

Energy market realities temper risks of a 100% tariff escalation

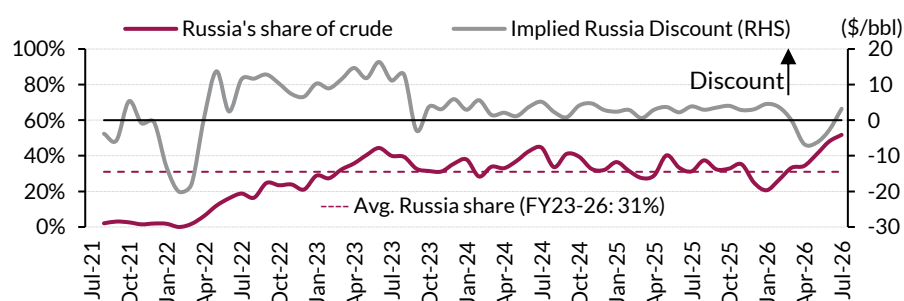
US Congressional backing for up to 100% tariffs on India under the Russia sanctions law makes this tariff threat much more potent than the 50% (reciprocal + punitive) tariffs applied under IEEPA authority in CY25. We note that current energy market conditions offer some protection: the recent surge in India's Russian crude imports is not discount-driven and shutting out Russian supply now would push energy prices even higher, potentially hampering Republican prospects in the US midterms. Tariff volatility is likely to persist, however (e.g. Section 301 excess capacity tariffs). For India, the 18% rate (framework agreement in Feb-2026) is a useful anchor; the marginal impact on the worst affected sectors should be lower, and exemptions will reduce the overall effective rate.

21 Sep 2026

India Trade

US Tariffs

Exhibit 1: Discounts alone no longer drive India's demand for Russian crude



Source: CMIE; Axis Bank Research; implied Russia discount calculated vs. West Asia (ex-Iran)

India's demand for Russian crude driven by W. Asia supply shocks, not discounts

Since the start of the US-Iran war, India has imported 298 Mn barrels of Russian crude at an average of 60Mn barrels/month compared to 46Mn barrels/month during FY23-26 (Fig 2). While Russia's share in India's imported crude basket jumped from 0% to 30% between Mar-22 to Jun-23, likely due to discounts, the additional 1mbpd since Mar-2026 can't be explained by price dynamics alone. First, the average discount on Russian crude vs. West Asia has been stable at \$3-5/bbl. since 2023 (Fig 1). Second, Russia's share of Indian crude imports rose despite premiums of up to \$7/bbl. If India were to procure these excess 60-80mn barrels in the spot market, oil prices would likely be higher than today (Fig 3).

Risk of passthrough to pump prices + leverage utility lowers likelihood of use

We view the likelihood of US tariff rising to 100% as low for now: (i) recent experience shows that the threat of very high tariffs is more useful as leverage in trade negotiations than tariffs themselves; (ii) higher oil prices have a more direct passthrough on US retail inflation (Fig 8, 9); Republicans are already on the back foot in the midterms due to elevated energy prices (Fig 11). Congressional backing makes this tariff threat legally durable, while pending outcomes of Section 301 on excess capacity could raise tariff volatility. For India, a useful anchor is the 18% headline rate agreed before the US Supreme court invalidated tariffs under IEEPA authority in Feb-2026 ([link](#)). When applied, the effective rate also tends to be lower than the headline rate due to exemptions (Fig 6, 10).

FYTD exports strong; impact on the worst affected sectors likely to be marginal

India's exports have rebounded sharply (FYTD: 19% YoY; Fig 5), led by electronics (tariff exemptions and price effects), auto/parts and metals (no tariff disadvantage vis-à-vis the rest of the world), and refined petroleum products (price effects); exports to the US have also recovered as the tariff disadvantage disappeared. Our quadrant analysis on sectoral impact ([link](#)), shows that during the six months of 50% US tariffs (Sep 2025- Feb 2026; Fig 4), labour-intensive sectors such as gems/jewellery, textiles and leather goods were hardest hit and remain laggards (Fig 7): new tariff impact on these sectors will be marginal. Commodity-like exports (e.g. shrimp) that found alternate markets may sustain growth.

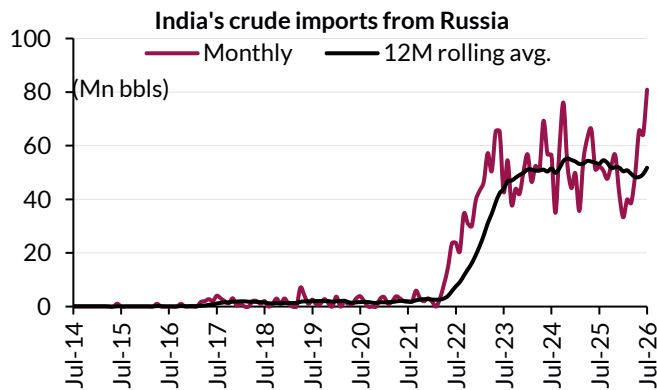
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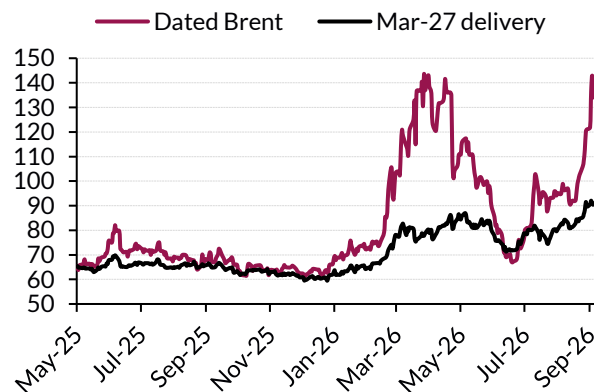
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Exhibit 2: Since the start of the US-Iran war, India has had to import 60-80 Mn barrels extra from Russia



Source: CMIE; Axis Bank Research

Exhibit 3: Dated Brent oil has breached \$140/bbl once again; Mar-27 futures are at the highest in 6 months

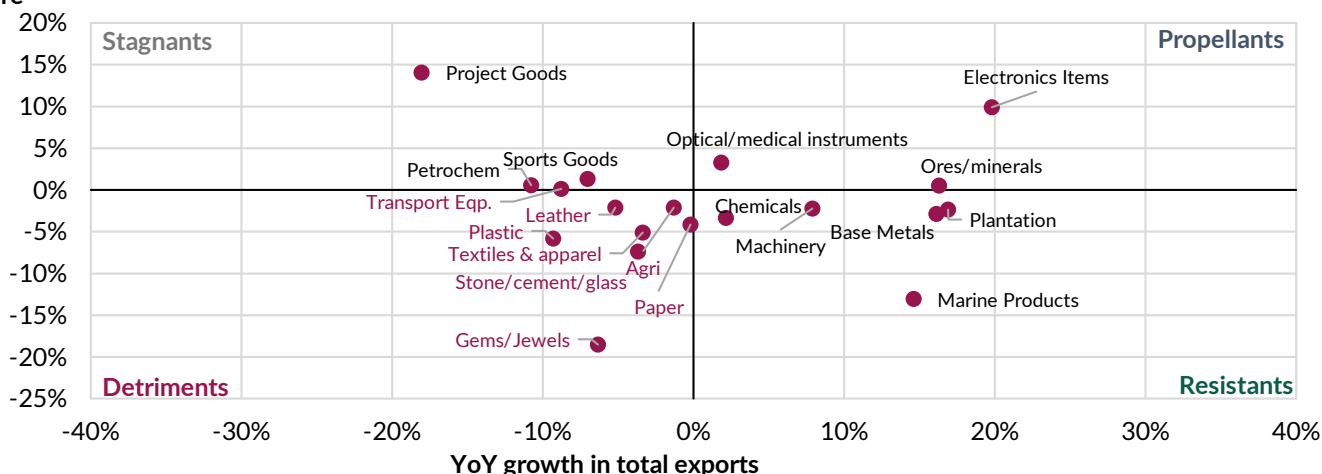


Source: Refinitiv; Axis Bank Research

Exhibit 4: US 50% tariffs narrowly affected labour-intensive sectors

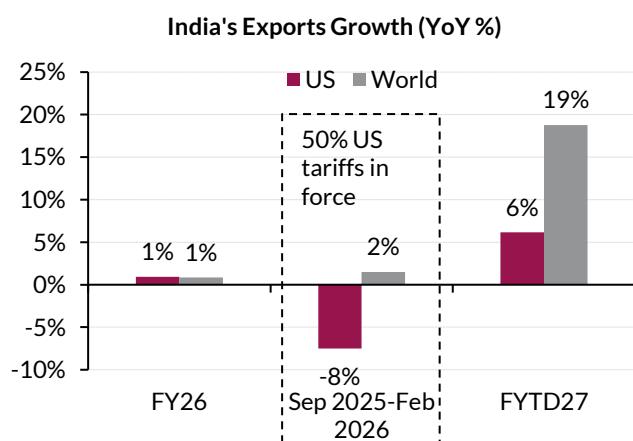
YoY change in US share

US tariff impact on India's exports (Sep 2025-Feb 2026: 50% tariffs)



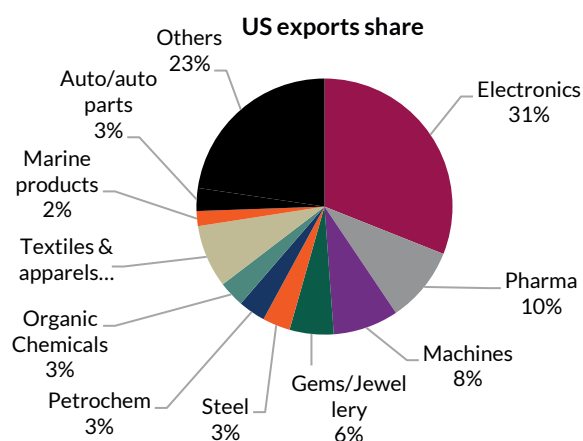
Source: DGCI&S; Axis Bank Research

Exhibit 5: Exports to the US are growing again (vs. 8% YoY decline under 50% tariffs), ex-US growth stronger

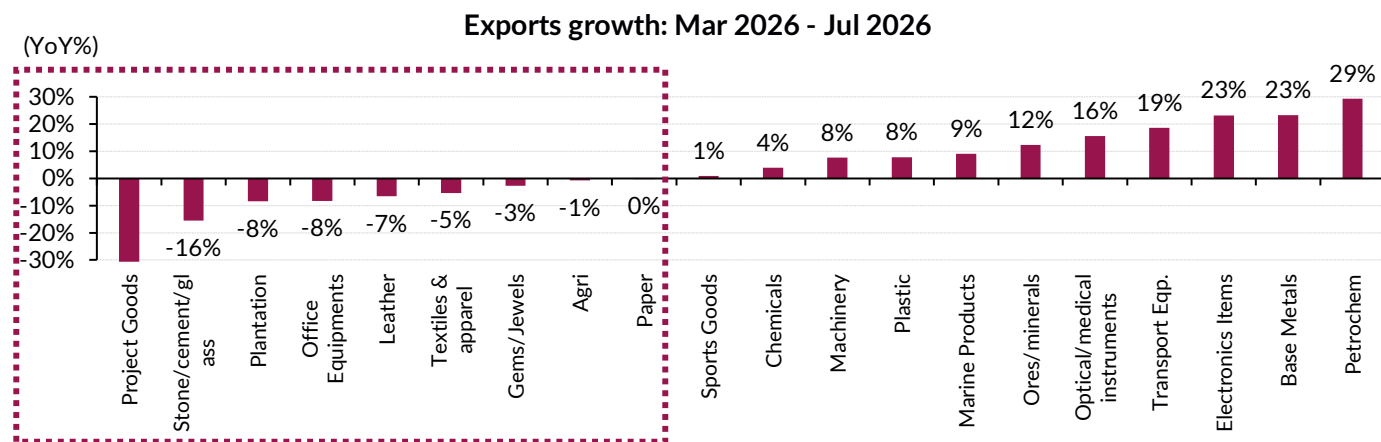


Source: CMIE; Axis Bank Research

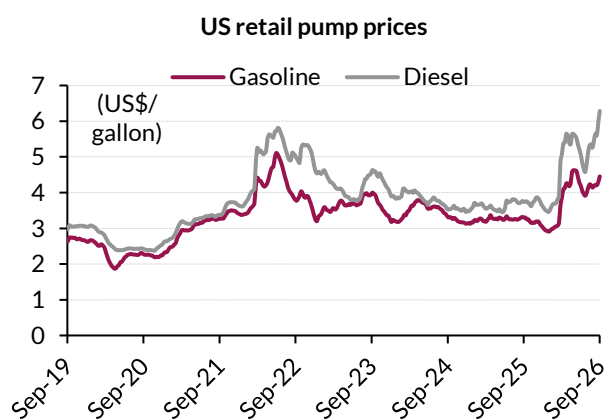
Exhibit 6: Electronics and pharma dominate India's exports to the US; largely remained tariff exempt



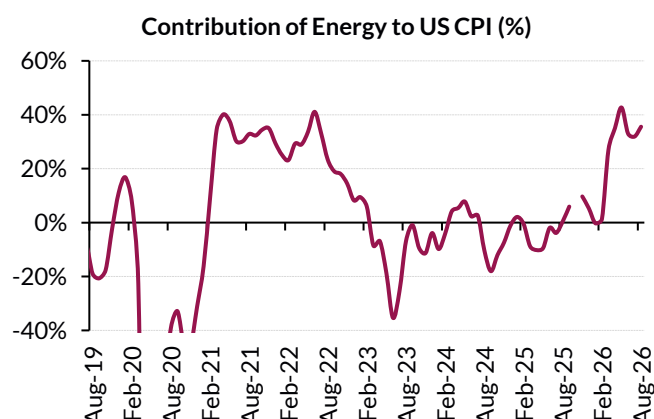
Source: Refinitiv; Axis Bank Research

Exhibit 7: Worst affected sectors still lag behind


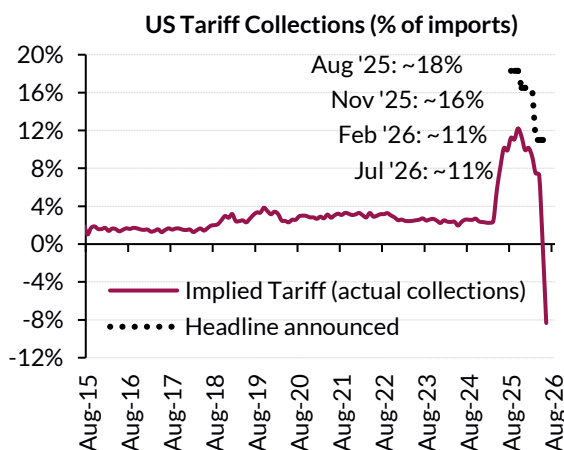
Source: DGCI&S; Axis Bank Research

Exhibit 8: US retail passthrough of higher energy prices has led to prices shooting at the pump


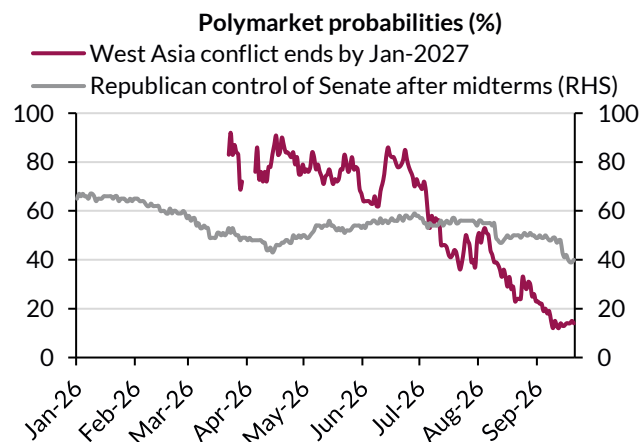
Source: US EIA; Axis Bank Research

Exhibit 9: In Aug-2026, energy price contribution to US CPI was 36%; prices have risen even further from there


Source: CEIC; Axis Bank Research

Exhibit 10: US tariff collections negative since May-26 due to IEEPA tariff refunds; headline tariffs at 11%


Source: CEIC; Axis Bank Research

Exhibit 11: Prolonged conflict and weakening support for Republicans also work against tariff escalations


Source: Bloomberg; Axis Bank Research

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