

The New Old Regime

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FaST (Few Sentence Takeaway): The headlines of Russian oil sanctions and NATO participation are flying around after President Trump suggested new sanctions/tariffs were ready to go. Critically, there is already a mechanism in place to execute the plan. Far from undoable, the sanctions could be relatively easy to implement.

Sanctions are nothing new. And two weekends ago, there were fresh calls for punitive tariffs on China tied to purchases of Russian oil. While many of the headlines are focused on the caveat of additional sanctions tied to participation of NATO countries, that misses one of the more important thrusts of the message. Sanctions/tariffs/other measures will not be isolated to Russia alone. Facilitation—explicit, tacit or otherwise—will incur consequences. *Maybe.*

This is not a "new" policy. It has been telegraphed for quite some time. But there were a few pivots from President Trump worth noting. India was not called out. *The sole focus was on isolating China for supporting the conflict.* And NATO was singled out to become the "coalition of the willing." **New Regime, Same as the Old One.**

Notably, there has been little to no commentary on the PCC—the Price Cap Coalition. The PCC was a creative attempt to allow Russian oil to flow but limit the price realization. The price was set at a flat \$60 per barrel. It was meant to keep oil markets supplied without allowing the potential for a wartime windfall for Putin.

Without going through the details on the mechanisms used to enforce the price cap (predominately through the insurance channel), it seems to have worked in largely capping the price of Russian crude. The Europeans even changed the calculation earlier this year to further limit the price because too many European tankers were hauling crude. Their solution? Make the price cap a "floating cap" at 15% of the trailing six months. That is currently less than \$50.

"A new price cap

Up until mid-July, the initial price cap of \$60 a barrel for Russian crude, set in December 2022, remained untouched. EU has now decided at its own initiative to switch to a floating cap, so that the cap is always 15% lower than the average price of Russian Urals blend over the previous six months. **The EU's new price cap enters into force on September 3, lowering the cap price to \$47.60 a barrel.** The United Kingdom has also announced that it is moving to a similar floating cap. **Even if the decisions of other coalition member countries have yet to be taken, European companies alone play a significant role in global oil trade.**

The introduction of the new price cap mechanism has significant implications, since it leads to a sizable decrease in the price cap. **Due to recent declines in global oil prices, the \$60 price cap was no longer binding. For this reason, the share of European tankers involved in Russian oil exports rose to about 50% in the spring of 2025.** The decrease in the price cap forces Russian oil companies to again seek other carriers for their export routes."

— Bank of Finland, 9/8/25

Why is that notable? **Because the PCC is basically NATO.** The chorus of "this will never be agreed to" voices seem to pass over the Europeans already agreeing to unilaterally lower the price cap. That is a signal in and of itself.

Of course, the question is always, so what?

- The Trump Administration wants to pressure Russia. *And the chosen route is oil.*
- China is a politically palatable target and integral to the Russian war effort.
- There is already a framework (PCC) for the "**coalition of the willing**" (NATO) to punish (lower) Russian oil exports.

And—if there is one known about negotiations with the Trump Administration—the opening gambit is typically not the final one. What if the Europeans come with the offer of a "CPP with sanctions/tariffs for violators"? Buying over the price cap gets a sanction. *That is a short step from what is already happening.* Not to mention, the cap could be set prohibitively low— say \$40. **New Regime, Same as the Old One.**

Oddly enough, that would flip the script from being a negative to a potential positive for the larger buyers of Russia crude (China and India).

At any rate, there is a readily available mechanism to implement incremental oil-related pressure on Russia. That should not be discounted. And Russia is resorting to barter as a way of continuing trade as companies—Chinese banks specifically—are increasingly fearful of landing on the sanctions list. **New Regime, Same as the Old One.**

"CARS FOR GRAIN

In one transaction identified by Reuters from two trade sources, Chinese cars were traded for Russian wheat. According to one of the sources, the Chinese partners in the deal asked their Russian counterparts to pay in grain.

The Chinese partners bought the cars in China for yuan. The Russian partner bought grain with roubles. Then the wheat was exchanged for cars."

— Reuters, 9/15/2025

*"Exported worldwide in the 1980s and 1990s, Lada was a big foreign currency earner for the hard-pressed Soviet Union and was used in barter arrangements in some countries. **For example, Coca-Cola traded its drinks in exchange for Lada cars which were then shipped to the United Kingdom and sold.***

Over 60% of production was exported, mainly to Western countries (the U.S. was the only large market not to have imported Ladas)."

— Wikipedia, citing "Managing a Global Enterprise: A Concise Guide to International Operation"

There is plenty of noise. The signals are straightforward. *The target is Russia and the war in Ukraine. The mechanism is oil.* How it ultimately plays out is subject to debate. But it is not necessarily positive for oil prices. And it is doable. Pressure Putin to end a war and get lower oil prices? **New Regime, Same as the Old One.**