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Iran Bill Imposes Most Comprehensive Sanctions Ever

The Iran Threat Reduction and Syria Human Rights Act of 2012, when coupled with existing sanctions legislation, represents the strongest set of sanctions to isolate any country in the world during peacetime. With the measure signed into law on August 10 by President Obama, virtually all of Iran's energy, financial, and transportation sectors would be subject to U.S. sanctions. Companies conducting business in these industries would face the possibility of losing access to U.S. markets. Most importantly, the law prohibits the repatriation to Iran any revenue it receives from the sale of its oil, robbing Iran of 80 percent of its hard currency earnings and 50 percent of the funding for its national budget.

The legislation was introduced in the Senate by Banking Committee Chairman Tim Johnson (D-SD) and Ranking Member Richard Shelby (R-AL) and in the House by Foreign Affairs Committee Chair Ileana Ros-Lehtinen (R-FL) and Ranking Member Howard Berman (D-CA).

Below are the key areas targeted by U.S. sanctions:

Energy

With the provisions of this law joined to existing law, virtually every aspect of Iran's energy sector—the lifeblood of its economy—will be subject to sanctions. Iran's energy sector is responsible for more than a quarter of Iran's GDP, and revenue from oil exports makes up more than half of the government's annual budget. U.S. sanctions have already deprived Iran of tens of billions of dollars in investments and reduced Iran's oil exports by 60 percent, or approximately \$40 billion a year.

Sanctions would now be imposed on anyone who:

- Invests in Iran's petroleum, petrochemical, or natural gas sector.
- Provides goods, services, infrastructure, or technology to Iran's oil, natural gas and petrochemical sectors.
- Provides refined petroleum products to Iran.
- Insures or re-insures investments in Iran's oil sector.
- Engages in joint energy ventures with Iran, in Iran and abroad.
- Provides insurance or re-insurance to the National Iranian Oil Company or the National Iranian Tanker Company.
- Helps Iran evade energy sanctions, including through such activities as masking the origin of oil and disguising the ownership of oil tankers.
- Sells, leases, or otherwise provides tankers to Iran.

- Buys Iranian crude oil unless the president determines that the purchaser continues to significantly reduce oil purchases.

The president must also report to Congress within 120 days about the feasibility of sanctioning any purchaser of Iranian natural gas unless the purchaser significantly reduces the volume of natural gas it buys from Iran.

Finance

Iran's access to the international financial system has been nearly eliminated as a result of U.S. sanctions. Without access to the international finance system, Iran's ability to conduct trade and receive payments for oil exports has been extremely limited.

With the measure's enactment, sanctions would now be imposed on any foreign financial institution that:

- Provides material support to designated Iranian banks. Only a handful of Iranian banks are not designated and these banks do not conduct significant international business. In fact, both Turkey and India have recently denied licenses to Iranian banks seeking to establish new overseas branches.
- Conducts significant transactions or provides significant financial services to the Central Bank of Iran. The only exception is now for the purchase of Iranian oil and then only if the country is significantly reducing such imports. Now, Iran will be able to use the proceeds from the sale of its oil only for bilateral trade and only with the country purchasing the oil. No funds will be allowed to be repatriated to Iran.
- Conducts significant transactions or provides significant financial services to Iran's Islamic Revolutionary Guard Corps (IRGC), or any entity designated by the U.S. for supporting Iran's proliferation activities, including, for example, Iran Air.

Other key financial sanctions:

- Sanctions are authorized against any provider of specialized financial messaging services to Iran. The SWIFT financial messaging service has already cut most Iranian banks out of its systems.
- Sanctions are mandated on anyone carrying out significant trade with Iran in gold and other precious metals.
- Sanctions are mandated on money changers carrying out significant financial transactions with sanctioned Iranian financial institutions and the Central Bank of Iran.
- Sanctions are mandated on entities that purchase, subscribe to, or facilitate the new issuance of Iranian sovereign debt. Anyone who buys a bond issued by Iran, for example, can now be sanctioned.

Transportation

U.S. sanctions have targeted the Iranian transportation sector as an enabler of Tehran's proliferation activities. Foreign entities aiding Iran's major shipping lines and airlines face sanctions and the loss of access to U.S. markets.

Sanctions would now be imposed on anyone who:

- Transports Iranian crude oil.

- Provides material support or conducts a significant transaction with Iran Air or Mahan Air.
- Provides material support or conducts a significant transaction with the Islamic Republic of Iran Shipping Lines (IRISL).
- Provides material support or conducts a significant transaction with Tidewater Middle East Company, an IRGC affiliate controlling Iran's largest ports and handling 95 percent of container traffic in and out of Iran.
- Helps Iran evade transportation sanctions, including through such activities as masking the ownership of oil vessels and aircraft.
- Provides transportation, insurance, or any other shipping service that could materially contribute to the activities of the government of Iran with respect to the proliferation of weapons of mass destruction or support for acts of international terrorism.

Human Rights

Individuals and entities responsible for carrying out serious human rights abuses in Iran are subject to U.S. sanctions. Those foreign entities that provide Iran the weapons and technology to carry out these abuses also face sanctions.

Sanctions would now be imposed on anyone who:

- Carries out, is responsible for, complicit in, or otherwise directs serious human rights abuses committed against citizens of Iran or their family members.
- Transfers goods or technologies to Iran that are likely to be used to commit human rights abuses.
- Engages in censorship, or activities relating to censorship, in a manner that prohibits, limits, or penalizes the legitimate exercise of freedom of expression by citizens of Iran.

Other Important Sanctions:

- U.S. persons are prohibited from virtually all transactions related to Iran with certain exceptions, notably for food, medicine, and informational materials.
- Sanctions are mandated on anyone providing Iran goods, services and/or technology that would contribute materially to the ability of Tehran to acquire or develop chemical, biological, or nuclear weapons as well as destabilizing numbers and types of advanced conventional weapons.
- Companies seeking U.S. government contracts are required to certify that they do not conduct business in violation of the Iran Sanctions Act or provide support to the IRGC. Companies that provide sensitive technologies to Iran are also barred from receiving U.S. government contracts.
- Companies required to file reports with the Securities and Exchange Commission must report if they engage in certain transactions with Iran.