Title: The Politics of Oil: Historic U.S. Sanctions Against Russian Oil Companies

Brief Summary: On October 22, 2025, the U.S. Department of Treasury, Office of Foreign Assets Control (OFAC) announced historic sanctions against Russia's largest oil companies to further undercut the Kremlin's ability to support its war in Ukraine.

Specifically, OFAC updated its Specially Designated Nationals (SDN) List to include Russia's two largest oil companies.

Read more about this action and its implications on U.S. companies that may engage in transactions involving Russian entities.

Full Article: **Introduction**

On October 22, 2025, the U.S. Department of Treasury, Office of Foreign Assets Control (OFAC) announced historic sanctions against Russia's largest oil companies to further undercut the Kremlin's ability to support its war in Ukraine. Specifically, OFAC updated its Specially Designated Nationals (SDN) List to include Russia's two largest oil companies; Open Joint Stock Company Rosneft Oil Company (Rosneft) and Public Joint-Stock Company Oil Company Lukoil (Lukoil).

This action was part of broader sanctions measures targeting Russia, initially issued under Executive Order 14024, and supplements the numerous existing OFAC sanctions regarding Russia and involving U.S. companies that may engage in transactions involving Russian entities. The impact of these sanctions extends well beyond Russian economic interests with ripple effects influencing geopolitical and economic dynamics in countries such as India and China.

OFAC Sanctions Against Rosneft and Lukoil

The recent sanctions announced against Rosneft and Lukoil involve comprehensive property-blocking measures and prohibit U.S. persons from engaging in transactions with these entities, effectively restricting their access to the U.S. financial system.[1] Moreover, under OFAC's "50 Percent Rule," these sanctions also extend to subsidiaries of Rosneft and Lukoil, as well as entities owned 50 percent or more, directly or indirectly, by the Russian oil giants.[2] In conjunction with the sanctions, OFAC authorized certain limited wind-down and retail transactions involving Rosneft or Lukoil through November 21, 2025, under general licenses.[3]

These sanctions mark an adjusted strategy by the Trump administration toward Russia, contrasting with its previous stance of avoiding stricter sanctions in lieu of more diplomatic or incentive-based measures during ongoing negotiations with Russia to end the ongoing war in Ukraine.[4] This shift in the administration's approach may serve to greenlight additional legislation in the U.S. Congress for further sanctions on Russia.

Previously, both the U.S. House of Representatives and the U.S. Senate introduced the Sanctioning Russia Act of 2025 (S. 1241 - Sanctioning Russia Act of 2025; H.R. 2548 - Sanctioning Russia Act of 2025), which would impose penalties on individuals and entities involved with the Russian government, if President Trump determines such actions are warranted.[5] Moreover, the Senate legislation, introduced by Senators Graham (R-SC) and Blumenthal (D-CT), would impose secondary tariffs and sanctions on countries that support Russia's actions, and entities that continue to fund or facilitate Russian energy exports or military activities, further broadening the U.S. sanctions regime.

Until recently, President Trump had not publicly encouraged lawmakers to advance legislation for additional sanctions amid ongoing negotiations with Russia.[6] However, in light of the recent OFAC sanctions, such legislation may now gain momentum in Congress, especially given the bipartisan efforts and shared sentiment to strengthen sanctions against Russia.[7] Similarly, Senator Jeanne Shaheen (D-NH) introduced the STOP China and Russia Act of 2025 (S. 2657), which aims to impose sanctions related to China's support for Russia's invasion of Ukraine.

These legislative proposals reflect a proactive approach by Congress to augment existing sanctions and consider new measures to increase economic and diplomatic pressure on Russia. The legislative environment reveals a strong bipartisan consensus on maintaining and expanding sanctions efforts in response to ongoing geopolitical developments.

Geopolitical Impact of OFAC Sanctions on Russian Oil (India and China)

The impact of the recent sanctions on Russian oil companies was nearly instantaneous, as shortly after OFAC announced the new sanctions, Lukoil revealed plans to sell its international assets.[8] Moreover, the sanctions sent a message to the top purchasers of Russian oil, India and China, that maintaining business with Russia's leading oil companies may have significant repercussions.[9] For both China and India, dealing with sanctioned entities exposes them to severe secondary penalties, including potentially being barred from Western banking systems, losing access to U.S. dollars, and/or being excluded by Western producers, traders, shippers and insurers that dominate global commodities markets.[10]

On the other hand, if China and India choose to comply with recent sanctions, each will lose access to the heavily discounted Russian oil imports that have helped keep energy costs low for their industries and consumers. As such, these purchasing countries must carefully navigate the sanctions landscape, balancing economic benefits and energy needs against diplomatic and financial risks.

INDIA:

India relies heavily on external sources for over 80 percent of its energy needs, with Russian oil accounting for approximately half of its oil imports. Russian oil is sold at favorable prices under a price cap, making it both a crucial and affordable energy source for India.[11] However, India's reliance on Russian oil is straining the U.S.-India relationship, as evidenced by the 25 percent additional duties placed on Indian exports to the U.S. as a direct result of its purchases of Russian oil.[12] This dichotomy creates a predicament for India: while Russian oil helps meet energy demands at lower costs, it also risks damaging diplomatic and trade relations with the U.S. Already, Indian companies, such as Reliance Industries, have begun halting imports from Rosneft under long-term deals, signaling a cautious approach to avoid secondary sanctions and geopolitical risks.[13]

CHINA:

China imports approximately 20 percent of its crude oil annually from Russia, and the two countries share strong ideological and geopolitical interests.[14], [15] Despite these close ties, China's sensitivity to costs has created economic limits to its support. As a result, China is likely to avoid incurring high economic and political penalties, as evidenced by the decline of dual-use exports when secondary sanctions are put in place.[16] Given these political realities, China faces a dilemma as U.S. sanctions restrict Russian oil exports, leading to higher prices and potential shifts in trade relationships. Chinese state-owned oil companies have already suspended purchases of seaborne Russian oil after the United States imposed sanctions.[17]

As President Trump continues trade negotiations with both India and China, sanctions on Russia could provide much-needed negotiation tools for the Administration, as the relationship between India, China and Russia recently appeared to be strengthening.[18] Specifically, in July 2025, the Shanghai Cooperation Organization (SCO) had its 2025 summit in Tianjin which featured photo-ops and meetings between Indian Prime Minister Narendra Modi, Chinese President Xi Jinping and Russian President Vladimir Putin.[19] Following the sanctions on Russian oil, the Trump administration may now have additional leverage to discourage China and India from continuing to develop a close relationship with Russia, at least publicly.

Negotiations with the administration may now include promises from China and India to cease aiding Russia in circumventing sanctions imposed by the U.S., such as addressing the increase in Russian oil shipped via shadow fleets to Asian markets. Russia has employed shadow shipping networks to bypass sanctions, shipping oil primarily to China and India through vessels with veiled ownership.[20] Therefore, future commitments may include consequences for buyers who help Russia avoid the full impact of the sanctions by purchasing from Russia's shadow fleet.

Conclusion

Recent OFAC sanctions on Russian oil companies mark a significant escalation in U.S. efforts to isolate Russia economically and financially. These measures have immediate effects on global oil markets, particularly in Asia, where India and China are adapting to supply disruptions and increased prices. The geopolitical landscape is thus shifting, with implications for energy security and diplomatic relations among major powers and compliance teams for major companies may find themselves in the crossfire.

Buchanan has a team of international trade and national security attorneys, economists, accounting analysts and government relations professionals ready to help companies with U.S. national security laws and international trade.

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[3] U.S. Department of the Treasury, Office of Foreign Assets Control, *Russia-related Designations; Issuance of New and Amended Russia-related General Licenses*, (Oct. 22 2025) (available at https://ofac.treasury.gov/recent-actions/20251022); *see also* U.S. Department of the Treasury, Office of Foreign Assets Control, *General License No. 126 Authorizing the Wind Down of Transactions Involving Rosneft or Lukoil* (available at https://ofac.treasury.gov/media/934706/download?inline); *see also* U.S. Department of the Treasury, Office of Foreign Assets Control, *General License No. 127 Authorizing Certain Transactions Related to Debt or Equity of, or Derivative Contracts Involving, Rosneft or Lukoil* (available at https://ofac.treasury.gov/media/934711/download?inline); *see also* U.S. Department of the Treasury, Office of Foreign Assets Control, *General License No. 128 Authorizing Certain Transactions Involving Lukoil Retail Service Stations Located Outside of Russia* (available at https://ofac.treasury.gov/media/934716/download?inline).

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