Beyond Nayara: The EU Sanctions as a Challenge to India’s Energy Trade

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Unboxing the EU’s 18th Sanctions Package and its impact on India

On the 18th of July 2025, the EU announced that it had adopted its 18th package of economic sanctions against Russia. While aimed at exerting downward pressure on Russia’s revenue streams, the package included a previously unprecedented measure: It imposed “restrictive measures” on Nayara Energy, an Indian company whose refinery is based in Vadinar, Gujarat.

In addition to directly sanctioning an Indian company, the package prohibits the export of petroleum products derived from Russian crude oil into the EU. This affects Indian exporters significantly, as Europe has become a major market for them since the war in Ukraine. According to Council Decision (CFSP) 2025/1495:

"It is appropriate to impose a prohibition on the purchase, import, or transfer, directly or indirectly into the Union, of petroleum products obtained in a third country from Russian crude oil, as well as on the provision of related technical or financial assistance."

The EU's press release described Nayara as "a refinery in India with Rosneft as its main shareholder". Rosneft, Russia's largest oil producer, owns 49.13% of Nayara. Another 49.13% was acquired in 2017 by Kesani Enterprises– a consortium that includes Russian venture capital firm, United Capital Partners. While Rosneft and UCP's involvement makes Nayara significantly Russian-owned, it is not wholly Rosneft-owned, as the EU suggests.

Indian response to the sanctions

Following the sanctions, Rosneft condemned them as "unjust and illegal," claiming they threaten India's energy security. The company emphasized that Nayara is managed by an independent board, is an Indian legal entity, is fully taxed in India, and has never paid dividends to its shareholders. India's Ministry of External Affairs also responded, reiterating that India does not "subscribe to any unilateral sanctions" and that "there should be no double standards, especially when it comes to energy trade." India's Foreign Secretary Vikram Misri said it was "important to keep balance and perspective" when talking about the threat these sanctions pose to India's energy security. This indicates that while India understands the difficult security situation in Europe caused by the war in Ukraine, it also expects Europe to grant a somewhat similar understanding towards India's economic and energy needs during a turbulent period in global politics.

Impact on Private Indian Oil Refiners

Nayara Energy and Reliance Industries Limited (RIL) are India's two largest private oil refiners. The sanctions not only cut off access to the European market but also take away crucial European-origin technical, financial, and logistical support. The impact on India's energy trade is twofold: a direct hit to Nayara Energy's operations and broader consequences for the oil refining industry in India.

> *Nayara's business has already taken a significant nosedive. The sanctions have forced Nayara Energy to seek advance payments before loading tenders to meet their cash flow requirements. This is a deviation from the industry norm of payments being made 15-30 days after the cargo is loaded on the ships. Oil traders have understood this as an indication of difficulties with post-loading payments, among other financial difficulties surrounding Nayara Energy. This has resulted in Nayara Energy's existing cargo commitments falling through.*

On July 21, a British Petroleum-chartered tanker, Talara, left the Vadinar port without loading 60,000 metric tons of diesel due to the sanctions, even though the cargo was destined for Africa, not Europe. The sanctions, apart from directly curtailing access to European assistance of any kind, also target "the shadow fleet": a series of ships that are circumventing sanctions to engage in the trade of Russian oil. Hence, despite not falling under the sanctions directly, several vessels are avoiding business with Nayara due to the fear of sanctions. A second oil tanker, chartered by PetroChina, has also changed course away from Vadinar.

> *Domestically, Nayara operates over 6000 petrol pumps and is commissioning another 1200. It also supplies various petroleum products to institutional buyers across India. Nayara's significant retail and B2B presence makes it a key domestic player. The sanctions, therefore, threaten the company's position and, by extension, the energy security of its customers. Moreover, given that most of the crude it refines is of Russian origin, the supply chain problems*

created by the sanctions' pressure on shipping, technical, and financial assistance are an additional challenge to India's energy security.

RIL, India's largest private oil refiner, may also feel the pinch as Europe is one of its most lucrative export markets. Over half the crude oil processed by Reliance this year came from Russia, and 20% of its refined output was exported to Europe. With Europe being a key market and Russian crude a key input, RIL may face difficult decisions to maintain profitability.

These sanctions also highlight a systemic vulnerability in India's petroleum industry: its dependence on Western-dominated shipping and insurance services. With EU-linked vessels and insurers barred from the Russian oil trade, Indian refiners are struggling to maintain supply chains. This adds urgency to India's efforts to develop a domestic merchant fleet.

The Sanction Dilemma: Circumvent or Absorb the Impact?

Nayara Energy declared that it is considering all legal options to challenge the EU sanctions. This is because of the financial, logistical, and technical complications caused by the sanctions. Before the sanctions, Rosneft was also on track to sell its stake in Nayara Energy to RIL; now it's been put on hold.

Despite the setbacks, Nayara Energy reaffirmed on 22 July that it will continue with its plan to invest USD 8.4 billion in long-term downstream projects. The company has been shifting focus to the domestic market, and its exports shrank by 10% in 2023. 68% of its petroleum products were sold domestically, and only 32% were exported. Of its exports, 81% were destined for Africa, Southeast Asia, and the Middle East—suggesting that Europe was never a major destination even before the sanctions. Thus, Nayara's main concern lies in securing shipping and insurance for its crude imports.

RIL, in its statement, indicated that it is not taking any formal position on the sanctions. The company indicated that the sanctions' scope and effects remained unclear and needed more clarity before making a decision. Regardless, the company spokesperson also said that RIL was "quite diversified" in its oil trade. Reports also suggest that RIL could easily meet the needs of its European clients through its non-Russian crude refining capacity. However, the oil procurement of RIL has come under scrutiny after these sanctions, and it has already begun to further diversify away from Russian imports.

> *While it may appear that EU sanctions on Nayara and Russian-origin petroleum products will have a limited direct impact on Indian refiners, the situation is more complex. The Trump administration's recent indication of a possible 100% tariff on countries trading with Russia compounds the pressure. If imposed, these tariffs would further push India to reduce its reliance on Russian oil. It remains to be seen whether India will respond to US threats as it did to the EU sanctions.*

India's energy security is not currently under acute threat from these sanctions, but refiners will need to make difficult and potentially costly adjustments. Since 2022, India has walked a tightrope in balancing its energy needs with Western expectations. These sanctions—and the possibility of US tariffs—challenge that balance, calling for proactive government intervention to secure the financial, technical, and logistical resilience of the country's oil trade.