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Russia's Oil Discounts to China Cost Billions Despite Price Surge, Study Finds

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Discounts that Russian oil companies have been forced to offer Chinese refiners again cost them billions of dollars in lost revenue last year, even as global prices climbed, according to new estimates.

The total value of discounts granted to Chinese refineries reached $2.2 billion in 2025, analysts at the Gaidar Institute said, citing Chinese customs data.

The figures highlight a persistent trade-off for Moscow: While sanctions have kept Russian crude flowing to key markets like China, they have also forced exporters to sell at reduced prices, cutting into revenues even during periods of stronger global demand.

Discounts in 2024 amounted to $1.45 billion, the institute estimated, following losses of $3.85 billion in 2023 and $4.44 billion in 2022.

Over four years, China has saved nearly $12 billion from discounted Russian oil — roughly equivalent to about 1 trillion rubles at current exchange rates.

After tighter U.S. sanctions and the blacklisting of major producers Rosneft and Lukoil, Russian crude sold at an average discount of 8.3% to competing supplies in the fourth quarter, up from around 3% at the start of the year. Discounts had not exceeded 5% throughout 2024, according to the analysts.

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China reduced its purchases of Russian crude by 8% in 2025 to 91.4 million tons. But export revenues fell by 20% to $45.9 billion due to lower prices and wider discounts.

Exports of heavy distillates to China dropped by 40% to $3.1 billion, while light product shipments fell 17% to $1.9 billion, the Gaidar Institute's calculations showed.

At the same time, geopolitical tensions have reshaped demand dynamics.

The Iran war and disruptions to traffic through the Strait of Hormuz have sharply boosted Chinese demand for Russian crude.

Major state-owned Chinese oil companies have resumed purchases after pausing them late last year when new U.S. sanctions took effect, according to Reuters.

That surge in demand helped lift prices for Russia's Urals crude blend to $70 per barrel and above, offering a potential boost to state finances.

"Every $10 increase in oil prices brings the budget about $1.6 billion in additional monthly revenue," said Vladimir Chernov, an analyst at Freedom Finance Global.

With Urals prices now nearly $40 above the $59 per barrel assumed in Russia's budget, additional oil and gas revenues could reach roughly $6-6.5 billion per month, he said.

"At that price level, it could take around 8-10 months to offset an expected federal budget deficit of $50-60 billion," Chernov added.

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