# Propaganda Fantasy: Imposing a Price Cap on Russia's Oil

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*Last Monday, US Treasury Secretary Janet Yellen stated the United States and other NATO/EU countries are continuing talks to "restrict Russia's energy revenues" by "imposing a price cap" on the country's oil.*

> "We are continuing to have productive conversations, today and with our partners and allies around the world with how to further restrict energy revenues to Russia while preventing spillover effects to the global economy," Yellen said during a press conference. "We are talking about price caps or a price exception..."

The US, Canada, the UK and other satellite states have banned Russian oil imports, while the EU, which remains highly dependent on Russian energy supplies, agreed on a partial ban by year's end. The G7 countries, the largest Western and Western-aligned economies, have agreed to "study possible price caps" on Russian oil and gas to try to "limit Moscow's ability to fund its invasion of Ukraine", G7 officials said on Tuesday. The change of wording is quite telling, as just a week prior, Western political leadership was talking about the price cap as if it was already a done deal. However, at the G7 meeting, the officials were talking about "an agreement to study the Russian oil and gas price cap". The officials, again, including US Treasury Secretary Janet Yellen, are claiming the move will reduce the revenues Russia is making with energy sales, while allowing Western consumers to continue getting oil and gas supplies.

This claim is extremely farfetched, to say the least. The very idea of caps in international trade goes against the most basic principles of free trade and market economy, both of which are (or at least they officially were) the holy grail of the political West's economic system. The US and its allies, along with numerous client states have even gone to war with pretexts to establish "free trade" and "market economy" in certain countries, including Yugoslavia, which had a mixed (market and planned) economy. Apart from the political West quite literally destroying and dismantling the country, it also forced the shattered remains of Yugoslavia to renounce entire sectors of their economy and effectively surrender it to

Western oligarchs. Essentially, by introducing an oil and gas price cap, the political West is trying to implement the same economic policies it used as an excuse to bomb and destroy numerous other countries.

Another important note is that these impotent attempts are still a far cry from the pompously announced all-out Russian export ban from approximately 4 months ago. Had the political West been able to limit or halt Russian revenues from oil, gas, food and numerous other commodities which are as essential as they could possibly be, they would've done it long ago. However, the political West realizes that any serious disruptions to Russian commodities reaching their own countries would have a disastrous effect on the stability of their economies. At the same time, the political West is frustrated that it needs to pay for those commodities. This results in a series of schizophrenic moves or comically arrogant proclamations of future moves which never really happen.

The declared aim is to "encourage sales of Russian oil at levels slightly above production costs to ensure Russia's earnings are reduced while it maintains production". Tamas Varga from oil broker PVM stated the gas and oil price cap idea amounts to evidence that outright bans on Russian commodities have been "counterproductive as Russian revenues have increased". And indeed, Russia's revenues from gas and oil sales have increased exponentially in comparison to the same period last year. Thus, Varga believes that "creating a buyers' cartel to starve Russia of petrodollars while alleviating inflationary pressure from oil prices is challenging".

> "The big unknown is Vladimir Putin's reaction," said Varga. "If Russian President Vladimir Putin decides to reduce oil or gas exports the plan will backfire and lead to further rise in prices. It is a nightmare scenario," Varga added.

According to Reuters, Russian production costs are \$3-\$4 per barrel and Russian firms could probably profit even if oil prices were \$25-\$30 per barrel. The goal of this Western "buyers' cartel" is to impose a price cap which would be just above the production cost, making it possible for the oil companies to continue to operate, which should prevent the Russian government from getting any profits. Richard Mallinson from Energy Aspects confirmed this was the goal in his statement for Reuters.

> "G7 countries want to reduce Russian oil revenues and this implies a price cap well below what buyers are currently paying. Some campaigners advocate for a very aggressive reduction, pointing to Russia's low production costs and arguing it would continue to sell oil at any price above this level," Mallinson stated.

There's only one "tiny" issue with this plan. Russia can simply cut gas and oil supplies to all countries trying to impose this illegal Western price cap. This would push global markets into yet another frenzy. With OPEC countries openly stating they can't replace Russia's share in the oil and gas market, the prices would go into orbit, causing a cascading effect of price hikes in every other industry, exponentially increasing inflation, while stagnation would turn into recession in many countries. Thus, any attempt to impose price caps isn't just illegal, but could easily backfire and destroy Western economies. It seems the political West learned nothing from the last 4 months of a failed economic siege of Russia.

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