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U.S. Department of State to Cancel Iranian Oil Waivers

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On April 22, 2019, Secretary of State Mike Pompeo **announced** that the waivers issued to China, Greece, India, Italy, Japan, South Korea, Taiwan and Turkey, which allow them to continue to import Iranian oil after the United States fully reinstated secondary sanctions against Iran last fall, will expire on May 2, 2019 and will not be further extended.

Of the countries that received the waivers, known as "Significant Reduction Exemptions" ("**SREs**"), only China, India, Japan, South Korea, and Turkey continue to import Iranian oil. Greece, Italy and Taiwan have all reportedly reduced their import levels to zero. Beginning on May 2, companies in those countries that import or facilitate the importation of Iranian oil and financial institutions (including central banks) in those countries that engage in transactions related to such oil imports risk the imposition of U.S. secondary sanctions. See our prior **client memorandum** that discusses the reimposition of U.S. sanctions on Iran that had been lifted pursuant to the Joint Comprehensive Plan of Action ("**JCPOA**").

Secretary Pompeo stated in a **press release** that the move is part of the Trump administration's campaign to apply "maximum pressure on the Iranian regime" until it "return[s] to the negotiating table" to strike a new Iran deal.

Predictably, the announcement has already begun to make waves. **China** and **Turkey** quickly condemned the action, raising questions as to whether the two countries will continue to import Iranian oil once the waivers expire in May, and whether the U.S. will respond by sanctioning companies or financial institutions in those countries. Iran also reacted harshly to the move, with the Islamic Revolutionary Guard Corps threatening to close the **Strait of Hormuz**, which would not only disrupt global trade but could prompt U.S. military action to preclude its closing. If the United States is effective in reducing Iranian oil exports to zero, it is unclear whether Iran will continue to adhere to its nuclear-related commitments under the JCPOA.

Though the Administration has **stated** that OPEC and the United States will be able to fill any resulting supply void resulting from the SREs' expiration, **oil prices** hit a near six-month high in reaction to the news. Analysts **suggested** that pressures on oil supply resulting from this decision may affect U.S. sanctions policy toward Venezuela, reducing the near term likelihood of secondary sanctions aggressively targeting Venezuelan oil exports.