

# MEMMO

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## **Iran Reaches Implementation Day**

The International Atomic Energy Agency (IAEA) reported Jan. 16 that Iran had met its initial nuclear commitments under the Joint Comprehensive Plan of Action (JCPOA). Accordingly, “Implementation Day” was reached and the P5+1 lifted nuclear-related sanctions on Iran. The Iranian market has now reopened for business and Tehran has gained access to over \$100 billion in previously frozen assets. This is a dangerous moment for America and its allies as Iran regains strength and acquires the resources to expand its military capabilities. To confront the threats Tehran poses, Congress and the president must exercise robust oversight of Iran's behavior and respond to any Iranian violations of the JCPOA or United Nations Security Council resolutions (UNSCR) with certain, swift and severe penalties.

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### **Iran has fulfilled its initial nuclear commitments under the JCPOA, but serious questions remain.**

- The IAEA has certified that Iran has met its initial nuclear commitments required under the JCPOA to bring about Implementation Day:
  - Iran technically fulfilled its obligation to answer IAEA questions about the possible military dimensions (PMD) of its nuclear program. While the IAEA indicated that [Iran was not](#) fully forthcoming, the IAEA's Board of Governors nevertheless “closed the file” on the matter.
  - Iran decommissioned two-thirds of its installed centrifuges, from 19,000 to 6,104, with 5,060 of those remaining operational.
  - Iran reduced its stockpile of about 10,000 kg of low-enriched uranium (LEU) to 300 kg, agreed not to possess more than that amount and not to enrich uranium past 3.67 percent for the next 15 years.
  - Iran reconfigured the Arak heavy water reactor to limit production of plutonium. It also agreed to export all spent fuel within one year of its removal from the reactor.
- Iran's actions have extended U.S. estimates of Tehran's breakout time to produce the fuel for a nuclear bomb from several months to one year. This is a positive step. However, Iran will have the right to build an industrial scale nuclear program—including installing as many centrifuges of any design and producing as much enriched uranium as it wants—when key provisions of the JCPOA sunset after only 15 years. At that point, Iran will acquire the capability to break out within days.
- Serious questions remain about the efficacy of the IAEA's verification and monitoring regime as a result of Iran's incomplete cooperation with the PMD probe. Without a comprehensive accounting of Iran's prior weaponization efforts, gaps may remain in the IAEA's ability to detect covert cheating.

### **The P5+1 has lifted nuclear-related sanctions.**

- Iran had clear incentives to meet its initial commitments under the JCPOA, and it now has access to as much as \$100 billion that had been locked in frozen accounts abroad.

- Financial and economic sanctions on Iran have now lifted, including those that had restricted its sale of oil, curtailed investment in its energy sector, barred its access to the global financial system, and limited its auto, ports, shipping, and insurance sectors.
- Under UNSCR 2231, the resolution endorsing the JCPOA, most sanctions targeting Iran in UNSCRs 1696, 1737, 1747, 1803, 1835, 1929 and 2224 have been terminated.
- Per Annex V of the JCPOA, the European Union has suspended or terminated all of its nuclear-related sanctions and the United States has waived the application of its nuclear-related sanctions, including most energy and financial sanctions.
- Iran is likely to utilize this financial windfall to bolster its regional malign activities, including support for the Assad regime in Syria and the Lebanese terrorist organization Hezbollah. Tehran is also likely to expand its research and development on ballistic missiles.

### **Companies face risks if they re-enter the Iranian market.**

- The lifting of sanctions will allow international companies to trade freely with Iran, but American companies will, with few exceptions, still be prohibited from doing business with Iran.
- The United States still retains sanctions on Iranian entities, including Iran’s Revolutionary Guard Corps and those engaged in terrorism, human rights abuses, and aiding Iran’s ballistic missile program. Foreign companies must ensure compliance with U.S. sanctions or risk losing access to the American market.
- Foreign companies would face significant penalties if Iran does not honor its obligations under the JCPOA. According to Treasury official Adam Szubin, “If the sanctions snap back, I want to emphasize there is no grandfather clause. No provision in the deal gives signed contracts special status. Once snapback occurs, any new prospective transactions are sanctionable.”
- Foreign companies must also weigh the depressed price of oil, Iran’s ongoing corruption, chaotic banking sector, oppressive theocratic government and appalling human rights record when considering investment in the Iranian energy sector.

### **America must ensure the JCPOA is enforced.**

- Before Implementation Day, Iran faced no consequences for failing to cooperate with the IAEA and for violating its international commitments with two illicit missile tests. The tepid international response to Iran’s provocations raises serious concerns about Tehran’s compliance with the nuclear deal and whether America and the global community will enforce international agreements.
- On Jan. 17, the Treasury Department sanctioned 11 entities associated with Iran’s missile program—an act that must be swiftly replicated if Iran again violates the JCPOA or UNSCR 2231.
- Iran’s leadership, including Supreme Leader Ayatollah Ali Khamenei, has issued interpretations of the JCPOA clearly at odds with the letter and spirit of the deal. Khamenei has threatened that Iran will cease fulfilling its obligations if sanctions are “snapped-back,” or if any new sanctions, including those non-nuclear related, are imposed.
- The United States must not be deterred by Iran’s hostile threats from re-imposing sanctions for violations of the JCPOA. Congress must ensure robust oversight of the JCPOA and the swift implementation of penalties for any Iranian violations. In addition, we must confront Iran’s continued support for terrorism and its regional malign activities, and take firm action to support our regional allies, especially Israel.