U.S. Senate's Revised Sanctioning Russia Act (S.1241): Why Indian Energy Companies Need to Watch Closely

INTRODUCTION AND BACKGROUND

The U.S. Senate has introduced a revised version of the Sanctioning Russia Act (S.1241)[1], signalling a further tightening of geopolitical and economic measures directed at Russia. The revised proposal significantly reshapes the earlier version by reducing the proposed secondary tariff exposure from 500% to a maximum of 100%, while retaining broad Presidential discretion to target countries and entities facilitating Russia's energy exports. Although the Bill has yet to become law, it deserves close attention from Indian businesses, particularly those operating in the oil & gas, refining, shipping, banking, insurance and commodities trading sectors.

KEY TAKEAWAYS

- ***Secondary Measures Shift from Russia to its Customers:*** Unlike traditional sanctions that target only Russian entities, the Bill targets countries and companies that continue to purchase Russian energy. India and China remain the principal focus among other countries, given their status as the largest buyers of Russian crude.
- ***Maximum Tariff Exposure Reduced:*** The original proposal contemplated tariffs of up to 500% on imports into the United States from countries that purchase Russian energy. The revised Bill reduces this to up to 100%, granting the U.S. President discretion over the level and timing of any measures. This change appears intended to make the legislation more politically and commercially viable.
- ***Focus Extends Beyond Oil Purchases:*** The proposal also seeks to target:
  - Russian energy sector
  - Financial institutions
  - Defence-related entities
  - Shadow fleet operators
  - Facilitators involved in transportation, insurance and financing of Russian energy exports.

WHAT DOES THIS MEAN FOR INDIA?

- ***Refiner:*** Indian refiners sourcing discounted Russian crude could face heightened geopolitical scrutiny. While the legislation does not prohibit India from buying Russian oil, it increases the possibility that continued purchases may influence future U.S. trade measures.
- ***Shipping & Maritime Sector:*** Companies are expected undertake greater due diligence around:
  - vessel ownership;
  - beneficial ownership;

[1] https://www.congress.gov/bill/119th-congress/senate-bill/1241

- AIS manipulation;
- STS transfers;
- shadow fleet exposure;
- sanctions screening.
- Shipping compliance will increasingly become as important as commercial pricing.

- ***Banks & Trade Finance:*** Financial institutions financing Russian-origin cargoes may face increased expectations around:
  - enhanced KYC;
  - sanctions screening;
  - beneficial ownership verification;
  - correspondent banking risk.
- ***Energy Contracts*:** Long-term supply agreements may increasingly include:
  - sanctions exit clauses;
  - force majeure enhancements;
  - tariff allocation provisions;
  - change-in-law mechanisms;
  - alternative sourcing provisions.
- ***Indian Exporters:*** Even exporters without any direct Russian business should monitor developments carefully. Under the Act as currently drafted, the proposed duties would apply on a country-wide basis once a designation is made, rather than direct transactions with Russia. If future U.S. measures affect Indian-origin goods because of broader geopolitical considerations, exporters in sectors such as engineering goods, chemicals, metals and manufacturing may experience indirect commercial impacts.

CONCLUSION

Key Legal Questions Going Forward – Businesses should monitor:

- Whether the Bill secures Congressional approval;
- The extent of Presidential discretion in imposing tariffs;
- The interaction between this legislation and existing OFAC sanctions;
- Whether waivers or country-specific exemptions emerge;
- The implications for India-U.S. trade negotiations and broader strategic relations.

Practical Compliance Priorities – Indian companies with Russian energy exposure should consider:

- Mapping Russian-origin exposure across the supply chain.
- Reviewing sanctions screening protocols.
- Assessing shipping and logistics counterparties.
- Updating contractual sanctions clauses.
- Stress-testing procurement strategies under potential tariff scenarios.
- Monitoring developments alongside ongoing India-U.S. trade negotiations.

ELP Comments

The revised Sanctioning Russia Act (S.1241) marks an important evolution in sanctions policy. Rather than focusing solely on Russia, it seeks to influence the commercial decisions of third-country market participants through a combination of sanctions and trade measures. For Indian businesses, the immediate legal position remains unchanged, but the Bill reinforces the need for robust sanctions compliance, supply chain diligence and proactive contractual risk allocation, particularly across the energy ecosystem.

Accordingly, it is important that sanctioned entities take concrete steps to demonstrate behavioural change, as appropriate, inter alia, by instituting robust internal compliance frameworks through the drafting and adoption of appropriate policies and standard operating procedures. Regular training and induction programmes are also essential to demonstrate that a strong sanctions compliance programme is in place.

Economic Laws Practice (**ELP**) has been assessing sanctions laws and regulations in several jurisdictions and regularly advising clients of any potential exposure to such regulations on account of their potential business engagements. ELP also has a global reach through its extensive network of foreign lawyers and consultants, who in turn work closely with regulators and government authorities in their respective jurisdictions.

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