



CENTER FOR
THE STUDY OF
DEMOCRACY

Europe's Blind Spots

The Shadow Supply Chains behind
Russia's Continued Petrochemical Sales

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This report examines how Russia continues to monetise cheap domestic gas by converting it into fertilizers and plastics that enter the EU through third-country re-export hubs. Despite sanctions on Kremlin-linked oligarchs, artificially low Russian gas prices function as a de facto industrial subsidy, enabling firms such as Uralchem, PhosAgro, EuroChem, and SIBUR to sustain large-scale exports at costs European producers cannot match. Drawing on detailed trade and energy-use data, the analysis traces the rerouting of Russian ammonia, fertilizers, and polymer resins through Türkiye, Kazakhstan, Uzbekistan, Morocco, and Egypt, where they are blended, converted, or relabelled before reaching the EU as third-country goods.

This system is now structurally embedded. It rests on vertically integrated logistics chains, the rapid expansion of Central Asian petrochemical capacity, and the dual-use profile of key chemical intermediates that feed directly into Russia's military-industrial base. By targeting individuals rather than the corporate networks that manage production, storage, and re-export, EU sanctions have left the core of this trade untouched. Only systemic enforcement tools, which are capable of tracking embedded energy, re-exported feedstocks, and high-risk logistics nodes, can close these loopholes and stop Russian petrochemical revenues from leaking back into the Kremlin's wartime economy.

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LIST OF ABBREVIATIONS

BCM	Billion Cubic Meters
COMEXT	Eurostat's International Trade Database
EUR	Euro
EU	European Union
G7	Group of Seven
KPI	Kazakhstan Petrochemical Industries
LNG	Liquefied Natural Gas
UN COMTRADE	United Nations International Trade Statistics Database
USD	United States Dollar

Russia continues to channel billions in petrochemical export revenues into its war economy by exploiting the EU's regulatory blind spots. Despite sanctions Russian fertilizers and plastics, which are produced using gas that costs up to six times less than in Europe, continue to reach EU markets through an expanding network of third-country intermediaries in **Türkiye, Kazakhstan, Uzbekistan, Morocco, and Egypt**, where they are **blended, relabeled, or re-exported** as third-country goods.

Key Points

Following the 2022 invasion of Ukraine, Europe's exposure to surging global gas prices drove industrial costs in the petrochemical sector to record highs, while Russian manufacturers have maintained their access to heavily subsidized domestic supply. This disparity, has acted as a **hidden state subsidy** for Russian energy-intensive industries, which have been able to increase sales abroad including to the EU.

- In 2025, Russia still supplied nearly **25% of total EU fertilizer imports**, worth billions of euros, despite sanctions on the sector's leading oligarchs. While direct exports fell 19% year-on-year, re-routed trade kept Russia's market share steady even amid rising EU tariffs on direct imports of Russian fertilizers.
- The increase in the reexports has been managed by **sanctioned oligarch networks** with privileged access to cheap Russian gas and vertically integrated logistical supply chains that help them grow their production capacity and increase indirect exports through third countries such as Kazakhstan.
- The same business networks feed Russia's **defense-industrial base**, as dual-use intermediates like ammonium nitrate and nitric acid supply the Kremlin's war machine with explosives and ammunition.
- **Türkiye has emerged as the central hub** for the rerouting of both fertilizers and petrochemicals. Turkish exports of plastics to the EU surged 84% by value in 2023, reaching €5.3 billion, as Russian polymer resins were imported, reprocessed, and re-exported under Turkish origin.
- **Kazakhstan** multiplied its annual plastics exports to the EU over seventyfold between 2021 and 2024, reaching €0.75 billion, while its chemical sector's gas use expanded fivefold to 1 billion m³, fueled by rising Russian gas imports (from 0.5 bcm in 2023 to 3.8 bcm in 2024, worth \$621 million).

- **Morocco and Egypt** have become major **conversion hubs**. Moroccan imports of Russian ammonia peaked at \$2 billion in 2022, 270% above pre-war levels, and Egypt's fertilizer imports from Russia grew tenfold between 2021 and 2024. Both countries now blend Russian feedstock into fertilizer products re-exported to Europe.
- The re-export trade is dominated by **Uralchem, PhosAgro, EuroChem, and SIBUR**—all controlled by Kremlin-linked oligarchs under EU and U.S. sanctions. These firms maintain vertically integrated logistics chains, including their own rolling stock, port terminals, and blending facilities, ensuring uninterrupted supply to EU markets through intermediaries.
- The EU's current sanctions regime does not ban the imports of gas-based petrochemical products but it targets all major Russian petrochemical oligarchs. By focusing only on the individuals rather than on the **business entities** and **intermediaries** that sustain the trade, the EU has allowed the Kremlin to continue supporting its war economy even as direct fossil fuel exports diminish.

DISTORTING GLOBAL MARKETS: RUSSIA'S HIDDEN INDUSTRIAL SUBSIDIES

As pipeline imports from Russia collapsed, European industry has had to rely on the volatile LNG markets where gas prices surged. At the same time, Russian businesses retained access to cheap and abundant domestic gas supply. The gas production surplus generated by the collapse in sales abroad became in effect a giant subsidy for Russian energy-intensive manufacturing.

The fact that Europe has been paying five to six times more for gas than competitors¹ including several times more than Russian firms has **reshaped the supply chains in two industrial segments: fertilizers and petrochemicals**. Both depend on methane as a core input: nitrogen fertilizers require hydrogen from natural gas, while ethane and propane fractions derived from gas feed the production of plastics. The result has been a **structural distortion**. Russian producers could run their ammonia, urea, and polymer plants continuously at low marginal cost, while European firms have curtailed output or shut down entirely.

Sanctions limited financial flows and technology transfers, but they left the commercial logic intact. The cheap domestic gas flowing to Russia's oligarch-controlled industrial groups -Uralchem, PhosAgro, EuroChem, and SIBUR – translated into competitively priced fertilizers and plastics. Those products continued reaching the European market, often indirectly, through intermediaries and re-export hubs in Türkiye, Kazakhstan, and countries in North Africa.

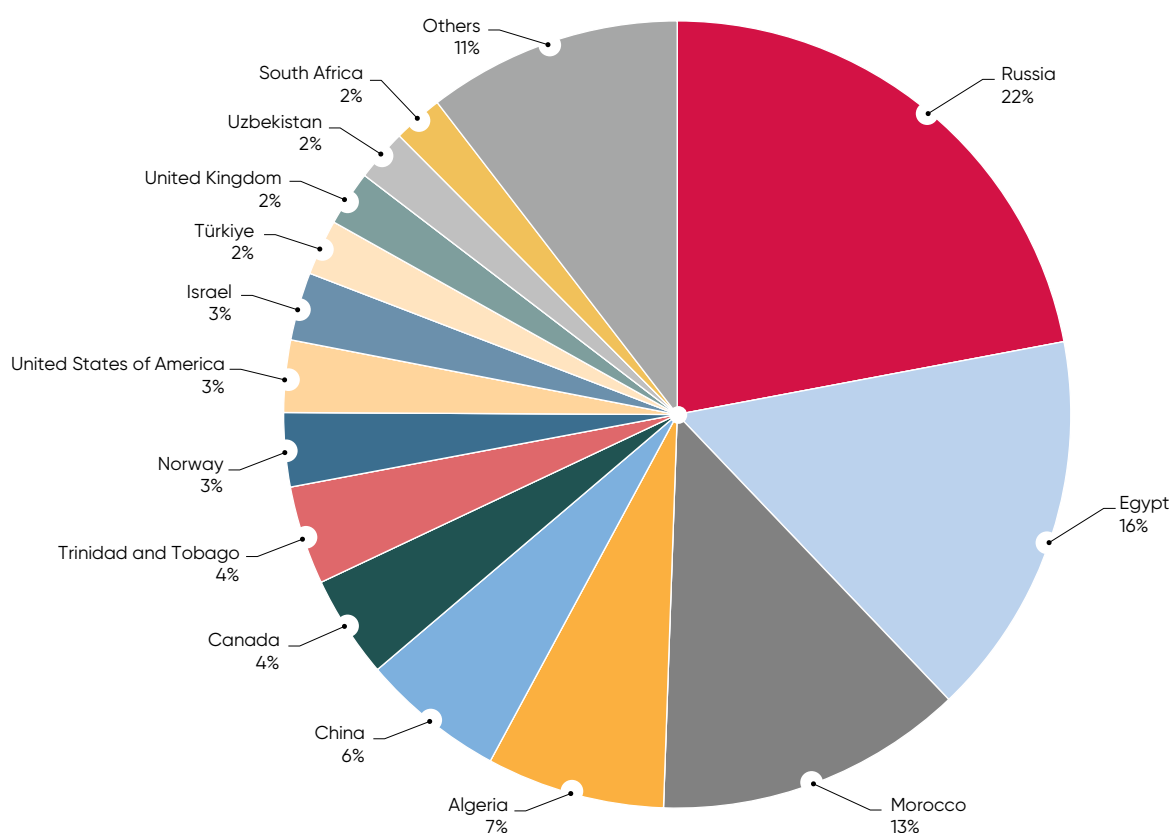
Every tone of Russian fertilizer or polymer sold in Europe at below-market cost monetizes cheap gas for the Kremlin's industrial base. Without addressing this underlying energy price distortion and the re-export mechanisms that exploit it, sanctions will continue to leak economic value back into Russia's war economy.

¹ Vladimirov, M., Koeppen, M., and Rickles, M., *Energy and Climate Security in Europe: From Crisis Response to Structural Transformation*, Sofia: Center for the Study of Democracy, 2025.

FERTILIZERS: RUSSIA'S SANCTIONS EVASION BLUEPRINT

Russia remains one of the world's largest fertilizer exporters. By mid-2024, Russia exported directly nearly 6 million tons of fertilizers to the EU, around **27% of total imports**, generating billions in revenue. Although volumes fell by roughly 19% in 2025 so far, Russia's market share has remained near **one quarter of EU imports**.

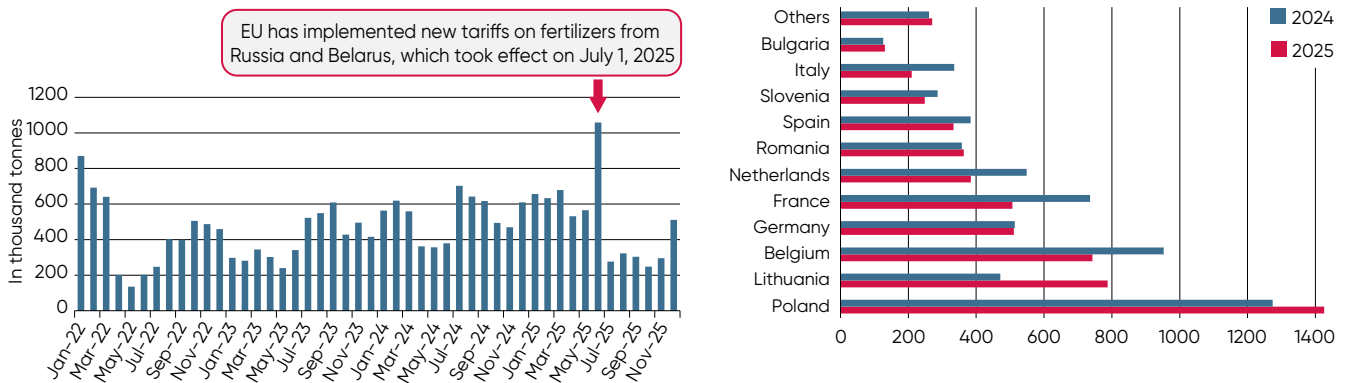
Figure 1. EU Fertilizers Imports by Supplier in 2025



Source: CSD based on COMEXT Data.

In addition to the direct flows, oligarch-controlled producers use third-country intermediaries and logistics assets to disguise the origin of the fertilizers and multiply sales in Europe. Russian products reach the EU through complex re-export networks that circumvent the prohibitively high tariffs imposed on Russian fertilizer imports in July 2025. EU countries agreed to introduce a staged import tax, starting at a 6.5% ad valorem rate plus a per-ton levy that will rise from €45 per ton to over €430 by 2028 on Russian and Belarusian fertilizers.

Figure 2. Total EU Imports of Russian Nitrogen Fertilizers, Including Ammonia and Urea (Graph 1), and Main Importers (Graph 2)



Source: CSD based on Eurostat Data.

In anticipation of the measures, Russian exporters had already shifted their logistics through intermediary countries that offer both commercial capacity and political cover. **Türkiye** has emerged as the central hub, hosting extensive storage, blending, and finishing operations that obscure product origin before re-export to the EU. **Kazakhstan** and **Uzbekistan** serve as secondary conversion and transit corridors, with expanded railway and terminal capacity enabling continuous east-west flows.²

In addition, countries in **North Africa**, particularly Morocco and Egypt, have become major processing bases. Moroccan imports of Russian ammonia peaked at over USD 2 billion in 2022 – more than 270% above pre-war levels – while Egypt's fertilizer imports from Russia increased tenfold between 2021 and 2024. Both countries now blend or convert Russian feedstock into fertilizer products exported onward to Europe.

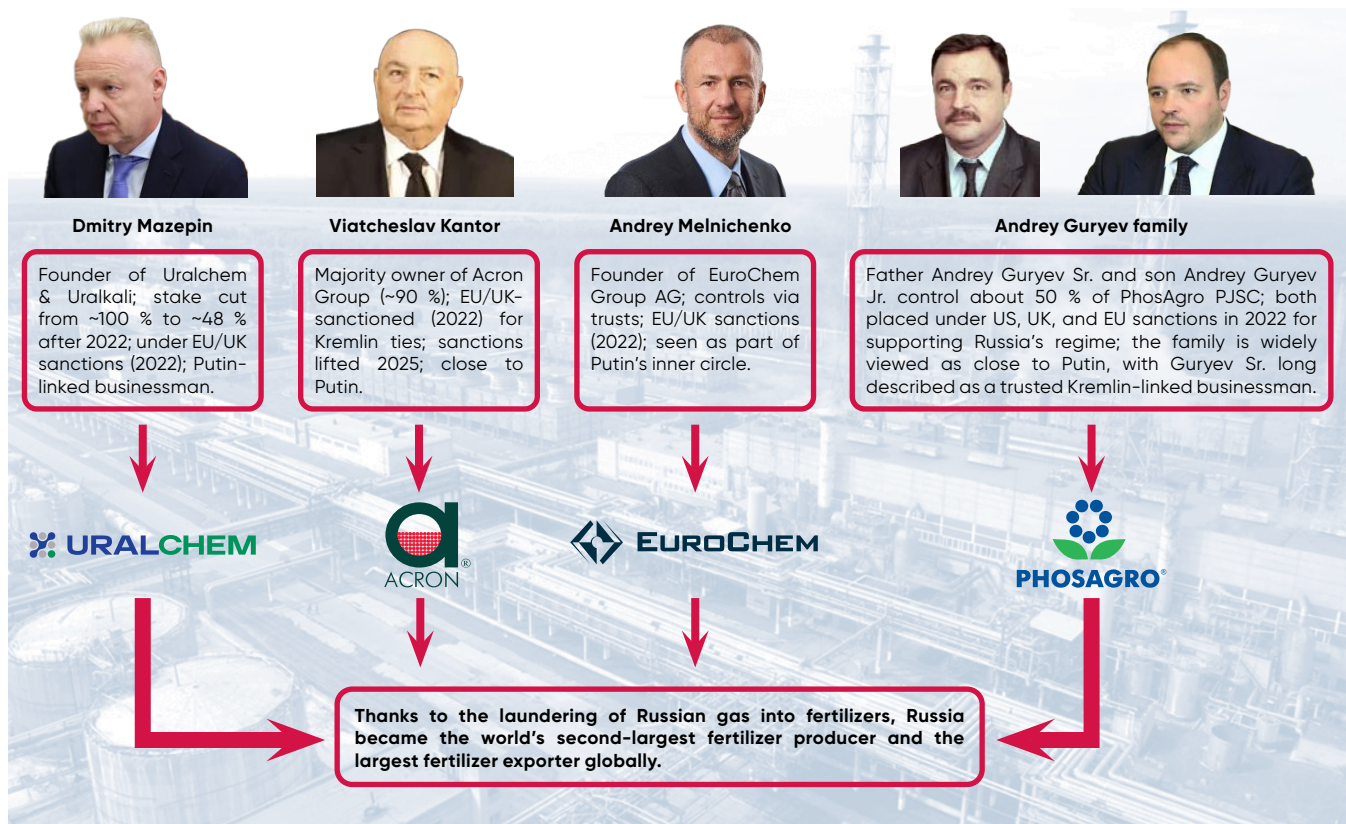
Behind these flows stand **vertically integrated, Kremlin-linked conglomerates**, whose owners are all under EU sanctions.³ Uralchem and Uralkali, controlled by Dmitry Mazepin, operate their own rolling stock and port terminals, ensuring export continuity even when they are under individual sanctions. PhosAgro, under Andrey Guryev, and EuroChem, owned by Andrey Melnichenko, have similarly invested in independent logistics chains that secure throughput and maintain European and African market access. These networks are supported by commercial advantages that no private European producer can match:

- privileged gas allocations,
- state-backed financing, and
- favorable treatment by rail and port authorities.

² Vladimirov M., and Kostova, T., *Shadow Economies: The Rise of Illicit Networks and Alternative Markets in Sanctions Circumvention*, Sofia: Center for the Study of Democracy, 2025.

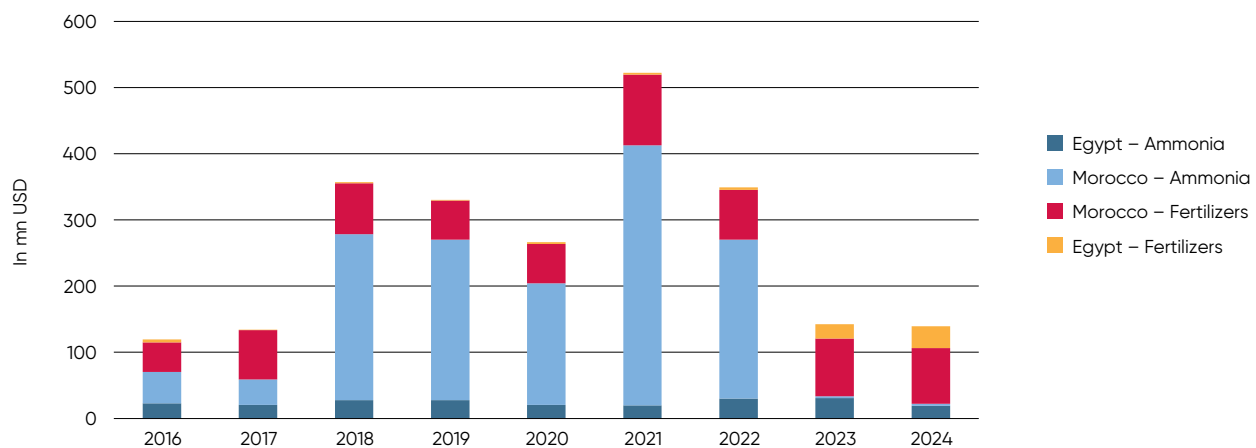
³ Official Journal of the European Union, [COUNCIL DECISION \(CFSP\) 2022/397 of 9 March 2022 amending Decision 2014/145/CFSP concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine](#), March 9, 2022.

Figure 3. Oligarchic Networks under Sanctions are the World's Largest Fertilizer Exporters



Source: U.S. and EU Sanctions Lists.

Figure 4. Imports of Ammonia and Fertilizers from Russia to Egypt and Morocco



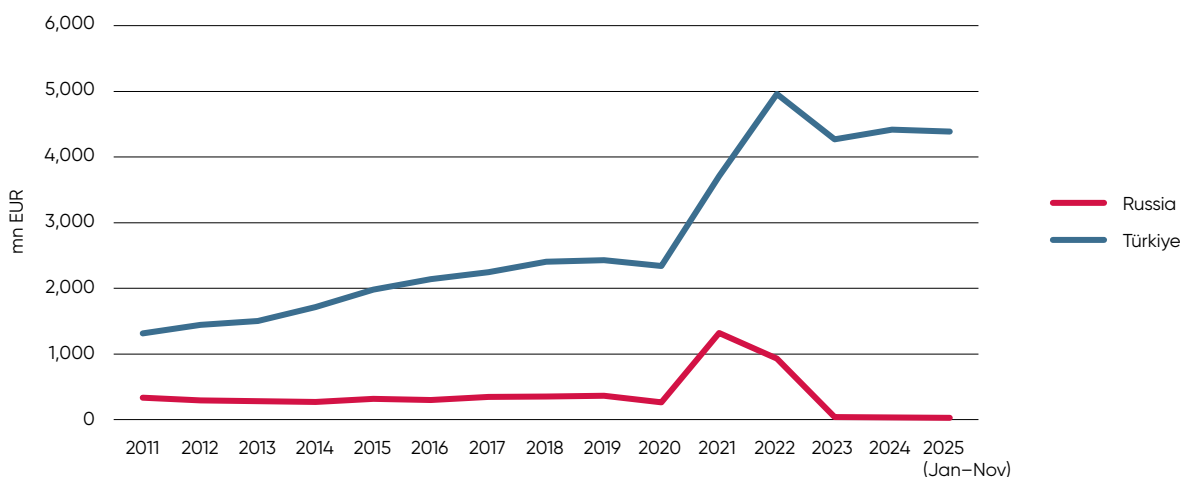
Source: CSD based on Data from Office des Changes (Maroc), Rapports annuels du Commerce Extérieur et de la Balance des Paiements, 2016–2024 and UN COMTRADE Data.

PLASTICS: GAS TO POLYMER, POLYMER TO EUROPE

The same dynamics that reshaped the fertilizer market also define the trade in petrochemical products. Cheap Russian gas has been converted into polyethylene, polypropylene, and other polymer resins that re-enter European markets through intermediaries. What once flowed as pipeline gas now arrives as plastics.

Russia's petrochemical producers – above all the EU-sanctioned SIBUR (the largest petrochemical producer in Russia)⁴ – have exploited the domestic gas price gap to maintain near-full capacity at their cracking and polymer lines. Ethane, propane, and butane fractions that formerly supplied Europe's refineries now fuel an integrated petrochemical base across western Siberia. The resulting resins and pellets are compact, storable, and easy to relabel, making them ideal vehicles for sanctions evasion.

Figure 5. EU imports of plastics from Russia and Türkiye



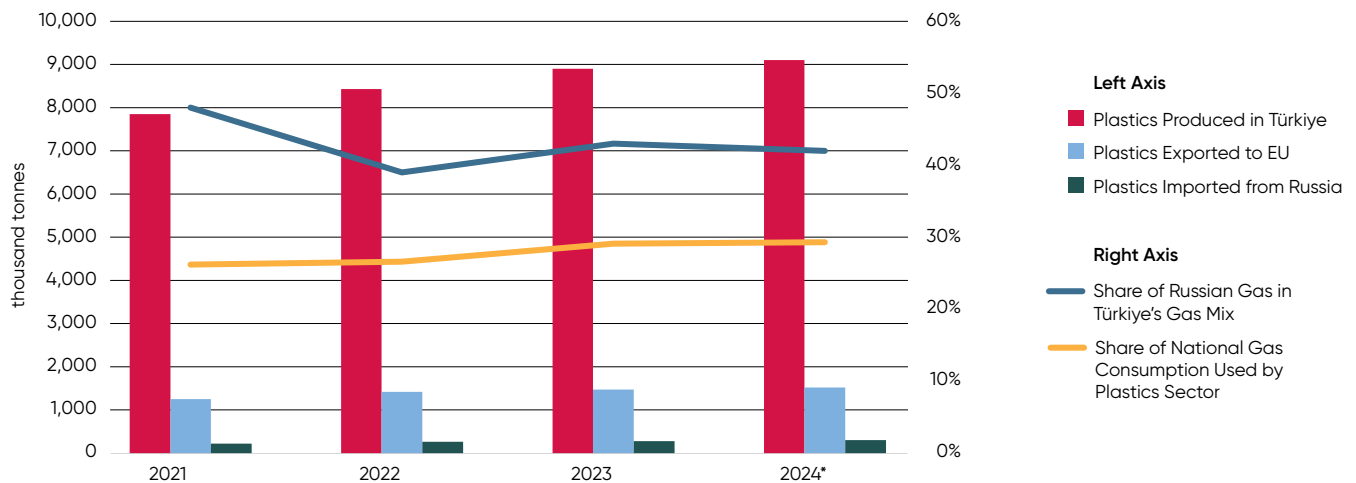
Source: CSD based on Eurostat.

Between 2014 and 2021, EU imports of Russian plastics grew by over **60%**, reaching **€0.8 billion annually**. Following the 2022 invasion, direct trade collapsed by half, yet EU imports from **Türkiye, Kazakhstan, and Uzbekistan** surged. Türkiye's exports of plastics to the EU jumped to **€5.3 billion in 2023**, up **84%** by value compared to the pre-war period. Meanwhile, Kazakhstan multiplied its plastics exports to the EU **more than seventyfold**, reaching **€0.75 billion**.

⁴ Ibid.

Türkiye now anchors the re-export system for Russian plastics.⁵ The country imports over 8 million tons of polymer raw materials annually, much of it gas-derived. Since 2022, Russian resin exports to Türkiye have doubled, while Turkish polymer exports to the EU have surged to record levels. Low-value resins are being processed into packaging and film for re-sale to Europe.⁶

Figure 6. Russian Gas Embedded in Türkiye's Plastics Chain



Source: CSD based on Eurostat and UN COMTRADE.

At the center of this system stands SIBUR. Prior to the war, the EU accounted for about one quarter of SIBUR's sales. By 2024, **Türkiye** had replaced Europe as its second-largest market after China, handling around **14% of total exports**. The company has built new storage and blending facilities in Istanbul and Mersin capable of managing over 100,000 tons of polymer stock, explicitly described in corporate filings as part of a "priority logistics corridor" for exports to non-sanctioned markets. Turkish intermediaries then repackage and re-export these polymers to the EU under neutral trade codes, keeping SIBUR's revenues flowing while formally complying with sanctions.

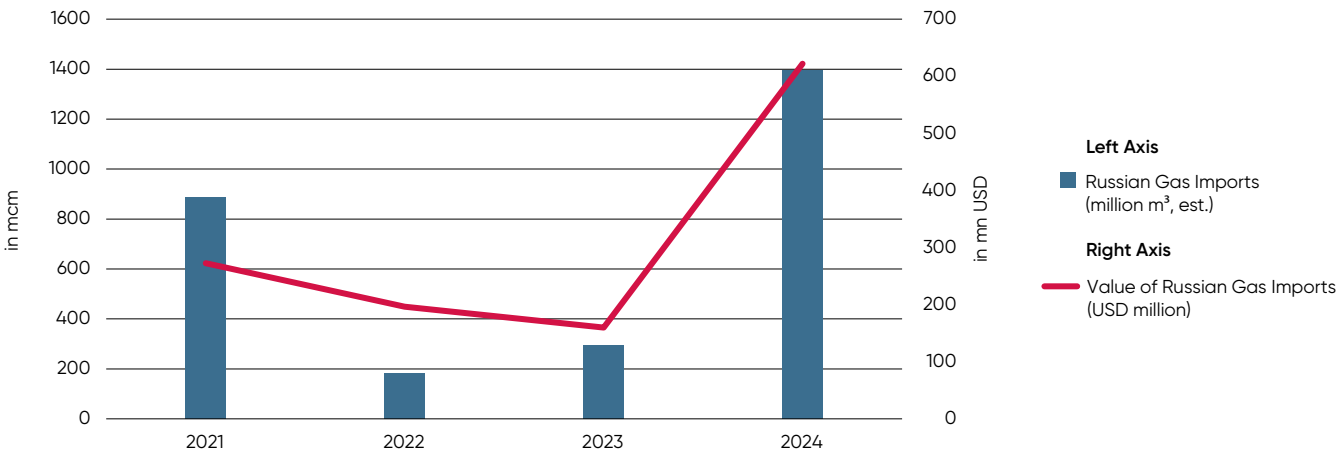
Beyond this commercial re-export system centered in Türkiye, Kazakhstan has emerged as the industrial backbone of the same process. Unlike Türkiye, **Kazakhstan** has integrated Russian gas directly into its domestic petrochemical production. Between 2019 and 2024, natural gas consumption in Kazakhstan's chemical and petrochemical industry **increased more than fivefold**, from roughly 0.18 to about 1.0 billion cubic meters. The sector's share of total industrial energy use **rose from 2.8 to 11.7%**, with **over 70% of its energy now supplied by gas**. This expansion coincided with the start of large-scale Russian gas imports, which grew from 0.5 billion cubic meters in 2023 to 3.8 billion in 2024, valued at approximately **\$621 million**.⁷

⁵ Vladimirov, M. et al., *The Kremlin Playbook in Türkiye: Geoeconomics Unfolded*, Sofia: Center for the Study of Democracy, 2025.

⁶ Turkish Statistical Institute, Foreign Trade in Polymer Raw Materials: Imports and Exports 2021–2023, TÜİK, 2024.

⁷ Republic of Kazakhstan, Bureau of National Statistics, *Fuel and Energy Balance of the Republic of Kazakhstan*, 2019–2024, With supplementary trade data from UN Comtrade, August 1, 2025.

Figure 7. Growth in Russian Gas Imports to Kazakhstan and Rising Industrial Gas Demand, 2018–2024

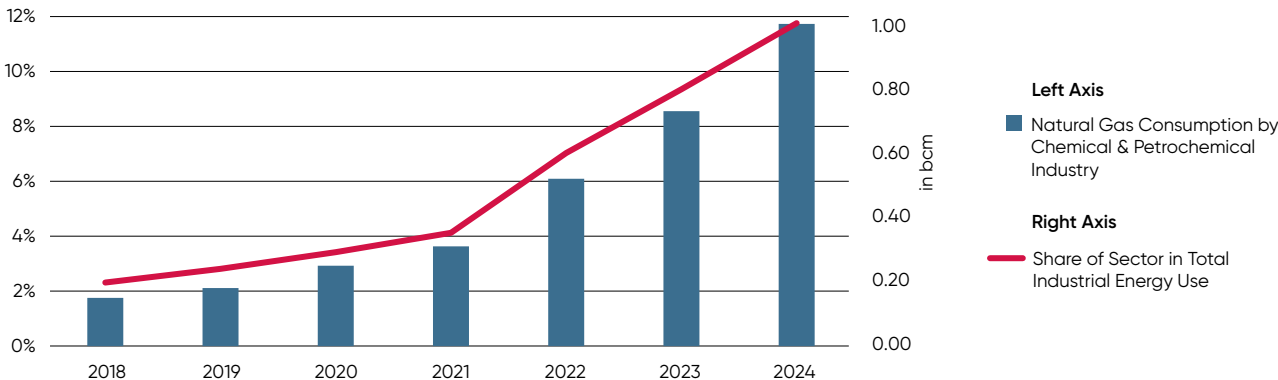


Source: CSD based on Kazakhstan energy balance data (2019–2024) and UN Comtrade.

Although a significant share of this imported gas is re-exported to Uzbekistan under transit and swap arrangements, a growing portion is retained to feed Kazakhstan’s expanding petrochemical sector.⁸

The sharp increase in gas use is closely tied to new industrial projects launched with Russian and Chinese participation. In 2022, the Kazakhstan Petrochemical Industries (KPI) polypropylene complex in Atyrau began operations. It was followed by the Silleno polyethylene megaproject, developed by KazMunayGas, SIBUR, and Sinopec, and by the Butadiene Project in 2024 in partnership with Tatneft. Each of these facilities consumes propane, butane, and ethane fractions sourced from both domestic fields and Russian suppliers. Kazakhstan’s chemical industry has evolved into an external production base for Russia’s gas sector, converting imported hydrocarbons into high-value polymers and resins that are exported under Kazakh origin.⁹

Figure 8. Rising Gas Consumption and Growing Energy Share of Kazakhstan’s Petrochemical Industry, 2019–2024



Source: CSD based on the Fuel and Energy Balance of the Republic of Kazakhstan (2019–2024), Committee on Statistics of the Republic of Kazakhstan.

⁸ Afanasiev, V., “Kazakhstan plays down Gazprom claims of Russian gas export boost”, *Upstream*, September 5, 2025.

⁹ Nurmaganbetova, Z., “Kazakhstan’s natural gas trade strategy gains momentum in 1H2025”, *Kazinform International News Agency*, September 14, 2025.

SIBUR is investing in long-term regional infrastructure that will institutionalize this circumvention. In Kazakhstan, through equity participation and production control, the company co-develops the Atyrau polypropylene complex and the \$7 billion polyethylene megaproject designed to process around 1.6 million tons of gas fractions annually by 2028. These capacities enable the re-export of high-value polymers to China, Türkiye, and the EU.¹⁰

In **Uzbekistan**, plans for polymer-pipe and film production by 2026 will link Western Siberian gas to Central Asian processing and further re-export. The projects in Kazakhstan and Uzbekistan are turning Central Asia into an industrial extension of Russia's energy system, where gas is no longer exported as fuel but embodied in petrochemical goods. Both are managed by Russian-linked corporations operating under local jurisdiction.

Figure 9. A Group of Sanctioned Oligarchs Control One of Europe's Biggest Suppliers of Plastics



Source: U.S. and EU Sanctions Lists.

SIBUR's endurance under sanctions is surprising considering that the company is controlled by **Leonid Mikhelson**, head of Novatek, and **Gennady Timchenko**, both long-standing allies of Vladimir Putin, and both under EU and US sanctions. These oligarchs have continued to monetize Russia's gas wealth by sending energy-intensive products to the EU. As SIBUR itself is not under Western sanctions, the company is able to expand its sales to the Western markets by setting up legal entities registered in third countries.¹¹ The

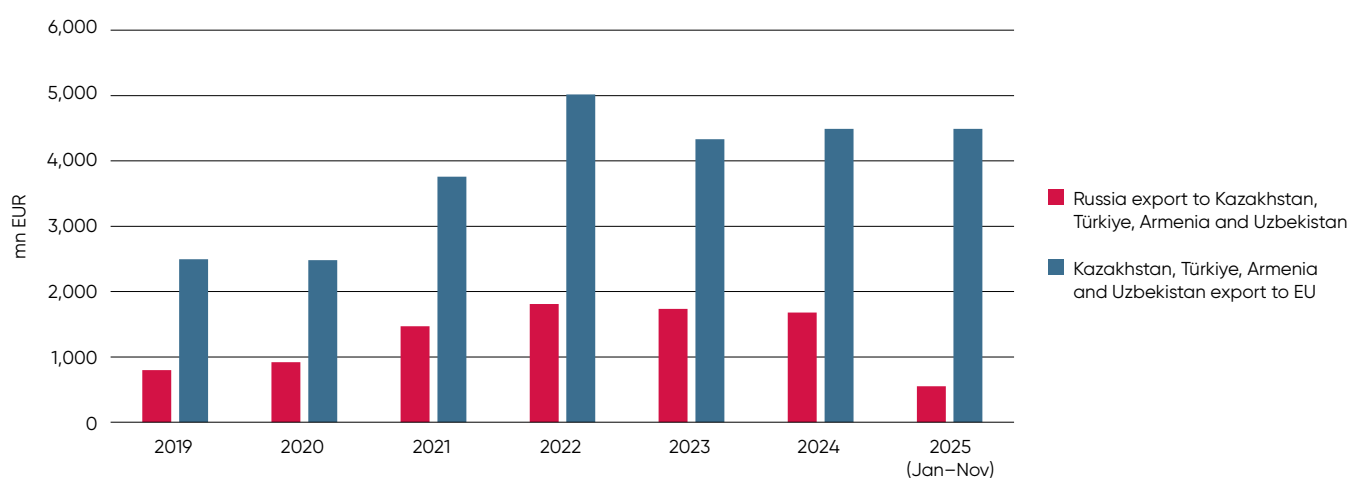
¹⁰ Based on company-level customs and trade data from ExportGenius (Sibur Istanbul Uluslararası Ticaret Ltd Şti, import turnover and buyer structure, July 2024 – June 2025) and MarketInsideData (Kazakhstan Petrochemical Industries Inc., export flows and counterparties), together with the KazMunayGas 2024 Annual Report.

¹¹ Freedberg, S. et al., *Putin's Pipeline: How the Kremlin Outmaneuvered Western Oil Companies to Wrest Control of Vast Flows of Kazakhstan's Crude*, International Consortium of Investigative Journalists, November 22, 2024.

re-export of plastics thus functions as a way for sanctioned elites to sustain profits while shielding transactions behind third-country partners.

The plastics trade illustrates the **evolution of sanctions evasion from ad hoc circumvention to systemic industrial integration**. Russian gas is no longer sold directly but embodied in petrochemical goods that move through countries with rising EU trade ties. Without coordinated scrutiny of polymer feedstock flows, customs codes, and third-country re-export data, the EU risks importing the very energy value it seeks to embargo – repackaged, and relabeled as legitimate trade.

Figure 10. Kazakhstan, Türkiye, Armenia and Uzbekistan as Re-Export Corridor for Russian Plastics



Source: CSD based on UN COMTRADE.

The Petrochemical Industry Supporting Directly the Russian Military Industry

The Russian petrochemical industry has both commercial and military function. Fertilizer and petrochemical inputs – particularly ammonium nitrate, nitric acid, and acetic acid – are dual-use materials that can be converted into compounds featuring in the content of explosives. Freight and invoice records show regular deliveries from major chemical producers to state military industrial complexes in Dzerzhinsk, Tambov, and Kazan, confirming how industrial throughput supports domestic munitions output. The continuation of exports to the EU thus sustains not only revenues for sanctioned oligarchs but also the wartime production capacity.¹²

¹² Grey, S., Shiffman, J., and Smith, G., “Exclusive: The Russian billionaires whose chemical factories fuel Russia’s war machine”, *Reuters*, December 30, 2024.

SANCTIONS ENFORCEMENT: BREAKING THE OLIGARCHIC SUPPLY CHAINS

To close the glaring gap in the EU efforts to decouple from Russian economic dependence, there is a need for the introduction of a series of targeted policy measures:

- Introduce a **ban on the direct sales of Russian fertilizers and polymers** as part of the EU roadmap for phasing out Russian energy imports.
- Extend the **EU sanctions to the Russian petrochemical companies**, which are under control by the already sanctioned Kremlin-linked oligarchs.
- Ban the **reexport of Russian petrochemical products** from third countries including from manufacturing facilities, owned or controlled by Russian sanctioned individuals or entities.
- **Strengthen the EU customs rules on tracking and reporting the origin** of petrochemical imports from third countries with a focus on the members of the Eurasian Economic Union and countries in North Africa.
- Improve **sanctions enforcement** integrating trade, logistics, and financial data to identify high-risk shipments in real time.
- Target **ports, terminals, freight operators, and trading houses** that repeatedly handle Russian-linked goods.
- Combine **cooperation and deterrence** in third-country hubs, offering transparency partnerships while applying countermeasures against persistent offenders.

Without a coordinated, data-driven enforcement system, Russian gas will continue to enter Europe after 2027 but this time not through pipelines or LNG ports but as petrochemicals, benefiting the Kremlin's closest allies. Sanctions on Russia's energy and industrial sectors have curbed direct trade but failed to prevent the conversion of cheap domestic gas into fertilizers and plastics that continue **reaching Europe through intermediaries in third countries**. The weakness lies not in the design of the sanctions themselves but in their enforcement, which remains fragmented and overly focused on individuals and commodity lists rather than the systems that enable circumvention.¹³ To be effective, sanctions enforcement must evolve into a continuous, intelligence-driven process that **targets the operational architecture of evasion**, i.e. where Russian feedstock becomes invisible and re-emerges as "third-country" exports.

¹³ Center for the Study of Democracy, *Fortifying Freedom*, Policy Brief No. 161, November 2025.

There is a need for the development of a **special sanctions enforcement taskforce** that should be established as a joint EU-G7 mechanism for detecting, analyzing, and coordinating action against high-risk products derived from Russian oil and gas. The new team would integrate customs, rail, and maritime data with corporate registries and financial transaction records, enabling real-time identification of suspicious consignments and synchronized interdictions across jurisdictions. Its governance should ensure both accountability and data protection through independent auditing and transparent reporting.

The transformation of sanctions enforcement from paperwork to analytics is equally crucial. A secure, **shared data platform linking trade, logistics, and ownership information** would allow enforcement agencies such as the customs authorities in member states to trace suspicious routing patterns and verify origin with precision. The customs officials should be able to cross-check machine-readable certificates of origin before clearance, automatically flagging cargoes associated with known re-export hubs such as Türkiye, Kazakhstan, Egypt, and Morocco. Enhanced due diligence on these consignments would ensure that products derived from Russian feedstock cannot re-enter EU markets disguised as local goods. Supporting documents such as bank transfer records, letters of credit and notarized agreements should be required from importers.

Sanctions policy must also focus on the commodities most vulnerable to manipulation. The EU and its partners should adopt a **priority monitoring list covering ammonia, ammonium nitrate, nitric and acetic acids, polymer pellets, and key resin grades**. Any re-export of these goods from intermediary hubs must be accompanied by validated origin and end-use documentation. Cargoes lacking verified certificates should be subject to immediate inspection or denial of port services. In parallel, tariff codes commonly used for circumvention should be temporarily tightened in coordination with the World Customs Organization to prevent mislabeling and code-switching.

Moreover, **sanctions imposed on legal entities are more effective**¹⁴ because they target the primary holders of assets, licenses, and contractual rights within the international legal and financial system. The current sanctions target largely Russian oligarchs, which have been able to continue to operate their petrochemical empires by transferring some of the assets in trusts and divesting their holdings to a level just below the sanctions threshold. Instead the EU should target directly these individuals' firms because when sanctioned, corporate entities face immediate legal consequences such as the suspension of banking access, the freezing of assets, and termination of contracts governed by compliance clauses. These measures directly disrupt the entity's capacity to operate and generate revenue.

¹⁴ A good example are the recent U.S. sanctions against Lukoil and Rosneft, which have had an immediate impact on the operations of the two largest Russian oil companies as they are unable to continue normal financial and logistical operations with their clients, suppliers and service providers.
Reuters, "[Lukoil international assets facing disruptions from US sanctions](#)", November 10, 2025.

Corporate sanctions also engage the broader **compliance architecture** of the global economy. Financial institutions, insurers, suppliers, and professional service providers are legally obliged to conduct due diligence and risk assessments on sanctioned entities. This creates cascading effects, as counterparties withdraw to avoid secondary liability or reputational damage. Moreover, legal entities cannot easily relocate, conceal, or transfer their regulated assets. Their fixed infrastructure, licenses, and contractual obligations are territorially and legally bound, making sanctions far more visible and enforceable. In contrast to measures on individuals, sanctions against companies activate automatic legal and commercial restraints, delivering tangible, system-wide compliance and significantly greater coercive power.

To break the networks that enable evasion, enforcement must shift from headline oligarchs to the **operational nodes** that sustain their trade. This includes **terminals, freight forwarders, trading houses, and insurers** that repeatedly handle or finance suspicious consignments. Coordinated restrictions on these enablers through the denial of port access, trade finance, or insurance, which would strike directly at the infrastructure of sanctions evasion. Financial tracing should complement this approach by obliging banks and freight operators to share structured transaction data with enforcement authorities, allowing the disruption of payments and credit lines tied to re-exported Russian goods.

Finally, the EU should pursue a dual approach of **cooperation and deterrence with third-country partners**. Jurisdictions that adopt transparent re-export protocols and data-sharing standards such as Türkiye, Egypt, and the Central Asian states should receive technical assistance, capacity-building support, and preferential access to compliance tools. Conversely, countries that persist as opaque re-routing points should face calibrated countermeasures, including trade restrictions and enhanced scrutiny of financial flows.

