UNITED AGAINST NUCLEAR IRAN Ambassador Mark D. Wallace | CEO | AmbWallace@uani.com | 212.922.0063

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Management
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Re: Imports of Iranian Oil

Dear Sir/Madam:

United Against Nuclear Iran ("UANI")[1] noted that Shandong Jincheng Petrochemical Group ("Jincheng") is a significant importer of U.S.-sanctioned Iranian oil, which is typically blended with other oils, rebranded or otherwise disguised to conceal its true origin. We therefore call on Jincheng to wind down and ultimately stop these purchases and seek alternative supplies.

The large-scale importation of Iranian oil by Chinese "teapot" refineries including Jincheng has proven unsustainable, resulting in decisive recent action taken by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"). On March 20, 2025, OFAC designated Shandong Shouguang Luqing Petrochemical Co., Ltd ("Luqing Petrochemical"), a "teapot refiner" in Shandong Province, under Executive Order ("E.O.") 13902 for operating in the petroleum sector of the Iranian economy. This is the first designation of a "teapot refiner" and its chief executive officer for purchasing and refining Iranian oil.[2]

In an accompanying statement, U.S. Secretary of the Treasury Scott Bessent said, "teapot refinery purchases of Iranian oil provide the primary economic lifeline for the Iranian regime, the world's leading state sponsor of terror… the United States is committed to cutting off the revenue streams that enable Tehran's continued financing of terrorism and development of its nuclear program." The sanctions are ultimately "being imposed pursuant to President Trump's maximum pressure campaign to drive Iran's oil exports, including to China, to zero" added U.S. State Department Spokesperson Tammy Bruce.[3]

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[1] United Against Nuclear Iran ("UANI") is a leading not-for-profit, non-partisan, advocacy organization whose mission is to promote the cessation of economic and financial support of the Islamic Republic of Iran by corporations and business until the Iranian regime verifiably abandons its drive for nuclear weapons and support for terrorism and human rights violations. (http://www.unitedagainstnucleariran.com).

[2] U.S. Department of Treasury, "Treasury Sanctions Network Supporting Iran's Oil Exports | U.S. Department of the Treasury," March 20, 2025.

[3] U.S. Department of State, "Sanctioning Entities Purchasing and Transporting Iranian Oil to Further Impose Maximum Pressure on Iran - United States Department of State," March 20, 2025.

On April 16, the U.S. sanctioned a second teapot refiner, Shandong Shengxing Chemical Co., Ltd ("Shandong Shenxing") "for purchasing more than a billion dollars' worth of Iranian crude oil."[4] Two weeks later, on May 1, President Trump warned once more that all purchases of Iranian oil or petrochemical products must end and any purchaser would be immediately subject to secondary sanctions: "They will not be allowed to do business with the United States of America in any way, shape, or form."[5] Evidently, President Trump is determined to follow through his words with actions.

In total, China has purchased almost 2 billion barrels of illicit Iranian oil worth around $140 billion since January 2021, even while official U.S. policy states that all such trade is flatly prohibited.[6] Naturally, the radical Islamist regime in Tehran receives the vast bulk of these billions of dollars, which are in turn disbursed to its terrorist proxies around the Middle East and beyond, used for the financing of its ongoing repression of its own people, and in pursuit of its internationally sanctioned nuclear, missiles, and drones programs.

Not least as a result of UANI's multi-year highlighting efforts, the issue of Chinese purchases of Iranian oil is now a universally acknowledged challenge that senior officials within the U.S. Administration have pledged to confront. As part of U.S. President Donald Trump's National Security Presidential Memorandum ("NSPM") to restore maximum pressure on the Islamic Republic of Iran, the current U.S. administration is committed to driving Iran's export of oil to zero, including exports of Iranian crude to China.[7] Given the administration's commitments in conjunction with the recent U.S. sanctions, it is obvious that the current state-of-affairs in which China imports almost two million barrels of Iranian oil each day—largely overseen by so-called "teapot refiners" primarily located in Shandong Provence—is unlikely to continue in its present form.

Jincheng still has an opportunity to avoid a similar fate. We therefore urge Jincheng to cease its import of Iranian oil, not only on the basis of ethical considerations but to preempt any fallout from expected U.S. sanctions actions. As you will be aware, even for companies either outside the legal jurisdiction of the United States or without direct or indirect U.S. business ties, reputational consequences of U.S. sanctions can be extremely wide and prolonged, and can preclude future lucrative business opportunities and investment with not only U.S. entities but those in many other regions of the world.

We note, finally, that according to the latest reporting, teapot refineries have indeed suspended imports in recent months.[8] We welcome your confirmation and clarification on this specific claim. Thank you for your attention. Please let us hear from you within ten (10) days of receipt of this letter.

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[4] U.S. Department of State, "Sanctioning a China-Based "Teapot" Refinery to Pressure Iran Further," April 16, 2025.
[5] Reuters, "Trump says buying Iranian oil must stop, threatens secondary sanctions on purchasers," May 1, 2025.
[6] See UANI, "UANI's Final Tanker Tracker of 2024: A Year in Review | UANI," January 3, 2025, and UANI, "Uncovering the Chinese Purchasers of Iranian Oil [UPDATED February 28, 2025] | UANI," February 28, 2025.
[7] The White House, "National Security Presidential Memorandum/NSPM-2 – The White House," February 4, 2025.
[8] Iran International, "Chinese teapots pause Iran oil orders after US sanctions refinery," April 3, 2025.

Very truly yours,

Ambassador Mark D. Wallace

I. IRAN BUSINESS RISKS

Any desire from foreign firms to maintain or ramp up Iran business is short-sighted, ill-advised, and fraught with risk to its shareholders, employees, agents, and contractors. The risks inherent in doing business in Iran are serious and fall into at least ten distinct categories:

Revocation of the JCPOA and Reimposition of U.S. Secondary Sanctions. On May 8, 2018, the United States Administration announced it would withdraw from the JCPOA, and secondary sanctions were reimposed which affect companies even outside U.S. jurisdiction with respect to every major industry in Iran. Due to Iran's military support of the Russian invasion of Ukraine in 2022, there are increasing calls for E-3 signatories to the JCPOA, France, Germany, and the United Kingdom, to follow the example of the U.S. and reimpose sanctions snapback.

Impairment of Corporate Reputation. A company that seeks opportunities in a country notorious for sponsoring terrorism and violating fundamental human rights, including state sponsored torture and killing of its own citizens, like Mahsa Amini in late 2022, will inevitably corrode its reputation with consumers, trading partners, and the general public, as recent polling strongly indicates.

Banking Risk. U.S. and European banks are unwilling, largely as a result of Iran's own actions, to finance new business ventures in Iran. Along with the serious money laundering issues in Iran, banking-related Iran risks continue to be severe, as strong penalties remain for those institutions that directly or indirectly facilitate prohibited transactions. Iran remains on the Financial Action Task Force (FATF) blacklist.

Doing Business with the Islamic Revolutionary Guard Corps. Doing business in Iran means doing business with the IRGC. It is flatly illegal for American and international companies to do business with the IRGC, but corporate compliance officers and country managers will be unable to discern if their companies are doing business with a reputable Iranian company or one that is secretly operated, managed, and even owned by the IRGC.

Economic Sanctions Independent of the JCPOA. Notwithstanding the JCPOA, significant economic sanctions unrelated to Iran's illegal nuclear proliferation program remain in effect which bar companies and their affiliates from doing business in multiple sectors of Iran's economy. The passage of the JCPOA does not eliminate or ease those sanctions.

Unavailability and Deficiency of Insurance Coverage. Companies will find that their business operations and assets in Iran are either uninsurable or subject to inadequate coverage and/or extraordinary insurance premiums because of the highly unstable and risk-laden political, legal, and business environment. Germany no longer allows export credit insurance from 2023.

Impairment of Shareholder Value. Influential shareholders and the investing public will not look charitably upon any company whose drive for short term profits in Iran will inexorably finance that regime's policies of sponsoring terrorism, nuclear proliferation, subjugation of women, violent repression of LGBT individuals, and the arbitrary incarceration and execution of its citizens. It is difficult to see how share value will not suffer.

Impairment of Future Business Opportunities. A company that shortsightedly embraces business opportunities in Iran will likely be cut off from more lucrative business opportunities in countries that oppose Iran's hegemonic policies, especially among Gulf Arab states. Even worse, companies may be barred altogether from doing any business within the borders of these neighboring countries because they will be viewed as providing financial support to a lawless regime that is antithetical to their very existence.

Arrest, Imprisonment, Kidnapping, Torture, and Execution. A company that does business in Iran exposes its officers, employees, and contractors to a high risk of harassment, arrest, prosecution, and incarceration without due process of law, without the right to legal counsel, and without an effective and independent judicial system to protect basic legal rights. Even individuals with dual citizenship, such as British-Iranian Alireza Akbari, executed by the regime in January 2023, are not safe from the regime's clutches.

Hacking, Cyber Insecurity, and IP theft. Doing business in Iran will inevitably lead to the hacking and theft by Iranian operatives and security agents of a company's proprietary information, trade secrets, confidential employee and corporate information, personal information, and customer information. Moreover, Iranian firms systematically use the slightest association with foreign firms as a pretext to continue advertising purported partnerships, and misappropriate corporate trademarks often many years after ties may have been excised.