

U.S. sanctions large Russian oil companies in first action under Trump

October 24, 2025 | Client Update | 6-minute read

With attempts to secure a negotiated settlement to the Ukraine war at an apparent impasse, the U.S. government imposed blocking sanctions on the two largest Russian oil producers – Rosneft and Lukoil. This is the first Russia-related sanctions action of the Trump administration, though it remains to be seen whether this will be a one-off measure or the start of a reinvigorated campaign of sanctions pressure.

For the first time under the current Trump administration, the U.S. government has taken a significant Russia-related sanctions action, as on October 22, 2025, the Treasury Department's Office of Foreign Assets Control (OFAC) announced the imposition of blocking sanctions pursuant to Executive Order (E.O.) 14024 on Russia's two largest oil producers, Open Joint Stock Company Rosneft Oil Company (Rosneft) and Lukoil OAO (Lukoil).¹ The designations, which mirror actions taken by the United Kingdom earlier this month,² came after a planned meeting between President Trump and Russian President Vladimir Putin was postponed. In announcing the sanctions, Treasury Secretary Scott Bessant noted Treasury's willingness to take further sanctions actions to support the peace process and urged Russia to agree to an immediate cease fire. Although much will depend on whether and to what extent there is follow-up, the designations may signal a notable shift in policy after nine months during which the administration appeared reticent to use sanctions to pressure Russia as it sought to secure a negotiated resolution to the war in Ukraine.

We provide below a brief overview of the sanctions actions and their implications for U.S. and non-U.S. parties, as well as some thoughts on where things may go from here.

What this means for U.S. Persons

As a result of the sanctions, all property and property interests of Rosneft and Lukoil and their respective subsidiaries that are or come within the United States or the possession or control of a U.S. person are blocked, and transactions involving the blocked persons and their property interests by U.S. persons or that are otherwise within U.S. jurisdiction are prohibited unless licensed by OFAC or exempt. The designation also included a number of identified subsidiaries of the two companies; pursuant to OFAC's 50 percent rule, other entities 50 percent or more owned by Rosneft or Lukoil (individually or in the aggregate with one or more other blocked persons) are also treated as blocked even if not specifically listed by OFAC.

Rosneft and Lukoil were previously the subject of sectoral sanctions under the 2014 Ukraine-/Russia-related sanctions,³ and transactions by U.S. companies with the two companies have likely been significantly limited by existing prohibitions that apply broadly to Russia on energy imports, new investment, and certain services (including, since February of this year, petroleum services), as well as by export controls. Thus, the practical impact of the additional blocking sanctions for many U.S. companies may be muted; however, any remaining lawful dealings with the two companies and their subsidiaries are now prohibited unless licensed by OFAC or exempt.

As is customary for significant sanctions actions, OFAC published time-limited general licenses effective until November 21, 2025 authorizing, subject to the usual conditions: (1) wind-down transactions ([GL 126](#)); and (2) divestment to non-U.S. persons of debt or equity and wind-down of derivative contracts ([GL 127](#)). The latter authorization does not override

blocking prohibitions other than those applicable to Rosneft, Lukoil, and their subsidiaries, and so does not permit transactions involving securities or derivatives that were previously blocked due to an interest of the Russian National Securities Depository or another sanctioned Russian registrar. For Lukoil, OFAC also issued an additional time-limited authorization ([GL 128](#)) authorizing transactions 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 Russia, also effective until November 21. OFAC also amended an existing authorization ([GL 124A](#)) for provision of petroleum services related to certain energy projects so that it continues to permit transactions involving Rosneft and Lukoil.

What this means for non-U.S. Persons

In addition to the direct compliance obligations that apply when acting within U.S. jurisdiction (most notably, a prohibition on U.S. dollar transactions directly or indirectly involving Rosneft or Lukoil that clear through the U.S. financial system), non-U.S. companies (particularly non-U.S. financial institutions) should be mindful of potential secondary sanctions risks that will now attach to transactions with Rosneft, Lukoil, and their subsidiaries going forward. The Treasury press release announcing the designations highlighted that “foreign financial institutions that conduct or facilitate significant transactions or provide any service involving Russia’s military-industrial base, including any persons blocked pursuant to E.O. 14024, run the risk of being sanctioned by OFAC” pursuant to Section 11 of E.O. 14024.⁴ E.O. 14024, as is typical of OFAC-related executive orders, also provides general authority to impose secondary sanctions on any entity that has “materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of” a designated entity such as Lukoil or Rosneft.⁵ It is unclear to what extent the U.S. government is prepared to use this authority (or leverage the threat of it in outreach and diplomatic efforts to discourage third country purchases of Russian oil), but Secretary Bessant did encourage other countries to “join us in and adhere to these sanctions” and stated Treasury’s willingness to take further actions to support the peace process.

What happens next?

While the second Trump administration has articulated a consistent interest in a negotiated settlement to the war in Ukraine, over the past nine months it has displayed considerable ambivalence towards using sanctions as a tool to achieve that goal, even as the UK, EU, and other allies have continued to build on the sanctions framework put in place under the prior administration. It is unclear whether this week’s actions reflect a real shift in that posture, but to the extent that they do, a U.S.-led effort to meaningfully constrain Russia’s oil exports (for example, by going beyond Russian oil producers to sanction or threaten with sanctions third-country importers and financial institutions facilitating imports) would be a significant escalation in sanctions pressure. The extent to which the administration plans to follow through with further escalation remains unclear.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Kendall Howell

+1 202 962 7068
kendall.howell@davispolk.com

Neil H. MacBride

+1 202 962 7035
neil.macbride@davispolk.com

Paul Marquardt

+1 202 962 7156
paul.marquardt@davispolk.com

Will Schisa

+1 202 962 7129
will.schisa@davispolk.com

Charles Marshall Wilson

+1 202 962 7130
charles.wilson@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.

- ¹ "Treasury Sanctions Major Russian Oil Companies, Calls on Moscow to Immediately Agree to Ceasefire" (October 22, 2025), available at <https://home.treasury.gov/news/press-releases/sb0290>.
- ² "Huge blow for Putin's war machine as UK sanctions Russian oil" (October 15, 2025), available at <https://www.gov.uk/government/news/huge-blow-for-putins-war-machine-as-uk-sanctions-russian-oil>.
- ³ Specifically, both Rosneft and Lukoil are subject to Directive 4 under Executive Order 13662 (prohibiting the provision of goods, technology or non-financial services in support of certain oil projects), and Rosneft is also subject to Directive 2 under Executive Order 13662 (prohibiting dealings in certain new debt).
- ⁴ For additional details regarding these risks, please see our prior Client Updates "Russia sanctions update: U.S. expands secondary sanctions regime for foreign financial institutions" (January 8, 2024), available at <https://www.davispolk.com/insights/client-update/russia-sanctions-update-us-expands-secondary-sanctions-regime-foreign> and "United States expands secondary sanctions and other restrictions on Russia" (June 24, 2024), available at <https://www.davispolk.com/insights/client-update/united-states-expands-secondary-sanctions-and-other-restrictions-russia>, as well as OFAC's advisory for non-U.S. financial institutions, available at <https://ofac.treasury.gov/media/932436/download?inline>.
- ⁵ E.O. 14024, Section 1(a)(vi).