Oil price tops $120 a barrel as EU closes on Russian crude ban

T
he oil price surged past $120 (£95) a barrel barrier today for the first time since late March as European leaders grappled with imposing a ban on Russian crude imports.

In early trading a barrel of benchmark Brent crude hit $120.42, up nearly a dollar, and the highest level since the early weeks of the war in Ukraine.

It later dropped back slightly to stand at $119.83.

The latest jump follows a 6% rise last week raising fears that it will lead to further increases in the rate of inflation, already at a 40-year high of 9%. Brent Crude is on course for a sixth consecutive monthly climb – the longest in more than a decade.

Traders said the latest spike is being driven in part by the first sign of the most recent round of Covid restrictions in China being eased, helping to kick start its economy. This week also marks the start of the traditional US "driving season" when motorists all over America fill up their cars ahead of long holiday trips.

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The rise also anticipated a new Russian sanctions deal, including on Russian oil at a meeting of leaders today.

Last night efforts to persuade Hungary to back the move failed to make a breakthrough ahead of the two-day European council summit.

Hungary's prime minister Viktor Orbán – who enjoys a close relationship with President Putin – has for weeks held out against plans for EU-wide sanctions on Vladimir Putin's oil industry because of fears about the impact on its economy.

However, hopes rose that an agreement will be reached. The EU's foreign policy head Josep Borrell told broadcaster France Info: "We need to act unanimously. There were tough talks yesterday afternoon, as well as this morning. I think that this afternoon we will be able to offer the heads of the member states an agreement."

A compromise plan would ban Russian oil arriving in tankers but allow imports through the Druzhba pipeline that serves Hungary, Slovakia and the Czech Republic.

News agency Reuters reported that a draft announcement on the sixth package of sanctions has been agreed covering "crude oil, as well as petroleum products, delivered from Russia into member states, with a temporary exception for crude oil delivered by pipeline."

Meanwhile the impact of the inflation unleashed by the surging cost of energy was laid bare in new figures from the Office for National Statistics. These showed that some everyday budget groceries such as pasta have gone up in price by as much as 50% over the past year.