

EU IMPOSES FURTHER IRAN SANCTIONS

Introduction

On 21 December 2012, the European Council adopted two regulations which further enhanced EU sanctions against Iran.

Council Regulation (EU) No. 1263/2012 builds upon the sanctions set out in Regulation 267/2012 of 23 March 2012, and implements additional financial and trade sanctions against Iran. The Regulation came into force on 23 December 2012. However, the measures set out in the Regulation have varying dates of effect, often depending on the dates on which the relevant contracts were concluded and/or executed.

Council Regulation (EU) No. 1264/2012 implements Council Decision 2012/829/CSFP, which amends the list of “designated persons” subject to the EU asset freeze regime – 18 entities and one individual are added, while two entries are deleted. The Regulation came into force on 22 December 2012.

Summary of sanctions

The prohibitions under Regulation 1263/2012 are extensive. A summary of key measures relating to energy and commodities, trade, shipping and financial transactions are set out below. This alert is not a complete summary of the sanctions contained in Regulation 1263/2012.

Subject to certain exceptions, the following are prohibited:

Energy, Commodities and Trade

- (i) to purchase, import, swap or transport into the EU, natural gas which originates in Iran or been exported from Iran, or provide, directly or indirectly, of financing or financial assistance. However, note that this prohibition does not apply to natural gas that has been exported from a State other than Iran, when the exported gas has been combined with gas originating from Iran within the infrastructure of a State other than Iran.
- (ii) to sell, supply, transfer or export graphite and raw or semi-finished metals, directly or indirectly, to any Iranian person, entity or body, or for use in Iran.

- (iii) to sell, supply, transfer or export key equipment or technology for integrating those industrial processes set out in Annexes VI and VIIA, directly or indirectly, to any Iranian person, entity or body, or for use in Iran.
- (iv) to supply, transfer or export software set out in Annex VIIA (predominantly software for integrating industrial processes relevant to industries controlled directly or indirectly by the Islamic Revolutionary Guard Corps or to Iran's nuclear, military or ballistic missile programme) to any Iranian person, body or entity, or for use in Iran.

It is also prohibited to provide technical or brokerage services, or, directly or indirectly, financing or financial assistance, in connection with items (ii) – (iv) above.

Shipping and Naval

- (i) to provide vessels designed for the transport or storage of oil and petrochemical products to Iranian persons or entities, or to provide such vessels to any person or entity unless the provider has taken appropriate action to prevent the vessel from being used to carry or store oil or petrochemical products that originate in Iran or have been exported from Iran.
- (ii) to sell, supply or transfer key naval equipment and technology for the construction, maintenance or refit of vessels to Iran, Iranian or Iranian-owned entities.
- (iii) to supervise and/or participate in the design, construction and repair of oil tankers and cargo vessels flying the Iranian flag, or owned, chartered or operated by an Iranian person or entity.

It is also prohibited to provide technical or brokerage services, or, directly or indirectly, financing or financial assistance, in connection with the foregoing.

Financial Transactions

Transfers between EU financial institutions and the following parties are prohibited, unless such transfers have been authorised:

- (i) credit and financial institutions and bureaux de change domiciled in Iran;
- (ii) branches and subsidiaries of such institutions domiciled within and outside the jurisdiction of Member States; and
- (iii) financial entities domiciled outside Iran, but controlled by persons or entities domiciled in Iran.

The provision of export credits, guarantees and insurance to nationals or entities involved in trade with Iran are also prohibited.

Effect

The new sanctions are extremely wide ranging, and will be complicated in their application, particularly given the varying dates applicable to the conclusion and execution of some contracts.

While the new sanctions on Iran are not binding on any party in the GCC area other than EU persons and entities, they will affect GCC and other parties through their trading partners in the EU.

This alert is not a complete summary of the sanctions contained in Regulation 1263/2012. If there are any concerns as to whether the sanctions may apply to a particular transaction, legal advice should be sought promptly.

The full text of Council Regulation 1263/2012 can be found at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:356:0034:0054:EN:PDF>

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