

# KEY DEVELOPMENTS IN IRAN, JUNE 2017

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Legal Briefings

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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

### **Iran's President Rouhani wins re-election in Iran**

President Hassan Rouhani was re-elected in the Iranian presidential election held on 19 May 2017. President Rouhani secured a decisive victory over the conservative cleric Ebrahim Raisi: Rouhani received 57% of the vote while Raisi received 38% of the vote. There was a strong turnout, with around 73% of eligible voters casting their vote on polling day. In his victory speech, Rouhani reaffirmed his moderate, more internationalist stance, reportedly stating that the Iranian people had chosen: "the path of interaction with the world, away from violence and extremism". The victory of the reformists/moderates in Iran was not limited to the re-election of President Rouhani; allies of the President won all 21 seats on Tehran's city council, overturning the 14-year control of the city council by conservative candidates.

### **US upholds Iranian sanctions waiver under the JCPOA**

The Trump administration has upheld the sanctions relief granted to Iran under the 2015 Joint Comprehensive Plan of Action (the "JCPOA"). Under the JCPOA, wide-ranging historic sanctions designed to punish Iran for the development of its nuclear programme were waived in exchange for Iran's commitment to roll back the programme. However, the JCPOA also stipulates that this waiver must be renewed at six-month intervals. The previous waiver was reportedly issued by former Secretary of State John Kerry in December 2016 and was set to expire in mid-May 2017. The continuation of the waiver of sanctions under the JCPOA demonstrates (at least for now) the Trump administration's commitment to uphold the agreement.

## **New sanctions imposed on Iran's ballistic missile program**

The US Treasury Department has imposed sanctions on two senior Iranian defence officials, an Iranian company, a Chinese national and three Chinese companies for undertaking actions in support of Iran's ballistic missile programme. The sanctions freeze any assets the individuals and companies might have in the US and prevent both Americans and non-Americans from doing business with them. The sanctions were imposed in the same month as a senior commander of Iran's Revolutionary Guard stated that Iran had built its third underground ballistic missile production facility.

# **DEVELOPMENTS IN KEY ECONOMIC SECTORS**

## **OIL AND GAS**

### **Iran expected to hold tender for development of the Azadegan field**

The Managing Director of the National Iranian Oil Company has stated that a tender to develop the Azadegan oil field in the southwest of Iran will be held before 2 June 2017. All 29 prequalified companies, including Shell, Total, CNPC, Lukoil, Pertamina and OMV, have been invited to submit proposals. The Azadegan oil field reportedly has reserves of 37 billion barrels of oil. Iran is reportedly prioritising the tender of fields close to the Iraq border.

### **Japan's Itochu signs polyethylene deal with Iran's PGPIC**

Itochu Corporation has signed a deal to purchase 11,000 tons of polyethylene per month from Iran's Persian Gulf Petrochemical Industries Company (PGPIC). Mohammad Hossein Kakouei-Nejad, an executive at PGPIC, stated that the agreement was worth \$150 million a year. Itochu Corporation is Japan's second-largest general trading company after Mitsubishi Corporation. It is active in a variety of sectors, including energy, chemicals, machinery, metals, minerals, food and textiles.

### **Qatar seeks to form joint committee with Iran on offshore gas production**

The Iranian Oil Minister Bijan Zanganeh has stated that Qatar has called for the formation of a joint technical committee with Iran, to coordinate gas production at the South Pars gas field (which spans the maritime border of the two nations). The committee would be established to coordinate the volume of gas output from the field. The South Pars gas field (known as the North Field in Qatar) covers an area of 6,000 sq. km in Qatar and 3,700 sq. km in Iran. According to reports, the Iranian section of the field contains an estimated 14 trillion cubic meters of gas and 18 billion barrels of condensate.

## **POWER**

### **Solar power plant launched in central Iran**

Iran's Ghadir Electricity and Energy Company has launched a solar power plant in the central city of Isfahan, with the assistance of Greek engineering firm Metka. The plant spans an area of 20 hectares and has an annual production capacity of 10 megawatts. The electricity produced from the project has reportedly been sold, for a period of 20 years, to the Renewable Energy Organisation of Iran (SUNA).

### **Iran inaugurates new hydropower plant**

Iran has inaugurated a new hydropower plant at 'Roodbar' dam, in Aligoodarz, in the west of the country. The plant was opened by Energy Minister Hamid Chitchian, who stated that the launch of the new plant would increase the total hydropower generation capacity of Iran to 11,804 megawatts.

## **MINING**

### **Coal mine explosion claims 42 lives in northern Iran**

At least 42 people are known to have been killed by an explosion at the Zemestanyurt coal mine in northern Iran. The explosion was reportedly caused by the ignition of methane gas that had accumulated in one of the mine's tunnels, when workers attempted to jumpstart a locomotive.

## **AVIATION**

### **US Treasury chief announces review of Iran's aircraft licences**

The US Treasury Secretary, Steven Mnuchin, has indicated to the US Congress Ways and Means Committee that the Treasury department is reviewing the licences that authorise Boeing and Airbus to sell planes to Iran, as part of the Treasury department's efforts to increase sanctions pressure on Iran. IranAir has reportedly agreed to purchase 200 US and European aircraft with a list value of \$37 billion (though it is expected that IranAir will have negotiated a significant discount to this price), including 80 jets from Boeing, 100 from Airbus and 20 turboprops from ATR. All of the aircraft require US licences to be sold to Iran because of the level of US content in them. IranAir has reportedly stated that it does not need further approvals to take delivery of the first 70 aircraft; however, industry experts argue that the US Treasury could remove the licences at any time, which would jeopardise the delivery of any further aircraft to Iran.

### **IranAir Receives ATR turboprop aircraft**

IranAir has reportedly taken delivery of the first four of the 20 ATR 72-600 aircraft ordered by IranAir from Franco-Italian plane manufacturer ATR. According to reports, Iran has now received seven new Western aircraft since the easing of international sanctions on Iran pursuant to the terms of the JCPOA.

### **French firm signs deal to develop and operate two Iranian airports**

French construction and development firm Vinci has reportedly finalised a \$400 million deal with Iranian firm Kayson Incorporated to develop and operate two Iranian airports: the Shahid Hashemi Nejad International Airport in Mashhad and Isfahan International Airport. According to reports, Vinci will take over the operation of both airports and undertake the development of the Shahid Hashemi Nejad International Airport in Mashhad, which will involve the construction of a 43,000 sq. m international passenger terminal and a 25,000 sq. m domestic terminal.

## **OTHER**

Renault doubles market share in Iran in first quarter of 2017 - according to reports, Renault has achieved a dramatic increase in its sales in Iran during the first quarter of 2017, with sales up 161.5% and market share up 4.9% to 9%, following the success of its Tondar and Sandero models in the Iranian market.

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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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