

Client Alert

International Trade

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EU defines scope of expanded Iran sanctions, including new natural gas, metals and vessels/ tankers bans

On 21 December 2012, the Council of the European Union (EU) adopted the **EU-wide legislation clarifying important details of the expanded sanctions measures** already agreed by the Council in broad terms on 15 October 2012.¹ **Regulation 1263/2012**² amends the existing Iran Sanctions Regulation (Regulation 267/2012)³ by introducing new sanctions elements into it. Through a separate regulation adopted on the same day, **Implementing Regulation 1264/2012**,⁴ the Council has **also added more persons to the asset freeze list** of the Iran Sanctions Regulation.

The general outline of new Iran sanctions measures established on 15 October 2012 results in a significant expansion of the EU's sanctions regime against Iran. Our [previous alert from 17 October 2012](#) provides a full list of these new sanctions elements, the most important being:

- a tightened ban on most **EU bank transactions involving Iranian and Iranian-owned banks**;
- a new ban on EU import, purchase and transport of Iranian **natural gas** (along with related financing and financial assistance);
- a new ban on EU sale, supply or transfer of certain **materials** (including graphite and **raw or semi-finished metals** such as steel and aluminium) and certain **industrial processing software** to Iran (along with related technical or financial assistance);
- new restrictions relating to EU involvement in **construction, service and supply of cargo vessels and oil tankers**; and
- a broadened ban on EU supply of **key equipment and technology** for the Iranian **oil, gas and petrochemical industries**.

Consistent with established EU sanctions principles, the new sanctions measures apply to the EU territory (including its airspace), to nationals of EU Member States (including those located outside the EU), and on board any vessel or aircraft under Member State jurisdiction. They also apply to



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¹ [Commission Decision 2012/635/CFSP](#) of 15 October 2012 amending Decision 2010/413/CFSP concerning restrictive measures against Iran, [2012] OJ L 282/58.

² [Council Regulation \(EU\) No 1263/2012](#) of 21 December 2012 amending Regulation (EU) No 267/2012 concerning restrictive measures against Iran, [2012] OJ L 356/34.

³ [Council Regulation \(EU\) No 267/2012](#) of 23 March 2012 concerning restrictive measures against Iran and repealing Regulation (EU) No 961/2010, [2012] OJ L 88/1, as amended (latest consolidated version, not reflecting changes introduced by recent [Regulation 945/2012](#), [Regulation 1016/2012](#), [Regulation 1067/2012](#) and a [corrigendum](#) in addition to the amendments described herein.

⁴ [Council Implementing Regulation \(EU\) No 1264/2012](#) of 21 December 2012 implementing Regulation (EU) No 267/2012 concerning restrictive measures against Iran, [2012] OJ L 356/55.

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companies incorporated or doing business in whole or in part in a Member State. Below, we highlight important details of these new sanctions measures as defined by Regulation 1263/2012 (along with the asset freeze amendments introduced by Regulation 1264/2012).

I. Regulation 1263/2012

Regulation 1263/2012 entered into force on 23 December 2012.

Expanded bank transaction ban

Regulation 1263/2012 defines the scope of the **broadened restrictions on EU banks' participation in transactions with Iranian financial institutions**. It confirms that as a general rule, fund transfers between banks under EU jurisdiction and Iranian or Iran-related credit and financial institutions and currency exchange offices will be prohibited. Certain exceptions will, however, be provided for, *inter alia*, transfers relating to foodstuffs, healthcare, medical equipment and agricultural or humanitarian purposes, non-commercial transfers and specific trade contracts, provided that they do not contribute to prohibited activities and have undergone Member State notification or authorization procedures, as required (depending on the amount involved in the transfer).

A new feature in this context is also that the Member State authorities will have to inform each other on a quarterly basis of the fund transfer authorizations they decide to grant.

The clause allowing the making available of certain funds to the **Central Bank of Iran** has now been deleted altogether, allowing only the release of its frozen funds (in certain circumstances).

New graphite and raw or semi-finished metals

The scope of the new ban on **direct or indirect sale, supply, transfer or export of graphite and raw or semi-finished metals** relevant to industries controlled directly or indirectly by the Islamic Revolutionary Guard Corps (IRGC) is defined by Regulation 1263/2012 as it introduces a list of relevant items as a new **Annex VIIB** to the Iran Sanctions Regulation.⁵ **This list includes a wide variety of (certain articles of) graphite, iron and steel, copper, nickel, aluminium, lead, zinc, tin and other base metal products specified at HS heading or sub-heading level in the Annex.**

Industrial processing software supply ban

The new prohibition on **direct or indirect sale, supply, transfer or export of industrial processing software** to Iranian parties is further defined in a new **Annex VIIA**. This Annex clarifies that the subject prohibited items involve Enterprise Resource Planning software designed specifically for use in nuclear, military, gas, oil, navy, aviation, financial and construction industries.

Consistent with other supply bans of the Iran Sanctions Regulation, these bans include related financing, financial assistance, technical assistance and brokering services. Execution of contracts concluded before 22 December 2012 (or related ancillary contracts) is **exempt until 15 April 2013**.

New Iranian natural gas ban

Regulation 1263/2012 also implements the **prohibition to purchase, transport or import into the EU natural gas** (which is defined at Harmonized System (HS) sub-heading level in a new **Annex IVA** to the

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⁵ Annex VIIB can be found in Annex VI to [Council Regulation 1263/2012](#).

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Regulation) originating in Iran or exported from Iran. The Regulation further defines this ban as including swapping (i.e. the exchange of natural gas streams of different origins) of natural gas originating in Iran or exported from Iran. Related direct or indirect brokering services, financing or financial assistance (including financial derivatives) as well as (re)insurance is also prohibited.

At the same time, the Regulation clarifies that this new ban does not cover exports of natural gas from a third country that has been combined with Iranian gas, as long as the gas was not combined within the infrastructure of Iran. Any contracts for EU delivery of natural gas originating in a third country other than Iran are also exempt, along with certain natural gas purchases within Iran for civilian use (such as residential heating or power) and diplomatic missions.

New restrictions on oil tanker and cargo vessel services and key naval equipment and technology

The Regulation prohibits the **direct or indirect sale, supply, transfer or export of key naval equipment or technology** for ship building, maintenance or refit, as defined in a new **Annex VIB**, as well as related technical assistance, brokering and financing/financial assistance for such supply or manufacture, maintenance and use of Annex VIB items. This prohibition does not apply to the supply of listed items (or bunker oil) to vessels not owned or controlled by Iranian parties that are forced into Iranian ports or territorial waters under force majeure. Also, the **execution before 15 February 2013 of contracts concluded before 22 December 2012 is allowed**.

The Regulation also prohibits parties subject to EU jurisdiction from supplying certain **services in respect of Iranian oil tankers and cargo vessels from 15 January 2013** (including those related to design, construction, repair, inspection, testing, and classification).

In addition, there is now a **ban on the making available of vessels designed for the transport or storage of oil to Iran**, and a prohibition on the making available of such vessels to any person unless those persons have taken precautions to prevent the carriage or storage of oil or petrochemical products originating in or exported from Iran. These bans do not apply in relation to the execution of contracts concluded before 23 January 2012 explicitly providing for the supply of Iranian crude oil or petrochemical products for the reimbursement of outstanding amounts to EU parties and notified to the competent authority of the Member State in which the person seeking to perform the contract is established.

Broadened ban on key equipment and technology supply for Iranian oil, gas and petrochemical industries

While the Iran Sanctions Regulation already contains a list (i.e. Annex VI) of key equipment and technology for the Iranian oil, gas and petrochemical industries which may not be directly or indirectly sold, supplied, transferred or exported to Iranian parties, Regulation 1263/2012 expands this ban by establishing an **additional list of such key equipment and technology**. This list is featured in **Annex VIA** and includes various metal casing, tubing, pipes and containers. As before, the ban includes related financing, financial assistance, technical assistance and brokering services.

The **ban on Annex VIA items does not apply for the execution before 15 April 2013 of contracts concluded before 16 October 2012**, subject to notification to the competent Member State authorities. The exemption also applies to the provision of technical assistance under such contracts, but only that intended for the installation of listed equipment or technology (i.e. no reference is made to assistance related to subsequent maintenance).

II. Implementing Regulation 1264/2012

Through Regulation 1264/2012, the Council added **one natural person and 18 entities** to the EU asset freeze list (i.e. Annex IX) of the Iran Sanctions Regulation, while revising three existing entries and removing two. The newly designated parties are alleged to be involved in nuclear activities or provide support to the Iranian government, and are mainly active in the Iranian or Iran-related oil, metals and banking sectors. Regulation 1264/2012 **entered into force on 22 December 2012**. Over 100 natural persons and almost 500 entities are now subject to an asset freeze under the Iran Sanctions Regulation.