

US Secondary Sanctions: Why Indian Refiners May Cut Russian Oil Imports

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Secondary Sanctions Latest News

- India has consistently **opposed unilateral economic sanctions**, but has often **complied with US-imposed restrictions** to avoid fallout.
- In the past, Indian refiners **stopped importing oil from Iran and Venezuela** after the US sanctioned those countries. Now, with new US sanctions on Russian oil giants Rosneft and Lukoil, a similar situation looms.
- India avoids dealing with sanctioned entities mainly due to the **risk of US secondary sanctions**, which could penalize third-party countries or companies doing business with the targeted nations.

Understanding Secondary Sanctions

- Secondary sanctions extend beyond the direct targets of US restrictions.
- Primary sanctions stop American citizens and companies from dealing with blacklisted entities (like Rosneft and Lukoil).

- On the other hand, **secondary sanctions aim to discourage foreign countries and companies** — over whom the US has no legal authority — from engaging with them.
- These measures act as “anti-circumvention tools”, forcing other nations to comply indirectly by threatening penalties.
- Because they apply outside US borders, secondary sanctions are often seen as **extraterritorial and questionable under international law**.

Why Countries Fear US Secondary Sanctions

- The **US dollar’s dominance in global trade** and the **central role of the American financial system** make US sanctions highly influential worldwide.
- Any company or country engaged in international trade needs access to US markets and banks — losing that access can cripple business.
- **Secondary sanctions don’t always impose fines**; instead, they block foreign entities from the US financial system if they act against Washington’s foreign policy interests.
- Because of this, India’s refiners and banks are expected to cut back on Russian oil imports, fearing penalties.
- The US Treasury’s warning that secondary sanctions could hit buyers of Russian crude has already had an impact — experts predict an immediate drop in India’s Russian oil imports, which currently account for over 35% of total imports.

Why US Sanctions Matter for India

- US sanctions carry real weight because they make banks, insurers, and investors cautious, cutting off access to funding and financial systems.
- Most Indian refiners — including Reliance Industries (RIL) and public sector companies — rely heavily on the US market, banking network, and technology partners. Losing that access would seriously impact their global operations.

India’s Heavy Exposure to the US

- RIL, which buys nearly half of India’s Russian oil, has subsidiaries, partnerships, and investments in the US with firms like Google, Meta, and Intel.
- Public sector refiners also depend on dollar-based payments and the American banking system to buy crude oil, pay shippers, and insurers.
- Any disruption in US dollar transactions could severely hurt India’s refining sector.

Impact on Russian Oil Imports

- To **avoid secondary sanctions**, Indian refiners and banks are expected to act with **extreme caution**, likely leading to a **sharp drop in Russian oil imports**.
- Government-owned refiners are already reviewing **compliance risks**, and **RIL** has said it will **fully follow government guidance**.
- Some refiners may try to buy Russian oil through third-party traders not directly targeted by sanctions.

- However, experts warn this loophole may not last, as the US could extend sanctions to these intermediaries if it wants to curb Russian oil flows more effectively.

India's Official Stand

- The Indian government has reiterated that it will **buy oil from wherever it gets the best price**, as long as the oil itself is **not under sanctions**.
- However, the new US restrictions on **Rosneft and Lukoil** — which supply **over two-thirds of India's Russian oil** — could **seriously limit India's access** to cheap Russian crude in the near term.

Source: **IE** | **IE** | **NYT**

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