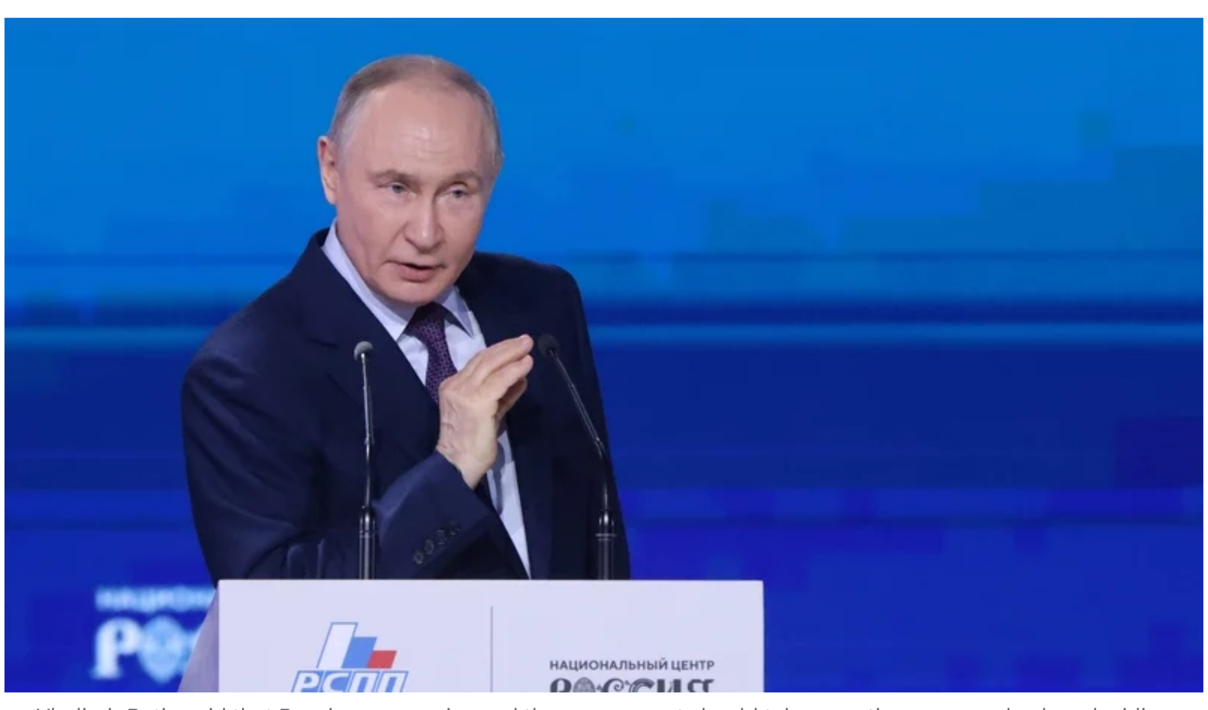
Russia's oil revenues spike due to US-Iran war

Updated / Sunday, 29 Mar 2026 08:00



Vladimir Putin said that Russian companies and the government should take a cautious approach when deciding how to spend windfall gains from higher oil prices


By Tania Reut

Four weeks of the US-Israeli war with Iran and a sharp rise in oil prices have added millions to Russia's budget, energy market analysts say.

According to the Centre for Research on Energy and Clean air, a Helsinki-based think tank, 24-days after the start of the conflict Russia's average daily export earnings have reached an estimated €388 million per day, 20% above its daily average in February.

Earlier, the Financial Times branded Russia the "biggest winner" from the war in the Middle East, saying its daily revenues spiked by $150 million.

"The single biggest driver is the overall market price for oil," energy analyst at CREA Luke Wickenden told RTÉ News.

"The price of Russian Urals crude rose with it, and the discount between Russian oil and global benchmarks has largely collapsed."

According to various reported estimates Washington's conflict with Tehran and paralysed shipment in the Strait of Hormuz could add close to $5-7 billion of revenues to Russia's budget depleted by its ongoing aggression in Ukraine, though US Treasury Secretary Scott Bessent said that the maximum extra amount of Russia's oil revenue would be "only" $2 billion.

This is a dramatic strike of luck for the Kremlin after a grim start of the year for the country's economy, depleted by its aggression in Ukraine. Russia's fiscal revenues fell by 11.6% in January year-on-year, with the deficit reaching 1,7 trillion Russian rubles (€18.1 billion).

Since launching its full-scale invasion of Ukraine, Russia has faced sweeping international sanctions that forced it to sell oil to China and India at steep discounts.

In recent weeks, however, Washington has relaxed some of those measures, allowing countries such as India to resume buying Russian crude.

The waiver saw India's average daily imports of Russia's oil jumping by 82% in the first three weeks of March compared to February's average, according to CREA's figures.

Revenues from Moscow's key customer, China, have likely increased significantly as well. Moreover, Beijing may need to buy more Russian oil – roughly a third of its seaborne crude oil imports transit through the Strait of Hormuz, which is still effectively blocked.

Amid global uncertainty, Moscow is starting to attract new customers, with countries like Thailand and Vietnam already expressing interest in purchasing its oil.

In another positive for the Kremlin, Washington recently temporarily allowed the sale of sanctioned Russian oil stranded on tankers at sea.

According to the US Treasury, this could add around 130 million barrels to global supplies.

Those tankers are floating without a known buyer.

As demand increases, many vessels carrying Russian crude, which "looked destined for China, have fully changed course and appear to be heading towards India, likely for a higher price," CREA's Wickenden explained.

While the direct financial value of those tankers is not extremely significant in itself, "clearing the stranded oil frees up tanker capacity that had been constraining Russia's ability to export."

Though Russia's ability to export is also severely impacted by Ukraine's attacks.

President Volodymyr Zelensky recently vowed to maintain pressure on Moscow, even as some international sanctions are lifted, by targeting its oil infrastructure.

At least 40% of Russia's oil export capacity is currently at a standstill as a result of these attacks, according to Reuters.

No 'backtracking' to Russian gas in EU

European gas prices have soared by almost 50% since the start of the US-Iran war, benefiting Russia's revenue in the short term albeit to a lesser degree than oil sales.

The crisis rekindled the debate inside the European Union over Kremlin's energy supplies.

Before the full-scale war in Ukraine, close to half of the bloc's gas consumption came from Russia. It has since declined to roughly 13% with the EU committing to a full phase out by 2027.

Hungary and Slovakia are among the last European states still exporting Russian gas in large volumes.

Likely emboldened by its apparent upper hand in the energy markets, the Kremlin has noticeably toughened its rhetoric towards Brussels and London.

In early March, President Vladimir Putin said that Russia could stop gas supplies to Europe with immediate effect and seek longer-term commitments from other buyers (with India reportedly seeking to purchase its LNG).

"Diversify to survive" was the call to action used by Mr Putin's envoy Kirill Dmitriev on his X account.

In his recent posts, Moscow's main negotiator and lobbyist in Washington, Dmitriev has accused EU and UK "bureaucrats" of "shooting themselves in the foot" by turning away from Russia's "vital" energy supplies.

Despite the pressure, EU officials insist there is no "road back to dependency on Russian energy" after years of "blackmail".

Speaking at Politico's Competitive Europe Summit, Energy Commissioner Dan Jørgensen said the EU is now far less "vulnerable" than it was in 2022.

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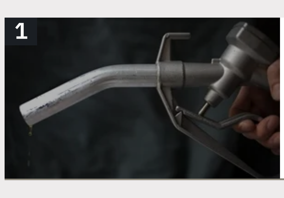
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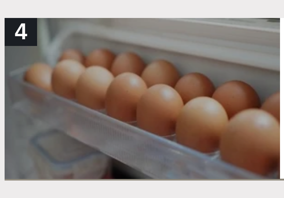
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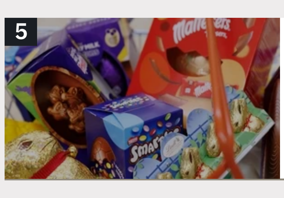
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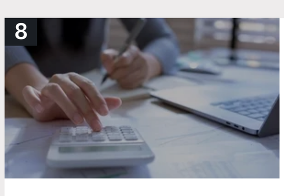
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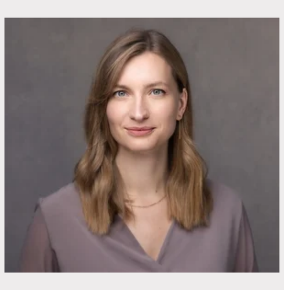
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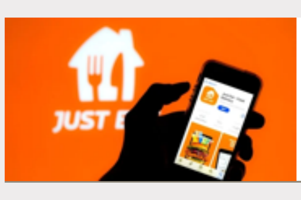
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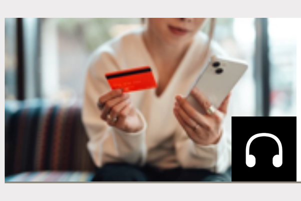
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