

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

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Members of Congress have long expressed concern with Iranian petroleum exports. The October 2023 attacks on Israel by Hamas, which Iran supports, have increased congressional concern. Iran's exports have risen in 2023, with most of this increase attributed to China. The nature of Iranian petroleum exports (including the range of evasive techniques used to obscure them) complicates efforts to obtain a complete picture of the trade and the effectiveness of U.S. sanctions policy.

## *Background: U.S. Sanctions*

U.S. efforts to limit Iranian exports of petroleum and petroleum products (hereafter petroleum) via sanctions go back [decades](#). Section 1245 of the FY2012 National Defense Authorization Act (P.L. 112-81) ([22 U.S.C. § 8513a](#)) directed the [President](#) to block from the U.S. financial system foreign financial institutions that conduct transactions with Iran's Central Bank or other designated Iranian banks whose assets are blocked under the provision, except for foreign central banks that do not engage in transactions related to Iranian petroleum. The statute excepts from these secondary sanctions foreign financial institutions in countries determined to be significantly reducing their purchases of Iranian petroleum (President Trump approved the last such exception in [2018](#)). The President also has [waiver](#) authority if he certifies that there are "exceptional circumstances that prevented the country from being able to reduce significantly its purchases of petroleum," but no such waivers have been issued to permit new petroleum imports, though some were [issued](#) to permit transfers of Iranian funds to banks in third countries. Under [Executive Order 13846](#), issued by President Trump in 2018 to reinstate U.S. sanctions as part of his decision to cease U.S. participation in the [Joint Comprehensive Plan of Action \(JCPOA\)](#), the Secretary of State has the additional authority to sanction any person determined to have engaged in a transaction related to the "purchase, acquisition, sale, transport, or marketing" of Iranian petroleum. The United States has imposed sanctions on [dozens](#) of [companies](#) for their role in the illicit shipment of Iranian petroleum to Asia under E.O. 13846.

## *Iran's Petroleum Exports to China*

U.S. secondary sanctions are intended to impose financial or other costs to dissuade foreign persons from participating in sanctionable activities, but sanctions do not in and of themselves prevent those activities.

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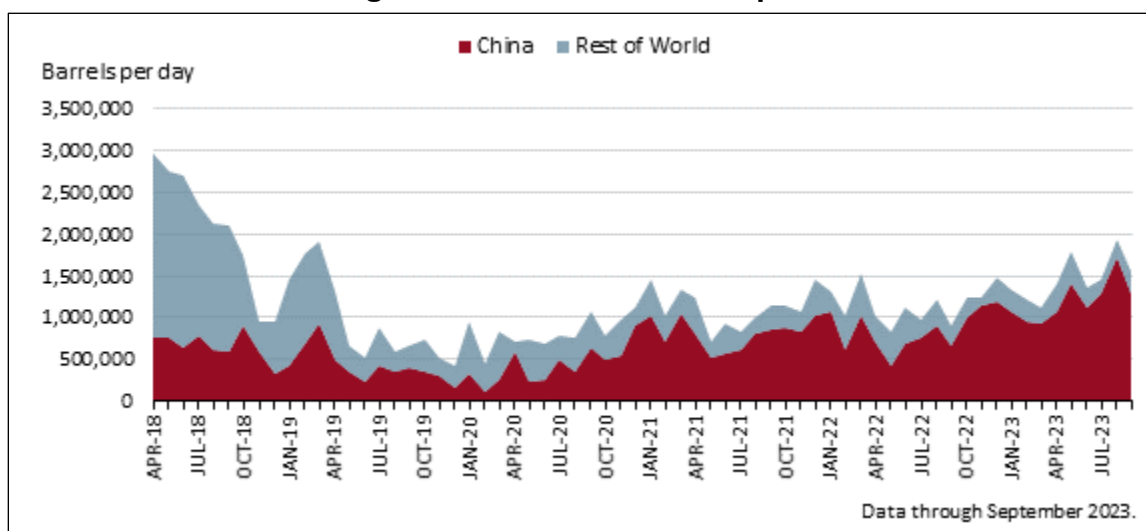
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With China's increasing imports of Iranian petroleum, Chinese buyers may have concluded that the economic benefits of continuing to buy Iranian petroleum exceed the risks of potential U.S. sanctions for several reasons.

Iranian petroleum is often sold below prevailing market prices: Iran [reportedly](#) sells its petroleum at a discount compared to Persian Gulf or price-capped Russian suppliers to [entice](#) foreign traders and buyers. Moreover, most reported Chinese buyers of Iranian petroleum are small, semi-independent refineries known as “teapots.” According to one [advocacy group](#), these refineries are “both hard to uncover and not exposed to the U.S. financial system,” constraining the effect of U.S. sanctions. Iran [reportedly](#) exported 1.5 million barrels of petroleum a day to China in August 2023, the highest level recorded by one industry tracker in more than ten years. Another source [estimates](#) that nearly all Iranian petroleum exports go to China ([Figure 1](#)).

**Figure 1. Iranian Petroleum Exports**



**Source:** United Against Nuclear Iran, data compiled using multiple sources. Data available [here](#).

**Notes:** “Rest of World” includes some exports to unknown destinations, which may include exports that eventually reached China.

In light of reports of increased Iranian petroleum exports, and the resulting accrual of billions in revenue for the Iranian government in accounts held abroad, some [Members](#) of Congress have accused the Biden Administration of “not enforcing petroleum sanctions.” All sanctions related to Iranian petroleum remain in place. It has been reported that U.S.-Iran diplomatic [engagement](#) in mid-2023 included, along with de-escalatory steps related to Iran’s nuclear program and other issues, an Iranian [expectation](#) that the United States would [not interdict](#) Iranian petroleum at sea. Some observers have speculated that competing global interests, a desire not to escalate tensions with China, or the pursuit of [lower petroleum prices](#) may also inform the Biden Administration’s Iran sanctions policy in a way that [de-prioritizes the enforcement](#) of sanctions.

Biden Administration officials [reject](#) those charges, pointing to the Administration’s designation of hundreds of entities for sanctions for their involvement in Iran-related activities. The Biden Administration also [seeks forfeiture](#) 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 against shipments of Iranian petroleum. The *Suez Rajan* was owned by a U.S.-based entity, which [likely](#) helped enable its seizure.

Without a direct connection to U.S. jurisdiction, the United States may face more limited options. U.S. efforts in mid-2022 to confiscate the cargo of a tanker carrying Iranian petroleum that had docked in Greece were [blocked by Greek courts](#). During the Trump Administration, U.S. officials [reportedly](#) e-mailed the captains of tankers carrying Iranian petroleum to offer rewards for them to pilot their vessels to countries that would impound them for the United States. The law of the sea limits U.S. [jurisdiction to enforce](#) its sanctions laws at sea by [interdicting vessels](#) suspected of smuggling.

### ***Congressional Action***

Some Members of Congress have called on the Biden Administration to enforce sanctions on Iranian petroleum exports to China, including by [designating](#) additional Chinese entities violating sanctions. It is unclear what impact, if any, such designations might have on Iran-China petroleum trade, global petroleum markets generally, U.S.-China relations, or [other dynamics](#). Hamas's October attack on Israel has increased [attention](#) to the issue. On October 19, the House Foreign Affairs Committee began to mark up H.R. 3774, which would mandate sanctions on those involved in Iranian-petroleum related transactions, including refineries, and direct the Administration to submit annual reports on Iranian petroleum exports. Another bill, H.R. 5923, would impose sanctions on the U.S.-based correspondent accounts of Chinese banks that conduct transactions involving Iranian petroleum.

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