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Following the U.S. Lead, the European Union Expands Its Sanctions Against Iran

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The European Union has bolstered its efforts to foil Iran's nuclear capabilities by imposing an oil embargo that targets the source of financing for Iran's nuclear industry. The measures, adopted January 23, 2012 as part of Council Decision 2012/35/CFSP (the "Decision"), are a response to deepening concerns over the Iranian nuclear program and Iran's suspected efforts to manufacture nuclear weapons.

In addition to the oil embargo, the Decision broadens existing sanctions by introducing new measures targeting the Iranian financial system, the transport sector, the energy sector, and the Iranian Revolutionary Guard Corps.

With these new measures, the EU regime remains more narrowly targeted than the more comprehensive and long-standing U.S. sanctions. The particular focus of today's Decision on Iran's financial and energy sectors is consistent with recent U.S. measures, and reflects a coordinated U.S.-EU Iran policy.

What is new?

The Decision imposes the following sanctions on Iran:

- a ban on the import of Iranian-origin crude oil and petroleum products into

the EU

- a prohibition on the export of key equipment and technology from the EU to the Iranian petroleum sector
- a prohibition on investment in petrochemical companies in Iran
- a freeze on the assets of the Iranian Central Bank within the EU (while allowing legitimate trade with Iran to continue under strict conditions)
- a prohibition on the trade in gold, precious metals, and diamonds with Iranian government entities
- a prohibition on the delivery of Iranian-denominated banknotes and coinage to the Iranian central bank
- expansion of the list of persons subject to an asset freeze and a visa ban

The Decision has already been partly implemented by Implementing Regulation (EU) No. 54/2012 and Regulation (EU) No 56/2012. The Implementing Regulation amends the primary legislative instrument regarding sanctions against Iran — Regulation (EU) No 961/2010 — by expanding the list of persons and entities subject to an asset freeze. Regulation (EU) No 56/2012 modifies the list of sanctioned persons. A further regulation, expected to be passed shortly, will implement the other measures in the Decision. The sanctions, when fully implemented, will apply to any acts occurring within the territory of the EU, to any EU natural or legal person, or to any business done in any part of the EU.

The Context

The Decision extends significantly the EU's existing sanctions against Iran and builds on the comprehensive range of sanctions set forth in Council Regulation (EU) No. 961/2010 (as amended), which was introduced on October 25, 2010. Council Regulation (EU) No. 961/2010 forms the bedrock of the EU sanctions against Iran. It introduced, among other measures, a wide-ranging asset freeze, restrictions on transfers of funds to and from Iran, an arms embargo, restrictions on Iran's banking and financial sector, prohibitions on Iranian investment in the uranium-mining and nuclear industry, and restrictions on trade in key equipment and technology used in the Iranian oil and gas industry.

Further Detail about the Decision

Oil Embargo

The Decision prohibits the purchase, import, or transport from Iran of crude oil, petroleum, and petrochemical products. The precise products falling within the scope of this prohibition will be specified in further guidance. The Decision also prohibits EU companies from providing, directly or indirectly, financing or financial assistance, insurance, and reinsurance related to the import, purchase, or transport of such products.

The Decision makes an exception for preexisting contracts or necessary

ancillary contracts concluded before January 23, 2012 (i.e., the date of the Decision). However, these contracts must be concluded no later than July 1, 2012, with an earlier date of May 1, 2012 for contracts involving petrochemicals. There is also an exception for contracts concluded before January 23, 2012, where the supply of such products is for the reimbursement of outstanding amounts owed to persons within the territory of Member States.

Equipment and technology

The Decision bans the sale, supply, or transfer of key equipment and technology for the petrochemical industry in Iran, or to Iranian-owned enterprises engaged in such activity outside Iran. Using vessels or aircraft under the jurisdiction of Member States for such activities is also prohibited, regardless of whether such vessels or aircraft originate in Member State territories. As with the oil embargo, the precise equipment and technology falling within the scope of this prohibition will be specified at a later date. Likewise, this prohibition does not apply to contracts for the delivery of goods concluded, or investments made, before January 23, 2012.

Provision of Services relating to the Petrochemical Industry

The Decision prohibits EU companies from providing technical assistance or training on key equipment and technology to the Iranian petrochemical industry, or to Iranian-owned enterprises engaged in that industry outside Iran.

Similarly, the Decision prohibits EU companies from extending financing or financial assistance for any sale, supply, transfer, or export of key equipment and technology, or for the provision of related technical assistance or training.

The Decision also prohibits activities whose object or effect is to circumvent these prohibitions.

Restraint of Investments in the Iranian oil and gas sector

The Decision broadens the scope of existing restrictions on the financing of certain enterprises in the oil and gas industry. This includes a prohibition on making available loans or credit to Iranian petrochemical enterprises, whether those enterprises are based inside or outside Iran. The Decision also prohibits investments in such enterprises, including the acquisition of a minority interest. These restrictions are also subject to a carve-out for obligations arising from contacts concluded before January 23, 2012.

Asset Freeze

The Decision extends the existing asset freeze to the Central Bank of Iran

and Bank Tejarat. However, exemptions have been introduced so that Member States may permit the following transactions:

- transfers of funds or economic resources through the Central Bank of Iran where the transfer is for payment of a nonsanctioned entity or in connection with a specific trade contract; or
- to provide financial institutions with liquidity in relation to trade financing.

Trade Restrictions

The Decision prohibits the sale, purchase, transportation, or brokering of gold, precious metals, and diamonds to, from, or for the Iranian government and government-owned entities and agencies. The Decision also prohibits the delivery of Iranian-denominated banknotes and coinage to, or for the benefit of, the Iranian Central Bank.

The Implications

Companies doing business in Iran or with Iranian entities should assess the impact of these new measures.

Given the fluidity of the situation, it is also essential for those doing business in Iran to monitor the regulatory landscape. Companies with investment portfolios that include Iran-related business are advised to consider contractual measures to permit a smooth exit, should the EU sanctions be expanded further. Additionally, businesses and their advisers need to ensure that enhanced due diligence is undertaken prior to engaging in business with companies with connections to Iran or Iranian entities.

With these broad sanctions, the EU continues its increased coordination with the United States on Iran policy. The EU sanctions directed at Iran's petroleum and petrochemical sector are now closer to the U.S. sanctions in terms of their reach. However, the EU has to date declined to follow the United States by imposing comprehensive restrictions on all commercial activity with Iran.

For information about existing U.S. economic sanction on Iran, see our previous alerts:

[New Enforcement Guidelines for Violations of U.S. Economic Sanctions Laws are Latest Indication of Aggressive Enforcement by the Office of Foreign Assets Control](#)

[New Economic Sanctions Targeting Iran Issued by the United Nations, European Union and United States Will Have Broad International Effects](#)

[The United States Broadens Economic Sanctions Targeting Iran in Parallel with United Kingdom and Canadian Measures](#)

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