

# KEY DEVELOPMENTS IN IRAN, OCTOBER 2016

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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

A number of significant political events affecting Iran have taken place in the past month:

### **U.S. Government further clarifies application of Iran sanctions**

The U.S. Treasury Department has this month updated the Frequently Asked Questions Relating to the Lifting of Certain U.S. Sanctions under the Joint Comprehensive Plan of Action (“**JCPOA FAQs**”). Among other things, the updated JCPOA FAQs expressly state that non-U.S. financial institutions, including foreign-incorporated subsidiaries of U.S. financial institutions, may “process” (changed from “clear”) transactions denominated in U.S. dollars or maintain U.S. dollar-denominated accounts that involve Iran or Iranian residents (including the Government of Iran), provided that such transactions or account activities do not involve, directly or indirectly, the U.S. financial system or any U.S. person, and do not involve any person on the SDN List or other sanctionable conduct. This means that non-U.S. banks can allow Iranian parties to use fully offshore U.S. dollar clearing arrangements, such as U.S. dollar nostro and vostro accounts with Iranian institutions, although great care should be taken to ensure that the U.S. financial system or U.S. persons will not be inadvertently involved in such transactions and that due diligence procedures have been followed to ensure that no counterparties are on the SDN List. For further information on the updated JCPOA FAQs, please refer to our recent e-bulletin [here](#).

### **Morocco appoints first ambassador to Iran in seven years**

Morocco has reportedly appointed Hassan Hami, its former ambassador to Azerbaijan, as its first ambassador to Iran in seven years. Following his appointment, Hami indicated that Morocco plans to re-open its embassy in Tehran in the near future.

## **DEVELOPMENTS IN KEY ECONOMIC SECTORS**

### **OIL AND GAS**

This month has seen a number of significant developments and deals in Iran's oil and gas sector.

#### **NIOC commences pre-qualification process**

The National Iranian Oil Company ("**NIOC**") has started the pre-qualification process for foreign companies intending to bid on upcoming oil and gas tenders in Iran. Companies are required to submit proposals before 17 November 2016 and the list of pre-qualified companies will be released on 7 December 2016. For further information, please see NIOC's announcement [here](#).

#### **Iran agrees first contract under Iran Petroleum Contract**

According to reports, Iran has signed its first agreement under the new Iran Petroleum Contract ("**IPC**") model, which was recently designed to make entry by international oil companies into Iran's oil and gas sector more attractive. The first agreement to be signed under the IPC is a US\$2.2 billion deal between NIOC and Persia Oil & Gas Industry Development Co. to develop oil fields in Yaran, Koupal and Maroon which are located near Iran's western border with Iraq.

#### **Iran and Russia sign oil field MOU**

On 8 October, NIOC and Russia's Tatneft signed an MOU in relation to the development of Iran's Deholaran oil field. It is reported that the oil field contains approximately five billion barrels of oil reserves.

#### **Shell signs deal to return to Iran**

Royal Dutch Shell has signed a letter of intent with the National Petrochemical Company. The letter of intent follows Shell's resumption of purchases of Iranian oil in June this year.

#### **Iran negotiating oil deal with Poland**

NIOC is reportedly in talks with Grupa Lotos, Poland's largest oil refinery company, regarding a deal for Iran to sell crude oil to Poland. According to NIOC's Director of International Affairs, Mohsen Qamsari, NIOC is focusing on countries in Eastern Europe for its post-sanctions marketing activities.

## **POWER**

### **Iran and South Korea sign MOU for construction of wind farm and solar power plant**

South Korea's KTC Co. has reportedly signed an MOU with Iran's Investment and Economic Development Committee to construct a solar plant and a wind farm in Iran. The Korean company will invest US\$220 million to build a 100-MW wind farm in the southeastern city of Zabol. It will also invest US\$600 million to build a 200-MW solar plant in the southern city of Fasa. KTC has also reportedly agreed to transfer new technologies to Iran.

## **BANKING**

### **IMF to strengthen banking ties with Iran**

Christine Lagarde, president of the International Monetary Fund, has been quoted as saying that the IMF will consult with US authorities to "remove obstacles and expedite bolstering of Iran's ties with international monetary institutions." Lagarde also reportedly stated that the IMF plans to make proposals to Iran for cooperation in areas such as "training and exchange of experience and technical knowledge with other states".

## **OTHER**

### **French car companies sign production deals in Iran**

French car manufacturer PSA Groupe ("PSA") this month entered into agreements with two of Iran's largest car manufacturers to produce and sell cars in Iran, according to reports. Firstly, PSA has entered into a joint venture agreement with Iranian Company SAIPA to produce Citroen cars in a jointly-owned plant based in the city of Kashan. Reports suggest that the joint venture will invest €300 million in manufacturing and R&D over the next five years. The chairman of PSA's Managing Board is quoted as saying that "no less than 150 Citroen outlets" will open in Iran in the next five years. Another deal reportedly signed by PSA is an agreement with car manufacturer Iran Khodro to open a plant in Iran for the production of 200,000 cars per year. The agreement was first announced in January 2016.

Meanwhile, Renault has reportedly signed a joint venture agreement with the Industrial Development & Renovation Organization of Iran to open a plant in Iran with an initial production capacity of 150,000 vehicles per year. The joint venture will also open an engineering and purchasing centre to support local suppliers.

### **South African mobile company to invest in Iran's version of Uber**

South African mobile phone company MTN Group has reportedly agreed to invest US\$22 million in Snapp.ir, the first ever cab-hailing smartphone application in Iran. Snapp's CEO has been quoted as saying that the investment will be used to enable the company to expand from Tehran into other cities.

### **President Rouhani strengthens Asian ties during Southeast Asia tour**

During a tour of Southeast Asia, President Rouhani met with leaders and officials from China, Vietnam, Thailand and Malaysia to help strengthen Iran's ties in the region.

## 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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