Client Alert

pillsbury

International Trade

November 26, 2013

Interim Deal on Iran Sanctions Policy Involves Limited Changes

By Christopher Wall, Stephan Becker, Nancy Fischer, and Aaron Hutman

Despite some confusing media reports, the interim nuclear deal reached by Iran and the P5 + 1 on November 24, 2013 would change very little in U.S. and multilateral sanctions policy. These limited changes are still pending implementation by the United States, European Union (EU) and other jurisdictions. Companies as well as those active in energy markets should await implementation and moderate expectations.

The P5 + 1 (U.S., UK, France, China, Russia and Germany) reached an interim agreement (the “Joint Plan of Action”) with Iran on November 24, 2013 aimed at limiting Iran’s uranium enrichment and potential for nuclear weapons development. The announcement followed several months of secret talks and, more recently, high-profile negotiations in Geneva. The interim agreement is scheduled to last for six months, with the possibility of renewal, and parties will negotiate toward a potential final agreement during that time period.

In exchange for restrictions on Iran’s activity relating to enrichment, remediation of existing uranium stockpiles and inspections, the P5 + 1 agreed to limited concessions on sanctions, which include:

- Allowing purchases of Iranian oil to remain at their current reduced levels and allowing the provision of insurance and shipping services for those exports. $4.2 billion from these sales will be authorized for transfer in installments as Iran fulfills its commitments under the interim agreement. Other assets will continue to be maintained in blocked accounts.

- Authorizing the supply and installation in Iran of spare parts for Iranian civil aviation for safety of flight, safety-related inspections and repairs in Iran, as well as associated services. This would apply to Iran Air and other Iranian airlines not subject to specific sanctions.

- Suspending U.S. and EU sanctions on:

    - Petrochemical exports from Iran;

  - Gold and precious metals as well as associated services.

- Suspending U.S. sanctions on Iran's auto industry and associated services.

- Establishing financial channels through specified foreign banks and non-designated Iranian banks using Iran's oil revenues held abroad to facilitate humanitarian trade involving food and agricultural products, medicine, medical devices and medical expenses incurred abroad. These funds may also be used to pay Iran's U.N. obligations and direct tuition payments to universities and colleges for Iranian students studying abroad.

- Agreeing not to impose any new nuclear-related U.N. Security Council Resolutions sanctions or EU nuclear-related sanctions during the term of the interim agreement. The U.S. will refrain from imposing new nuclear-related sanctions, consistent with respective roles of the President and the Congress.

Regarding this last point, the House of Representatives passed H.R. 850 (the Iran Nuclear Prevention Act of 2013) in July. The Senate is considering parallel legislation, which reportedly may be taken up soon.

The vast majority of the comprehensive Iranian sanctions regime will remain in place. These sanctions broadly prohibit trade, investment, services, technology transfers, facilitation and banking. The provisions relating to subsidiary liability and SEC reporting on certain activity relating to Iran remain in place, as does the extensive list of Iranian Specially Designated Nationals (SDNs) and blocked parties. President Obama has stated that the United States will vigorously enforce sanctions rules with regard to Iran during the interim negotiation period.

The Joint Plan of Action sets forth a framework that will need to be implemented by the respective countries, which in the United States will require Executive Orders issued by the President, or general or specific licenses issued by OFAC. It will be important to monitor how the P5 + 1 implement the sanctions concessions before making any business decisions based on the announcement. Companies should proceed with caution before considering activities with or relating to Iran.

If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the authors below.

Christopher R. Wall (bio)
Washington, DC
+1.202.663.9250
cwall@pillsburylaw.com

Nancy A. Fischer (bio)
Washington, DC
+1.202.663.8965
nancy.fischer@pillsburylaw.com

Stephan Becker (bio)
Washington, DC
+1.202.663.8277
stephan.becker@pillsburylaw.com

Aaron R. Hutman (bio)
Washington, DC
+1.202.663.8341
aaron.hutman@pillsburylaw.com