FINANCIAL REVIEW

Markets Street Talk Politics Policy World Property Technology Opinion Wealth Work & Careers

# Labor weighs further sanctions on Russian oil

**Michael Read** *Foreign affairs and defence correspondent,* Oct 24, 2025 – 6.48pm

A former commander of Australian forces in Afghanistan said the purchase of fuel produced by Indian refineries using Russian oil amounted to indirect support of the invasion of Ukraine, as the Albanese government said it would consider further restrictions on Moscow.

*The Australian Financial Review* reported on Thursday that the Australian Defence Force's major oil supplier, Viva Energy, could not rule out that the nation's tanks, planes and ships were being powered by fuel produced by Indian refineries using Russian crude oil.

Australia and other Western countries slapped sanctions on Russian crude and refined oil imports in 2022, but illegal oil is still entering Australia through countries like India, which has been buying discounted Russian crude, refining it and then exporting it to Western countries.

Retired Major General John Cantwell, who served as commander of the Australian forces in Afghanistan, said he supported matching the EU's proposed ban on imports from third countries like India and would be dismayed if the military was using Russian oil.

"Regardless of any sanction issues, it just smells. It's not something Defence or Australia should be doing," Cantwell told *AFR Weekend*.

"We have expressed our dismay with the actions of Russia and our solidarity with the poor old Ukrainians. We've done a little bit to help them, not as much as perhaps we could … this is something that just shouldn't happen."

US President Donald Trump on Wednesday imposed sanctions on Russia's two largest oil companies in a bid to damage Moscow's ability to fund its war machine, causing benchmark Brent crude oil prices to rise more than 5 per cent to $US65.70.

A spokesman for the Department of Foreign Affairs and Trade said the government was evaluating options to place further pressure on Russia's oil revenues.

"We will continue taking action to deny Russia access to Australia's markets and ensure Australia does not inadvertently fund Russia's war machine," the spokesman said. "We do not comment on potential sanctions."

Refined oil from India now makes up about 10 per cent of Australia's refined fuel imports, with purchases totalling a record $4.3 billion in 2024, according to figures from the Department of Foreign Affairs and Trade.

Viva Energy, which supplies Defence's fuel needs, and its main supplier Vitol have imported almost 400,000 tonnes of oil from the Indian Jamnagar and New Mangalore refineries since January 2024, according to trade data from Kpler, an analytics firm tracking the global commodity and shipping industries.

The Albanese government has resisted replicating the EU's proposal to ban imports through third-party countries like India, which will come into effect in January 2026.

A diplomatic source said the Albanese government's reluctance to implement a similar ban stemmed from fears of hurting the bilateral relationship with India.

The UK government announced last week that it would ban imports of oil products refined in third countries from Russian crude oil.

Foreign Minister Penny Wong has argued that the mechanisms needed to track and monitor all energy products via third countries are not in place in those countries.

The government has also privately downplayed the EU's proposed measure, arguing it lacks detail.

Nevertheless, Labor would consider replicating the European Union and UK's ban if it was implemented and proved successful, a government source said, speaking on the condition of anonymity.

John Blackburn, a former deputy chief of the air force, said it was not surprising Defence could be using Russian-sourced oil given Australia had lost its refining capacity and Defence had effectively outsourced the management of its fuel supply to industry.

Blackburn said those sets of decisions meant it was not possible to be selective about where oil was sourced.

"We set ourselves up in a position of low-energy security. Our fuel security is poor. We've gone from having 60 per cent imports to over 90 per cent imports since 2002," the former fighter pilot told *AFR Weekend*.

"We've gone from seven refineries down to two, and the chances are there'll be less than that in the next few years."

Blackburn said it would be difficult to stop importing fuel from India or China, which has also been refining Russian crude, given the two countries' combined market share.

Ukrainian ambassador Vasyl Myroshnychenko said the sanctions imposed by Trump on Rosneft and Lukoil were a serious step forward. The best way to hurt Russia's economy was to stop buying Russian oil derivatives, including petrol and diesel, he said.

"Australia can definitely contribute to that. I look forward to working with the government of Australia on finding the best solution to diversify its energy supply and to build on its resilience and national security," Myroshnychenko said.

"Ukrainians are paying a high price for Russia's war. We're getting destroyed and killed on a daily basis, and that's a price we are paying for being a democracy."

Opposition Leader Sussan Ley said Australians would be deeply concerned to learn that fuel linked to Russian crude may be powering the ADF.

"The government needs to improve the monitoring of Australia's fuel supply so they can transparently explain to Australians whether or not this is occurring," Ley told the *Financial Review*.

"We support strong sanctions on Russia and stand firmly with Ukraine. That is why the government must treat this issue with the utmost seriousness, work with our allies, and move quickly to ensure there are no loopholes."

The Albanese government last tightened sanctions in September, lowering the price cap on Russian crude oil to $US47.60 from $US60 and imposing further sanctions on the so-called "shadow fleet" of tankers transporting oil that can operate outside the Western financial system.

The price cap means a tanker carrying Russian oil can only legally access Western insurers or banks if the product was sold beneath the price cap.