? US Russia Sanctions Bill Raises Energy Security and Trade Challenges for India Amid Global Oil Market Uncertainty

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Recent Developments:

US House Passes the Russia Sanctions Bill:

- The **US House of Representatives** passed the **Lindsey O. Graham Sanctioning Russia and Iran Act of 2026** on 16 September 2026 by **262–159 votes**, following its passage in the US Senate by 86–11 votes on 7 August 2026.
- The legislation authorises the US President to impose **tariffs of up to 100%** on imports from major purchasers of Russian oil and natural gas, potentially affecting countries such as **India and China**.
- The provision does not automatically impose a 100% tariff; it provides the **US President with discretionary authority** to impose such measures after the legislation becomes law.
- The bill also contains measures targeting **Russian energy entities, individuals, vessels and sanctions-evasion networks**, while extending sanctions-related provisions concerning Iran.
- The legislation has therefore created a new layer of uncertainty for India because Russia remains a major source of India's imported crude oil.

Background: India's Crude Oil Import Dependence:

High Import Dependence and Energy Vulnerability:

- India is among the world's largest crude oil importers because domestic production is insufficient to meet the rapidly expanding requirements of its transport, industrial and petrochemical sectors.
- High import dependence exposes India to **international crude prices, geopolitical conflicts, shipping disruptions, exchange-rate movements and supply-chain risks**.
- The International Energy Agency expects India's crude oil imports to increase further as refinery intake and petroleum demand expand, making diversification and resilience increasingly important for energy security.
- India has consequently pursued a combination of **supplier diversification, strategic petroleum reserves, overseas energy assets, refinery expansion, biofuels and renewable energy development**.

Rise of Russian Crude in India's Oil Basket:

- Russia became India's largest crude supplier after the **Russia–Ukraine conflict began in February 2022**, when several Western economies reduced purchases of Russian energy.
- Russian producers offered competitive crude supplies to willing buyers, creating an attractive procurement opportunity for Indian refiners.
- Indian refiners increased Russian purchases because discounted crude could improve **refinery economics**, reduce procurement costs and diversify supplies away from traditional West Asian sources.
- Russia's importance has remained significant even though India's crude sourcing has continued to include suppliers such as **Saudi Arabia, the United Arab Emirates, Iraq, the United States and Venezuela**.

- India has also expanded the number of countries from which it can source crude, with the Ministry of Petroleum and Natural Gas stating that sourcing had expanded from **27 countries to 40 countries** by 2025.

Current Position of Russian Oil in India:

August 2026 Import Trends:

- India imported approximately **2.08 million barrels per day of Russian crude in August 2026**, according to provisional tanker-tracking data, making Russia the largest individual crude supplier.
- Russian crude represented approximately **45% of India's crude imports in August**, compared with around **55.9% in July**, when Russian supplies had reached a record level.
- The decline in August does not necessarily indicate a structural withdrawal from Russian crude because lower Russian export availability, stronger Chinese competition and refinery maintenance also affected shipment volumes.
- India's overall crude imports also declined in August, demonstrating that changes in Russian supplies occurred within a broader adjustment in India's crude procurement.

What Does the US Bill Propose?

Secondary Tariff Mechanism:

- The central concern for India is the bill's provision allowing the US President to impose **up to 100% tariffs** on imports from certain major purchasers of Russian oil and natural gas.
- The legislation is designed as a form of **secondary economic pressure**, because the potential measures can target countries that continue significant energy trade with Russia rather than Russia alone.
- The bill focuses on major purchasers and certain entities involved in facilitating Russian oil sanctions evasion, including parts of the maritime **shadow fleet**.
- The President would retain significant discretion regarding whether and how the tariff authority is used, including the possibility of waiving measures in specified circumstances.
- The bill therefore creates a distinction between **legislative authorisation and actual implementation**, making the final economic impact dependent on subsequent executive action.

Clarification on the 500% Tariff Figure:

- The earlier **500% tariff figure should not be described as a general tariff on countries purchasing Russian energy**.
- The Senate version authorised tariffs of up to **500% on certain Russian-origin goods**, while the separate provision concerning major foreign purchasers of Russian oil and natural gas allowed tariffs of up to **100%**.
- This distinction is important for UPSC answers because the two provisions have different targets and economic implications.

Why Is Russian Crude Important for India?

Energy Security:

- Russian crude provides India with an additional large-scale source of supply and reduces excessive dependence on any single geographical region.
- Supplies from Russia became particularly valuable when disruptions in **West Asia and maritime routes** created uncertainty around conventional sources of crude.
- India therefore views energy security not only as the availability of crude but also as the ability to obtain supplies at **competitive prices through diversified routes and suppliers**.

Refinery Economics:

- Indian refineries can process a wide range of crude grades because of their sophisticated and relatively flexible refining capabilities.
- Discounted Russian crude can improve refinery margins when the discount is sufficiently large relative to freight, insurance, financing and compliance costs.
- A substantial reduction in Russian supplies could therefore increase procurement costs or require refiners to modify their crude mix.
- The ultimate impact would depend on the availability, quality and price of alternative crude supplies.

Potential Impact on India:

Energy and Inflationary Impact:

- A rapid reduction in Russian crude purchases could require India to obtain additional supplies from alternative markets.
- If global crude prices rise simultaneously, India's **import bill, current account position and domestic inflationary pressures** could increase.
- Higher petroleum prices can have wider effects because transportation, logistics, manufacturing and agricultural activities depend heavily on petroleum products.

Impact on Refining and Trade:

- Reduced access to discounted Russian crude could affect the procurement costs and margins of Indian refiners.
- Any US tariff imposed on Indian exports could create additional pressure on **export competitiveness, trade flows and investment decisions**.
- The issue is therefore not limited to crude oil because energy trade, merchandise exports, financial transactions and bilateral economic negotiations are interconnected.

India–US Relations:

- The legislation introduces an additional complication into the broader **India–US economic relationship**, particularly while both countries manage trade and tariff-related negotiations.
- India may seek exemptions, waivers or implementation arrangements that protect its energy-security interests while avoiding unnecessary disruption to bilateral trade.
- At the same time, India would need to assess the potential consequences for exporters, financial institutions and businesses exposed to the US market.

Global Energy Market Implications:

Supply and Price Risks:

- Russia remains a major global energy producer, so a substantial reduction in Russian crude reaching international markets could tighten global supply.
- The resulting price impact would depend on the ability of other producers to increase output, the availability of shipping capacity, inventories and the duration of the disruption.
- The issue therefore demonstrates the **interdependence of geopolitics and global energy markets**, where sanctions intended to impose economic costs can also affect energy prices and importing countries.

West Asia and Maritime Security:

- India's energy-security calculations are also influenced by disruptions in **West Asia and the Strait of Hormuz**, through which a substantial share of global oil and gas trade traditionally moves.
- India has sought supplies that do not depend exclusively on Hormuz-linked routes and has increased monitoring of petroleum stocks and supply chains during periods of geopolitical instability.

- The experience highlights the importance of **maritime security, diversified import routes and resilient logistics infrastructure** for an energy-importing economy.

India’s Existing Energy-Security Measures:

Diversification of Suppliers:

- India has expanded its crude procurement network to reduce dependence on individual suppliers and regions.
- Diversification includes greater engagement with **Russia, West Asian producers, the United States, Venezuela and other emerging sources**.
- Such diversification provides flexibility when geopolitical developments disrupt supplies from a particular region.

Strategic Petroleum Reserves:

- India has established underground strategic crude oil storage facilities at **Visakhapatnam, Mangalore and Padur**.
- The existing strategic storage capacity is approximately **5.03 million tonnes**, providing a physical buffer against temporary supply disruptions.
- India has also explored cooperation with external energy companies for additional storage and supply arrangements, including collaboration involving **AbDhabi National Oil Company**.
- The International Energy Agency has emphasised the need to strengthen India's strategic petroleum reserves and broader oil-supply resilience as future demand increases.

Energy Transition:

- Long-term energy security cannot depend exclusively on imported fossil fuels.
- India is therefore pursuing **renewable energy, electric mobility, ethanol blending, green hydrogen, energy efficiency and domestic exploration** alongside conventional energy security measures.
- Greater diversification of the energy mix can gradually reduce exposure to international crude-price volatility.

Challenges for India:

Balancing Multiple Strategic Interests:

- India must simultaneously protect **energy affordability, national economic interests, strategic autonomy and major international partnerships**.
- Excessively rapid reduction in Russian imports could increase energy costs, while continued dependence could expose Indian exporters and financial institutions to secondary sanctions or tariff risks.
- The challenge is therefore to maintain flexibility rather than allow energy procurement to become dependent on a single geopolitical alignment.

Limited Short-Term Substitution:

- Replacing large Russian volumes immediately may be difficult because alternative crude grades differ in **price, quality, availability, freight requirements and refining compatibility**.
- Competition from other large Asian buyers can further increase the cost of obtaining alternative supplies.
- India's large and growing petroleum demand also limits the effectiveness of short-term substitution alone.

Way Forward for India:

Strengthen Energy Resilience:

- India should continue **diversifying crude suppliers and import routes** while maintaining adequate strategic petroleum reserves and commercial inventories.
- Greater use of long-term supply contracts, overseas energy investments and flexible spot-market procurement can reduce exposure to individual supply shocks.
- Strategic reserves should be expanded progressively in line with rising consumption and India's increasing dependence on imported crude.

Deepen Diplomatic Engagement:

- India should continue engaging the **United States, Russia, European countries, Gulf producers and other major energy stakeholders** to protect its legitimate energy-security interests.
- Diplomatic engagement should focus on practical mechanisms such as **waivers, transition periods, payment arrangements and sanctions-compliance clarity**.
- India can simultaneously maintain diversified partnerships without allowing energy procurement to undermine its broader foreign-policy objectives.

Accelerate Domestic and Clean-Energy Capacity:

- Increasing domestic exploration, renewable generation, biofuels, electric mobility and energy efficiency can reduce the long-term vulnerability created by imported fossil fuels.
- The objective should be a gradual transition from **import dependence to strategic energy resilience**, rather than an abrupt reduction of conventional energy supplies.

Value Addition for UPSC:

Key Concepts:

- **Strategic Autonomy:** Ability to pursue national interests without becoming excessively dependent on any single major power or geopolitical bloc.
- **Energy Security:** Reliable availability of energy at affordable prices while protecting the economy from external supply disruptions.
- **Secondary Sanctions:** Measures designed to pressure third-country entities or states that continue specified transactions with a sanctioned country.
- **Strategic Petroleum Reserves:** Emergency crude-oil stocks maintained to cushion the economy against major supply disruptions.
- **Energy Diversification:** Distribution of energy sourcing across suppliers, regions, routes and fuel types to reduce systemic vulnerability.

Conclusion:

- The US Russia sanctions legislation demonstrates that **energy security, foreign policy and economic security are increasingly interconnected**.
- For India, the immediate priority is to preserve reliable and affordable energy supplies while limiting exposure to geopolitical and sanctions-related risks.

A balanced strategy based on **supplier diversification, strategic reserves, diplomatic engagement, refinery flexibility and accelerated clean-energy transition** can strengthen India's resilience while preserving its strategic autonomy.