

REFINING AND MARKETING INDUSTRY

**EU sanctions on Russian oil to restrict
market for downstream oil
companies**

JULY 2025





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On July 18, the European Union approved its 18th sanctions package against Russia, under which it introduced an import ban on all refined products made from Russian crude oil and coming from any third country barring Canada, Norway, the US, the UK and Switzerland. India exported about \$14.3 billion worth petroleum products to the EU during FY2025. Owing to the new sanctions, access of EU market could be restricted for Indian refiners.



- On July 18, 2025, the European Union (EU) approved its 18th sanctions package against Russia. Under this, the EU introduced an import ban on all refined products made from Russian crude oil and coming from any third country barring Canada, Norway, US, UK and Switzerland.



- India exported about \$14.3 billion worth petroleum products to EU during FY2025 and it remains a lucrative market for Indian refiners. Owing to the new sanctions, access of the EU market could be restricted for Indian refiners.



- The EU lowered the price cap for crude oil from \$60/barrel (bbl) to \$47.6/bbl, to align it with the current global oil prices. The sanctions also introduced an automatic and dynamic mechanism for future reviews of the price cap.



- As per data from the Ministry of Commerce, Government of India (GoI), Russian crude was available at a discount in the range of \$10-16/bbl earlier. However, the same has declined and now stands at around \$2.5-4/bbl. The price cap and other measures could widen the discount for Russian crude.



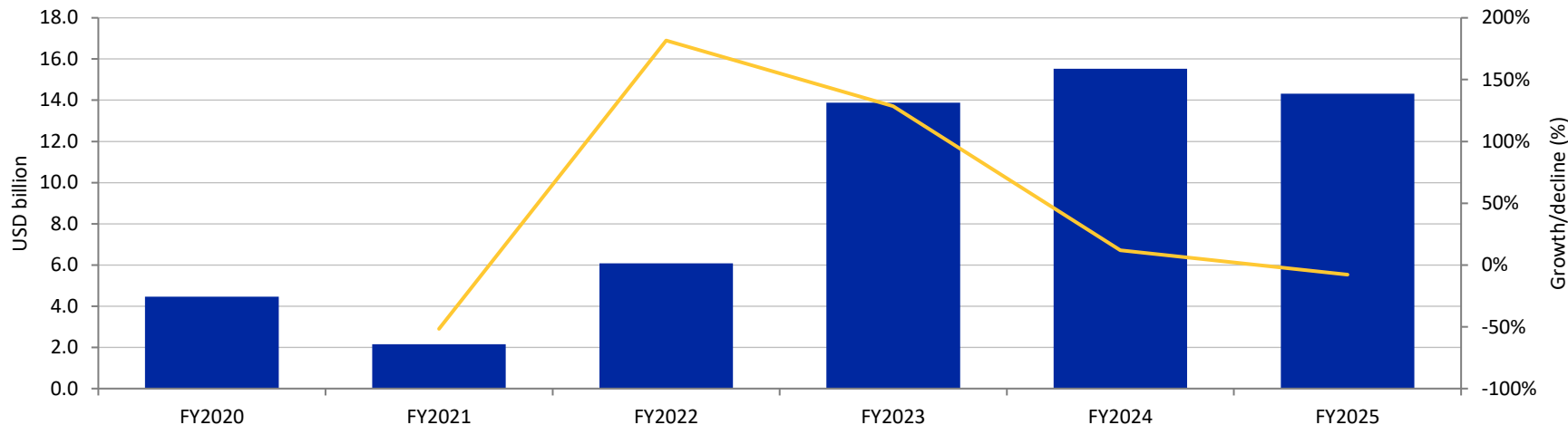
- The EU imposed sanctions on an additional 105 vessels, bringing the total number of listed vessels to 444. While the shadow fleet had been targeted earlier also, the ban was not effective.



- Russian oil exports are about 7% of the global liquid consumption. If its supply is cut off from the market, oil prices would surge. However, prices of crude have been largely stable due to expectation of minimal disruption to supplies.

India exports ~\$14-15 billion of petroleum products to EU

Exhibit: India's export of petroleum products to EU



Source: CMIE, ICRA Research

- India's exports to EU increased sharply in the last three years as supplies from Russia were reduced. India exported ~\$14-15 billion of petroleum products to EU every year in the last three years.
- The EU sanctions package will hurt nations such as India, Turkey, and the UAE, which have been refining Russian crude and selling refined products to Europe

Dynamic mechanism introduced

The sanctions also introduced an automatic and dynamic mechanism for future reviews of the price cap

EU operators impacted

The price caps prevent EU operators from providing transport or insurance services for Russian oil above the cap



Price cap lowered

The EU lowered the price cap for crude oil from \$60/barrel (bbl) to \$47.6/bbl, to align it with current global oil prices

Discounts could widen

The price cap and other measures could widen the discount for Russian crude

Ban expanded to more vessels



Russia's access to key refining technologies banned



The EU is imposing a full transaction ban on Nord Stream 1 and 2, including the provision of goods or services, thus preventing the completion, maintenance, operation and any future use of these pipelines.



The EU has imposed an import ban on all forms of Russian coal and liquified petroleum gas.

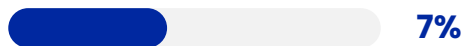


The EU has imposed a ban on the import of Russian LNG into specific terminals, which are not connected to the EU gas pipeline network and a ban on future investments in, and exports to LNG projects under construction in Russia.



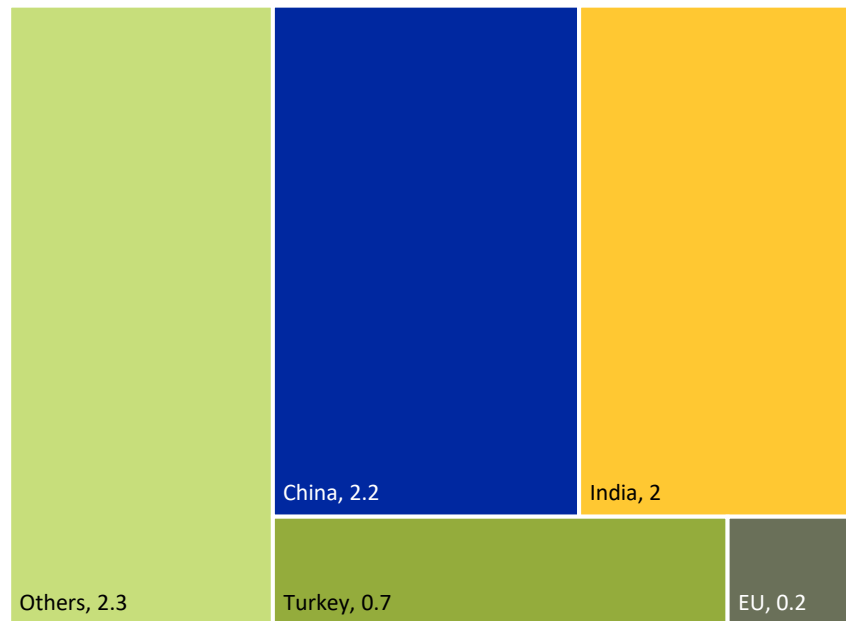
The EU has also banned exports of specific refining technologies and on the provision of goods, technology and services for Russian LNG and crude oil projects

India among the largest buyers of Russian oil exports



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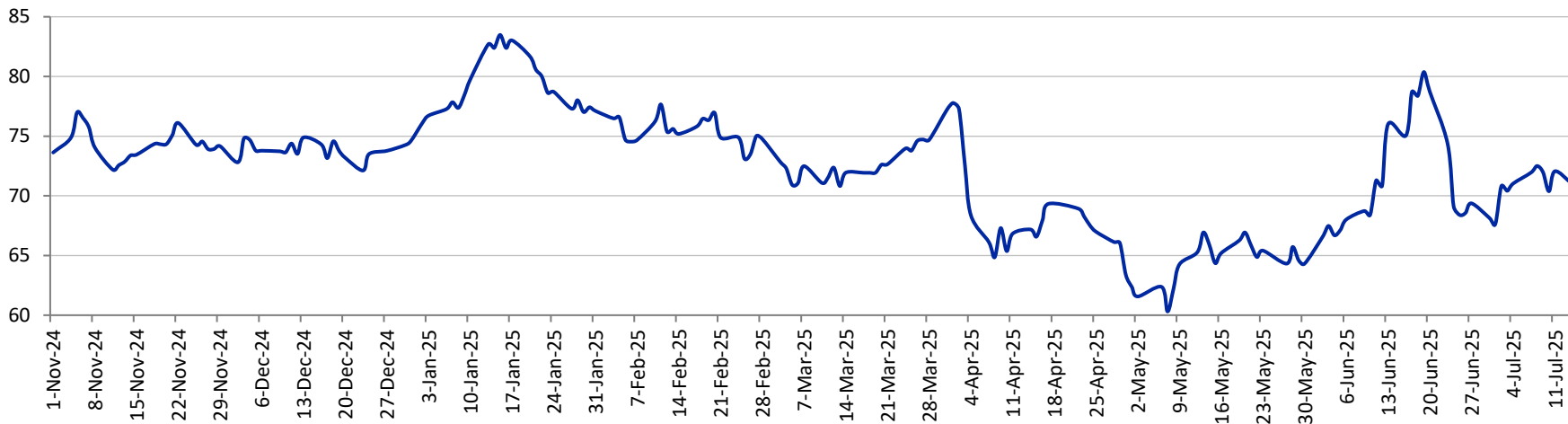
Exhibit: Break-up of Russian oil exports by country (million barrels per day)



Source: Industry, ICRA Research

Oil prices remain largely range-bound

Exhibit: Brent crude price trend (\$/bbl)



Source: Refinitiv, ICRA Research

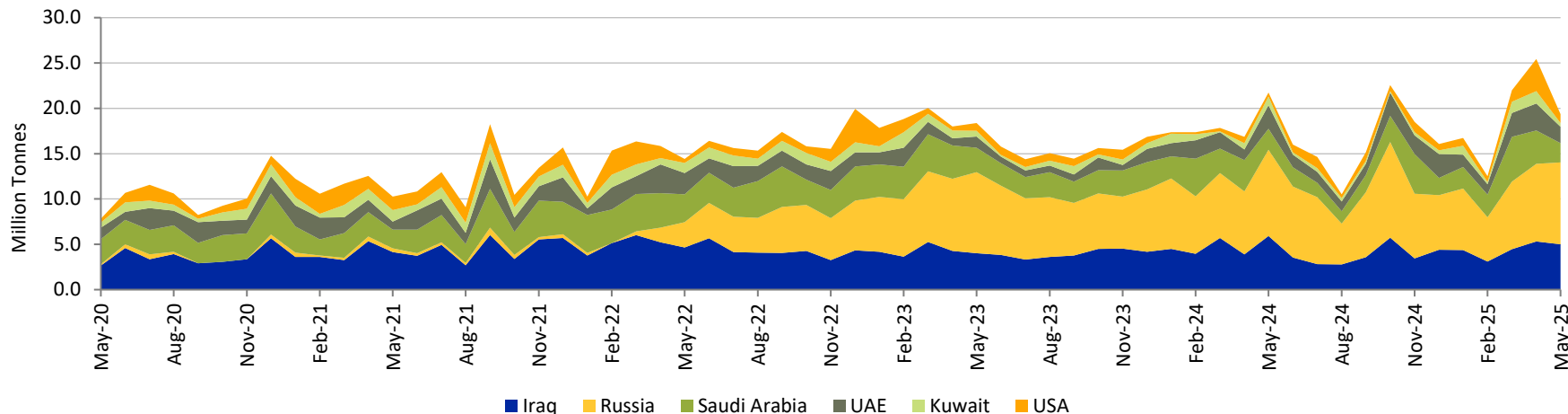
- The Brent crude oil spot price had remained range-bound at \$67-70/bbl over the last few weeks. As Russian exports of oil account for 7% of the global consumption any restrictions on supply could lead to a surge in oil prices but despite the approval of the 18th package of sanctions by the EU, crude oil prices have remained largely steady, indicating an expectation of minimal impact on supplies.
- ICRA expects crude prices to average at \$65 - 75/bbl in FY2026.



Annexure

Huge increase in Russian imports post March 2022

Exhibit: Imports (volume in MMT)



Source: CMIE, ICRA Research

- India and China imported Russian crude as the global oil flows changed direction under G7 and European energy curbs on Moscow.
- In a bid to cut its crude import bill and as Russian oil is available at a discount, there has been a huge increase in India's imports from Russia post March 2022 and for FY2025. Russian imports accounted for 36% of the total imports by volume.



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