



APRIL 29, 2026

CIRCULAR NO. 08/26

TO MEMBERS OF THE ASSOCIATION

Dear Member:

OFAC ISSUES GUIDANCE ON THE SANCTIONS RISK OF IRANIAN “TOLLS” AND DEALING WITH TEAPOT OIL REFINERIES

On April 28, 2026, the U.S. Office of Foreign Assets Control (“OFAC”) published FAQ 1249 regarding sanctions risks associated with “**toll**” payments to Iran for safe passage through the strait of Hormuz. Additionally, on April 28, 2026, OFAC published a sanctions Alert titled “Sanctions Risk of Dealing with **Teapot Oil Refineries**.”

OFAC FAQ 1249

The FAQ makes clear that payments to the Government of Iran or the Islamic Revolutionary Guard Corps (IRGC), directly or indirectly, for safe passage through the Strait of Hormuz would not be authorized for U.S. persons, including financial institutions, or for U.S.-owned or controlled foreign entities. Such payments would also create significant sanctions exposure for non-U.S. persons. Specifically, foreign financial institutions and other non-U.S. persons risk exposure to sanctions for engaging in certain transactions or activities involving designated or otherwise blocked persons. This includes the Government of Iran and the IRGC, which is sanctioned pursuant to several authorities, including nonproliferation and counterterrorism sanctions authorities, and is designated as a Foreign Terrorist Organization.

The FAQ highlights that non-U.S. persons who engage in certain transactions could also risk sanctions exposure under authorities which authorize sanctions on persons who have knowingly engaged in certain significant transactions involving certain sectors of the Iranian economy or who have been determined to operate in those sectors, including the financial, petroleum and petrochemical sectors.

OFAC Alert on Sanctions Risk of Dealing with Teapot Oil Refineries

The Alert warns companies of the sanctions risks of dealing with independent oil refineries in China, known as “teapot” refineries, primarily in the Shandong Province, given their continuous role in importing and refining Iranian crude oil.

Since March 2025, OFAC has designated multiple teapot refineries. The Alert states that OFAC maintains comprehensive sanctions on Iran and will continue to target the regime’s main revenue generating sectors under *Executive Order 13902* and other sanctions authorities. The Alert highlights the following designated teapot refineries as purchasing Iranian oil refined in China:

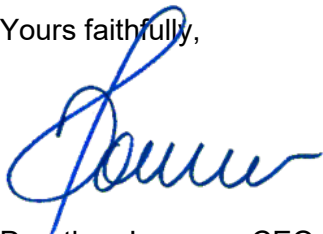
- Shandong Shouguang Luqing Petrochemical Co., Ltd.
- Shandong Shengxing Chemical Co., Ltd.
- Hebei Xinhai Chemical Group Co., Ltd.
- Shandong Jincheng Petrochemical Group Co. Ltd.
- Hengli Petrochemical (Dalian) Refinery Co., Ltd

U.S. persons are prohibited from transacting with such refineries and non-U.S. entities risk exposure to U.S. sanctions for engaging in certain transactions or activities involving designated teapot refineries or other actors operating in the Iranian petroleum sector.

The Alert warns companies to take steps to ensure that they are not facilitating transactions involving the designated refineries, or other teapot refineries that may be importing Iranian oil, and highlights deceptive shipping practices, including ship-to-ship transfers and vessel location and identity data manipulation. It also notes that Iranian oil is sometimes blended with oil from other countries to disguise its origins, or forged documents will relabel the oil as the product of another country, most commonly as “Malaysian blend.”

Members are encouraged to review the full FAQ 1249 available [here](#) and the full Alert on teapot refineries available [here](#). Members are reminded that cover is not available for any trade that breaches applicable sanctions. Members are advised that they should conduct thorough due diligence on the parties, cargoes, vessels and other service providers that are or may be involved before they engage in any trade with a high sanctions risk. Finally, Members are reminded to keep records of their due diligence investigations and findings.

Yours faithfully,



Dorothea Ioannou, CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB