

KEY DEVELOPMENTS IN IRAN, DECEMBER 2017

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Legal Briefings - By **William Breeze and Reza Dadbakhsh**

This update provides an overview of key developments which have occurred in Iran during the past month and highlights areas of future interest. In particular, the update covers notable developments in the political arena and key economic sectors.

1. POLITICAL DEVELOPMENTS

Allegations of Iran supplying Houthi rebels with rocket - The United States has accused Iran of supplying Yemen's Houthi rebels with a missile that was fired into Saudi Arabia in July and has called for the United Nations to hold Tehran accountable. The head of the Islamic Revolutionary Guard Corps (the IRGC) has denied the accusations that Iran was involved in the firing of the missile.

Prospect of new sanctions for ballistic missile programme - France's foreign ministry has suggested that new sanctions could be imposed on Iran in relation to its ballistic missile programme. French President Emmanuel Macron has stated that Tehran should be less aggressive in the region and should clarify the intention behind its ballistic missile programme.

Arab foreign ministers criticise Iran interference - During an emergency Arab foreign ministers' meeting, Saudi Arabia and other Arab foreign ministers criticised Iran and called for a united front to counter Iranian interference in Arab countries. Tensions in the region have been rising after Lebanese Prime Minister Saad al-Hariri announced his resignation in a broadcast from Saudi Arabia on 2 November 2017.

Senior officials from the EU defend JCPOA – Senior officials from the European Union have issued a statement confirming their commitment to the Joint Comprehensive Plan of Action (the **JCPOA**). EU foreign policy chief Federica Mogherini stated at the joint press point following the EU-Central Asia ministerial meeting in Uzbekistan that the JCPOA was "a major achievement of European and international multilateral diplomacy" and the European Union will continue to ensure it is implemented.

US issues sanctions – The US Department of the Treasury's Office of Foreign Assets Control (**OFAC**) has sanctioned a network of individuals and companies in relation to counterfeited Yemeni bank notes for the IRGC's Qods Force. OFAC has also recently designated the IRGC pursuant to the global terrorism Executive Order for the activities it undertakes to assist in, sponsor, or provide financial, material, or technological support for, or financial or other services to or in support of, the Qods Force. OFAC also sanctioned three Iran-based companies for being owned or controlled by Iran's Naval Defence Missile Industry Group, and for attempting to provide financial, material, technological, or other support for, or goods or services in support of the IRGC.

2. DEVELOPMENTS IN KEY ECONOMIC SECTORS

FINANCE

Iran and Turkey enter currency swap deal – The Governor of the Central Bank of Iran and his Turkish counterpart have signed an agreement, enabling the two countries to conduct trade transactions using their national currencies. According to the agreement, the two countries have assigned a total credit line of 5 billion Turkish lira and its equivalent amount of Iranian rials to the operating banks of the two countries, which will be used to open letters of credit for the merchants of the two countries with a one-year maturity.

OIL AND GAS

Pergas submits proposal to develop oilfield – Pergas Consortium (a group of international oil and gas companies) submitted its development proposals for the Karanj Oilfield, a reservoir in the Khuzestan Province. The National Iranian South Oil Company (**NISOC**) signed a non-disclosure agreement with Pergas in 2016, based on which Pergas conducted studies on the field. The proposal involves a master plan to operate the oilfield for at least 12 years.

NIOC signs agreement with a Norwegian-Iranian consortium – Iran is targeting liquefied natural gas exports after signing a 20-year contract with a Norwegian-Iranian floating LNG consortium. National Iranian Oil Company (**NIOC**) signed the agreement with IFLNG – a firm jointly owned by Kharg Gas Refining Company and Norway’s Hemla Vantage. This deal is seen as pivotal as it will mark the first time Iranian LNG will flow into international markets.

Iran to tender crude pipeline – NIOC is preparing to tender a contract for the construction of a section of pipeline to transfer crude to the estimated US\$2 billion Jask Oil Terminal in the southern Hormozgan province of Iran. The scheme involves constructing 1,000 kilometres of pipeline to transport crude from Genaveh to Jask. It is expected that the Jask Terminal will have a storage capacity of 30 million barrels of oil and export one million barrels of oil a day once completed.

Iran in discussions to privatise fuel stations – NIOC is in discussions with European companies to privatise filling stations in Iran. While historically Iran has invited pre-qualified international oil companies to develop its upstream oil and gas sector, its retail fuel distribution sector has predominately been closed to foreign participation.

Rosneft and NIOC sign agreement – Russian oil producer Rosneft and NIOC have signed an agreement to work together on a number of strategic projects in Iran worth up to US\$30 billion.

POWER

Ansaldo Energia and NIOC sign MOU – Italian power company Ansaldo Energia has signed a memorandum of understanding with several subsidiaries of NIOC in relation to converting flare gas into electricity at the South Pars Gas Field. Ansaldo Energia will produce 600 megawatts of electricity in the first phase, and around 1,000 MW of electricity in the second phase. The MOU was signed with NISOC, Pars Oil and Gas Company, Iranian Central Oil Fields Company and Iran Fuel Conservation Company.

Norwegian firm signs US\$2.9 billion solar deal with Iran – Norway's Saga Energy has signed a US\$2.94 billion deal to build solar power plants in Iran. The deal involves the construction of two gigawatts of power generation capacity over a four to five year period.

AVIATION

- **Iran able to gain aircraft financing** – Iran's deputy transport minister has stated that Iran does not have a problem with obtaining financing for its aircraft deals. Recently, Zagros Airlines and Iran Airtour have signed MOUs to buy a total of 73 Airbus jets.
- **Boeing-Iran Air deal at risk** – There are reports that US President Donald Trump's refusal to certify that the JCPOA meets congressional requirements has jeopardised the contract for 80 passenger jets signed between Boeing and Iran Air. President Trump referred to the deal in a recent speech, outlining that he is unsure of the future of the deal given the current proposal over further sanctions against Iran.

MINING

- **IMIDRO enters mining deal with Czech Republic** – The Iranian Mines and Mining Industries Development and Renovation Organization (**IMIDRO**) signed an MOU with the Czech Republic to boost cooperation in the mining industry. The MOU includes the exchange of knowledge and technical data between IMIDRO and the Czech Ministry of Industry and Trade.

AUTOMOTIVE

- **Renault to not leave Iran following possibility of more US sanctions** – Carlos Ghosn, the Chairman and CEO of the Renault-Nissan Alliance, has said that the French carmaker would not leave Iran if the US re-imposed new sanctions against Iran. In August of this year, the French automaker and Iran signed a €660 million contract. Based on the three-way contract involving Renault, the Industrial Development and Renovation Organization of Iran and Partov Negin Naseh holding company, Renault agreed to produce new car models in Iran and establish customer service centres and auto part

retail shops in the country.

OTHER

- **Construction work continues on new transport corridor** – Construction work on the 10km railway line that will link Iran and Azerbaijan continues despite delays, and is expect to be completed in 2018. The Iran-Azerbaijan line is part of the 7,200km North-South Transport Corridor.
- **Iran and Turkey sign four cooperation agreements** – Iran and Turkey have signed four MOUs to deepen relations between the two countries. The MOUs were signed by the following bodies: (1) between the Iranian Ministry of Economic Affairs and Finance and the Turkish Ministry of Customs and Trade; (2) between the Central Bank of Iran and the Turkish Central Bank; (3) between the National Library of Iran and the Turkish Prime Ministerial Archives; and (4) between the Islamic Republic of Iran Broadcasting and the Turkish Radio and Television Corporation.
- **Tehran Chamber of Commerce opens London Office** – An office of the Tehran Chamber of Commerce, Industries, Mines and Agriculture has been opened in London with the aim of attracting foreign investment into Iran.

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KEY CONTACTS

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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