CHINA'S PURCHASE OF IRANIAN OIL

Sanctions-evasion networks, shadow-fleet logistics, and strategic consequences.

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CLASSIFICATION	FOR INTERNAL USE ONLY	TARGET CONTEXT	CHINA / IRAN / ENERGY SECURITY

EXECUTIVE SUMMARY

China remains the dominant destination for Iranian crude and condensate, with independent Chinese refineries playing a central role. EIA reporting indicates that China received nearly 90 percent of Iran’s crude oil and condensate exports in 2023 and that Iranian exports continued to rise in 2024. The trade is enabled by discounted pricing, relabeling of origin, ship-to-ship transfers, opaque ownership, AIS manipulation, and networks of brokers and vessels. The result is a durable economic channel that weakens sanctions pressure and provides Iran with significant revenue.

KEY JUDGMENTS

- China’s demand for discounted Iranian crude is likely to persist so long as commercial savings exceed sanctions and enforcement risk.
- Independent teapot refineries, rather than China’s largest state companies, will remain the most exposed and adaptable buyers.
- Shadow-fleet logistics and relabeling through third countries will continue to complicate attribution and customs data.
- Sanctions can raise transaction cost and disrupt individual networks, but are unlikely to eliminate the trade without broader pressure on ports, insurers, refiners, and payment channels.

ANALYTIC CONFIDENCE: High on the strategic direction and principal trade mechanisms; moderate on exact current volumes because cargoes are deliberately concealed and reclassified.

I. STRATEGIC CONTEXT

Iran depends on petroleum revenue to support state finances and security activities. China is the world's largest crude importer and can absorb discounted barrels through a large refining system. The relationship is commercially attractive but politically managed: many purchases are concentrated in independent refiners and intermediaries that can be sanctioned or restructured without directly implicating China's largest national firms.

II. THREAT ARCHITECTURE

Discount and refinery economics

Sanctioned crude is sold at a discount that can offset higher shipping, insurance, and compliance risk for independent refiners.

Shadow-fleet logistics

Older tankers, opaque ownership, flag changes, ship-to-ship transfers, and AIS manipulation obscure cargo origin and movement.

Relabeling and intermediary hubs

Cargoes may appear in trade data as originating from Malaysia, the UAE, Oman, or other locations after blending or documentation changes.

Payment and political insulation

Brokers, front companies, local-currency settlement, barter, and layered payments reduce direct exposure of major financial institutions.

Threat Matrix

Threat category	Level	Trend	Primary driver
Sanctions-evasion networks	SEVERE	RISING	Persistent buyer demand and adaptable intermediaries
Maritime concealment	SEVERE	RISING	STS transfers, AIS manipulation, opaque ownership
Refinery exposure	HIGH	RISING	Concentration among independent teapot refiners
Payment opacity	HIGH	STABLE	Layered settlement and trade intermediaries

III. GRAPHICAL ANALYSIS

Because exact volume estimates vary, the chart uses an indexed representation of the growth in Iran's exports and China's share. It visualizes the increasing concentration of Iranian oil flows toward China rather than claiming a precise monthly series.

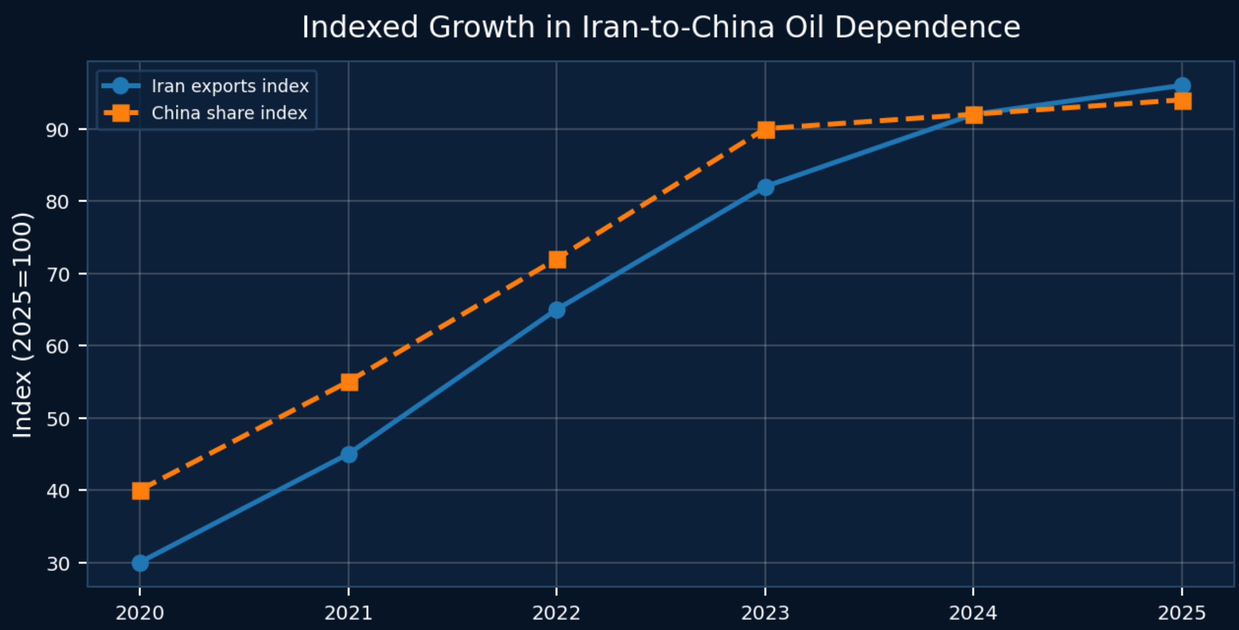

Figure 1. Sentinel Meridian analytic visualization based on cited open-source reporting.

The strategic risk is concentration: Iran has a dependable buyer, while Chinese independent refiners gain discounted feedstock. This mutual dependence makes enforcement a network-disruption challenge rather than a simple embargo problem.

IV. OPERATIONAL TIMELINE AND MECHANISM

2020-2023

Iranian exports recover from the 2020 low while China becomes the dominant destination.

2024

EIA estimates Iran’s exports average roughly 1.5 million barrels per day during the first eight months; relabeling and intermediary routing remain significant.

FEBRUARY-APRIL 2025

U.S. Treasury actions target shadow-fleet vessels, brokers, ports, and Chinese teapot refineries purchasing Iranian crude.

2025-2026

Additional sanctions target Chinese terminals, refiners, vessel managers, and dozens of shadow-fleet ships, showing continued adaptation rather than elimination of the trade.

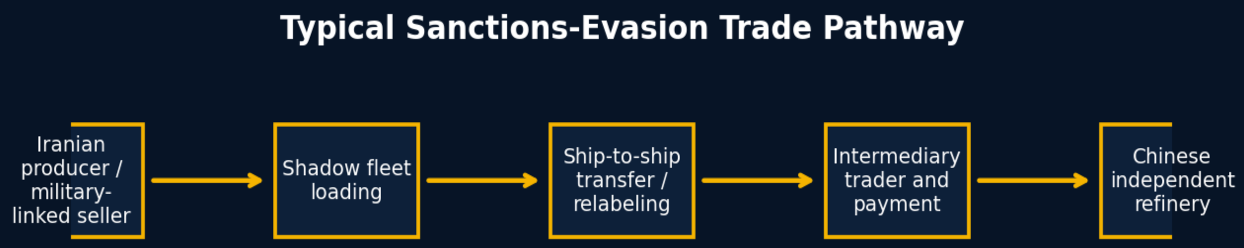

Figure 2. Simplified operational pathway; actual activity may involve additional intermediaries and technical steps.

V. CASE STUDY / SCENARIO ANALYSIS

Chinese teapot refineries and targeted enforcement

In March and April 2025, the U.S. Treasury designated Chinese independent refiners for purchasing hundreds of millions to more than a billion dollars' worth of Iranian crude, including cargoes linked to sanctioned Iranian military and security organizations. Treasury reporting described the use of shadow-fleet vessels, ship-to-ship transfers, AIS manipulation, Hong Kong and PRC-based management companies, and storage or discharge in Chinese ports. In April 2026, Treasury announced another major action against a China-based refinery and approximately forty shipping firms and vessels, indicating that the network remained active despite earlier pressure.

VI. IMPLICATIONS FOR CLIENTS AND PARTNERS

- Maritime operators should strengthen beneficial-ownership, voyage-history, and ship-to-ship transfer screening.
- Banks and traders should treat anomalous origin documents and Malaysia-linked volumes as enhanced-due-diligence indicators, not proof of Iranian origin by themselves.
- Ports and insurers should monitor AIS gaps, repeated flag changes, and high-risk vessel-management networks.
- Energy and geopolitical forecasting should account for Iran's continued access to a large buyer despite sanctions.

INTELLIGENCE GAPS

- Reliable current cargo-level volume and discount data.
- Extent of Chinese state tolerance, coordination, or informal protection.
- Use of renminbi, barter, cryptocurrency, or offshore clearing in settlement.
- Elasticity of Chinese purchases under stronger secondary-sanctions enforcement.

VII. OUTLOOK

The trade is likely to continue through a changing set of companies, ships, and documents. Enforcement may temporarily reduce flows or increase discounts, but network replacement is relatively fast where refinery demand remains. A more durable impact would require coordinated pressure on terminal access, vessel services, insurers, payment channels, and refinery economics, combined with credible alternative supplies.

SENTINEL MERIDIAN BRIEFING CONCLUSION: China's purchase of Iranian oil is not a single bilateral transaction stream. It is a distributed sanctions-evasion ecosystem. Effective risk management depends on identifying the network's logistics and financial nodes, not merely screening a list of named vessels after designation.

SOURCES AND METHODOLOGY

This assessment uses open-source reporting and official public records. Judgments are analytic assessments, not statements of confirmed fact unless specifically attributed. Source access dates and publication dates should be checked before external release.

- U.S. Energy Information Administration, China country analysis, petroleum trade section, 2024-2025 data.
- U.S. Energy Information Administration, Iran country analysis, petroleum exports and destination data.
- U.S. Energy Information Administration, SHIP Act report, updated June 2026.
- U.S. Department of the Treasury, sanctions actions targeting Iranian oil networks, shadow fleet, and Chinese refiners, February-April 2025 and April 2026.

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