

CLIENT ALERT

Crude Awakening: the U.S. Treasury Department Sanctions Largest Russian Oil Companies

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The Trump administration has imposed significant new sanctions on Russia, after nearly a year of maintaining the status quo. On October 22, 2025, the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") designated Russia's two largest oil companies, Lukoil OAO ("**Lukoil**") and Open Joint Stock Company Rosneft Oil Company ("**Rosneft**"), in addition to dozens of their subsidiaries, to OFAC's Specially Designated Nationals and Blocked Persons List (the "**SDN List**") pursuant to Executive Order ("**E.O.**") 14024. These sanctions are a serious escalation from the prior, more limited sectoral sanctions on these companies under Directives 2 and 4 under E.O. 13662.¹ OFAC stated that this move was prompted by "Russia's lack of serious commitment to a peace process to

¹ Rosneft was subject to Directive 2 (prohibition on transactions related to certain new debt and equity issued by targeted entities) and Directive 4 (prohibition on the exportation or reexportation of goods, services, or technology in support of certain deepwater, Arctic offshore, or shale projects), while Lukoil was only subject to Directive 4.

end the war in Ukraine,”² and accompanies additional sanctions on both Rosneft and Lukoil that the UK imposed on October 15, 2025 and on Rosneft by the EU on October 23, 2025.³

According to the Treasury, Rosneft and Lukoil produce around 55% of Russia’s oil and contribute about 25% of Russia’s overall revenue, making their designation particularly noteworthy, especially given the Trump administration’s early hesitance to impose significant sanctions targeting Russian entities.

As a result of these designations, U.S. persons are prohibited from engaging in any transactions (directly or indirectly) with or involving Rosneft, Lukoil, or, due to OFAC’s 50% Rule, any entities that are directly or indirectly owned 50% or more by Rosneft or Lukoil, even if such entities were not expressly designated by OFAC.⁴ In connection with the designations, OFAC issued four general licenses authorizing certain transactions involving Rosneft and Lukoil.

A. New OFAC General Licenses Related to Rosneft and Lukoil

In conjunction with the designation of Rosneft and Lukoil, OFAC issued four new general licenses (“GLs”) that authorize certain transactions that would otherwise be prohibited: 124A, 126, 127, and 128.⁵

- **GL 124A** authorizes all transactions prohibited by the determination of January 10, 2025 pursuant to section 1(a)(ii) of E.O. 14071 related to the Caspian Pipeline Consortium and Tengizchevroil projects and transactions related to the Caspian Pipeline Consortium and Tengizchevroil projects that involve Rosneft, Lukoil, or any entity which is directly or indirectly owned 50% or more by Rosneft or Lukoil.⁶
- **GL 126** authorizes transactions which are ordinarily incident and necessary to the wind down of any transaction involving Rosneft, Lukoil, or any entity which is directly or indirectly owned 50% or more by Rosneft or Lukoil until November 21, 2025.⁷
- **GL 127** authorizes all transactions which are ordinarily incident and necessary to:
 - The divestment or transfer, or the facilitation of the divestment or transfer, of debt or equity issued or guaranteed by Rosneft, Lukoil, or any entity which is directly or indirectly owned 50% or more by Rosneft or Lukoil;

² *Treasury Sanctions Major Russian Oil Companies, Calls on Moscow to Immediately Agree to Ceasefire*, DEPT. TREASURY (Oct. 22, 2025), <https://home.treasury.gov/news/press-releases/sb0290>.

³ *Huge blow for Putin's war machine as UK sanctions Russian oil*, UK FOREIGN AFFAIRS (Oct. 22, 2025), <https://www.gov.uk/government/news/huge-blow-for-putins-war-machine-as-uk-sanctions-russian-oil>.

⁴ *Treasury Sanctions Major Russian Oil Companies, Calls on Moscow to Immediately Agree to Ceasefire*, *supra* note 2.

⁵ *Russia-related Designations; Issuance of New and Amended Russia-related General Licenses*, DEPT. TREASURY (Oct. 22, 2025), <https://ofac.treasury.gov/recent-actions/20251022>.

⁶ General License No. 124A: Authorizing Petroleum Services and Other Transactions Related to the Caspian Pipeline Consortium and Tengizchevroil Projects, OFAC (Oct. 22, 2025), <https://ofac.treasury.gov/media/934701/download?inline>.

⁷ General License No. 126: Authorizing the Wind Down of Transactions Involving Rosneft or Lukoil, OFAC (Oct. 22, 2025), <https://ofac.treasury.gov/media/934706/download?inline>.

- Facilitating, clearing, and settling trades of Covered Debt or Equity that were placed prior to 4:00 p.m. Eastern Daylight Time, October 22, 2025; or
- The wind down of derivative contracts entered into prior to 4:00 p.m. Eastern Daylight Time, October 22, 2025.

As with GL 126, the authorizations in GL 127 are effective until November 21, 2025.⁸

- **GL 128** authorizes certain transactions which are “ordinarily incident and necessary to the purchase of goods and services from, or the maintenance, operation, or wind down of Lukoil Retail Service Stations located outside of the Russian Federation” through November 21, 2025.⁹

Notably, GL 128 authorizes transactions related to the *maintenance and operation* of Lukoil Retail Service Stations in addition to the wind down of those stations. This is in contrast to GL 126, which only authorizes transactions related to the wind down of transactions with or involving Rosneft, Lukoil, or any entity which is directly or indirectly owned 50% or more by Rosneft or Lukoil.

Notwithstanding the authorizations in the GLs, all authorized payments made to Rosneft, Lukoil, or any entity which is directly or indirectly owned 50% or more by Rosneft or Lukoil must be paid into a blocked interest-bearing account. Further, GL 126, GL 127, and GL 128 do not authorize transactions that are otherwise prohibited by Directive 2 and Directive 4 issued pursuant to E.O. 14024.¹⁰

B. UK and EU Also Target Rosneft and Lukoil

The Trump administration’s move towards tighter sanctions on Russia’s energy sector closely aligns with the UK and EU’s approach towards Russia, although it is not necessarily coordinated with our allies given the Trump administration’s public call for them to “join us in, and adhere to, these sanctions.”¹¹

As mentioned above, on October 15, 2025, the UK imposed asset freezes, transport sanctions, and trust services sanctions on Rosneft, Lukoil, and any entities owned or controlled by Rosneft or Lukoil. Moreover, in the EU’s latest (19th) package of sanctions against Russia, adopted on October 23, 2025, Rosneft was targeted with a full transaction ban. Accordingly, EU persons are broadly prohibited from dealings with Rosneft. Unlike the U.S. and the UK, the EU has not directly targeted Lukoil. However, Lukoil’s activities are materially constrained by the EU embargo on Russian crude oil and petroleum products and the associated prohibitions on transport, insurance, financing, and other services.

⁸ General License No. 127: Authorizing Certain Transactions Related to Debt or Equity of, or Derivative Contracts Involving, Rosneft or Lukoil, OFAC (Oct. 22, 2025), <https://ofac.treasury.gov/media/934711/download?inline>.

⁹ General License No. 128: Authorizing Certain Transactions Involving Lukoil Retail Service Stations Located Outside of Russia, OFAC (Oct. 22, 2025), <https://ofac.treasury.gov/media/934716/download?inline>.

¹⁰ General License 124A, *supra* note 6; General License 126, *supra* note 7; General License 127, *supra* note 8; General License 128, *supra* note 9.

¹¹ *Sanctions Major Russian Oil Companies, Calls on Moscow to Immediately Agree to Ceasefire*, *supra* note 2.

C. Implications of the Rosneft and Lukoil Sanctions

Despite the fact that the second Trump administration had avoided targeting Russia with sanctions in connection to its war with Ukraine, the designations of Rosneft and Lukoil are not entirely surprising given the president's increasingly vocal criticism of and frustration with Russia's perceived refusal to negotiate in good faith.¹² Since the start of his term, President Trump has employed indirect trade measures to pressure Russia into a ceasefire agreement, imposing an additional 25% tariff on goods from India in retaliation for its purchasing discounted Russian oil, and had shied away from imposing sanctions on Russia.¹³ However, it seems that the Trump administration has shifted its policy when it comes to the tools it will employ to target Russia.

In OFAC's press release for the new designations, Treasury Secretary Scott Bessent expressed a willingness to continue targeting Russian entities: "Treasury is prepared to take further action if necessary to support President Trump's effort to end yet another war."¹⁴ The latest designations could signal the Trump administration's willingness to designate additional prominent Russian entities in order to pressure President Putin into ending Russia's war with Ukraine.

U.S. persons engaged in business involving Rosneft and Lukoil should ensure that any future transactions with Rosneft and Lukoil, or any entity which is directly or indirectly owned 50% or more by Rosneft or Lukoil, fall within one of the applicable GLs or an exemption. Moreover, they should closely monitor OFAC's website and future press releases in order to catch any additional sanctions designations targeting Russia.

¹² Ivan Nechepurenko & Anton Troianovski, *Putin Calls U.S. Sanctions 'Unfriendly Act' and Says Russia Won't Bend*, N.Y. TIMES (Oct. 23, 2025), <https://www.nytimes.com/2025/10/23/world/europe/russia-trump-oil-sanctions.html>; Bernd Debusmann Jr et al., *Trump says Putin talks 'don't go anywhere' as he imposes new sanctions*, BBC (Oct. 23, 2025), <https://www.bbc.com/news/articles/cd6758pn6ylo>; Jonathan Yerushalmy, *Will US sanctions on Russian oil companies be effective, and why is Trump imposing them now?*, THE GUARDIAN (Oct. 23, 2025), <https://www.theguardian.com/world/2025/oct/23/will-us-sanctions-russia-oil-companies-be-effective-why-trump-now>.

¹³ Gardner & Julia Payne, *US hits top Russian oil companies with sanctions, EU bans Russian LNG*, Reuters (Oct. 23, 2025), <https://www.reuters.com/business/energy/us-hits-top-russian-oil-companies-with-sanctions-eu-bans-russian-lng-2025-10-22/>.

¹⁴ *Treasury Sanctions Major Russian Oil Companies, Calls on Moscow to Immediately Agree to Ceasefire*, *supra* note 2.

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