

RUSSIAN ENERGY BAN MYTH BUSTER

Frequent arguments against taking action now, and why they don't stack up

MYTH 1: We are not financing Putin's war (b/c of sanctions, he cannot use the billions of euros/dollars we send him anyway).

FALSE: with sanctions, the Russian authorities will not be able to find the resources in the economy to supply the war effort. Real resources matter, and isolation will limit the resources available for war. And forex revenues are sold to support the ruble, which has stabilized and appreciated most recently. So yes, there is no escaping it: we are funding Putin's war machine. See numbers [here](#) and more analysis [here](#) and [here](#).

MYTH 2: Russia can sell oil & gas to China and elsewhere, so we'd only be hurting ourselves.

FALSE: a complete substitution towards China is infeasible given the scale of European imports: we buy 49% of Russian oil and 74% of Russian gas. And if China becomes nearly the sole buyer, it will bargain hard, limiting the revenue flows.

MYTH 3: Russia would circumvent the sanctions by selling via third parties.

FALSE: secondary sanctions may be employed ([Iran](#) provides a recent [example](#)). We are already seeing private businesses staying away from Russia in fear of breaching sanctions (e.g. see [here](#)).

MYTH 4: A ban would cause "mass poverty" in Europe / would have "incalculable" or "unimaginable" impact.

FALSE: Available estimates suggest the impact could be between 0.5-3.5% of GDP, or 200 to 1200 euros per head in Germany, the country most dependent on Russian energy. These are significant costs, but they are a far cry from anything that justifies the kind [fear-invoking language](#). For technical details on the estimates, see [here](#) and [here](#). For a longer-term perspective on these numbers, see [here](#).

MYTH 5: Less well-off people would be hurt the most, b/c of unemployment and higher inflation.

INCOMPLETE: the consequences are indeed likely to be somewhat regressive (but not hugely so). Critically, the govts have the appropriate policy tools to deal with these impacts. E.g. we know how to cushion the impact on unemployment – we have done this before (see [here](#)). A detailed discussion of the distributional issues is [here](#).

MYTH 6: Business leaders and industry experts say it's impossible to adjust. Don't they know best?

NOT NECESSARILY: the marvel of market economy is its adaptability. New sources of supply will come on stream and demand will adjust. Production processes will change over time. Only [a small degree](#) of substitutability makes a world of difference. There are plenty of real-world examples of how production adjusts, often in extreme circumstances, see [here](#), [here](#), [here](#) and [here](#). Some firms may face short-term interruptions, others may not adjust and will be replaced by new, more flexible firms. This change is costly for the incumbents, so it is not very surprising that it is resisted. See [here](#) for more.

MYTH 7: Even if the estimates of the fallout suggest it is manageable, these estimates are uncertain. Why would you take such a risk?

BECAUSE not acting now comes with [even greater risks](#). Is it prudent to be at the mercy of Putin next winter? And is it wise to refrain from doing everything we can to avoid the disaster of war spilling to ever more [countries](#), closer and closer to home? We must act ASAP to manage these truly enormous risks. More [here](#).

MYTH 8: Such a ban would be unsustainable in the long-term.

FALSE: The pain is short-term. The economic adjustment means that the embargo's cost will decline over time. Ultimately, this policy will speed up our transition towards a greener, cleaner, and more sustainable economy.

MYTH 9: People of Europe would never support a costly action.

FALSE: In fact, they do. Despite the campaign of fear, about 60% of Germans support the ban. See [here](#), [here](#), and [here](#).

MYTH 10: Come winter, popular opinion would have shifted and we must make a U-turn.

UNLIKELY: We don't know, but such policy could be the best way to end this war quickly. See [here](#). In any case, second-guessing this is the opposite of what true leadership is.

MYTH 11: Germany cannot do this by themselves, so there's no point thinking about it.

UNTRUE: Germany is Europe's largest economy and most dependent on Russian energy. It is clearly pivotal in these discussions. It must assume the leadership position that it deserves. How can we expect smaller and poorer countries to undertake costly action in the future, e.g. on climate change, if we do not see such leadership now? See [here](#) for a discussion.

MYTH 12: We need to keep an ace up our sleeve against Putin - we need leverage.

NONSENSE: This is the point of [maximum impact](#). Putin has brought mass murder and destruction on an industrial scale to Ukraine because Ukrainian people chose to be part of free Europe. Our "leverage" so far has achieved nothing. Also, tools that are never used are not leverage! Penalize the atrocities now. Down the road, the West can exert leverage through rewarding good behavior by lifting sanctions, if it so wishes.

MYTH 13: Advocates of the ban are too "excited" and "hot-headed".

FALSE: The advocates are the only ones who have produced clear and transparent analysis of the issue, using state-of-the-art methods. Others, e.g. some politicians, corporate lobby and commercial bank economists produced nothing beyond gut feeling and scaremongering. But yes, of course, the matter is extremely urgent. Everyday lives and dreams are destroyed. Act now. It is already past the time.

MYTH 14: We've made a historic U-turn on military spending, surely that suffices.

NO: This U-turn does nothing to stop the massacre now. And much more military spending will be needed in the new cold war scenario if Putin wins over in Ukraine.

MYTH 15: It's just so unlucky that some countries happen to be so dependent on Russia.

FALSE: the dependence on Russian energy is not an accident – it is a direct consequence of the wrong-headed policies that have pursued. Ukraine is paying the highest price. It is only fair we bear some of the consequences.

MYTH 16: If we wait it out, we can go back to the status quo as of mid-Feb 2022.

FALSE: the world has fundamentally changed, there is no going back. See [here](#).