

Iran's Shadow Fleet and the Limits of Oil Sanctions

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In brief

Core point: Iran kept exports around 1.5 to 1.8 million barrels per day into early 2026 despite renewed “maximum pressure,” with China buying the vast majority.¹

The method: Ship-to-ship transfers, disabled transponders, false flags and forged papers relabel Iranian crude as Omani, Malaysian or Emirati.²

Repeat offenders: Of 251 vessels Iran loaded with oil in 2025, 217 had already been sanctioned for earlier illicit voyages.³

What changed: After U.S.-Israel operations began on February 28, 2026, loadings at Iranian terminals fell to 640,000 barrels per day in May.⁴

MEF analysis: Vessel designations hit ships; the registries, insurers and ports that service them are a thinner target set.⁵

How the fleet works

National Security Presidential Memorandum 2, issued in early February 2025, targeted Iran’s “shadow fleet” and threatened secondary sanctions on buyers.⁶ The fleet adapted. In January 2025, 99 ghost vessels carried smuggled Iranian and Venezuelan oil. In January 2023 Panamanian authorities reported purging 136 ships “linked to the National Iranian Oil Company,” as MEF’s Jose Lev Alvarez puts it, yet Panama flew its flag over 116 of 542 tracked shadow tankers in August 2025. In January 2026 investigators found 77 vessels operating falsely under the flags of Aruba, Curaçao and Sint Maarten.⁷

A U.S. forfeiture case shows the steps. Crude loaded at Kharg Island moved by ship-to-ship transfer with transponders switched off, under documents naming Oman as the origin. A Turkish company, Aspan Petrokimya, registered in Istanbul on February 20, 2020, claimed the cargo. The D.C. Circuit affirmed forfeiture of more than 700,000 barrels in April 2026.⁸

Buyers and payment

China absorbed more than 80 percent of Iran’s seaborne crude exports in 2025, at \$10 to \$15 per barrel below Brent.⁹ Independent “teapot” refiners in Shandong province, short of Venezuelan crude, turned to Iranian barrels settled in renminbi through channels insulated from the dollar. By 2025 sanctioned crude from Iran, Russia and Venezuela made up as much as 40 percent of China’s oil imports.¹⁰

1. Umud Shokri, “As China’s Teapot Refiners Turn Toward Iranian Oil, Sanctions’ Effectiveness Suffers,” *Middle East Forum Observer*, February 10, 2026, <https://www.meforum.org/mef-observer/as-chinas-teapot-refiners-turn-toward-iranian-oil-sanctions-effectiveness-suffers>; Umud Shokri, “Why ‘Maximum Pressure’ Hasn’t Crippled Iran’s Oil Sector,” *Middle East Forum Observer*, January 28, 2026, <https://www.meforum.org/mef-observer/why-maximum-pressure-hasnt-crippled-irans-oil-sector>.

2. Shokri, “Why ‘Maximum Pressure’ Hasn’t”; Abdullah Bozkurt, “Turkish Company Linked to Covert Iranian Oil Smuggling Network Exposed in U.S. Court Filing,” *Middle East Forum Online*, May 5, 2026, <https://www.meforum.org/mef-online/turkish-company-linked-to-covert-iranian-oil-smuggling-network-exposed-in-u-s-court-filing>.

3. Dalga Khatinoglu, “Why Is India Tightening the Screws on Iran Now?” *Middle East Forum Observer*, February 21, 2026, <https://www.meforum.org/mef-observer/why-is-india-tightening-the-screws-on-iran-now>.

4. Dalga Khatinoglu, “Iran’s Oil Production and Exports Enter a Steep Decline,” *Middle East Forum Observer*, May 24, 2026, <https://www.meforum.org/mef-observer/irans-oil-production-and-exports-enter-a-steep-decline>.

5. Jose Lev Alvarez, “Who Services Iran’s Shadow Fleet?” *Middle East Forum Observer*, September 5, 2026, <https://www.meforum.org/mef-observer/who-services-irans-shadow-fleet>.

6. Shokri, “Why ‘Maximum Pressure’ Hasn’t.”

7. Alvarez, “Who Services Iran’s Shadow Fleet.”

8. Bozkurt, “Turkish Company Linked.”

9. Shokri, “Why ‘Maximum Pressure’ Hasn’t.”

10. Shokri, “As China’s Teapot Refiners.”

Enforcement record

Treasury blacklisted the tankers Al Jafzia, Asphalt Star and Stellar Ruby; India later seized all three near its coast. On February 7, 2026, an executive order imposed 25 percent tariffs on imports from countries trading with Iran.¹¹ Maritime Mutual Tankers, a New Zealand-based insurer, covered ships carrying sanctioned Iranian oil until Britain imposed an embargo in February 2026.¹²

Pressure tightened after February 28, 2026. Kpler data cited by MEF show Chinese deliveries in May 2026 down 25 percent from April, floating storage down by about 33 million barrels to roughly 89 million, and April output at about 2.85 million barrels per day, 350,000 below levels before February 28.¹³ MEF’s Jose Lev Alvarez argues that seizures inflict temporary losses, while cutting refueling, insurance and port services would deny the fleet replacement cargoes (analysis).¹⁴

Questions for oversight

1. What does the figure of 217 previously sanctioned vessels among 251 loadings in 2025 imply about the deterrent effect of vessel designations alone?
2. Which flag registries, including privately run registries, have been notified about tankers carrying Iranian crude, and what followed notification?
3. What Treasury guidance covers insurers, bunkering ports and crew-change hubs outside the Gulf that service designated tankers?
4. How does OFAC track renminbi settlement of Iranian crude purchases by Chinese independent refiners?
5. What did the forfeiture of the Arina and Nostos cargoes yield, and how are forfeited proceeds used?
6. How durable is the 2026 export decline if maritime pressure eases, given Iranian floating storage near Asian buyers?

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11. Khatinoglu, “Why Is India Tightening.”
12. Alvarez, “Who Services Iran’s Shadow Fleet.”
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