

Expanded European Union Sanctions Against Iran

2013-02-01

The European Union (EU) sanctions against Iran have been gradually expanded, especially since 2010 when the EU imposed restrictive measures going beyond United Nations Security Council measures against Iran's nuclear program.

A series of restrictions were imposed in a previous EU Regulation (No. 267/2012):

- ban on transfers of funds and financial services
- prohibition to finance certain Iranian enterprises
- ban on the import, purchase and transport of Iranian crude oil, petroleum and petrochemical products
- restriction on trade in dual use goods and technology
- prohibition on trade in gold, precious metals and diamonds
- asset freeze on persons and entities associated with Iran's nuclear program and violations of human rights
- transport and shipping restrictions

On 23 December 2012, the EU imposed a package of additional restrictive measures on Iran targeting the country's banking, trade, energy, and transport sectors (Regulation No. 1263/2012).

The new restrictive measures significantly broaden EU's sanctions against Iran.

Embargo on Iranian Natural Gas

The new Regulation:

- imposes a ban on the import, purchase and transport of Iranian natural gas, including a ban on swapping that is known or suspected to increase the export of natural gas in circumvention; and
- prohibits to provide, directly or indirectly, financing, financial assistance (including financial derivatives), brokering, insurance or re-insurance services.

However, the embargo does not affect contracts for the delivery of non-Iranian natural gas when the gas from a third country has been combined with gas originating in Iran, as long

as the gas was not combined within the infrastructure of Iran.

As defined in the Regulation, natural gas includes natural gas in liquefied and gaseous states, natural gas condensates, propane, butane, and other kinds of natural gas.

Expanded Restrictions Related to Financial Transactions

All financial transactions involving Iranian banks and financial institutions are prohibited, unless transactions fall within specified limited categories. Exceptions involve, *inter alia*:

- transactions for medical equipment, healthcare and foodstuffs;
- transactions for non-commercial, agricultural, humanitarian, and related purposes;
- personal remittances; and
- transfers in connection to specific trade contracts.

Transfers due on transactions regarding foodstuffs, health care or medical equipment, or for agricultural or humanitarian purposes equal to or above €10,000 (but below €100,000) have to be notified in advance to the relevant EU Member State.

Transfers due on transactions regarding personal remittances below €40,000 have to be notified in advance to the EU Member State concerned.

For both types of transfer no authorization is needed.

Any other transfers exceeding €10,000 require prior authorization of the competent authority of the EU Member State concerned.

Transfer of funds through the Central Bank of Iran has also been limited to the following cases:

- for the purpose of providing credit or financial institutions with liquidity for the financing of trade, or the servicing of trade loans; and
- where funds or economic resources are necessary for the reimbursement of a claim due under a contract or agreement concluded before 16 October 2012.

New Restrictive Measures on Key Naval Equipment, Technology and Related Services

The new Regulation:

- prohibits the sale, supply, transfer or export, directly or indirectly, of key naval equipment and technology for ship building, maintenance or refit to any Iranian person, entity or body or for use in Iran, including equipment which can be used to construct oil tankers;
- bans the provision of brokering services, technical and financial assistance related to such technology and equipment;
- bans the supply of vessels constructed for storage or transport of oil and petrochemical products to any Iranian person, entity or body, unless the providers of vessels have taken

precautions to prevent the carriage or storage of oil or petrochemical products exported or originating in Iran; and

- prohibits the provision of services, such as construction, design, maintenance, testing, inspection, classification, etc. in respect of Iranian oil tankers and cargo vessels.

New Prohibition on Trade in Graphite, Metals and Software for Nuclear or Missile Programs

The new Regulation:

- prohibits the sale, supply, transfer or export of graphite, raw or semi-finished metals, such as steel, aluminum, copper or nickel, which are related to industries controlled by the Iranian Revolutionary Guard Corps (IRGC) or contribute to Iran's nuclear, military, or ballistic missile program.

The specific products falling within the scope of this prohibition are defined by reference to their customs tariff classification. The prohibition does not apply to the execution of contracts until 15 April 2013, that were concluded before 22 December 2012.

- bans trade in industrial processing software involving Enterprise Resource Planning (ERP) software used in nuclear, military, gas, oil, navy, aviation, financial and construction industries.

ERP software comprises “*software used for financial accounting, management accounting, human resources, manufacturing, supply chain management, project management, customer relationship management, data services, or access control.*”

These restrictive measures include any related financing, financial or technical assistance and brokering services.

Broadened Scope of Existing Restrictions on Key Equipment and Technology for Iranian Oil, Gas, and Petrochemical Industries

The Regulation expands the restriction on the sale, supply, transfer or export of key equipment and technology for Iranian oil, gas and petrochemical industries by establishing a new list of such equipment and technology. It includes various casing, tubing, containers and pipes.

As before, these measures include any related financing, financial aid and technical assistance or brokering services.

The ban on these items does not apply for contracts concluded before 16 October 2012. Obligations arising from such contracts can be executed until 15 April 2013 subject to a notification to the competent EU Member State.

Scope of the Restrictive Measures

Restrictive measures apply:

- within the EU territory (including its air space);
- on any vessel or aircraft under the jurisdiction of the EU Member State;
- to nationals of the EU Member States (located inside or outside the EU);
- to any legal person, entity or body constituted or incorporated under the law of the EU Member State (regardless of their location); and
- to any legal person, entity or body doing business in whole or in part in the EU.

Unlike the US sanctions, the EU sanctions do not apply to subsidiaries of EU companies incorporated outside the Union.

Authors



Ronald I. Meltzer

SENIOR COUNSEL

✉ ronald.meltzer@wilmerhale.com

☎ +1 202 663 6389