

# Support the Breaking Russia's Energy Addicted Kleptocracy and Punishing Uncivil Tyrant Invading Neighbor (BREAK PUTIN) Act of 2022

Despite exporting oil at a discount, due to the rise in Brent crude prices throughout the year President Putin is still grossing higher oil revenues<sup>1</sup> than before he invaded Ukraine. In the first 100 days following its invasion of Ukraine, Russia's energy sector earned nearly 100 billion dollars<sup>2</sup>. In June, Reuters reported<sup>3</sup> Russia expected to receive more than \$6 billion in extra oil and gas revenues that month, and the Wall Street Journal reported<sup>4</sup>, oil traders were working to obscure the origins of Russian oil even after U.S. sanctions had been imposed on Russian crude. Similar actions have continued throughout the summer<sup>5</sup> as numerous mid-level commodity trading and energy firms have marketed Russian oil to buyers. Oil is also being transferred between ships in the Mediterranean, off the coast of West Africa and the Black Sea<sup>6</sup> similar to practices used to buy and sell sanctioned Iranian and Venezuelan oil.

To put an end to Putin's war and for energy sanctions to work, Russia's access to revenues from crude oil sales need to be strategically curtailed.

The BREAK PUTIN Act delivers a direct hit to Vladimir Putin's war machine. The overall effect of this proposal would starve Russia of financial resources causing economic and technological attrition throughout the entire Russian economy. Given the lack of oil storage<sup>7</sup> and economic and technological consequences of shutting in wells, Putin would likely be forced to comply with a price cap. However, this approach would not have the effect of creating a market disturbance like an oil embargo. In fact, countries which currently import Russian oil would benefit from a lower price.

The BREAK PUTIN Act:

- Establishes a price cap for Russian oil at 15% above marginal production costs
- Imposes secondary sanctions for financial institutions violating the price cap.
- Requires all funds to purchase Russian crude be held in escrow at the U.S. Treasury
- Permits Russian access to funds for certain non-sanctioned products
- Establishes strict requirements for Russia to repatriate all funds
- Establishes an interagency task force to combat illicit trade by Russia to evade sanctions using shipping companies, insurance companies, ports, port operators and banks.

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<sup>1</sup> <https://oilprice.com/Energy/Energy-General/How-Sanctions-Have-Increased-Russias-Oil-And-Gas-Revenue.html>

<sup>2</sup> <https://www.washingtonpost.com/world/2022/06/14/russia-fossil-fuel-revenue-ukraine-war/>

<sup>3</sup> <https://www.reuters.com/markets/commodities/russia-get-635-bln-extra-oil-gas-revenues-june-finance-ministry-2022-06-03/?rpc=401&>

<sup>4</sup> [https://www.wsj.com/articles/russian-oil-producers-stay-one-step-ahead-of-sanctions-11654076614?mod=markets\\_lead\\_pos1](https://www.wsj.com/articles/russian-oil-producers-stay-one-step-ahead-of-sanctions-11654076614?mod=markets_lead_pos1)

<sup>5</sup> <https://oilprice.com/Energy/Energy-General/How-Commodity-Traders-Are-Helping-Fund-Russias-War.html>

<sup>6</sup> <https://www.bloomberg.com/news/articles/2022-05-26/rare-ship-to-ship-transfers-keep-oil-moving-from-russia-to-china#xj4y7vzkg>

<sup>7</sup> <https://www.energyintel.com/0000017f-6982-d580-a37f-f99bdebb0000>

- Requires the President to take necessary steps to increase U.S. crude oil production and refining capacity, consistent with his message throughout 2022.