

How will Trump, Putin's diesel deal impact Russia, global markets?



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OPINION

Under the new diesel deal between US President Donald Trump and his Russian counterpart Vladimir Putin, Russia will increase diesel exports to global markets and the United States in exchange for Washington suspending sanctions on Russian diesel through April 1, 2027. The deal has been greeted with dismay by Europe and Ukrainian President Volodymyr Zelensky, and skepticism among analysts and traders. It has also sent Russian oil company share prices soaring. But how much money does the Russian state stand to make from the deal? Will it help the global market, and will it mean lower prices at US pumps?

Russia on the global diesel market

Russia has long been one of the biggest players on the world's diesel market. In 2025, Russian exports accounted for about three percent of global diesel consumption, and almost 10 percent of international trade volumes, putting it in second place on the list of exporters, between the United States and Saudi Arabia.

The war in Ukraine and ensuing Western sanctions against Russia have had little impact on Russian export volumes, which stood at around 40 million tons per year in both the pre-war 2021, and in 2025. What did change in that time was the main destinations: Turkey, Brazil, and African countries took the place of the EU and the UK, while overland deliveries to Central Asia and Mongolia continued.

As recently as April this year, Russia had about three million tons of diesel available for export per month. By September, that had fallen almost ten-fold to around 325,000 tons per month due to Ukrainian attacks on Russian oil refineries, seasonal fluctuations in consumption, and a deficit on the domestic market. To stabilize domestic prices, in July, the Russian government banned diesel exports outside of Central Asia and Mongolia. In theory, about two million tons of diesel could have been stockpiled under that ban by now, but that's unlikely to have happened. Judging by data on tanker loading at Russian ports, seaborne exports of diesel did not in fact stop: 1.6–1.8 million tons were shipped by sea in the months since the ban was introduced, possibly using different customs codes to circumvent the ban.

The authorities likely knew what was going on and chose not to intervene. After all, Russia's diesel storage capacity is limited, and if it had become full, refining volumes would have had to be reduced, resulting in lower gasoline production. That's the last thing the government wants at a time of shortages at the pumps. The export volumes agreed with Trump are unlikely to pose any particular difficulties for Russia. The deal is for 300,000 tons



US President Donald Trump (R) shakes hands with Russian President Vladimir Putin in Anchorage, Alaska, on August 15, 2025.
● ANDREW HARNIK/GETTY

of diesel in October, 500,000 tons in November, and one million tons per month after that through April 2027 — the period for which US sanctions are suspended.

The easiest solution for the Russian authorities would be to simply formalize the volumes still being exported in spite of the current ban. That would make it possible to export 500,000 tons even in October without siphoning any diesel from the domestic market.

Diesel consumption in winter in Russia can be 25 percent lower than in September: there is a gradual decline from the peak in August and September to the lowest use in February. That frees up as much as a million tons of diesel for export every month.

The Russian government, which has plenty of informal methods of convincing companies to keep enough diesel back for domestic consumers, announced a partial lifting of the export ban on October 10. That is unlikely to pose a

threat to the domestic market. Similarly, there is no law that says Russian companies have to comply with the OPEC+ decision to limit production, yet Russian companies have been largely adhering to the quotas set by the Energy Ministry for nearly a decade.

Russia doesn't even need to redirect diesel away from the non-Western markets to which it has turned in recent years. Europe may be experiencing diesel shortages too, but it has no intention of buying it from Russia. And the United States itself does not need it because it remains the world's biggest exporter of diesel.

Midterm considerations

Trump's interest in the deal stems not from diesel shortages in the United States, but from high prices for the fuel, which are a source of irritation for the majority of people who will be heading to the polls in three weeks' time to vote in US midterm elections.

For US oil refineries that turn crude oil into diesel, this is a boom time. Usually, diesel costs 20–30 percent more than crude, while right now, it is twice the price, with all the difference going straight to the refineries.

The United States as a whole has seen a slight improvement in its trade balance (a gain of 1–2 percent), so, Trump would appear to have nothing to worry about.

But in reality, expensive diesel is bad for the rest of the US economy: from freight and agricultural companies right up the chain of value creation and consumption. The losers from rising prices far outnumber the winners. US refiners mostly make their profits not at the expense of foreigners, but from rising prices within the United States. In other words, this is not a case of value being created for the country, but of its redistribution.

The United States produces more diesel than it consumes, but prices on the US market are still rising to keep pace with global prices. With no US diesel export ban or export duties in place, the only way of lowering prices at home is to influence prices on the global market by increasing supply.

The most reliable and radical way to get new volumes of diesel

onto the global market is to resolve the issue around the Strait of Hormuz. Increased supplies from Kuwait, Saudi Arabia, and the United Arab Emirates would quickly alleviate market instability. But Trump is currently unable to secure a swift victory over Iran, and signing a peace agreement on Iranian terms would mean an even greater loss of face and a drop in ratings. And so, he has turned his attention back to another war: that between Russia and Ukraine.

Will the agreement between Russia and the United States really mean a fall in prices? In theory, oil and petrochemicals are commodities with fixed demand. Even small shortages can send prices sky-high, and even minor adjustments, accordingly, can start to bring them down again.

Yet 300,000 tons per month is too little to make a difference to a global market of 120 million tons per month, of which 30 million tons is traded internationally. And there is no way of obtaining any more diesel than that before the midterm elections on November 3.

Prices could fall on expectations that the market will see an additional 5 million tons in the next six months. But the Russian volumes have already been factored in by market players, who all understand that Russia exports as much as it can, and that Trump has little impact on that. Russia would in any case release all of its surplus diesel because it has nowhere to store it. And there is no source of additional volumes, however much Putin might wish to oblige his US counterpart.

It might be another matter if there were expectations that Russian refining could return to 5.5 million barrels a day from its current 3.8–4 million barrels. But for that, Ukraine would have to stop the strikes against Russian refineries, and Kyiv is unlikely to do that since the attacks are one of few levers it can apply to try to force Moscow to reduce the intensity of the conflict.

Benefits for Russia

In theory, the diesel deal is worth about \$7 billion based on current prices and a volume of about 5



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Russian Emergency Situation Ministry's firefighters work at the scene of a fire at the Novoshakhtinsk oil processing plant in the Rostov region on June 22, 2022.
● RUSSIAN EMERGENCY MINISTRY PRESS SERVICE

million tons of diesel sold over six months. That's about half of what Russia made from exporting oil and petrochemicals in August 2026. But to say Russia will make \$7 billion from the deal would be to count it twice: after all, that diesel would have been exported in any case, albeit on less profitable terms. The most Russia can gain is from reducing the discount it previously had to offer buyers because of sanctions. That said, there was no signifi-

cant discount on Russian diesel even before — at least according to buyers' customs statistics. Sales to Brazil are less profitable than sales to Europe before the war primarily because it costs more to transport the diesel. The suspension of US sanctions won't change anything in that respect because EU sanctions on Russian diesel are still in force, which means transport costs will stay high. With US sanctions suspended, Russia is not limited to its "shad-

ow fleet" and can use other tankers too, which should decrease shipping costs somewhat. But it still won't be able to use vessels belonging to EU shipowners, which will reduce the effect. In the best case, therefore, Russia stands to make \$30–\$40 per ton of product, or tens of millions of dollars per month: small fry for Russia. Furthermore, that cash will go not to the state budget, but to companies. The budget will only get its share in the form of tax paid on potentially

increased profits. Nor can the Russian government allow oil companies to release more volumes of diesel for export to take advantage of the situation as that would exacerbate the deficit on the domestic market and cost too much, both for the economy and for the government's reputation. The Russian budget could itself actually benefit from a reduction in global diesel prices. The tax system in Russia is structured in such a way

that state coffers gain nothing from increased prices for exported petrochemicals (in contrast with crude prices, which, when they rise, result in additional income to the budget via the mineral extraction tax). The more expensive fuel is on foreign markets, the more the budget has to pay oil companies to sell the fuel on the domestic market at regulated prices under the price-stabilization or damper mechanism. So, if global diesel prices fall, so will payments issued under

that mechanism. Ultimately, without a cease-fire with Ukraine on attacking each other's energy infrastructure — to which the Kremlin is unlikely to agree — the diesel agreement between Putin and Trump is largely for show, rather than representing a genuine increase in the volumes of Russian diesel on the global market.

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US midterms rare foreign policy election

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OPINION

Foreign policy rarely decides US elections. Conventional wisdom is that voters know little, and care less, about international affairs. Instead, they are driven by pocketbook issues, like the price of gas and groceries. As James Carville, an adviser to Bill Clinton, once observed: 'it's the economy, stupid'. But this year, the economy is foreign policy. There are two important exceptions to the rule that US voters don't care about foreign policy — and they both apply this year. One, voters care about foreign affairs when an administration's choices directly affect their daily lives. Two, voters care about what foreign policy choices reveal about a president's competence as commander-in-chief. The upcoming midterms could therefore be a rare foreign policy election — of a kind not seen since 2006 when a backlash to George W. Bush's handling of the Iraq war handed Republicans a 'thumping' defeat. With voters now feeling the pain of yet another war in the Middle East and Trump's tariffs, history could repeat itself. The president seems aware of this risk, sending mixed signals about whether the elections will shape his handling of the war in Iran and striking a deal on diesel exports with Russia to ease the pain at the pump for voters. But perhaps the bigger question is what Trump does after the midterms, the last major electoral check on his presidency.

War on the ballot
War has always been the clearest example of when foreign policy directly affects the daily lives of voters. But this is not always reflected in polls about the importance of individual issues — and this year is no different. Voters cite economic issues as the key drivers of their vote. In a recent survey by the Chicago Council on Global Affairs, pluralities of voters across the political spectrum cite inflation and the cost of living as most important to their vote (37 per cent overall). By contrast, only two per cent single out the war in Iran as the most important issue, possibly due to the relatively low number of US casualties. But that does not mean it is not having an impact. Voters are linking the pain in their pocketbooks with the foreign policy choices of this administration. According to a recent survey by the Institute for Global Affairs, 81 per cent of Americans say



the war in Iran has increased the cost of living. The Chicago Council survey puts the number even higher, at 86 per cent. And then there are the trade wars. According to the Chicago Council survey, 81 per cent of respondents say tariffs have been bad for the cost of living. It is unsurprising, therefore, that 75 per cent of Americans say tariffs will be important to their midterm vote, according to a survey by the Cato Institute. Importantly, these findings cannot be written off as partisanship. Across a whole range of issues, support for Trump's policies lags well behind his overall approval rating — which continues to hover around a historic low of 37 per cent. This suggests voters are not just instinctively opposing anything the president does but that large numbers of Americans, including many who otherwise support him, do not like his policy choices. Affordability concerns will still dominate these elections. But

large numbers of Americans blame the administration's foreign policy choices for the perilous state of their household finances. And that's bad news for Republicans. **From a strong leader to a reckless one**
The second exception is when prominent foreign policy missteps tarnish the image of the sitting president in ways that cause voters to take note. For example, how the Biden administration handled the 2021 US withdrawal from Afghanistan severely damaged perceptions of Joe Biden. His approval rating dropped almost overnight and never recovered. In 2024, Trump was able to turn this into an advantage on the campaign trail by presenting himself as a strong leader who would stand up against America's adversaries — and with a commitment to peace. Today, Trump's reputation is suffering from both his inabil-

ity to resolve foreign policy challenges he inherited and the abandonment of his pledge to avoid entangling the US in costly conflicts overseas. In a CNN/SSRS survey, just 29 per cent of US adults said they approved of Trump's handling of foreign affairs, down from 42 per cent shortly after he returned to office. Only one in four respondents believed he had a clear strategy for handling Tehran, down from 40 per cent in the immediate aftermath of the outbreak of the war. These dynamics also appear to be feeding into broader perceptions of Trump's leadership. In a YouGov survey fielded at the outset of the war, 56 per cent of respondents said the word 'reck-

less' applied 'a lot' to Trump — up five points from a year ago — while the proportion who described him as a 'strong leader' dropped four percentage points.

To what degree will foreign policy shape the results — and how will Trump respond?

Republicans were already likely to fare poorly. The midterms are traditionally seen as a referendum on the performance of the incumbent president, and with Trump's overall approval ratings at a near-record low, history is not on his side. Even though foreign policy may not dominate any given race, it is likely to matter at the margins. And in a tight race, that could make all the difference. In some swing states Republican candidates are distancing themselves from the president's policies. In Michigan, Senate nominee Mike Rogers has said the war 'needs to end, and end quickly,' to provide relief for American families. In Iowa, meanwhile, Senate nominee Ashley Hinson similarly said that lowans 'shouldn't have to foot the bill at the pump or the checkout line for the war in Iran'. Trump's diesel deal with Russia indicates some sensitivity to the electoral risks of high gas prices. But achieving this by accommodating Vladimir Putin — rather than an embargo on US diesel exports, for example — has only highlighted another foreign policy weakness: Trump's inability to end the war in Ukraine. But will an electoral rebuke result in more foreign policy restraint? Perhaps the most important question is not the degree to which foreign policy will shape the results, but how the president will respond. And here, history offers a warning. After his 2006 midterm defeat, President Bush did not change course. Instead, he defied the mandate voters had given by escalating an unpopular war in the Middle East. President Trump recently pledged not to attack Iran before the midterms, having previously expressed a desire to help his party in the elections. Whether he too will try to end the war through a dramatic escalation once the ballots are counted remains to be seen. But he would not be the first president to double down on an unpopular policy once unshackled from electoral constraints. The 'lame duck' phase of Trump's presidency may therefore prove even more disruptive on the international stage.

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