

# Our View: Ukraine's Drone Attacks on Russian Oil Facilities Could Boost Diesel Prices

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Ukraine's drone attacks are affecting Russia's oil infrastructure. In response, Russia is prioritizing keeping its domestic markets stocked with gasoline and diesel, even if it must cut exports. Among these fuels, the global diesel market is the most at risk. Russia supplies about 4% of the world's diesel. If the world lost all the diesel provided by Russia, prices could jump by as much as 40%.

Bloomberg reported two weeks ago that Ukrainian drones had hit major refineries in eastern Russia at least 13 times in August.<sup>1</sup> Russia has responded by banning gasoline exports. According to Bloomberg, the government has also "instructed refineries to ensure the domestic diesel supply, limiting outbound shipments."

The export ban's impact is still unclear. Reuters reported last week that the action would have little effect because the order applied only to exporters that do not produce distillates.<sup>2</sup> The authors noted that "around three-quarters of diesel exports are shipped by producers via the North and South pipelines which lead, respectively, to Baltic and Black Sea ports. Those volumes will not be limited." They also observed that supplies sold by "nonproducers," or traders, go mostly to Central Asian nations by rail and that these countries have "intergovernmental" arrangements with Russia that exempt them from the ban.

Separately, two Reuters reporters who follow futures markets, Mia Gindis and Jack Wittels, offered a different view: "Oil traders are betting on a surging diesel market as an escalation in Ukrainian attacks on Russian fuel makers threatens to tighten global supply."<sup>3</sup> They then added this comment:

For global supply chains, any price increase matters because Russia remains one of the world's most important suppliers of diesel, a fuel essential for trucking, shipping, and agriculture. Higher prices could also support crude oil futures that are currently under pressure from an expected surplus.

Gindis and Wittels quoted traders who asserted that "the physical squeeze is small, the psychological squeeze is huge."

The table below indicates the potential impact of cuts in Russian diesel exports on prices. Using information from the Energy Institute's *Statistical Review of World Energy*, we estimated global non-

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<sup>1</sup> "Ukraine Stepping Up Drone Attacks on Russian Oil Assets," Bloomberg, September 13, 2025 [<https://tinyurl.com/ybb7jzbf>].

<sup>2</sup> "Russia plans partial diesel export ban till year-end, little impact seen, traders say," Reuters, September 26, 2025 [<https://tinyurl.com/yd585ya2>].

<sup>3</sup> Mia Gindis and Jack Wittels, "Diesel Traders Bet on Price Spike as Russian Refineries Attacked," Bloomberg, September 24, 2025 [<https://tinyurl.com/4v7fw89>].

Russian diesel use to be 28 million barrels per day. From Bloomberg data<sup>4</sup>, we calculated Russian diesel exports to average 957,000 barrels per day, or 3.6% of world consumption.

The August attacks and the ones that preceded them have already affected Russian diesel exports. EIG's Gary Peach reported that shipments to Russia's two largest customers, Turkey and Brazil, have recently dropped by 150,000 barrels per day, down from the 450,000 barrels per day imported from January to June.<sup>5</sup> Exports from the US have largely replaced the lost Russian fuel.

The increased volumes from the United States have led to price increases. Between the end of August and the end of September, distillate prices rose by almost eight percent, while crude prices went up by less than four percent.

Additional declines in Russian diesel sales could put more upward pressure on diesel prices. Again, a loss of the full 3.6 percent in supplies could boost prices by 40% or more, given the very low price elasticity of demand and tight supply, UNLESS other refiners increase output quickly.

#### Russian Role in Global Distillate Market in 2024 (Thousand Barrels per Day)

Global Consumption	27,980
Less Russian Use	<u>1,964</u>
Equals Net Global Use	26,034
Russian Exports	957
Russian Exports as % of Global Use, Excluding Russia	3.6%

Source: Energy Institute *Statistical Review of World Energy*; Bloomberg; PKVerleger LLC.

<sup>4</sup> Prejula Prem, "Russian Diesel Exports Rise Though Wider Fuel-Supply Woes Linger," Bloomberg, September 26, 2025 [<https://tinyurl.com/yc6brh8j>].

<sup>5</sup> Gary Peach, "Drone Strikes Put Russian Refiners in Crisis Mode," Energy Intelligence, September 25, 2025 [<https://tinyurl.com/49v5dv3r>].