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# Belarus and Russia's Gasoline Crisis

This policy brief examines how Russia's gasoline crisis, triggered by Ukrainian drone strikes on Russian refineries, has affected Belarus and its oil-refining industry. The strikes cut Russian refining by about a quarter and gasoline output by about a fifth. Export bans, imports and lower fuel standards offset most of the shortfall, yet a residual deficit persisted, feeding inflation, halting monetary easing and somewhat straining the budget. Belarus became an important short-term buffer: running its refineries close to full capacity, largely through tolling arrangements, it covered roughly 30% of Russia's gasoline underproduction. For Belarus, this was a sizeable but short-lived positive macroeconomic shock. Its benefits are already fading, while the secondary negative effects of the fuel shortage on the Russian economy are likely to grow. The case also shows that Russia's capacity to absorb shocks to its core industries through its orbit of influence is limited.

## Russia's Gasoline Crisis: The Scope, Global and Domestic Effects

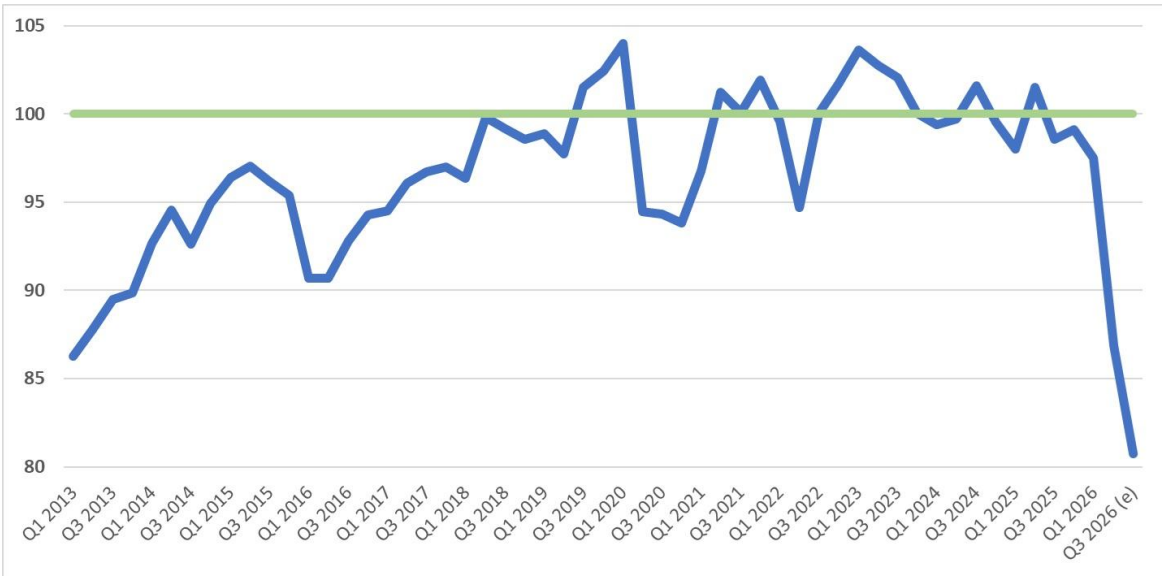
In 2026, Ukrainian drone strikes on Russian oil-refining facilities intensified markedly. In June-July, Russia's refinery throughput fell to 3.7-3.8 mb/d, roughly 30% below a year earlier and the lowest level in more than 20 years (Martin and Vatman, 2026; KSE, 2026). OPEC (2026) estimates that refinery runs in Q2–Q3 2026 were roughly 20% below the 2025 average. According to Rosstat (2026a), the output of oil products fell by 18-22% year on year in June-August.

However, a loss of refining capacity does not translate into a fully proportional decline in all oil products. Refineries differ in their product specialization, so the impact depends on which plants are hit. In addition, refiners can increase utilization at undamaged plants and prioritize the most sensitive products. Gasoline output declined by about 20%, compared with nearly 30% for diesel (Martin & Vatman, 2026), partly because the hardest-hit refineries were diesel-oriented and partly because authorities prioritized gasoline supplies.

Gasoline is nonetheless where the crisis has been most acute. With domestic consumption of about 3.2 million tonnes (Mt) per month (Makarchuk, 2026c), a 20% decline in output implies a gasoline underproduction of about 0.7 Mt per month. By the end of August, gasoline output had fallen to about 70% of domestic demand (Reuters, 2026). Retail gasoline prices rose 21.1% between January and September 2026, while overall consumer inflation over the same period was 5.0% (Rosstat, 2026b).

The situation with diesel is different. Russia traditionally exported roughly half of its diesel output (Martin & Vatman, 2026), so a 30% decline

*Figure 1. Russia: Production Index of Refined Petroleum Products and Coke, 2021 = 100 (seasonally adjusted)*




*Source:* Own calculations based on Rosstat data.

in production brought supply close to domestic needs rather than into a deep deficit. Nevertheless, in July Russia introduced its first-ever ban on diesel exports, partially lifted only in October as part of a politically motivated agreement with the United States (Bloomberg News, 2026).

To keep the production shortfall from turning into an equally large market shortage, the Russian authorities relied on three main instruments (Martin & Vatman, 2026). First, exports were cut: a full gasoline export ban has been in force since April 2026. Before 2024, Russia exported about 10–13% of its gasoline, or roughly 0.36 Mt per month (Makarchuk, 2026c). However, since gasoline exports had already been banned for most of the second half of 2025 (Interfax, 2025), the additional relief from this channel, relative to 2025 levels, was limited. Second, imports were increased by rail from Belarus and Kazakhstan and by sea from India, South Korea, Morocco and Türkiye; in August, imports of oil products through Russian ports exceeded 300 thousand tonnes (Makarchuk, 2026c). Third, product standards were relaxed: more polluting Euro 2–4 gasoline was temporarily allowed until July 2027.

These measures offset most, but not all, of the shortfall. The residual gasoline deficit is estimated at about 5–15% of normal demand (Makarchuk, 2026c), with much higher shortfalls in some regions; at the end of August, domestic output and imports together covered about 85% of demand (Reuters, 2026). The burden was concentrated in the free market segment. Vertically integrated oil companies prioritized their own filling stations, while independent stations faced shortages: between January and mid-July, AI-92 retail prices rose by 5.0% at the stations of vertically integrated companies, but by 39.6% at independent ones (Ozemblovskaya, 2026). Hence the queues, purchase limits, and empty filling stations widely reported in the media.

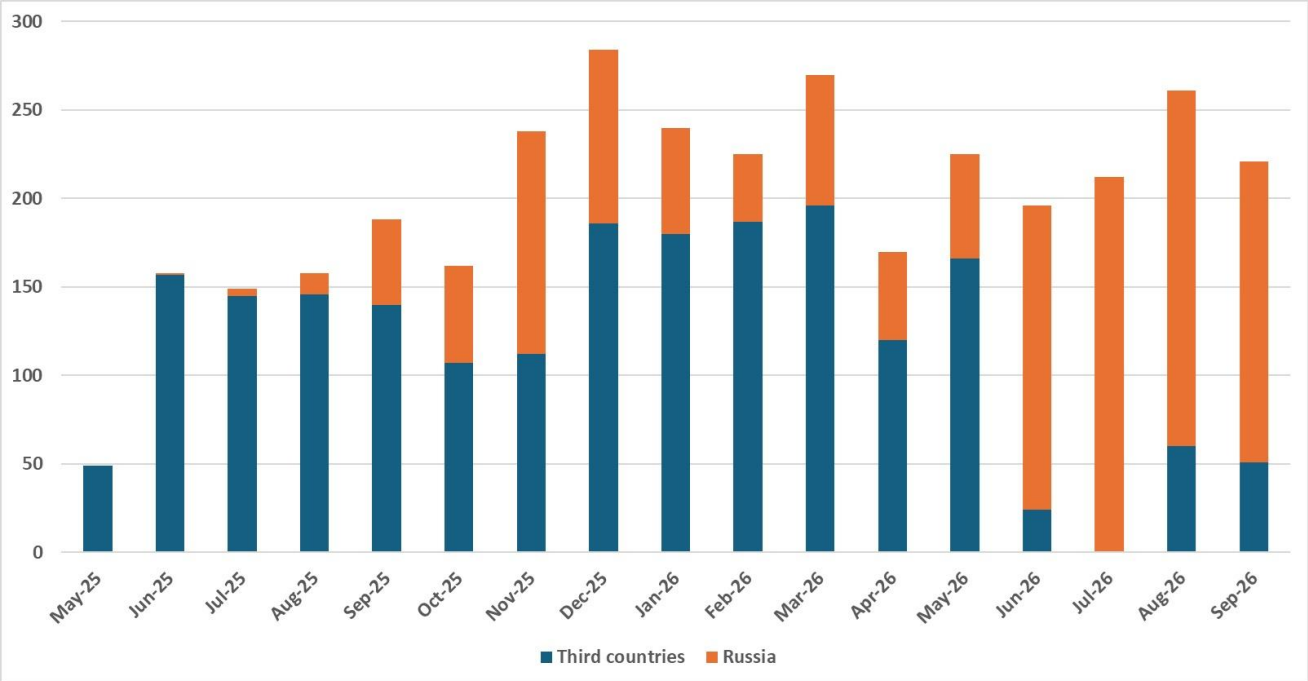
The macroeconomic effect for Russia is unambiguously negative. The decline in refining has become a significant drag on GDP: industrial production stagnated in January–August 2026 and fell by 0.6% year on year in August (Rosstat, 2026a). Higher crude oil exports can only partly compensate, as freed-up crude cannot be fully redirected abroad: in August, Russia's crude production fell to 8.72 mb/d, about 5% below a year earlier (Makarchuk, 2026c); total crude and product exports fell to 6.4 mb/d in August, the lowest level since 2018 (KSE, 2026). The decline in refining also spills over to related industries, such as transport. Inflation picked up again, reaching 6.35% year on year in September (Rosstat, 2026b), and the Bank of Russia paused its easing cycle, keeping the key rate at 14% and noting that motor fuel prices had fed into underlying inflation (Bank of Russia, 2026). Damper payments, which compensate oil companies for the gap between export and domestic fuel prices, surged during the crisis period: in April–September 2026 they reached RUB 1.24 trillion (about USD 15.8 billion), four times the amount a year earlier. Higher global prices lifted oil and gas revenues before damper payments by about 23% year on year, but roughly 94% of this windfall was absorbed by the damper, leaving net oil and gas revenues virtually unchanged (+1.5% in ruble terms; Minfin of Russia, 2026). This left little room to narrow the budget deficit or provide additional fiscal stimulus.

## The Role of Belarus amid Russia's Gasoline Shortage

To cover the shortfall, Russia had to attract imports at import-parity prices. For instance, in August, seaborne gasoline from India was offered at about RUB 150 thousand per tonne, roughly twice the Russian oil exchange price, with purchases supported by an import damper (Makarchuk, 2026c). As a nearby supplier with direct rail access, Belarus was well placed to capture this premium and redirected a large share of its oil-product exports from third markets to Russia (Beleconomy, 2026a; Makarchuk, 2026a).

Belarus became the most important external supplier of gasoline to the Russian market. Open-source data, which likely understate actual volumes, show that Belarus delivered more than 1 million tonnes of gasoline to Russia in January–September 2026 (Makarchuk, 2026d).Supplies accelerated sharply in summer, to around 200 thousand tonnes of gasoline per month: in July, gasoline supplies reached a record 212 thousand tonnes (Makarchuk, 2026b; see Figure 2).

*Figure 2. Estimated Exports of Belarusian Gasoline by Destination, 2025-2026, thousand tonnes per month*




*Source:* Own estimates based on various open sources. including Makarshuk (2026b, 2026d).

An important channel of these supplies has been so-called tolling. Under contracts in force since 2025, Russian oil companies supply crude oil to Belarusian refineries and receive back the refined products, while Belarus earns only a processing fee, also called "tolling fee". Initially, such schemes were meant to shield Belarusian refiners from volatile market conditions and margin risks. In the new environment, they turned into an attractive instrument for Russia: it can refine its crude in Belarus while limiting the share of profits captured by Belarusian refineries. From autumn 2025, tolling volumes surged. According to the balance-of-payments adjustments of the National

Bank of Belarus, the value of goods returned after processing rose from about USD 50–60 million per month until mid-2025 to USD 400 million in December 2025 and USD 400–570 million per month in March–July 2026. In physical terms, around 1 Mt of crude oil was refined under tolling arrangements in June, yielding roughly 200–250 thousand tonnes of gasoline. Limited statistics do not show unambiguously whether, and to what extent, tolling flows are included in the available data on Belarusian supplies to Russia. Most likely, they are included fully or partly, so the available figures should be treated as a lower bound.

Belarusian refining expanded rapidly. In 2024–2025, the two refineries operated at around 60% of capacity. In the first months of 2026, the physical volume of Belarusian oil-product exports was about 60% higher than in the first half of 2025, and by July–August the refineries were operating close to maximum capacity, mainly owing to supplies to Russia (Beleconomy, 2026a). Belarus has no spare capacity left; moreover, major repairs at several Naftan units in September–October are temporarily constraining supplies (Makarchuk, 2026d).

In gasoline, Belarus reoriented almost entirely towards Russia in July: virtually all Belarusian gasoline exports went to the Russian market, which has become a premium market for Belarusian producers. From August, however, Belarus resumed gasoline exports to third countries, which reached 50–60 thousand tonnes per month, or roughly a quarter of its gasoline exports. These flows were themselves a by-product of Russia's gasoline crisis: they went mainly to Afghanistan and Central Asian markets, partly via Turkmenistan; these markets had traditionally relied on Russian fuel and were now forced to seek alternative suppliers amid shortages and rising prices. Gasoline output approached its historical peaks, supported by the completion of reforming unit upgrades at Naftan in June–August (Makarchuk, 2026b).

With diesel and other products, the picture has been somewhat different. Belarus began increasing diesel supplies to Russia as early as spring, before the acute phase of the crisis (Beleconomy, 2026a). Part of the diesel and other products also continued to go to third markets, as Russia's diesel deficit was much less pronounced. According to our estimates, Russia's share in total Belarusian oil-product exports rose from roughly 15–25% in 2025 and early 2026 to over 50% in summer 2026, peaking at around 60–70% in July.

How large was Belarus's contribution from Russia's perspective? Belarus accounted for about half of Russia's gasoline imports (Makarchuk, 2026c). Against a gasoline underproduction of about 0.7 Mt per month, Belarusian supplies of about 0.2 Mt per month covered roughly 30% of the shortfall. At the same time, these supplies correspond to only about 6% of Russia's domestic gasoline consumption.

## Macroeconomic Implications for Belarus

For Belarus, Russia's gasoline crisis was a significant positive macroeconomic shock. It largely shaped the favorable output dynamics in the second quarter of 2026: after a small decline of 0.25% year on year in Q1, GDP grew by around 3.2% in Q2 (Macroby, 2026).

The shock affected output through several channels. On the production side, it directly boosted oil refining, allowing manufacturing to exit the recession it had been in since late 2024 (+1.8% year on year in Q2). Strong inter-industry linkages amplified the effect: transport and wholesale trade, which serve refining flows, became the most important contributors to GDP growth. In August, for instance, value added in transport grew by 5.7% year on year and freight turnover by 8.3% (Macroby, 2026). On the demand side, the shock was reflected in exports of goods and, through tolling fees, in exports of services, which grew by 27% in nominal terms in H1 2026.

Additional export revenue also laid the foundation for a new wave of domestic demand. Facing a structural labor shortage, firms were able to accelerate wage growth again: real wages grew by 7.9% in Q2. Firms also found it easier to finance investment. This pushed domestic demand growth to 5.9% year on year in Q2, up from 1.3% in Q1. However, much of this demand was 'eaten up' by imports: overheated consumer and investment demand led to faster import growth, and the contribution of net exports to GDP growth remained negative.

So far, the impact on inflation in Belarus has been limited. With export revenues supporting refiners' finances, the authorities felt comfortable maintaining price controls, as higher revenues from Russia offset refiners' losses from low regulated domestic prices. According to Belstat, since the start of the year, domestic fuel prices have risen by only around 4.3%, slightly above overall consumer inflation of 3.6% over the same period, whereas retail gasoline prices in Russia have risen by 21.1% (Rosstat, 2026b). In September, gasoline cost about USD 0.80 per liter in Belarus (Trading Economics, 2026a), compared with USD 0.88 in Russia (Trading Economics, 2026b).

However, the favorable effect of the shock will be limited and short-lived (Beleconomy, 2026b). First, with refineries already at full capacity, the oil sector can no longer contribute to further growth acceleration. Exports of services have already reached a plateau, and GDP growth slowed to 0.7% year on year in August, with manufacturing growth falling to 0.8% (Macroby, 2026). Moreover, if Russian demand for Belarusian fuel declines, the effect may reverse abruptly. Second, the inflationary impulse is set to strengthen through pass-through from Russia; inflation is expected to reach 5–6% in 2026 and 6–7% in 2027 (Macroby, 2026). Third, the negative effects of Russia's economic situation, including higher interest rates and weaker demand for Belarusian goods, are likely to soon outweigh Belarus' economic gains from the gasoline crisis.

## Conclusions and Policy Implications

Belarus has played a sizable role in mitigating Russia's gasoline shock. Operating at the limit of its refining capacity, it covered about 30% of the shortfall and accounted for about half of Russia's gasoline imports. While this was enough to smooth the Russian market for a few months, Belarus cannot warrant a full-fledged permanent buffer. Belarus' supplies accounted for only about 6% of Russian gasoline consumption, and the country has no spare capacity left to increase them. Its contribution was driven by a mix of commercial

windfall and tolling arrangements favoring Russian oil companies, rather than by any deliberate effort to stabilize the Russian market. It can slow and smooth, but not offset, the negative trends in Russia associated with the loss of refining capacity.

For Belarus, the gains were tangible but transient. They supported growth for one or two quarters and are likely to be outweighed by the adverse spillovers from Russia's slowdown and rising inflation, especially if Russia's fuel shortage persists in the coming months. In the bigger picture, they are marginal and should not be overinterpreted politically, neither as evidence of Belarus's strategic value to Russia nor as a durable windfall for the Belarusian authorities.

More broadly, the case reveals the limits of Russia's orbit of influence in closing specific gaps. Belarus could only partly offset the gasoline shortfall, while Kazakhstan's major refineries reportedly did not start deliveries at all (Makarchuk, 2026c). Russia's ability to absorb shocks to its core industries is therefore limited, and it can smooth them only for relatively short periods.

This has a clear policy implication. Economic pressure on Russia is likely to be more effective the more directly it targets Russia's critical vulnerabilities, rather than relying on indirect and long transmission chains. Instruments designed as 'smart' pressure, such as the oil price cap, have delivered far less than intended where enforcement remained weak (KSE Institute, 2025). Pressure exerted through third countries, including Belarus, offers even less leverage over Russia itself. Measures that directly constrain Russia's capacity to produce and sell its key products, such as refined fuels, promise considerably more impact.

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