

Client Alert

International Trade

3 April 2015

Sanctions implications of the nuclear deal between Iran and the international community

Yesterday, an important tentative deal was agreed between the P5+1, the European Union, and Iran. Below, we look at what elements of the current sanctions could potentially be suspended or lifted if final agreement is reached by the current deadline of June 30, 2015 and implementation by Iran is verified. It is important to note that all current sanctions remain in place and need to be fully complied with until they are formally suspended or lifted. Also, if Iran is found not to comply with the final agreement, the sanctions could be "snapped back" into place.

On April 2, 2015, the P5+1 (China, France, Russia, the United Kingdom, and the United States, plus Germany), the European Union, and Iran announced "Parameters for a Joint Comprehensive Plan of Action ("JCPOA") regarding the Islamic Republic of Iran's nuclear program" (the "Parameters"). The Parameters establish a foundation for the final text of the JCPOA to be agreed upon prior to the expiration of the existing Joint Plan of Action ("JPOA") on June 30, 2015. According to the Parameters, Iran will agree to curtail its nuclear program significantly to ensure peaceful civilian use, and the time it would take for Iran to acquire material to develop a nuclear weapon would be extended from two-three months to at least one year for a duration of ten years.

In return, and upon verification that Iran is abiding by the terms of the deal, the United Nations, the European Union, and the United States have agreed to provide Iran with relief from certain nuclear-related sanctions. No sanctions will be suspended or lifted until a final agreement is concluded and Iran's performance of its obligations is verified by the International Atomic Energy Agency ("IAEA"). If Iran violates the deal, sanctions can be snapped back into place (and the US nuclear sanctions architecture will remain in place to cover this eventuality). US sanctions on Iran relating to terrorism, human rights, and ballistic missiles, and EU sanctions on Iran relating to human rights, will continue to be fully enforced.

The summary table below shows which US and EU sanctions remain formally in place (even if some are currently suspended – see below), and which measures could be suspended or lifted if all the elements are agreed by the current deadline of June 30, 2015 and complied with by Iran.

Sanctions potentially up for suspension	Sanctions remaining in place even if the final deal is implemented by Iran
<ul style="list-style-type: none"> US nuclear-related sanctions To the extent other US sanctions potentially could be lifted, no details have been officially provided at this time. 	<ul style="list-style-type: none"> US sanctions on Iran relating to terrorism, human rights, and ballistic missiles

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<ul style="list-style-type: none"> • EU nuclear-related sanctions imposed through Regulation 267/2012¹ including: <ul style="list-style-type: none"> ○ asset freeze against numerous parties ○ import and export restrictions for the oil, gas, petroleum and petrochemical sectors ○ restrictions with respect to (among others) arms, dual-use items, industrial processing software, diamonds, and graphite and raw or semi-finished metals ○ investment and financing restrictions in the Iranian oil & gas, uranium mining and enrichment, petrochemical and arms/military equipment industries ○ Restrictions on fund transfers with Iran-related banks and/or Iran-related 	<ul style="list-style-type: none"> • EU sanctions imposed through Regulation 359/2011² to combat the deterioration of the human rights situation in Iran (with e.g. asset freezes and restrictions related to the supply of equipment that can be used for internal repression)
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Current suspension of certain US and EU sanctions until 30 June 2015 is unaffected

The terms of the JPOA, initially agreed upon on November 24, 2013, and extended on November 24, 2014, provide for limited sanctions relief for specific Iran-related transactions, largely applicable to non-US persons (for example, purchases of petrochemical products from Iran, sales to Iran's auto industry, sales and purchases of gold and other precious metals, purchases of petroleum products from Iran, provision of parts and services for civil aviation, and facilitation of humanitarian transactions) and remain in effect. Our analysis of the JPOA and description of the corresponding US sanctions relief is available [here](#).

The EU also decided on January 20, 2014 to suspend some of its sanctions measures relating to (re)insurance and transport services for Iranian crude oil, supply of petrochemical products, trade in gold and precious metals, and certain financial transactions. This suspension also remains in effect. Our latest client alert on the suspension of EU sanctions against Iran can be found [here](#).

Effect on UN Sanctions

The Parameters also provide that all past UN Security Council resolutions relating to Iran's nuclear program will be lifted simultaneously with Iran's completion of nuclear-related actions addressing all key concerns. The five key concerns are identified as enrichment, Fordow (which will be converted so that it is no longer used to enrich uranium), Arak (which will involve a redesign of the reactor to ensure peaceful nuclear research), Possible Military Dimensions ("PMD"), and transparency.

Core provisions in UN Security Council resolutions dealing with transfers of "sensitive technologies and activities" will be re-established by a new UN Security Council resolution. Existing restrictions on arms and ballistic missiles, as well as cargo inspections and asset freezes, will be incorporated into the new resolution. This resolution also will create a procurement channel for Iran's nuclear program "to monitor and approve", on a case-by-case basis, the supply, sale, or transfer to Iran of certain nuclear-related and dual-use materials and technology.

As is the case for EU and US sanctions, non-performance of the agreement by Iran could result in the re-imposition of all previous UN sanctions.

Until such time as an agreement is concluded and Iran completes actions relating to key concerns, the existing UN resolutions will remain in place.

¹ [Regulation 267/2012](#) of 23 March 2012 concerning restrictive measures against Iran and repealing Regulation (EU) No 961/2010.

² [Regulation 359/2011](#) of 12 April 2011 concerning restrictive measures directed against certain persons, entities and bodies in view of the situation in Iran

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While these initial parameters for agreement mark a major breakthrough in the international community's relationship with Iran, the UN, EU and US sanctions remain in place at this time and will only be suspended or lifted gradually, and only once implementation is verified. Companies looking to do business in Iran should monitor these and future developments closely, and exercise caution to ensure compliance with all applicable sanctions.