



## Why Did the US Just Lift Sanctions on Iranian Oil?

by Dr. Elai Rettig

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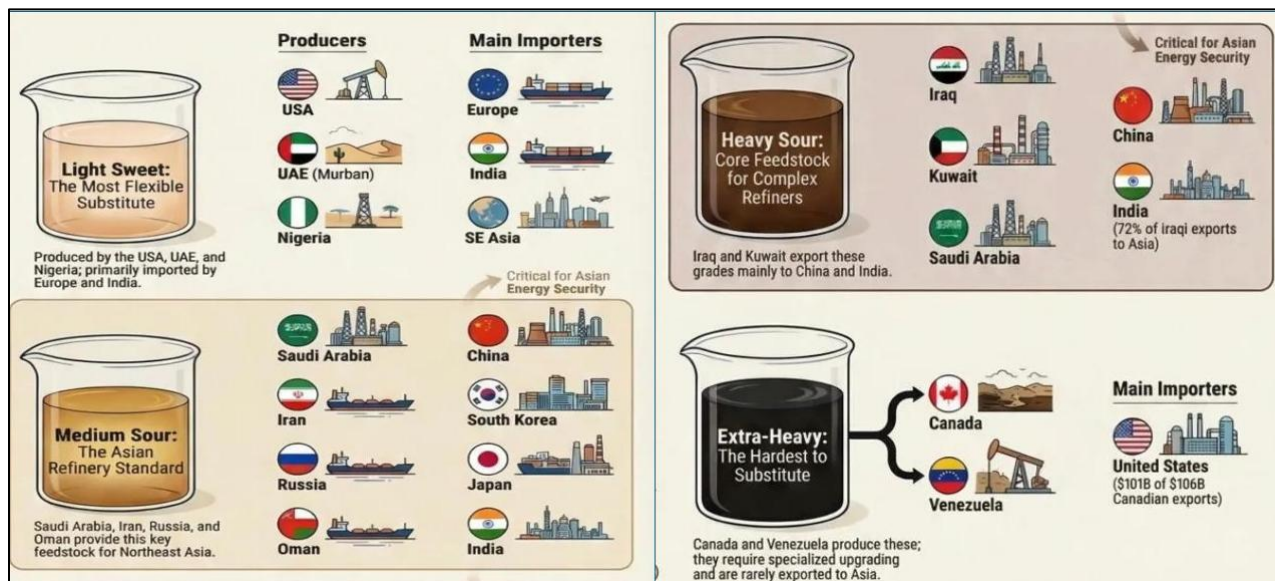
**EXECUTIVE SUMMARY:** On March 20, 2026, the US announced a [temporary 30-day lifting of sanctions](#) on the sale and delivery of Iranian oil. The permit applies only to oil that was already loaded onto tankers by that day, and the oil in question must be unloaded by April 19. This should not be misread as a gesture to Iran. It is intended as a means of quickly releasing tens of millions of barrels of already-purchased oil onto the global market. The object is to ease pressure on oil prices, which should buy the US more time to achieve its war aims.

According to estimates, on the eve of the current war, some 140 million barrels of Iranian oil were floating at sea. This oil had already been produced and loaded onto tankers, and the vast bulk of it had already passed through the Strait of Hormuz before the war broke out. The Chinese had bought most of this oil, but chose to leave it at sea because their strategic reserves were full of the medium-sour oil that Iran produces, and US sanctions on the Iranian banking system made it difficult to resell the oil to other customers. Iranian oil tankers were thus left waiting for months near China's shore.

The US is attempting to quickly calm the market by allowing countries to buy these millions of barrels of oil. As a significant portion of this oil had already been sold to China, Washington is effectively allowing Beijing, if it so wishes, to release the cargo to be sold in Japan, India, South Korea, and other Asian countries interested in Iranian medium-sour oil. Even if the Chinese opt to keep all the oil for

themselves, the result will still relieve the market, because similar types of oil—primarily Russian medium-sour—can then flow to other customers in Asia. According to the US Secretary of Energy, these tankers could begin arriving at Asian ports [within three to four days](#).

The type of oil is very important here, because it determines who can benefit from the American sanctions relief on Iran’s oil. Oil grades are defined by two main indicators: density ("light" vs. "heavy") and sulfur content ("sweet" vs. "sour"). The oil’s grade affects the costs of transportation and refining as well as the types of distillates that can be produced from it. Light and sweet oil can produce more gasoline, diesel fuel, and jet fuel. Heavy oil is more suitable for bunker oil for ships or bitumen for asphalt. Refineries are usually built to operate most efficiently with a specific grade of crude oil. They can process other oil grades if necessary, but not at the same level of profitability or efficiency.



(Source: [@Adam Tooze](#))

Iranian oil is mostly medium-sour. Not every refinery can produce the same distillates from it with the same efficiency, and not all countries in Asia have the necessary refining capacity in the first place. Countries like India, Japan, South Korea, and Singapore are well-suited for this oil and have more advanced refining capabilities. In contrast, countries that depend more on imported distillates and less on independent refining, such as the Philippines, Sri Lanka, Vietnam, and

Australia, are more vulnerable to prolonged disruptions and would benefit from Iranian oil only indirectly.

This is where China comes into the picture. It has a huge domestic refining capacity and significant reserves, and thus has great influence on gasoline and diesel prices throughout Asia. Even without the American relief on Iranian oil, Beijing could have released some of its strategic reserves or distillates into the market and eased prices for its neighbors – but it has no interest in doing so. As early as the first week of the war, China announced restrictions on distillate exports, leading to a dramatic increase in gasoline and diesel prices in Thailand, the Philippines, and Vietnam. China may be using this as a political lever to increase pressure on the US to end the fighting, or it may at the very least be planning to turn energy into a regional bargaining tool and sell distillates to its neighbors in exchange for political benefits.

The main criticism of the American move is that lifting oil sanctions strengthens the Iranian regime and enriches its coffers during the war. US Treasury Secretary Scott Bessent claims that Washington will monitor sales and make it difficult for Iran to access these revenues, emphasizing the continuation of the "maximum pressure" policy on Iran's ability to use the international financial system. However, he has not explained how the US will prevent Iran from circumventing the restrictions, as it has done so far. In its trading with China, Iran has often used barter transactions, cash, or payments in yuan rather than dollars to circumvent sanctions. It has also used intermediary companies and countries (mainly Oman and Malaysia) to "launder" the source of its oil, and has relied on offshore bank accounts in Qatar, the United Arab Emirates, Mauritius, and elsewhere with the full knowledge of the countries involved.

It can be argued, however, that Iran's ability to circumvent US restrictions has been reduced since the beginning of the war, now that Iran itself has bombed some of the countries where it holds offshore accounts. The United Arab Emirates, for example, announced on March 5 that it is [considering freezing Iranian accounts](#) in the country. This allows the US to say with greater confidence that it has more control over revenue coming from Iranian oil sales, whether or not this is in fact the case.

In the short term, this seems to be a relatively calculated move by the US. According to the administration's own statements, its goal is not to provide relief

to Iran's economy but to quickly release oil that has already been produced and is now at sea. The move is designed to relieve pressure on the market for about two weeks. From Washington's perspective, this is a limited price it is willing to pay to buy time, stabilize the energy market, and preserve greater freedom of action in the war, at least until it can greatly reduce Iran's ability to close the Strait of Hormuz.

*Dr. Elai Rettig is an assistant professor in the Department of Political Studies and a senior research fellow at the Begin-Sadat Center for Strategic Studies at Bar-Ilan University. He specializes in energy geopolitics and national security.*