

EU Prohibits Imports of Iranian Natural Gas and Tightens Other Sanctions on Iran

On October 15, 2012, the Council of the European Union adopted Council Decision 2012/635/CFSP (“Decision 2012/635”)¹ amending Decision 2010/413/CFSP² concerning restrictive practices against Iran. On the same date, the Council adopted Council Regulation (EU) No 945/2012³ implementing Decision 2012/635’s freeze of the assets of various Iranian oil and shipping companies.

Decision 2012/635 is binding upon Member States, but only the asset freeze provisions are so far binding on individuals. The remainder of the Decision will have to be reflected in the Basic Iran Sanctions Regulation (EU) No 267/2012, whereupon compliance will be mandatory for nationals of any EU Member State, for anyone acting or established within the territory of the EU, or while travelling or when using vessels or aircraft under the jurisdiction of a Member State.

This memorandum highlights the most important amendments to the EU’s Iran sanctions program, but does not discuss pre-existing sanctions measures that remain applicable.⁴

1. NATURAL GAS

In addition to the existing prohibition against the sale of oil and petroleum products from Iran, Decision 2012/635 prohibits the import, purchase or transport of Iranian natural gas.⁵ The direct or indirect provision of financing or financial assistance for these activities

¹ Council Decision 2012/635/CFSP of October 15, 2012 amending Decision 2010/413/CFSP concerning restrictive measures against Iran ([OJ 2012 L 282/58](#)).

² Council Decision 2010/413/CFSP of July 26, 2010 concerning restrictive measures against Iran and repealing Common Position 2007/140/CFSP ([OJ 2010 L 195/39](#)).

³ Council Regulation (EU) No 945/2012 of October 15, 2012 implementing Regulation (EU) No 267/2012 concerning restrictive measures against Iran ([OJ 2012 L 282/16](#)).

⁴ In this regard, further information can be found in our alert memoranda dated February 1, 2012 (http://www.cgsh.com/EU_Council_Broadens_Sanctions_against_Iran), April 2, 2012 (http://www.cgsh.com/EU_Implements_Strengthened_Iran_Sanctions), November 5, 2010 (http://www.cgsh.com/EU_Council_Adopts_Iran_Sanctions_Implementing_Regulation), and August 6, 2010 (http://www.cgsh.com/The_EU_Council_Tightens_Iran_Sanctions).

⁵ See Article 1(1) of Decision 2012/635.

(including financial derivatives, insurance and reinsurance, and brokering services relating to insurance and reinsurance), are also prohibited. However, the specific products covered by the new prohibition are still to be determined by a regulation, which will also implement grandfathering rules for existing contracts (in particular, the right to take delivery and make payments under existing contracts until April 15, 2013). In addition, the sanctions will not apply to gas delivered under a contract with another EU Member State.

The financial sanctions against the Iranian oil and gas industry have been further strengthened through the extension of the EU asset freeze to over 30 firms and institutions.⁶ Those added to the list include the National Iranian Oil Company (NOIC) and the National Iranian Tanker Company, both of which are vital to the Iranian oil industry.

2. GRAPHITE AND RAW OR SEMI-FINISHED METALS

Decision 2012/635 prohibits the sale, supply or transfer to Iran of graphite and raw or semi-finished metals such as aluminum and steel.⁷ The decision further prohibits the provision of related technical assistance or training and financing or financial assistance for the sale, supply or transfer of these items. In addition, any intentional participation by EU nationals in activities which have as their object or effect the circumvention of these prohibitions is itself prohibited. Contracts concluded before October 16, 2012, and to be executed before April 15, 2013 will not be affected.

3. FINANCIAL INSTITUTIONS

The existing restrictions on EU financial institutions dealing with blacklisted Iranian banks have been broadened. EU financial institutions are now generally prohibited from entering into, or continuing to participate in, any transactions with banks domiciled in Iran; branches and subsidiaries of banks domiciled in Iran regardless of where they are based; and financial entities that are not domiciled in Iran, but that are controlled by persons and entities domiciled in Iran.⁸

Certain transactions with such Iranian financial institutions can be entered into or maintained, but in most cases only with the prior approval of the relevant Member State authority.⁹ Approval can be obtained for (a) transactions regarding foodstuffs, healthcare, medical equipment or for agricultural or humanitarian purposes, (b) transactions regarding

⁶ See the Annex to Regulation 945/2012. At the same time very few entities were removed from the list of sanctioned persons.

⁷ See Article 1(3) of Decision 2012/635.

⁸ See Article 1(6) of Decision 2012/635.

⁹ No authorization or notification is required for transactions pursuant to points (a) to (e) which are below €10,000. In addition, no prior authorization is needed for transfers not exceeding €100,000 under point (a) and transfers not exceeding €40,000 under point (b), but such transfers must be notified to the authorities if they exceed €10,000.

personal remittances, (c) transactions regarding the execution of the exemptions provided for in Decision 2012/635, (d) transactions in connection with a specific trade contract not prohibited under this Decision, (e) transactions regarding the official business of a diplomatic or consular mission or an international organization enjoying immunities in accordance with international law and (f) transactions regarding payment to satisfy claims against Iran, Iranian persons or Iranian entities, on a case-by-case basis.

For any other transfer of funds to or from Iran that do not involve an Iranian financial institution, the pre-existing thresholds for notification and authorization remain in place, *i.e.* transactions relating to foodstuffs do not require prior authorization, but transactions relating to any other purpose must obtain prior authorization if they exceed € 40,000. Authorization will be deemed granted if the authority does not object within four weeks of submission of the request. Finally, any transaction not requiring prior authorization must be notified to the competent Member State authority if it exceeds €10,000.

4. SHIPPING INDUSTRY

Decision 2012/635 introduces new measures targeted at Iran's shipping industry.

First, the sale, supply or transfer of key equipment or technology for ship-building, maintenance or refit, to Iran or to Iranian or Iranian-owned enterprises, is prohibited, as well as the provision of technical assistance or training and financing or financial assistance with regard to these items.¹⁰ An exemption is provided for the supply of equipment and technology to a non-Iranian-owned or controlled vessel that is forced, under *force majeure*, into an Iranian port or Iranian territorial waters. In addition, any intentional participation by EU nationals in activities which have the object or effect of circumventing these prohibitions is itself prohibited. Contracts concluded before October 16, 2012, and to be executed before April 15, 2013 will not be affected.

Second, the construction or participation in the construction of oil tankers for Iran or Iranian persons and entities is prohibited.¹¹

5. INTEGRATING SOFTWARE

Decision 2012/635 prohibits the sale, supply or transfer to Iran of software for integrating industrial processes, which is relevant to industries controlled directly or indirectly by the Iranian Revolutionary Guard Corps or which is relevant to Iran's nuclear,

¹⁰ See Article 1(3) of Decision 2012/635.

¹¹ See Article 1(5) of Decision 2012/635.

military and ballistic missile program.¹² Again, any intentional participation by EU nationals in activities which have the object or effect of circumventing these prohibitions is itself prohibited. The specific items covered by the new prohibition are still to be determined by means of an implementing regulation.

6. FINANCIAL SUPPORT BY MEMBER STATES

Member States are prohibited from entering into any new short-, medium- or long-term commitments to provide financial support for trade with Iran.¹³ This includes a prohibition on the grant of export credits, guarantees or insurance to their nationals or any entities that are involved in trade with Iran.

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For additional information, please feel free to contact any of your regular contacts at the firm if you have any questions.

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¹² See Article 1(3) of Decision 2012/635.

¹³ See Article 1(4) of Decision 2012/635.

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