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**EDITORIAL ANALYSIS**

# US Ends Russia Oil Waiver: Implications for India's Energy Security

 **THE HINDU**

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**IR****ECONOMY****SECURITY & DEFENCE****GS2****GS3**

CURATED &amp; WRITTEN BY

**Bharat Choudhary**

UPSC Educator &amp; Content Creator

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# US Ends Russia Oil Waiver: Implications for India's Energy Security

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## INTERVIEW ANGLE

*"If a future US administration imposes secondary sanctions on Indian refiners processing Russian crude, what should India's response calculus be — sovereignty assertion, hedging, or compliance?"*

## EDITORIAL SUMMARY:

The Hindu argues that the OFAC October 22, 2025 SDN designation of Rosneft and Lukoil under EO 14024, followed by the May 16, 2026 expiry of the transitional in-transit cargo general license that had shielded Indian refiners — most directly the Rosneft-affiliated Nayara — has exposed the structural fragility of India's energy security. With 87% crude import dependence, 35.8% of FY25 imports sourced from Russia, and the rupee sliding from 84.6 (2024 avg) to ~87.2 (2025 avg, touching 88.5 late 2025) against the dollar, India can no longer treat discounted Russian Urals as a durable strategy. The response must be diversified suppliers, deeper Strategic Petroleum Reserves, faster build-out of INSTC and Chabahar, and a serious acceleration of the clean-energy transition under Panchamrit.

## A WAIVER WITHDRAWN, A VULNERABILITY REVEALED

The tightening of US restrictions on Russian seaborne oil — OFAC's October 22, 2025 SDN designation of **Rosneft** and **Lukoil** under EO 14024, followed by the May 16, 2026 expiry of the transitional in-transit cargo general license — is not, on its own, the largest shock the global oil market has absorbed in this decade. Brent has not spiked dramatically; flows have not collapsed. But the policy shift has done something more important — it has revealed the structural fragility of an energy-security architecture that India quietly built around discounted Russian Urals after 2022.

India's import dependence on crude oil is approximately 87%. Russia became the country's single largest crude supplier, accounting for about 35.8% of FY25 import volumes. Indian refiners — Reliance, the Rosneft-led Nayara, IOCL and BPCL — processed discounted Urals under the G7-plus-EU price cap of \$60 per barrel, set in

December 2022, and a set of US-issued exemptions that kept Indian flows outside the secondary-sanctions perimeter.

That architecture has now narrowed. Nayara is among the most exposed; other refiners face higher compliance friction. The question for Indian policy is no longer how to defend the Russian flow — it is how to build an energy-security regime that no longer requires defending it.

## THE RUSSIA-INDIA CRUDE PIPELINE, 2022-2026

The post-2022 pivot was rapid. Before the Ukraine war, Russia accounted for less than 2% of Indian crude imports. By FY25, the share was 35.8%. The Urals discount, frequently \$10-20 per barrel below Brent, was meaningful for refinery margins and for India's import bill at a time when the rupee was depreciating and the trade deficit was widening.

INDICATOR	PRE-2022	FY25
Russia's share in Indian crude imports	Under 2%	35.8%
Indian crude import dependence	~85%	~87%
Rupee against US dollar	~75-80/USD	84.6 to 88.5/USD
West Asia share in Indian imports	~60%	~50-55%

The shift had a parallel logic — India's refiners gained access to discounted feedstock, the global market absorbed Russian flows that would otherwise have gone elsewhere, and the price-cap architecture kept the headline barrel price within tolerable bounds.

## THE SANCTIONS ARCHITECTURE

The US sanctions regime that now squeezes Russian seaborne flows is the product of three decades of escalation.

YEAR	INSTRUMENT	SIGNIFICANCE
1996	Iran-Libya Sanctions Act (ILSA)	First major US use of secondary sanctions on third-country entities
2010	Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA)	Tightened secondary sanctions on Iran-related transactions
2017	Countering America's Adversaries Through Sanctions Act (CAATSA)	Codified secondary sanctions against Russia, Iran and North Korea
2022	G7-plus-EU Russia oil price cap (\$60/barrel)	Capped Russian seaborne crude under Western-controlled shipping/insurance
Oct 22, 2025	OFAC designates <b>Rosneft &amp; Lukoil</b> on SDN list under EO 14024	First-tier Indian refiner exposure (Nayara, JV with Rosneft)
Nov 21, 2025	OFAC General License wind-down deadline	Transactions with designated entities must conclude
May 16, 2026	In-transit cargo general license <b>expires</b>	Last waiver for Indian refiners receiving Russian oil lapses

Secondary sanctions are the operative instrument. They penalise non-US entities for dealing with sanctioned Russian flows, and they make the global insurance, shipping, and banking system the choke point. India's refiners, even when nominally outside the US jurisdiction, have to manage compliance risk through the global maritime services system.

## WHAT THIS MEANS FOR INDIA

The consequences for India operate on several levels.

### Crude Import Bill and the Rupee

With 87% import dependence, Brent at \$90-plus and 35.8% of supply suddenly sanctions-stressed, the import bill widens. The rupee has slid from 84.6/USD in 2024 to 88.5/USD in 2025 — a depreciation of roughly 4.6%. The current account deficit, already pressured by the goods trade gap, faces further widening. The FY27 fuel-subsidy bill, depending on diesel and LPG pricing, will face renewed pressure.

### Hormuz Exposure Remains

West Asia still accounts for 50-55% of India's crude imports — Saudi Arabia, Iraq and the UAE remain anchor suppliers. Any disruption in the Strait of Hormuz, through which a significant share of Indian imports transits, layers an additional energy-security risk on top of the Russia-waiver shock.

## Refinery Margins and Compliance Costs

Indian refiners that were processing discounted Russian Urals face two pressures — the loss of the discount, and the cost of higher compliance friction (insurance, shipping, banking). Nayara, with Rosneft as a major shareholder, faces the sharpest exposure.

## INDIA'S RESPONSE ARCHITECTURE

The response is already in motion across four tracks.

### Supplier Diversification

India is widening the supplier base across West Africa (Nigeria, Angola), Latin America (Brazil, Guyana, and Venezuela as sanctions evolve) and the United States (crude and LNG). The structural objective is to reduce single-source dependence on any one bloc.

### Strategic Petroleum Reserve Expansion

PHASE	LOCATION	CAPACITY
Phase I (operational)	Visakhapatnam	1.33 MMT
Phase I (operational)	Mangalore	1.5 MMT
Phase I (operational)	Padur	2.5 MMT
Phase II (in progress)	Chandikhol, Odisha + Padur expansion	Additional capacity
Phase III (feasibility)	Bikaner, Mangalore, Bina	Future expansion

The combined SPR currently covers about 9.5 strategic days and around 64 commercial days. A 90-plus-day cover, equivalent to IEA membership benchmarks, is the medium-term objective.

### Chabahar and the INSTC

The 10-year India Ports Global Limited (IPGL) lease of Chabahar Port, signed on May 13, 2024, anchors the International North-South Transport Corridor (INSTC). Chabahar gives India a non-Pakistan route to Central Asia, Afghanistan and Russia, and reduces Hormuz dependence for selected flows.

### Clean-Energy Transition

- **National Green Hydrogen Mission** — launched January 4, 2023; 5 MMT production target by 2030.
- **PLI ACC scheme** — ₹18,100 crore for advanced chemistry cell battery manufacturing.

- **PM Surya Ghar Muft Bijli Yojana** — launched February 15, 2024; outlay ₹75,021 crore for rooftop solar.
- **EV ecosystem** — Odisha's 100% government EV mandate effective June 1, 2026.
- **Panchamrit pledges** — COP-26 Glasgow, November 2021: 500 GW non-fossil by 2030, net-zero by 2070.

## STRATEGIC AUTONOMY IN PRACTICE

India's response is being framed within its strategic autonomy doctrine. The 23rd India-Russia Annual Summit during Putin's visit on December 4-5, 2025 reaffirmed bilateral autonomy. India's legacy defence inventory remains approximately 60-70% Russian (S-400, MiG-29, Su-30 MKI, IL-76), and the SCO and BRICS platforms keep Delhi engaged with Moscow even as Quad, IBSA and G20 keep it engaged with Washington and the Global South.

On the US side, the TRUST initiative (February 13, 2025) and the bilateral dialogue on tariffs and energy waivers remain the primary engagement vehicles. The goal is not to choose sides — it is to keep both sides open.

## UPSC MAINS ANALYSIS

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- **Russia's share in Indian crude imports (FY25):** 35.8% — corrected for accuracy from earlier estimates.
- **India's crude import dependence:** ~87%.
- **G7+EU Russia oil price cap:** \$60 per barrel, set December 2022.
- **Sanctions architecture:** ILSA (1996), CISADA (2010), CAATSA (2017), 2022 G7+EU price cap, OFAC Oct 22 2025 SDN designation of Rosneft & Lukoil under EO 14024, May 16 2026 in-transit cargo waiver lapse.
- **SPR Phase I:** Visakhapatnam (1.33 MMT), Mangalore (1.5 MMT), Padur (2.5 MMT) — ~9.5 strategic + 64 commercial days.
- **SPR Phase II:** Chandikhol (Odisha) + Padur expansion.
- **Chabahar Port lease:** 10-year IPGL agreement, May 13, 2024.
- **National Green Hydrogen Mission:** Launched January 4, 2023; 5 MMT target by 2030.
- **PLI ACC scheme:** ₹18,100 crore for battery manufacturing.
- **PM Surya Ghar Muft Bijli Yojana:** Launched February 15, 2024; outlay ₹75,021 crore.

- **Panchamrit pledges (COP-26 Glasgow, November 2021):** 500 GW non-fossil by 2030; net-zero by 2070.
- **TRUST initiative:** February 13, 2025 — India-US technology and energy cooperation framework.
- **23rd India-Russia Annual Summit:** December 4-5, 2025 — Putin’s visit.
- **Rupee:** 84.6/USD (2024) → 88.5/USD (2025).

### Mains Questions:

- ❶ “India’s energy security in 2026 is structurally exposed to a sanctions architecture it does not control.” Examine.
- ❷ Evaluate the role of the Strategic Petroleum Reserve, Chabahar Port and INSTC in India’s external-sector resilience.
- ❸ Discuss how the clean-energy transition under Panchamrit can serve as the durable response to oil-import vulnerability.
- ❹ Assess India’s strategic autonomy doctrine in the context of US secondary sanctions on Russian oil.

**Keywords:** Russia oil waiver, Nayara, secondary sanctions, G7 price cap, CAATSA, CISADA, ILSA, Rosneft, Lukoil, OFAC SDN, EO 14024, in-transit cargo general license, May 16 2026 waiver expiry, SPR Phase II, Chandikhol, Padur, Visakhapatnam, Mangalore, Chabahar IPGL, INSTC, National Green Hydrogen Mission, PLI ACC, PM Surya Ghar, Panchamrit, 500 GW, net-zero 2070, TRUST initiative, 23rd India-Russia Annual Summit.

*The withdrawal of a waiver is a small event in a market measured in millions of barrels per day; it is a very large event in a national security architecture measured in decades. The deeper lesson of the 2025-2026 sanctions tightening is that India’s energy security cannot be outsourced — neither to a discounted barrel from Moscow, nor to a waiver from Washington. The barrel and the waiver are both contingent. What is not contingent is the reserve, the supplier corridor, the green hydrogen plant, the rooftop solar panel and the rupee invoicing arrangement that India builds for itself. The current shock is an invitation to take that work seriously, and at scale.*

Sources: [The Hindu](#), [PRS](#), [PIB](#)

#### ● KEY ARGUMENTS AT A GLANCE

**The Hindu argues that the tightening of US secondary sanctions on Russian seaborne oil (OFAC’s October 22, 2025 SDN designation of Rosneft and Lukoil under EO 14024) and the May**

**16, 2026 expiry of the in-transit cargo general license that shielded Indian refiners has laid bare the structural fragility of India's energy security — with 87% crude import dependence, 35.8% of FY25 imports sourced from Russia and a rupee that has slipped from 84.6 to 88.5/USD, the country can no longer treat discounted Russian Urals as a durable strategy and must shift to diversified suppliers, deeper strategic petroleum reserves and an accelerated clean-energy transition.**

 **SUPPORTING**

- Post the 2022 Ukraine invasion, Russia became India's largest crude supplier — about 35.8% of FY25 import volumes — with Reliance, the Rosneft-led Nayara, IOCL and BPCL routinely processing discounted Urals under the G7+EU price cap of \$60/barrel introduced in December 2022 and US-issued exemptions that kept Indian refiners outside the secondary-sanctions perimeter.
- The US OFAC designated Rosneft and Lukoil on the SDN List under EO 14024 on October 22, 2025, with a November 21, 2025 wind-down deadline; the Treasury's transitional general license for in-transit Russian oil cargoes expired on May 16, 2026, removing the last waiver shielding Indian refiners (notably the Rosneft-affiliated Nayara Energy) from secondary-sanctions exposure. The architecture — built up through ILSA (1996), CISADA (2010), CAATSA (2017) and the G7+EU price cap (2022) — now directly penalises non-US entities dealing with sanctioned Russian flows.
- The macroeconomic stress is concrete — 87% crude import dependence, the Hormuz exposure on West Asian flows that still account for 50-55% of Indian crude, rupee depreciation from 84.6 to 88.5 against the dollar, a widening current account deficit and rising FY27 fuel-subsidy risk if Brent stays elevated.
- India's response architecture is already in motion — supplier diversification toward West Africa (Nigeria, Angola), Latin America (Brazil, Guyana), and US crude and LNG; Strategic Petroleum Reserve Phase II at Chandikhol and Padur expansion; the 10-year IPGL lease of Chabahar Port signed on May 13, 2024 to anchor INSTC; the National Green Hydrogen Mission (January 4, 2023) with a 5 MMT target by 2030; the PLI ACC scheme of ₹18,100 crore for battery manufacturing; and PM Surya Ghar Muft Bijli Yojana (February 15, 2024; outlay ₹75,021 crore).

 **COUNTER**

A counter-reading holds that Russian crude flows to India will continue through alternative settlement and shipping arrangements, that the US sanctions regime will be selectively enforced given the global price consequence of a full Russian cut-off, and that India's strategic autonomy doctrine and multi-alignment (Quad, SCO, BRICS, IBSA, G20) give it the political space to negotiate continued access. This view risks under-pricing the long-term cost of a refining sector tied to a single sanctioned source, and the absence of energy-security depth.

→ **WAY FORWARD**

Expand the Strategic Petroleum Reserve to 90+ days of import cover through Phase II (Chandikhol, Padur expansion) and Phase III feasibility (Bikaner, Mangalore, Bina); diversify suppliers structurally across West Africa, Latin America and the United States; deepen INSTC and Chabahar; accelerate the National Green Hydrogen Mission, PLI ACC battery manufacturing, PM Surya Ghar rooftop solar and the EV ecosystem (Odisha's 100% government EV mandate from June 1, 2026); deliver the Panchamrit pledges of 500 GW non-fossil by 2030 and net-zero by 2070; and use the TRUST initiative (February 13, 2025) and the 23rd India-Russia Annual Summit (December 4-5, 2025) to keep both Washington and Moscow engaged on terms that preserve Indian autonomy.

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**MAINS ANSWER FRAMEWORK**

**QUESTION**

*"The renewed US restrictions on Russian seaborne oil and the lapse of waivers for Indian refiners have exposed the structural fragility of India's import-dependent energy security." Examine the implications for India's external sector, strategic autonomy and clean-energy transition, and suggest a way forward. (250 words)*

**INTRODUCTION**

The Hindu argues that the tightening of US secondary sanctions on Russian seaborne oil (OFAC's October 22, 2025 SDN designation of Rosneft and Lukoil under EO 14024) and the May 16, 2026 expiry of the in-transit cargo general license that shielded Indian refiners has exposed the structural fragility of

India's energy security and the limits of a strategy built on discounted Russian Urals, with implications for the external sector, strategic autonomy and the clean-energy transition.

### BODY

Russia became India's largest crude supplier after 2022 — about 35.8% of FY25 imports — with Indian refiners processing discounted Urals under the G7+EU price cap of \$60/barrel and US exemptions. On October 22, 2025 OFAC designated Rosneft and Lukoil on the SDN List, and on May 16, 2026 the transitional general license for in-transit Russian oil cargoes expired — removing the last waiver shielding Indian refiners (Nayara among the most exposed); the secondary-sanctions architecture, built up through ILSA (1996), CISADA (2010), CAATSA (2017) and the 2022 price cap, now penalises non-US entities dealing with sanctioned Russian flows.

The macroeconomic stress is direct — 87% crude import dependence, continued Hormuz exposure on West Asian flows that still account for 50-55% of imports, the rupee sliding from 84.6 to 88.5/USD, widening current account pressure and rising FY27 fuel-subsidy risk. India's response is already structured.

Supplier diversification is shifting toward West Africa (Nigeria, Angola), Latin America (Brazil, Guyana) and US crude and LNG. Strategic Petroleum Reserves currently cover about 9.5 strategic days plus 64 commercial days across Visakhapatnam (1.33 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT), with Phase II adding Chandikhol and a Padur expansion. The 10-year IPGL lease of Chabahar Port (May 13, 2024) anchors INSTC. The National Green Hydrogen Mission (January 4, 2023) targets 5 MMT by 2030; PLI ACC (₹18,100 crore) is scaling battery manufacturing; and PM Surya Ghar Muft Bijli Yojana (February 15, 2024; outlay ₹75,021 crore) is deepening rooftop solar.

Strategic autonomy continues through Quad, SCO, BRICS, IBSA and G20, the 23rd India-Russia Annual Summit of December 4-5, 2025 and a legacy defence inventory that remains 60-70% Russian.

### CONCLUSION

The way forward is to take SPR cover to 90+ days, diversify suppliers structurally, deepen INSTC and Chabahar, deliver the Panchamrit pledges of 500 GW non-fossil by 2030 and net-zero by 2070, accelerate green hydrogen, batteries and EVs, and use both the TRUST initiative with Washington and the December 2025 summit with Moscow to keep India's energy and strategic choices its own.

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CURATED &amp; WRITTEN BY

## Bharat Choudhary

UPSC Educator &amp; Content Creator

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