

# KEY DEVELOPMENTS IN IRAN, AUGUST 2017

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Legal Briefings - By **William Breeze and Leïla Hubeaut**

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This update aims to provide a brief overview of key developments which have occurred in Iran during the past month and to highlight areas of future interest. In particular, the update covers notable developments in both the political arena and key economic sectors.

## POLITICAL DEVELOPMENTS

### **President Trump signs sanctions bill**

On 2 August 2017, President Trump signed the Countering America's Adversaries Through Sanctions Act 2017 (the "Act") into law. The legislation imposes further sanctions against Russia, Iran and North Korea. Specifically, the statute imposes sanctions on any person or entity who contributes materially to Iran's ballistic missile programme or weapons of mass destruction programme and extends sanctions to any non-American person or entity that does business with any person or entity on the US sanctions list. The legislation also calls for the President to impose additional sanctions on any person or entity involved in violations of internationally recognised human rights. The sanctions bill received near-unanimous support in both chambers of the US Congress, passing the House 419-3 and the Senate 98-2. President Trump signed the Act with two partly critical signing statements. The criticism focused on the constitutional and legal problems the Trump Administration believes the Act will create. Specifically, the second signing statement indicated that the Administration believes the legislation impinges on the President's foreign affairs powers in various respects, including by requiring Congressional review of certain actions to relax sanctions, pursuant to procedures that the Administration believes do not fully comply with Supreme Court precedent.

### **US imposes sanctions on six Iranian entities following satellite launch**

The US Treasury's Office of Foreign Assets Control has imposed sanctions on six Iranian firms owned or controlled by the Shahid Hemmat Industrial Group. The six Shahid Hemmat entities reportedly manufacture missile components, missile airframes, liquid-propellant ballistic missile engines, liquid propellant and guidance and control systems and conduct missile-related research and maintenance. The sanctions were imposed following Iran's successful launch of a rocket capable of placing a satellite into orbit, a move that the US condemned as a breach of UN Security Council resolutions because of its potential use in the development of Iran's ballistic missile programme. The sanctions freeze any assets the companies have in the US and prohibit both Americans and non-Americans from doing business with them.

### **Iran's President Rouhani warns US over any further sanctions**

Following the imposition by the US of a number of new sanctions against Iran, Iran's President Rouhani has warned that Iran could abandon the Joint Comprehensive Plan of Action (JCPOA) "within hours", should any further sanctions be enacted against the country. President Rouhani provided his warning on 15 August 2017, during a session of the Iranian parliament that was broadcast live on state television.

## **DEVELOPMENTS IN KEY ECONOMIC SECTORS**

### **OIL AND GAS**

#### **South Korea's SK Engineering & Construction agrees \$1.6 billion deal to upgrade Iranian oil refinery**

A consortium consisting of Iran's Oil Design and Construction Company and South Korea's SK Engineering & Construction has signed a \$1.6 billion deal with Iran's Tabriz Oil Refining Company to modernise the Tabriz oil refinery in north-western Iran. The Tabriz oil refinery was built in 1976 and has a capacity of 110,000 barrels per day. The overall aim of the upgrade is to double the refinery's current output and extend its products to include ethylbenzene, styrene monomer, polystyrene and pentane. However, the first stage of the project will modernise fuel output, by converting the low-value fuel oil currently produced at the refinery to higher-value Euro-V standard gasoline and diesel. The modernisation project is expected to be completed over a period of 48 months.

#### **Iran plans to award \$15 billion in new oil deals**

Gholamreza Manouchehri, Deputy for development and engineering at the National Iranian Oil Company (NIOC), has announced that Iran expects to attract as much as \$15 billion of foreign investment into its oil and gas projects before next April. NIOC has also suggested that the next Iranian oil and gas award will be based on the framework adopted in the deal Iran signed with Total and CNPC in July, concerning the development of Iran's South Pars gas field.

#### **Shell submits proposals to develop two Iranian oilfields**

Royal Dutch Shell has submitted a proposal to Iran's Petroleum Engineering and Development Company for the development of the Azadegan and Yadavaran oilfields in southern Iran. The proposal was submitted pursuant to a Memorandum of Understanding signed between Shell and NIOC in December 2016, under which the Anglo-Dutch oil company also conducted technical studies of the two Iranian oilfields.

### **Bijan Zanganeh reappointed as Iran's Oil Minister**

Iran's President Rouhani has re-appointed Bijan Zanganeh to serve as Iran's Oil Minister for another four years. The appointment was approved by Iran's parliament on 20 August 2017.

### **Norway's DNO submits plan to develop Iran's Changouleh oilfield**

NIOC has received a proposal from Norwegian oil and gas operator DNO for the development of the Changouleh oilfield in south-western Iran. A number of other companies, including Thailand's PTTEP and Russia's Gazprom, have signed agreements to study the Changouleh oilfield and are expected to present their own proposals for its development in due course.

## **POWER**

### **Largest solar power plant in Iran launched**

Iran's Minister of Energy, Hamid Chitchian has inaugurated Iran's largest solar power plant. The Mokran Solar Power Plant Complex is located in Kerman Province, south-eastern Iran and has capacity to generate 20MW of electricity. The project was constructed in six months. The solar power plant comprises just under 80,000 solar panels and spans 44 hectares. The project was reportedly funded by a \$27 million investment by Swiss company Durion AG and supervised by German company Adore.

Construction commences on solar power plant in north-eastern Iran

According to Iran's Renewable Energy and Energy Efficiency Organization, construction has begun on a 30MW solar power plant in Jajarm city, North Khorasan Province, in north-eastern Iran. The project has been developed by Swiss Ecofinance Company in collaboration with a number of unspecified French, Spanish, Italian and German firms.

## **AVIATION**

### **IranAir appoints first female CEO**

IranAir has appointed Farzaneh Sharafbhani as its new CEO, to replace Farhad Parvaresh who was appointed as Iran's permanent representative to the International Civil Aviation Organization (ICAO). Farzaneh Sharafbhani is the first female CEO to run Iran's national airline since it was founded in the 1940s. She is a former transport minister and was reportedly the first Iranian woman to gain a PhD in aerospace engineering.

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## **Iran in talks to purchase 48 helicopters from Airbus**

Iran is reportedly in discussions with Airbus over a potential deal to buy 48 helicopters for civilian use. The deal is expected to include the acquisition of 45 HEMS helicopters (Helicopter Emergency Medical Service), for use by the Iranian Health Ministry and three search and rescue helicopters for use by the Iranian Ports and Maritime Organisation. Airbus has declined to comment on the negotiations.

## **OTHER**

### **Renault enters joint venture in Iran**

French car manufacturer Renault has announced its entry into a joint venture agreement with the Industrial Development & Renovation Organization of Iran (IDRO) and Iran's Parto Negin Naseh Co. The joint venture company, of which Renault will be the majority shareholder, will include an engineering and purchasing centre to support the development of local suppliers and a manufacturing plant with an initial production capacity of 150,000 vehicles to supplement Renault's existing production capacity in Iran of 200,000 vehicles a year. The plant is expected to produce Renault's Symbol and Duster models. The joint venture agreement is reportedly worth €660 million.

### **Volkswagen returns to the Iranian automotive market**

German car manufacturer Volkswagen has announced that it will return to the Iranian market this month, after its exit just over 17 years ago. Volkswagen has entered into an import and distribution contract with its local partner, Iranian automotive company Mammut Khodro, under which the Tiguan and Passat models will be imported into the country and distributed through eight dealers that will focus on the Tehran market.

### **Nokia to help develop 5G network in Iran**

Nokia and the Mobile Communications Company of Iran have signed a memorandum of understanding under which Nokia will produce a framework for the implementation of 5G technology in Iran.

### **British hotel provider easyHotel to expand into Iran**

The British company easyHotel, which owns, operates and develops "super budget" branded hotels, has signed a master development agreement with Iran's 3SV Limited to develop the easyHotel brand across multiple sites in Iran. The agreement is expected to deliver over 500 new easyHotel rooms in the country. Since the lifting of international economic sanctions, following Iran's entry into the JCPOA in 2015, a number of international hotel providers have expanded into the Iranian market, including French company Accor and Spain's Melia Hotels International.

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If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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