



A fossil fuel embargo is needed – and Europe can afford it

Sergei Guriev / 29.4.2022

Vladimir Putin has started this war assuming four things: (1) his army is strong; (2) the Ukrainian army is weak; (3) Russian-speaking Ukraine supports him; and (4) the West is weak and disunited.

He miscalculated on all four counts. In particular, already on the third day of the war, both the US and Europe sanctioned Russia's Central Bank and its vast currency reserves. This essentially deprived Mr. Putin of his huge stock of cash.

On the other hand, given the high oil prices, he has continued to enjoy a daily inflow of about 1 billion dollars from his oil and gas revenues – thus providing him with a balance of payments and fiscal surplus. The majority of this cash is coming from Europe. Europe has done a lot to support Ukraine's fight for freedom. Yet, it is sending an order of magnitude more money to Russia than to Ukraine.

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Some European governments argue that Europe cannot afford an oil embargo. This is incorrect: most quantitative studies suggest that the cost of the embargo to Europe will be substantial but not catastrophic.

It is best summarized by Italian Prime Minister Mario Draghi who said that we need to choose between peace and air-conditioning. He later explained that this statement meant that further significant sanctions would have to be costly to Europe, but that these costs would also be bearable.

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See also:

- **Warum ein Embargo Putins Krieg beenden könnte**, by Sergei Guriev and Oleg Itskhoki, SPIEGEL 22.03.2022 (<https://www.spiegel.de/wirtschaft/oel-und-gas-aus-russland-warum-ein-embargo-wladimir-putins-krieg-beenden-koennte-a-9537c522-5f56-4856-97bc-86080c2b7028>)
- **Russische Professoren erklären: Deshalb ist ein Energie-Embargo so wichtig... und für Deutschland keine Katastrophe**, by Sergei Guriev and Oleg Itskhoki, BILD 06.04.2022 (<https://www.bild.de/politik/ausland/politik-ausland/energie-embargo-gegen-putin-das-waeren-die-folgen-laut-russischen-professoren-79675310.bild.html>)