restrictions

Orlen Unipetrol Group operates the only two refineries in the Czech Republic — the Litvínov refinery, which is linked to the Druzhba pipeline and almost exclusively processes Russian crude, and the Kralupy refinery, which processes exclusively non-Russian crude coming from the initial TAL pipeline that is then connected to the IKL pipeline. [The Kralupy refinery](#) can produce 900 thousand tonnes of petrol and 1.2 mn tonnes of diesel annually. The Litvínov refinery can produce 600 thousand tonnes of petrol and 2.2 mn tonnes of diesel. Combined, they have a capacity of 8.7 mn tonnes of refined oil per year, covering more than 80% of the Czech Republic's gasoline consumption and approximately 75% of its diesel consumption. The remainder is mainly imported [directly](#) from Germany and Slovakia to the tune of around 2 mn tonnes of refined products per year.

One argument in favour of enduring the Czech Republic's exemption to the EU Russian crude oil import ban was that the country could not meet its oil needs without significant modifications to the Litvínov refinery. However, during a three-week test in October 2023, the Litvínov refinery successfully processed three non-Russian crude oil blends in a total volume of 183,000 tonnes. A member of the board of directors of the Orlen Unipetrol Group [confirmed that the Litvínov refinery could cope with non-Russian oil](#) "without substantial operation and capacity restrictions". In other words, the Litvínov refinery can process non-Russian crude, though some modifications are needed to keep the refinery competitive. These modifications were scheduled for its maintenance shutdown in April and May 2024.

Orlen's Special Relationship with Rosneft

The dependence of Poland's PKN Orlen on Russia's Rosneft reveals a complex web of relationships that spans multiple markets in Central and Eastern Europe. Despite Orlen's public efforts to diversify away from Russian oil, the company remains intricately tied to

Rosneft through a number of key supply chains and business operations, particularly in Germany and Poland.

Orlen's reliance on Russian oil is underscored by its existing contract with Rosneft to import 5 mn tonnes of crude into the Czech Republic via the southern branch of the Druzhba pipeline, an agreement that is thought to run until mid-2025. Although Orlen has attempted to reduce its dependency by [signing a deal with BP for importing 5 mn tonnes of North Sea oil](#) per year to the port of Gdansk, it is finding it difficult to secure all the supply necessary for its refineries in Poland and Lithuania.

In addition, Orlen has played the role of intermediary between Rosneft and the German government after the latter [took all Rosneft assets](#) under state supervision in September 2022 and stopped purchasing Russian oil. The Polish company reached a deal with Germany on the supply of Kazakh crude oil via Druzhba to the Schwedt refinery in Saxony, which is majority-owned by Rosneft. When Russia blocked exports to Poland via Druzhba, Orlen had to find a way to import enough seaborne Kazakh oil to cover the consumption of both its refineries and those of Rosneft in Germany. Then, in late 2023, the Polish oil pipeline operator, PERN, and its Russian counterpart, Transneft, [agreed to resume Kazakh oil flows equal to 1.2 mn tonnes](#) via Druzhba to the Schwedt refinery, allowing the processing facility to increase its utilisation capacity to above 75%.

Along with facilitating the supply of non-Russian crude oil to Germany, Orlen has also been [in talks](#) with the German government to acquire Rosneft's 54.17% stake in the Schwedt refinery. The Polish company's intentions coincide with the [appointment](#) of Marcin Zawisza – the previous director of the petrochemical division of Rosneft in Germany – as the President of the Management Board on 1 July, 2024.

TAL-Plus pipeline expansion is important but not the exclusive condition for a full Russian oil phaseout

The Czech Republic imported a total of 7.4 mn tonnes of crude oil in both 2022 and 2023. Although the IKL pipeline has more than enough [capacity](#) (12 mn tonnes per year) to cover their domestic consumption, MERO ČR claims that the key bottleneck is the TAL pipeline, which connects the marine terminal in Trieste, Italy, with Germany and the IKL pipeline. The TAL pipeline has a capacity of 43 mn tonnes, but MERO claims only [4 mn tonnes is allocated for the Czech Republic](#). This is contradictory to the terms of the MERO acquisition of a 5% share in the TAL pipeline in 2012, giving the Czech company access to [any of its spare capacity](#).

Nonetheless, MERO ČR is investing EUR 64 mn in the hopes of adding 4 mn tonnes of capacity to the TAL pipeline connection to IKL pipeline. [Prime Minister Petr Fiala](#) said that the EU derogation will end as soon as the project is complete in early-to-mid 2025. This,

however, is not a legal commitment, and even a month-long delay would send, on average, an additional EUR 50 mn in tax revenues to the Kremlin. The completion of the TAL-Plus project leaves no excuse for Orlen Unipetrol to continue buying Russian oil.

While expansion of the TAL pipeline will completely change the picture, even full utilisation of the current TAL pipeline capacity would hit Russian revenues hard. In 2023, the Czech Republic utilised 75% of the TAL pipeline's maximum supposedly allocated capacity. Using the additional 1 mn tonnes of capacity available would have helped reduce their reliance on Russian oil from 60% to 40% in 2023.

MERO ČR has also expressed interest in operating the Druzhba pipeline [post 2025](#), preferably for oil that originates from the Odessa terminal in Ukraine. This would serve as a back up supply route to handle future supply disruptions from its main source — the TAL pipeline. Alternatively, they suggest that the Druzhba pipeline could be repurposed to transport other resources such as ammonia or hydrogen.

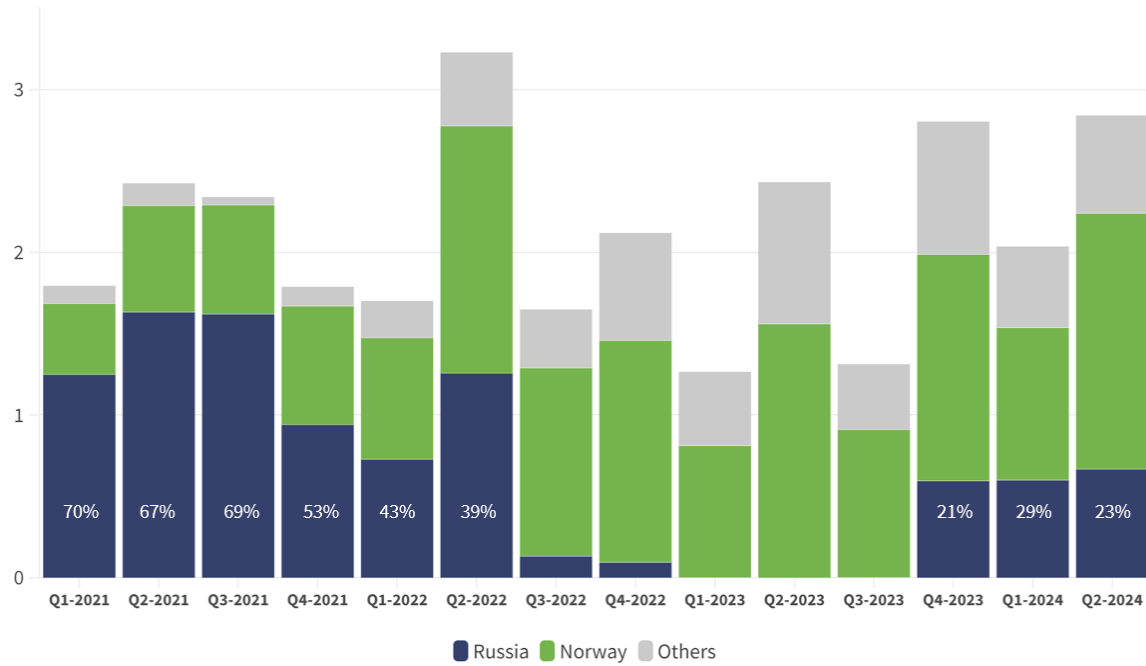
Fossil gas imports from Russia rose by 18% in H1 2024

Fossil gas plays a [smaller role](#) in the Czech economy than oil. According to [IEA data](#), gas accounts for only 15% of Czechia's energy supply and only 5% of electricity generation. The country remains fully dependent on imports to cover its domestic fossil gas demand, which slumped to 6.7 bcm in 2023, the lowest level in three decades. However, the share of fossil gas in Czechia's power generation is expected to rise to 10% by 2035 as the country phases out its primary energy source, coal. Currently, industry is the largest consumer of fossil gas, followed by residential use, electricity and heat generation.

Despite the EU's decision not to impose direct sanctions on Russian pipeline gas due to its reliance on these supplies, imports from Russia have fallen significantly since Russia's energy blackmailing in 2022 and the [explosion of the Nord Stream pipeline](#). In the first half of 2023, a mere 4% (0.15 bcm) of the Czech Republic's total imports of fossil gas came from Russia. This was a 93% drop from the 2 bcm (48% of total share) that they imported from Russia in the first half of 2022. In the first half of 2024, however, the Czech Republic imported 1.3 bcm (EUR 440 mn) of Russian gas, doubling its total expenditure on Russian gas for all of 2023.

Countries exporting fossil gas to the Czech Republic

January 2021 to June 2024 | Billion cubic metres (bcm) | Top 2 countries



Source: CREA analysis • Call outs show % reliance on Russian fossil gas

Others category contains liquefied natural gas (LNG) from all sources, some of which may also be of Russian origin



However, in the first half of 2024, Czechia reversed the Russian gas phaseout by importing almost a third (1.3 bcm) of their needs via pipeline from Russia. This amounted to buying Russian gas worth EUR 440 mn in the first half of 2024, double what the country spent on Russian gas in the whole of 2023.

The Czech Republic has the gas infrastructure, supply routes and energy portfolio to replace Russian fossil gas

Czechia does not need to import any Russian pipeline gas to maintain the security of its supply. It can import enough gas from Norway via the pipeline routes in Germany. The Czech Republic can also buy liquefied natural gas (LNG) through the new floating terminal in [Eemshaven](#), Netherlands, where the country has reserved [3 bcm per year](#).

There are seven pipeline interconnections between the Czech gas transmission network and its neighbours — four with Germany, two with Slovakia, and one with Poland. This allows the Czech Republic to source fossil gas from a [wide range of suppliers](#), including three additional LNG terminals in Germany and two terminals in Poland. The Czech Republic is also a key transit country for fossil gas to Central and Eastern Europe. The annual volume of fossil gas transported through the country is more than four times its domestic consumption.

Czechia can survive without Russian gas

To understand whether the Czech Republic can survive without Russian fossil gas, it is necessary to apply the N-1 standard provided by the [EU Regulation No. 994/2010](#). The N-1 standard estimates whether the gas infrastructure of a given country or area has enough technical capacity to satisfy the total gas demand in the event of a disruption of the single largest gas infrastructure, during a day of exceptionally high gas demand, occurring with a statistical probability of once in 20 years (also known as the 1-in-20 peak demand). A result equal to or above 100% indicates that the country or region can meet total gas demand without the identified largest gas facility.

The Lanžhot entry and exit point, which connects the Czech Republic to Slovakia, has the country's highest gas supply capacity — 156.4 mn cubic metres per day (mcm/d). According to the Czech Republic's [N-1 formula calculations](#), even if this entry point were disrupted, the country would still remain well above the 100% minimum requirement. This indicates that, assuming all Russian gas imported into the Czech Republic flows through Ukraine, Slovakia, and then the Lanžhot entry point, the capacity of existing gas supply routes is not a barrier to stopping Russian gas imports. Put simply, if Russian gas supply were halted, there would not be a substantial effect on the supply of gas to end customers.

The Czech Republic is also well protected against short to medium-term gas supply shocks due to its high gas storage volumes. The maximum level of operating stores in the Czech Republic is [3.9 bcm](#). For the past two years, the Czech Republic has managed to fill its storage to over 99% of this figure by the end of the summer refilling period. This is enough to cover 58% of its annual consumption (based on 2023 consumption figures).

Policy Recommendations

Remove all EU oil sanctions loopholes: To complete the strategic decoupling from Russian oil, the EU should remove all exemptions from the ban on Russian oil imports including those provided to Hungary and Slovakia, which can also replace Russian crude completely without technical or economic consequences. The EU should also remove the refining loophole in the Russian oil embargo, which has allowed third countries to maximise Russian crude purchases and sell the surplus petroleum products back to the EU.

Phase out all Russian oil imports by the end of 2024: The Czech government should stop companies from being able to buy Russian crude oil on 1 January 2025. This deadline will also set an end date for the derogation and could invoke a force majeure clause of Orlen Unipetrol's existing contract with Rosneft, forcing them to obtain crude oil from non-

Russian sources via the IKL and TAL pipelines. Every month that the Czech Republic prolongs the phase out, they send an estimated average EUR 50 mn in tax revenues to the Kremlin through the importation of Russian crude via pipeline.

Legislate for maximising imports via IKL and TAL pipelines: The Czech government should mandate refineries to make maximum use of the existing capacity of the TAL pipeline, which could enable the imports of an additional 1 mn tonnes of non-Russian crude and reduce immediately the Czech Republic's reliance on Russian oil by 20%.

Negotiate an increase in the Czech utilisation of the TAL pipeline capacity: The TAL pipeline is also a key supply route for Germany and Austria but in 2022, there were 6 mn tonnes of free oil capacity available. MERO ČR already has the ability to book any free capacity on the TAL pipeline, and could negotiate with the other major consumers such as the Austrian oil company, OMV, on the TAL pipeline route to obtain a bigger share of oil flows from Trieste. This would provide ample access to alternative supply while the TAL-plus project is being completed.

Use withdrawals from the country's strategic petroleum stocks to cover any crude deficit in the short run: MERO ČR and the Czech government can coordinate the release of strategic petroleum stocks to cover any shortfall of Russian crude utilised in the Litvínov refinery. As the country maintains 3.6 mn tonnes of stocks, the domestic demand will be easily covered until all expansion works are complete on the TAL pipeline.

Set a definitive deadline to cease Russian gas imports: Regardless of whether Ukraine halts the flow of Russian gas to Central Eastern European countries, the Czech Republic should set a clear deadline to cease importing Russian gas on its own. The EU must also ensure that the proposed [Azerbaijan-Russian gas swap deal](#) is not used as a way for Russia to continue sending their gas through Ukraine and to Europe. Europe can fully replace Russian gas pipeline imports without major security of supply risks as the most vulnerable countries in Central and Eastern Europe have access to three times more alternative gas transmission capacity than the current Russian import volumes.

Prioritise cleaner energy alternatives: As the Czech Republic, along with most other Central and Eastern European countries, plans to [phase out](#) coal by 2033, it is important for the region to not to get trapped in a fossil gas lock-in instead. Phasing out Russian fossil fuel imports provides the region with a crucial opportunity to expand investments in renewable energy sources like solar and wind. By prioritising cleaner energy alternatives, the countries in the region can reduce their carbon footprint, enhance energy security, and align with broader European goals for sustainability.

Methodology

Data sources and terminology

The analysis is based on an array of different sources including: Eurostat, Global Energy Monitor, Gas Infrastructure Europe, Eurostat and the EntsoG Transparency platform. Units were converted between tonnes and barrels using [UnitConverters.net](https://www.unitconverters.net) data. Throughout this report we have used the name Czechia and the Czech Republic interchangeably.

Pricing of oil from different sources

To estimate pricing, we used data from Comext, published by Eurostat. To estimate the average price per barrel we divided the value by the volume — and eliminated anomalous data. The prices of crude oil products such as petrol and diesel were taken directly from the EU weekly oil bulletin.

Data on pipeline flows of gas

Data was collected from ENTSOG (European Network of Transmission System Operators for Gas) and Eurostat for European pipeline transmission. To attribute the pipeline data to each country within the pipeline network, we analysed data from ENTSOG on flows between countries at transmission interconnections daily. We then assume that on any given day, a country is a perfect ‘gas mixer’ — that is, all gas gets mixed before being consumed and/or re-exported. This allows us to attribute Russian gas consumption to countries that do not have a direct connection with Russia. Read more about it in our post about our change in pipeline gas attribution [methodology](#).

Estimating Russian tax revenues from oil exports

When estimating the revenue from oil exports to the Russian federal budget for 2022 and 2023, we focus exclusively on the mineral extraction tax (MET) and the export duty. For 2024, due to the announced abolition of export duty, our calculations are based solely on MET. This methodology directly reflects the payments made by Russian companies for extracting and exporting fossil fuels, offering a clear view of the fiscal impact on the Russian federal budget. Data was gathered from publicly available sources, including the Russian Ministry of Finance.

Orlen Unipetrol’s EBITDA

Data relating to Orlen Unipetrol’s financial performance was taken directly from their quarterly and annual financial reports. Exchange rates per quarter contained in these

financial reports were used to convert figures to euros using the rates provided within the report.