

Explained: Threat of US secondary sanctions, which could make Indian refiners pivot away from Russian oil

US Secondary Sanctions: India has not sanctioned Russian oil companies, but the US's recent decision could impact its dealings because of 'secondary sanctions'.

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The Reliance-owned Jamnagar refinery in Gujarat is the world's largest oil refinery. (Wikimedia Commons)

US Sanctions Impact Explained: India has always maintained that it is opposed to unilateral economic sanctions on countries. Yet it has, although grudgingly, heeded to such sanctions in the past on other countries, particularly when imposed by the United States. The US imposed

sanctions on Iranian oil, and Indian refiners stopped importing oil from Tehran. The same thing happened when the US imposed sanctions on Venezuelan oil. And now, something similar is on the cards for oil imports from Russia, following the imposition of US sanctions on Russian oil giants Rosneft and [Lukoil earlier this week](#).

The reason why countries like India, while opposing unilateral sanctions, still try to steer clear of countries and other entities sanctioned by the US is primarily rooted in the sword of secondary sanctions hanging over their heads.

What are secondary sanctions?

While primary sanctions — on Rosneft and Lukoil in this case — mainly curtail or prohibit their engagement with American citizens and entities, secondary sanctions seek to limit the engagement of other countries and their entities — over whom the US has no legal control — with the target country or entity. And more often than not, US sanctions are accompanied by threats of secondary sanctions.

As a 2020 paper in the Oxford University Press-published *British Yearbook of International Law* put it, secondary sanctions could be characterised as “anti-circumvention measures which prevent third states and economic operators from going about their business with target states as usual. They serve as force multipliers for primary sanctions.” Secondary sanctions certainly have an extraterritorial aspect and are potentially suspect under international law.

But why should any country pay heed to the threat of secondary sanctions from the US?

The answer lies in the US dollar's status as the world's principal reserve currency and the primary currency for international trade, and the centrality of the American financial system and markets globally. Put simply, any entity engaged in international business and trade, requiring access to the American financial system, or having exposure to the US, cannot afford to be cut off by Washington.

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“In US literature, secondary sanctions have been defined as ‘retaliatory’ sanctions that ‘do not impose monetary penalties, but rather seek to cut off foreign parties from access to the US financial and commercial markets if these entities conduct business in a manner considered detrimental to US foreign policy’,” noted the paper.

It is no surprise then that all indications from India's refining sector suggest that there will be a sharp drop in India's Russian oil imports, at least in the near term, following sanctions, as the country's refiners as well as banks would want to steer clear of transacting with the sanctioned oil companies, which account for over two-thirds of India's oil imports from its biggest supplier Russia. So far in 2025, Russian oil has made up over 35 per cent of India's overall oil imports.

"...the (US) Treasury (sanctions) announcement came with the explicit warning that secondary sanctions — targeting those buyers of Russian crude oil from these companies that continue to do so — could be considered in the near future. This threat is arguably as powerful, if not more so, than the concrete actions already taken. The threat of secondary sanctions will have an immediate and powerful effect on India and Turkey, two of the three largest consumers of Russian crude," Atlantic Council, the US-based global think tank, said in its analysis.

What can India expect?

Talking to American business news channel *CNBC*, London-based energy markets expert Amrita Sen said, "Sanctions are meaningful, especially US sanctions, as the banks get cautious, insurance companies get cautious, and you're simply just not going to get the funding... A lot of these companies, both in China and in India, have big US presence; they do a lot of business in the US. So, they have no incentive to circumvent sanctions."

Indian refiners (public sector players as well as private sector refiner Reliance Industries (RIL)) cannot really afford to be cut out of the US financial system and markets. They need that access for various reasons, including raising funds overseas and paying for their imports. Most of them have investments or arms operating in the US, and have long-standing business and trade relationships with American companies — from suppliers to process technology firms — that they might have to sacrifice if they are hit by secondary sanctions from Washington. India also buys crude oil and liquefied natural gas from the US.

RIL, which alone accounts for nearly half of India's Russian oil imports, has several US-based subsidiaries operating in various sectors, has raised debt through dollar-denominated bonds, and has strategic alliances with US companies, with major investments from American majors like [Google](#), Meta, and [Intel](#). Given such massive exposure to the US, it is unfathomable that the conglomerate would risk inviting secondary sanctions from the US. Public sector refiners, too, have substantial exposure to the US.

A senior executive from India's refining sector explained that almost all of India's oil is purchased in dollars, which essentially means that Indian refiners must pay overseas suppliers in American currency, and that leads to a large degree of dependence on the American banking system for such payments. Payments to other service providers, like shipping lines and insurers, are also usually in dollars. Therefore, any major hindrance to buying dollars or accessing the American financial and banking systems could really hit the Indian refiners where it hurts.

Oil industry insiders said that the companies and banks are likely to adopt an approach of abundant caution to ensure that they do not attract secondary sanctions. This effectively means that imports of discounted Russian crude could plummet. While it is too early to estimate the actual impact of the US sanctions, industry sources said that government-owned refiners are already evaluating compliance risks. RIL said that it is assessing the implications and compliance requirements, and will be "complying fully" with any guidance on the issue from the Indian government.

There is some speculation that the refiners could continue buying Russian-origin crude from third-party traders and not directly from Russian oil companies, as none of these third-party traders have been targeted by the sanctions yet. However, experts opine that even these trades are bound to see a significant hit in the near term, as there may be a general aversion to getting involved in the Russian oil trade for the time being. They added that if the US is serious about curtailing Russian oil flows, it could swiftly start sanctioning such third-party traders as well.

On its part, the Indian government has consistently maintained that the country will buy oil from wherever it gets the best deal, as long as the oil is not under sanctions. There are no sanctions on Russian oil; it is only subject to a price cap imposed by the US and its allies that applies if Western shipping and insurance services are used for transporting the oil. But even though the American sanctions on Rosneft and Lukoil are not sanctions on Russian oil per se, they can really choke supplies to India, as over two-thirds of India's Russian oil imports come from these Russian energy majors, as per industry estimates. Rosneft and Lukoil together account for over half of Russia's oil output and seaborne exports.

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