



Iran's Petroleum Exports to China and U.S. Sanctions

Updated November 8, 2024

Many Members in the 118th Congress remain concerned with Iran's ability to raise revenue by selling petroleum, which has been a long-term target of U.S. sanctions. Iran's petroleum exports reportedly reached new heights in 2024, with [nearly all](#) exports going to the People's Republic of China (PRC). Techniques used to obscure Iranian petroleum exports complicate efforts to identify Iran's trade patterns and to use sanctions effectively in furtherance of U.S. foreign policy.

Background: U.S. Sanctions

U.S. efforts to limit Iranian income from petroleum and petroleum products (petroleum) via [sanctions](#) go back [decades](#). Section 1245(d) of the FY2012 National Defense Authorization Act (NDAA, P.L. 112-81; [22 U.S.C. §8513a\(d\)](#)) directed the President to block from the U.S. financial system foreign financial institutions that knowingly conduct "any significant financial transaction" with sanctioned Iranian banks, including Iran's Central Bank, excluding foreign central banks that do not engage in transactions related to Iranian petroleum. The statute also excepts from [secondary sanctions](#) foreign financial institutions in countries determined to be significantly reducing their purchases of Iranian crude oil (President Trump approved the last such exception in [2018](#)). In 2018, President Donald Trump ceased U.S. participation in the [Joint Comprehensive Plan of Action \(JCPOA\)](#) and issued [Executive Order 13846](#), which reinstated sanctions that had been terminated pursuant to the JCPOA. E.O. 13846 authorizes sanctions targeting persons, including foreign financial institutions, that the Secretary of the Treasury determines to have knowingly engaged in a "significant transaction for the purchase, acquisition, sale, transport, or marketing" of Iranian petroleum. The United States has sanctioned [dozens](#) of [entities](#) for their role in the shipment of Iranian petroleum to Asia. Congress enacted measures intended to increase sanctions on Iranian petroleum in an April 2024 emergency supplemental appropriations package (P.L. 118-50).

Iran's Petroleum Exports to the People's Republic of China (PRC)

U.S. secondary sanctions aim to deny revenue to the primary malign actor by imposing costs to dissuade foreign persons from participating in activities that are illegal for U.S. persons. Iranian petroleum exports [reportedly hit a record](#) in the first quarter of 2024, with "almost all" going to China ([Figure 1](#)). An October 2024 *Economist* [investigation](#) estimated that Iranian petroleum and petrochemical sales generated

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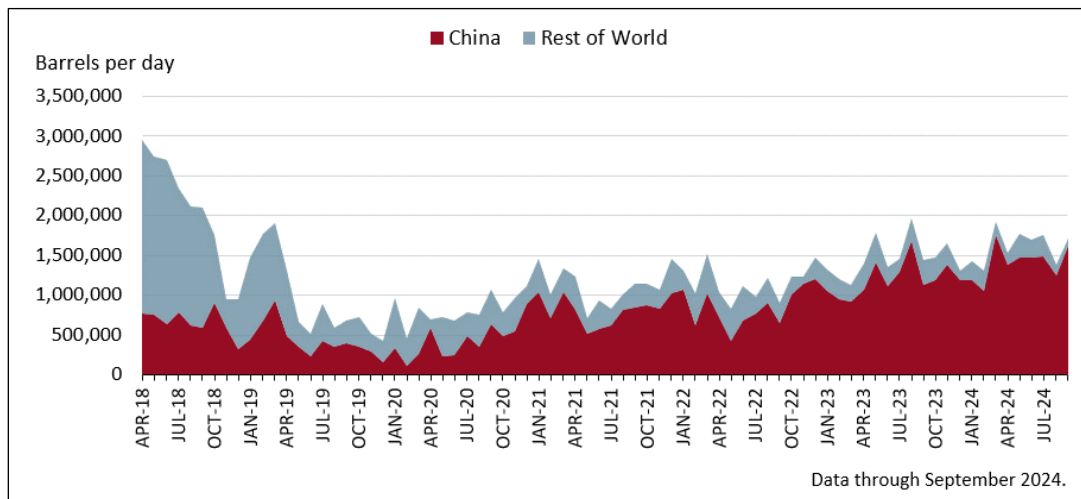
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as much as \$70 billion in 2023. China’s increasing imports of Iranian petroleum may demonstrate that PRC-based buyers believe that the economic benefits of buying Iranian petroleum exceed the risks of U.S. sanctions for several reasons.

Iranian petroleum is often sold [below](#) prevailing market prices, [reportedly](#) at a discount compared to Persian Gulf or price-capped Russian suppliers, to [entice](#) foreign traders. That discount reportedly fell in [early November 2024](#) as regional tensions drove exports lower and prices higher. Most reported PRC-based buyers are small, semi-independent refineries known as “[teapots](#).” According to one [advocacy group](#), teapots are “both hard to uncover and not exposed to the U.S. financial system,” constraining the effectiveness of U.S. sanctions. Traders reportedly use deceptive techniques, including [relabeling Iranian-origin](#) petroleum and [broadcasting fake tanker](#) route information (“spoofing”).

Figure I. Reported Iranian Petroleum Exports



Source: United Against Nuclear Iran, data available [here](#).

Notes: “Rest of World” includes some exports to unknown destinations, which may eventually reach China.

U.S. Policy

Despite continued U.S. sanctions on trade in Iranian petroleum, exports have risen. Some observers have speculated that competing global interests, a desire not to escalate tensions with China, the pursuit of [lower petroleum prices, or other factors](#) may have [informed](#) the Biden Administration’s Iran sanctions policy in a way that [de-prioritizes sanctions enforcement](#). Some [Members](#) of Congress and other [observers](#) have criticized the Biden Administration for “not enforcing petroleum sanctions.”

Biden Administration officials [reject](#) those charges, [pointing to](#) the Administration’s designation of hundreds of entities for sanctions for Iran-related activities, though they concede that Iran “is continuing to export some oil,” as Treasury Secretary Janet Yellen [said in April 2024](#), adding, “There may be more that we could do.” Administration actions related to Iranian petroleum exports in 2023-2024 include:

- Additional sanctions designations, including the [designation](#) of a Hong Kong-registered shipping company and the [designation](#) of 16 entities (including one in China) and 23 vessels described as part of “Iran’s ghost fleet”;
- [The unsealing of](#) three federal cases related to Iranian petroleum trafficking, including one related to a sale to “government-affiliated buyers in China” and another charging a director of a PRC oil refinery in February; and

- The [forfeiture](#) and [sale](#) of nearly a million barrels of Iranian petroleum from the tanker *Suez Rajan*, in what the Justice Department [called](#) “the first-ever criminal resolution involving a company that violated sanctions” related to trade in Iranian petroleum.

The *Suez Rajan* case illustrates the complexities in enforcing U.S. sanctions on Iranian petroleum shipments. The *Suez Rajan* was owned by a U.S.-based entity, which [likely](#) facilitated its seizure. Where the United States lacks jurisdiction over a vessel, options may be limited. [Greek courts blocked](#) U.S. efforts in mid-2022 to confiscate Iranian petroleum from a tanker that had docked in Greece. During the Trump Administration, U.S. officials [reportedly](#) offered rewards to the captains of tankers carrying Iranian petroleum for piloting their vessels to countries for impoundment. The law of the sea limits U.S. [jurisdiction to enforce](#) its sanctions laws by [interdicting vessels](#) suspected of smuggling. In January 2024, Iranian forces retaliated by [seizing](#) the re-named vessel as it carried Iraqi oil to Turkey; as of July 2024, Iran had [released](#) the cargo and [crew](#) but not the ship.

Congressional Action

Some Members of Congress have called on the Biden Administration to increase sanctions enforcement against Iranian petroleum exports to China, including by [designating](#) additional [PRC-based entities](#) violating sanctions. It is unclear [what impact](#), if any, such designations might have on Iran-China petroleum trade, global petroleum markets generally, or U.S.-China relations. Congress included two sanctions measures related to Iran petroleum in P.L. 118-50: the Stop Harboring Iranian Petroleum (SHIP) Act (Division J) and the Iran-China Energy Sanctions Act of 2023 (Division S). On October 8, 2024, several Senators [wrote to](#) Administration officials asking the Administration to “honor the reporting deadlines and enforcement requirements prescribed within” the SHIP Act. On October 11, the Treasury Department [described](#) sanctions designations related to Iranian petroleum as “in the spirit of” the SHIP Act.

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