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In First Major Escalation of Russian Sanctions During the Second Trump Administration, Treasury Announces New Sanctions on Major Russian Oil Companies and Urges Immediate Ceasefire

On October 22, 2025, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") imposed full asset-blocking sanctions on two major Russian energy companies, Open Joint Stock Company Rosneft Oil Company ("Rosneft") and Lukoil OAO ("Lukoil"), along with a number of their Russia-based subsidiaries.¹ These additions to the List of Specially Designated Nationals and Blocked Persons ("SDN list"), which were made pursuant to Executive Order 14024, are the first major Russia-related designations by President Trump in his second term. He stated that they are intended to apply pressure on Russia to accept an immediate ceasefire.

In announcing the designations, Secretary of the Treasury Scott Bessent stated that the sanctions were imposed "[g]iven President Putin's refusal to end this senseless war" and noted that "Treasury is prepared to take further action if necessary[.]"² Notably, OFAC stated that it may impose secondary sanctions on foreign financial institutions that engage in certain transactions with Rosneft and Lukoil or entities "that conduct[s] or facilitate[s] significant transactions or provide any service involving Russia's military-industrial base[.]"³

OFAC also issued four general licenses ("GLs") that offer limited, temporary authorizations to wind down or maintain certain activities for a brief, specified period.

¹ OFAC, *Treasury Sanctions Major Russian Oil Companies, Calls on Moscow to Immediately Agree to Ceasefire*, (Oct. 22, 2025), <https://home.treasury.gov/news/press-releases/sb0290>.

² *Id.*

³ OFAC cited to 2024 guidance to foreign financial institutions. See OFAC, *Updated Guidance for Foreign Financial Institutions on OFAC Sanctions Authorities Targeting Support to Russia's Military-Industrial Base*, (June 12, 2024), <https://ofac.treasury.gov/media/932436/download?inline>.

Designations of Rosneft and Lukoil

OFAC designated Rosneft and Lukoil under the Russian Harmful Foreign Activities Sanctions program (E.O. 14024) for operating or having operated in the energy sector of the Russian Federation economy. Secretary Bessent noted that these are the “two largest oil companies that fund the Kremlin’s war machine.”

While the prior Administration had imposed extensive sanctions on Russia’s energy sector, including other Russian oil companies, these two companies had been subject to certain, more limited sectoral sanctions, but had not yet been designated by OFAC, making them by far the largest and most significant companies in Russia’s energy sector that were not subject to the most stringent U.S. sanctions.⁴ These designations come on the heels of unsuccessful discussions between Presidents Trump and Putin, with the Administration expressing hope that the designations would not be long lasting and would result in an expeditious end to the war.⁵ Sanctioning these last major oil companies had long been avoided to minimize the pain experienced by U.S. allies, and was long viewed as a last resort. But efforts to cap the price of Russian oil and to cajole major purchasers of Russian oil, such as China and India, to curb their reliance on Russia, proved less effective, particularly given the expansion of Russia’s “shadow” tanker fleet. Already, public reports suggest that Chinese state oil majors have suspended purchases of seaborne Russian oil, and that flows of Russian oil to major Indian refiners are expected to decline precipitously.

As a result of these designations, U.S. persons are generally prohibited from all dealings with the designated entities, (or any entities that they own directly or indirectly 50% or more), and any property and interests in property of such persons that come within the United States or within the possession or control of U.S. persons must be blocked and reported to OFAC. Non-U.S. person dealings with these entities that involve a U.S. nexus are also generally prohibited.

General Licenses

OFAC issued four GLs that provide limited, temporary authorizations in defined areas. These licenses do not authorize transactions otherwise prohibited by Directive 2 (correspondent and payable-through accounts) or Directive 4 (Central Bank, National Wealth Fund, or Ministry of Finance of the Russian Federation), and payments to blocked persons generally must be made into blocked accounts as specified. Notably, OFAC issued these GLs with short time horizons, with GLs 126-128 set to expire on November 21, 2025.

- **General License 126** authorizes all transactions ordinarily incident and necessary to wind down transactions involving Rosneft, Lukoil, and their 50-percent-or-more owned entities, provided that any payment to a blocked person is made into a blocked account.⁶ This GL expires on November 21, 2025.
- **General License 127** authorizes transactions ordinarily incident and necessary to: (i) divest or transfer Rosneft/Lukoil debt or equity to a non-U.S. person; (ii) facilitate, clear, and settle trades placed before 4:00 p.m. eastern daylight time, October 22, 2025; and (iii) wind down derivative contracts entered into before that time that involve Rosneft/Lukoil or are linked to their covered debt or equity, with any payments to blocked persons required to be paid into blocked accounts.⁷ It does not authorize purchases of covered debt or equity (except as incident to divestment) or sales to blocked persons. This GL expires on November 21, 2025.
- **General License 128** authorizes 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 the Russian Federation and in existence on or before October 22, 2025.⁸ As with the other GLs, any payment to a blocked person—other than the blocked Lukoil retail stations themselves—must be made into a blocked account. This GL expires on November 21, 2025.

⁴ For example, these companies were not included in the extensive sanctions OFAC imposed on Russia’s energy sector on January 10, 2025. See <https://home.treasury.gov/news/press-releases/jy2777>

⁵ New York Times, *Trump Imposes Sanctions on Russian Oil Companies as His Frustration With Putin Mounts*, (Oct. 22, 2025), <https://www.nytimes.com/2025/10/22/us/politics/trump-sanctions-russia-ukraine.html>.

⁶ OFAC, *General License No. 126 Authorizing the Wind Down of Transactions Involving Rosneft or Lukoil*, <https://ofac.treasury.gov/media/934706/download?inline>.

⁷ OFAC, *General License No. 127 Authorizing Certain Transactions Related to Debt or Equity of, or Derivative Contracts Involving, Rosneft or Lukoil*, <https://ofac.treasury.gov/media/934711/download?inline>.

⁸ OFAC, *General License No. 128 Authorizing Certain Transactions Involving Lukoil Retail Service Stations Located Outside of Russia*, <https://ofac.treasury.gov/media/934716/download?inline>.

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- Superseding GL 124, **General License 124A** authorizes transactions otherwise prohibited by the January 10, 2025 “Prohibition on Petroleum Services” and by E.O. 14024 when they are related to the Caspian Pipeline Consortium or Tengizchevroil projects and involve Rosneft, Lukoil, or their 50-percent-or-more owned entities, subject to the Russian Harmful Foreign Activities Sanctions Regulations.⁹ This targeted authorization is intended to preserve continuity for these specific projects. This GL does not contain an expiration date.

Key Compliance Considerations

Companies should consider moving quickly to identify and remediate exposures to the designated parties and any entities they own 50 percent or more. Immediate steps may include screening counterparties and securities positions; isolating or blocking relevant property; discontinuing new dealings; and, where appropriate, leveraging GLs to exit or unwind exposures on a controlled basis within the authorized period.

Firms with retail fuel, downstream, or logistics dependencies outside Russia that intersect with Lukoil’s retail service stations should consider reviewing GL 128 closely to maintain essential operations and, if necessary, effect an orderly wind down before the November 21, 2025 deadline. Participants in the Caspian Pipeline Consortium and Tengizchevroil projects similarly may wish to consider a review of GL 124A to confirm the scope of authorized activity and preserve project continuity.

Each GL is narrow and most are time-limited. Companies should consider how to document reliance on any GL.

Considerations for Foreign Financial Institutions

These designations pose heightened risk to foreign financial institutions (“FFIs”) given the volume of transactions involving these two major oil companies and their subsidiaries. OFAC noted that FFIs that engage in transactions with these companies or conduct or facilitate “significant transactions or provide any service involving Russia’s military-industrial base” could face secondary sanctions.

FFIs may wish to re-familiarize themselves with the detailed advisory issued by OFAC in early 2024, which outlines the steps FFIs should take to mitigate secondary-sanctions risk. Of particular note, OFAC recommended that FFIs:

- Conduct jurisdiction-specific risk assessments to identify business lines vulnerable to indirect Russia exposure (e.g., trade finance, correspondent banking, commodity-trade flows, and marine/aviation insurance);
- Enhance customer due diligence to identify counterparties that may be conducting business with blocked persons or are otherwise involved in transactions involving the specified items to Russia, or jurisdictions highlighted by OFAC as posing a high risk of sanctions evasion;
- Implement more fulsome, risk-based procedures, with particular focus on trans-shipment hubs; and
- Train staff and other involved personnel on new and evolving sanctions risks and common red flags to ensure appropriate attention is given to sanctions evasion prevention.

FFIs may wish to consider promptly mapping touchpoints with Rosneft, Lukoil, and their subsidiaries; evaluate whether any activity may implicate Russia’s military-industrial base; and implement measures consistent with OFAC’s 2024 guidance.

Looking Ahead

Treasury’s actions reflect an intensification of pressure on Russia’s energy sector while providing limited, temporary pathways to unwind market positions, safeguard downstream consumers, and avoid unintended disruption to specific energy corridors. Given the breadth of these designations and the short wind-down windows, timely implementation of sanctions controls and structured exit planning are critical. The Trump Administration’s focus on securing a rapid ceasefire in Ukraine may indicate that more sanctions designations will follow, should that goal not be quickly met.

⁹ OFAC, *General License No. 124A Authorizing Petroleum Services and Other Transactions Related to the Caspian Pipeline Consortium and Tengizchevroil Projects*, <https://ofac.treasury.gov/media/934701/download?inline>.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

H. Christopher Boehning
+1-212-373-3061
cboehning@paulweiss.com

John P. Carlin
+1-202-223-7372
jcarlin@paulweiss.com

Brad S. Karp
+1-212-373-3316
bkarp@paulweiss.com

Mark F. Mendelsohn
+1-212-373-3337
mmendelsohn@paulweiss.com

Nicole Succar
+1-212-373-3624
nsuccar@paulweiss.com

Walter Brown
+1-628-432-5111
wbrown@paulweiss.com

Daniel J. Gerkin
+1-202-223-7407
dgerkin@paulweiss.com

David K. Kessler
+1-212-373-3614
dkessler@paulweiss.com

Ian C. Richardson
+1-202-223-7405
irichardson@paulweiss.com

Samuel Kleiner
+1-212-373-3797
skleiner@paulweiss.com

Jessica S. Carey
+1-212-373-3566
jcarey@paulweiss.com

Roberto J. Gonzalez
+1-202-223-7316
rgonzalez@paulweiss.com

Loretta E. Lynch
+1-212-373-3000

Jacobus "Janus" Schutte
+1-212-373-3152
jschutte@paulweiss.com

Associates Rachel Gallagher, Sean Malone, Sam Rebo and Josh Thompson contributed to this Client Memorandum.