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Russian Government Moves to Tighten Budget Rule as Oil Income Shrinks

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Yegor Aleyev / TASS

Russia's government will gradually lower the oil price threshold used to calculate revenue under its "budget rule" as it seeks to make public finances less vulnerable to energy market volatility and Western sanctions, Finance Minister Anton Siluanov announced Thursday.

Under the current budget rule, oil and gas revenues earned above $60 per barrel of Urals crude are directed into Russia's National Wealth Fund (NWF). Shortfalls are covered by drawing from the savings fund.

To plug this year's ballooning budget deficit, driven by enormous defense spending, the government plans to draw around 447 billion rubles ($5.39 billion) from the NWF's estimated 4 trillion rubles ($48.25 billion).

Siluanov said on Thursday that the cut-off oil price would be lowered by $1 every year starting in 2026, with the threshold ultimately falling to $55 per barrel by 2030.

“We must make the budget more muscular, one that would respond to any restrictions we face,” Siluanov said at the Moscow Financial Forum.

He did not specify whether the adjustment would continue regardless of future oil price fluctuations.

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Russia effectively abandoned its budget rule in August 2023, more than a year after the full-scale invasion of Ukraine. Bloomberg first reported in May that the authorities were considering lowering the oil price threshold.

Siluanov has advocated for budget rule changes since spring, when Urals crude prices dipped below $60 per barrel. Russia’s 2025 draft budget, meanwhile, assumed an average Urals price of $69.70 per barrel.

The government is now preparing a federal budget revision later in September to align with its “socio-economic policy priorities.”

Russia’s oil and gas revenues for January-September are projected to decline by 20.5%, totaling around 6.62 trillion rubles ($79.58 billion), due to lower global prices and a stronger ruble, according to Reuters calculations. September revenues alone are expected to drop 23% to 592 billion rubles ($7.1 billion).

Siluanov said the new threshold would lower the share of energy revenues in the 2026 budget to 22%, compared with 25% over the first eight months of this year.

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