MNI: Russian Oil Sanctions: Overview and Implications

By Lawrence Toye (23/10/2025)

Executive Summary:

- The U.S. has initiated new **sanctions** on leading Russian crude exporters **Rosneft and Lukoil**.
- China and India are most affected by the new measures, with **importers suspending purchases in the near-term**
- In the **longer-term, India's imports** are expected to be **more impacted** than Russia-China flows.

Recent Oil Sanctions Announcement Summary

The US placed sanctions on Rosneft and Lukoil, meaning that entities which purchase crude or products from the entities face secondary sanctions and being cut off from access to dollar-based financial institutions. Transactions would need to be wound down by Nov. 21

- This follows action taken by the UK last week which also sanctioned both companies as well as 44 shadow fleet tankers.
- Rosneft and Lukoil's combined exports in 2025 to date have comprised 47% of Russia's total seaborne exports of 3.5m b/d, according to Reuters citing Kpler data.
- Platts data showed Rosneft and Lukoil exporting a combined 1.3m b/d and 570k b/d of seaborne crude, respectively. Rosneft also exports 800k b/d to China via pipeline.
- China and India are the outlets for the overwhelming share of these flows, with China taking 1.4m b/d of seaborne Russian crude. Most of the crude is imported by independent refiners (teapots), with state-owned companies importing only around 250-500k b/d.
- India imports around 1m b/d from Rosneft and Lukoil.

EU's 19th Sanction Package

In addition to U.S. and UK measures, The EU added an additional 117 vessels within Russia's shadow fleet to its sanctioned tanker list as part of its 19th sanctions package against Russia.

- This takes the total to 557. They are subject to a port access ban and a ban on receiving services.
- Similar to the US, the EU eliminated the exemption for Rosneft and Gazprom's oil imports into the EU. However, it exempts oil imports from third countries.
- The EU also sanctioned third country operators in China. This listed two Chinese refineries and an oil trader that are significant buyers of Russian oil.

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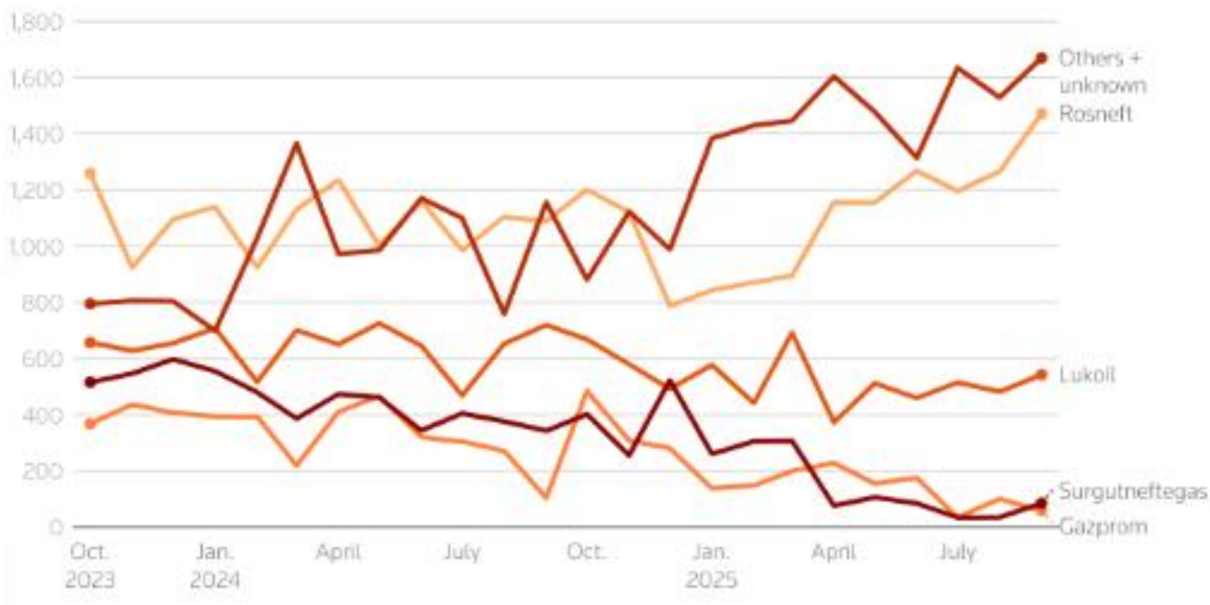
Russia's Seaborn Crude Exports - Source (Reuters)



Immediate Response

President Putin's immediate response was to say new sanctions will not affect the Russian economy, while the Russian Foreign Ministry said that the country has "developed a strong immunity to Western restrictions and will continue to confidently develop its economic potential,"

India

Senior Executives at major Indian refiners said the sanctions would make it all but impossible for supply to continue.

- Sources told Reuters that India's privately-owned Reliance is set to reduce or cease imports of Russian oil. One refinery source said that flows would not drop to zero immediate, but there will be a "massive cut."
- Indian state-owned refiners such as BPCL and HPCL are also reviewing their Russian oil trade documents to ensure no supplies arrive directly from Rosneft or Lukoil.

China

Chinese state oil majors, PetroChina, Sinopec, CNOOC, and Zhenhua Oil, have suspended purchases of seaborne Russian crude.

- However, China's Foreign Ministry spokesperson Guo Jiakun said the country opposes "unilateral sanctions that lack a basis in international law."
- There is a long-term contract between CNCP and Rosneft for pipeline flows of 800k b/d of ESPO crude to China's Daqing region. Bloomberg noted that it is unclear whether these flows will be affected due to the government-government nature of the project.

Longer-Term Outlook

It is important to note that the Russia is already the world's most sanctioned country. The nation has been subjected restrictive measures across its economy since 2014, with its energy industry slapped with sanctions following the invasion of Ukraine in February 2022.

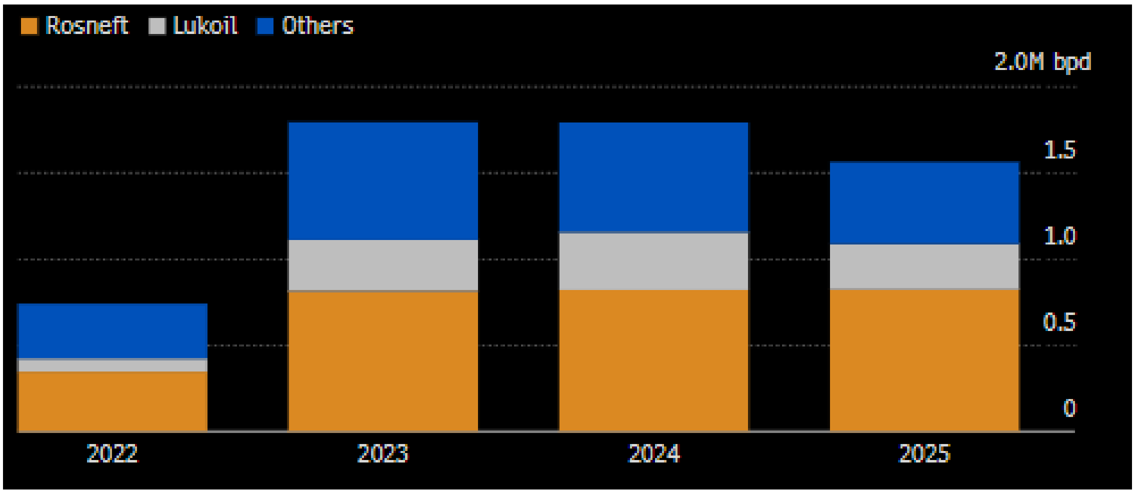
- Consequently, Russian energy companies have developed efficient ways to circumvent western sanctions, notably the use of shadow fleets and transactions in currencies other than the greenback, such as the Chinese yuan.

India

Regarding the most recent sanctions, India is seen as likely to be more responsive to the measures than Chinese companies.

- India had already been under heavy pressure from the U.S. to stop buying Russian oil. Washington recently imposed an additional 25% tariff on India, citing Russian energy flows as the reason.
- India is likely to shift to Middle Eastern crudes as a replacement for lost Russian flows.
- Some analysts opine that the future appetite for Russian crude is likely to depend on whether the sanctions are enforced and banks block payments. If banks clear payments, Indian buying could continue.

India's Russian Crude Imports by Supplier - Source (Bloomberg Finance L.P.)



Russia-China Oil Trade May be More Resilient

While China appears to be pulling back on Russian imports as an immediate measure, it is less clear whether Beijing will enforce compliance in the long term.

- The US has also refrained from acting in the past against Chinese companies that were importing sanctioned Russian LNG, Reuters noted. Thus, questions remain as to enforcement if faced with brazen Chinese defiance
- However, The U.S. has hit smaller independent refineries with measures, although these entities are less reliant on access to US financial markets and US dollar transactions in any case.
- Consequently, China's state-owned entities may cut Russian buying, while teapot buying of Russian barrels may be more resilient.

- Teapots are already faced with slim refining margins, so if sanctions widen the discounts for Russian barrels further, they may decide that imports are a risk worth taking.

Pricing Impact

- Reuters noted that the timing of Trump's decision may aid the US goals, with the market expected to be hit with oversupply.
- If all Russian barrels were taken out of the market it would cut supply by 4m b/d, equal to the forecast surplus for 2026. This gives the US administration a cushion against significant price spikes.

Analyst Views

S&P Global Commodity Insights (Platts)
The sanctions are bullish for Middle Eastern and American Crudes, which India and China will increasingly purchase to replace Russian crude.

- Middle Eastern grades will be substituted as OPEC+ supply rises. While buyers may look at grades from Brazil, Canada, and the US, arbitrage incentives may reduce due to freight costs.
- The resultant effect may tighten diesel supply and available bunker ships.
- China may lower crude stock inventories to address feedstock shortages.
- However, some Chinese buyers may still risk purchases if the physical discount is attractive enough.

Helima Croft, **RBC Capital:**
Secondary sanctions would force refiners relying on US capital markets to seek alternative supplies.

- The new sanctions "mark the most material move to date by the U.S. to shutter the Russian war ATM."
- "If the Trump administration does indeed back today's words by action, we anticipate that refiners seeking to retain access to U.S. capital markets will forgo Russian barrels."

Société Générale:
A significant number of barrels will be distorted, but some of the total Russian shipments to China and India would continue despite the sanctions.

Kpler:
Most state-run Indian refiners, such as Indian Oil, source Russian crude through third-party traders, which will blunt the immediate operational impact, Kpler said.

- However, Indian refiner Reliance has more direct relationships with Rosneft, creating some near-term friction.

Vandana Hari, **Vanda Insights:**
"With this sanction move, the Indian refiners may have to pull back way faster," company founder Vandana Hari told Bloomberg.

- "This is as high-profile as it gets and Washington cannot risk looking like a paper tiger,"
- "But a far bigger question is whether the sanctions will sustain … One Trump-Putin phone call could turn the situation by 180 degrees again."

Rachel Ziemba, **Center for a New American Security in Washington**
"This is definitely one of the more meaningful measures the US has taken, but I think it will be blunted by the widespread use of illicit financial networks," Ziemba told the WSJ

- "So, it really comes down to whether China and India are afraid of further escalation in secondary sanctions."

John Kilduff, **Again Capital**:
"There is spare capacity within OPEC right now, especially Saudi Arabia. But the increased demand for the global non-sanctioned supply will raise prices," Kilduff told CNBC

- "This [sanction] appears to imply that you cannot buy Russian crude oil regardless of the price [in contrast to the G7 price cap. It's a blanket ban."

Alexey Gromov, Moscow-based **Institute of Energy and Finance**
The sanctions are a significant blow that will create difficulties for Russian oil supplies to India, Gromov told the AFP.

- However, sanctions are unlikely to weigh on Russia-China flows due to transactions taking place outside of the US financial system in national currencies.