



KEY DEVELOPMENTS IN IRAN, OCTOBER 2017

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

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.

POLITICAL DEVELOPMENTS

President Trump criticises Iran deal during UN speech

US President Donald Trump used his maiden speech at the 72nd session of the UN General Assembly on 19 September to again criticise the Joint Comprehensive Plan of Action (JCPOA) deal between Iran and world powers over the country's nuclear program. The President told the United Nations General Assembly that the internationally negotiated nuclear agreement with Iran is an "embarrassment" to the United States, and described it as "the worst and most one-sided transaction the US has ever entered into".

Under the Iran Nuclear Agreement Review Act, President Trump is required to certify to Congress every 90 days that Iran is in compliance with the JCPOA. The next round of certification is due on 15 October 2017. There is growing uncertainty as to whether Donald Trump will provide this certification - as he has done (albeit reluctantly) on 18 April 2017 and 17 July 2017. Should President Trump withhold certification or determine that Iran has materially breached its JCPOA obligations, Congress will have 60 days to consider legislation reintroducing sanctions on the Islamic Republic. Congress is not required to re-impose sanctions on Iran, and can also decide to re-impose only part of the sanctions in force prior to the implementation of the JCPOA.

US Defence Secretary suggests sticking with the JCPOA

Jim Mattis, US Defence Secretary, made a speech on 3 October stating that the US should consider staying in the JCPOA, unless it were proven that Tehran was not abiding by the agreement, or it was not in the US national interest to do so. Mattis stated that "if we can confirm that Iran is living by the agreement, if we can determine that this is in our best interest, then clearly we should stay with it", stating that Iran was "fundamentally" in compliance with the JCPOA.

Germany to persuade the US not to abandon the JCPOA

The German Foreign Minister, Sigmar Gabriel, has stated that Germany will do all it can to persuade the US not to abandon the JCPOA, and to work with the EU, France, the UK and where possible China and Russia, to urge the US to preserve the deal.

All parties complying with JCPOA

The EU's foreign policy chief, Federica Mogherini, has stated that all parties to the JCPOA are complying with the agreement.

Iran will boost missile capability

Iranian President Hassan Rouhani stated that Iran would boost its missile capabilities, despite warnings from the US that it is ready to leave the JCPOA over the issue. The President stated that Iran is going to strengthen its military capabilities because it is necessary for deterrence. Iran recently unveiled its latest ballistic missile, capable of reaching much of the Middle East, including Israel. The unveiling by the Revolutionary Guard came during a military parade in Tehran that commemorated the 1980s Iraq-Iran war.

DEVELOPMENTS IN KEY ECONOMIC SECTORS

FINANCE

Chinese firm signs \$10 billion Iran loan agreement

China's Citic Group Corporation has signed a memorandum of understanding for lines of credit worth \$10 billion with Iranian banks. Citic will provide the loans for funding projects in areas such as energy, natural environment, transportation and the management of water resources.

Korean ECA signs €8 billion Iran finance deal

Korea Export-Import Bank has signed a framework agreement with the Export Development Bank of Iran for the opening of a line of credit worth €8 billion. 12 Iranian banks are to be agent banks for the funding of projects in the Iranian transportation, oil, energy and health sectors awarded to South Korean companies. It has been reported that Korea Trade Insurance Corporation will provide another \$5 billion.

French state bank to fund projects in Iran

Bpifrance, France's state investment bank, will reportedly finance investment projects of French companies in Iran from 2018, granting up to \$598 million in annual credits.

Oberbank signs \$1 billion deal to finance Austrian projects in Iran

Oberbank has reportedly signed a deal with Iran, enabling it to finance new ventures there and making it one of the first European banks to do so since the sanctions were eased.

Iran signs \$664 million finance deal with Denmark

Denmark's Danske Bank has signed a \$664 million finance contract with 10 Iranian banks, becoming the second European lender to have such an agreement with Iran.

OIL AND GAS

Russian energy companies submit plans to develop Iranian oil fields

Russian energy companies Zarubezhneft, Gazprom Neft and Lukoil have submitted plans to the National Iranian Oil Company (NIOC) to develop oil fields in Iran. Zarubezhneft representatives outlined their plans to increase the recovery rate of oil from the Aban and West Paydar fields. A memorandum of understanding (MoU) for Zarubezhneft's study of the two fields which are shared with Iraq was signed on 22 July 2016. The Russian company signed another MoU with the National Iranian South Oil Company in July this year to conduct technical studies on the Shadegan and Rag Sefid fields. Gazprom Neft, which signed an MoU with the NIOC in December 2016, has submitted plans to develop the Changouleh and Cheshmeh Khosh fields located in Iran's Lorestan province. Lukoil has submitted plans to the NIOC to develop the Bangestan reservoir of the Ahvaz field, which is being considered for enhanced oil recovery to raise production by 5-8%.

Shell meets with NIOC to discuss Kish gas field development project

Anglo-Dutch oil giant Shell has met with officials from the NIOC to discuss the development project of Iran's Kish gas field. On 7 December 2016, Shell signed three MoUs with NIOC to develop the South Azadegan and Yadavaran oil fields and the Kish gas field.

POWER

Quercus to invest in solar power

UK-based renewable energy investor Quercus will reportedly invest over \$500 million in a 600-megawatt (MW) solar power project in Iran, the construction of which will start in the first half of 2018. The total construction time will be three years, with each 100 MW standalone lot becoming operational and connecting to the grid every six months.

Inauguration of hydroelectric power plant

Iran inaugurated the first unit of a new hydroelectric power plant in the western province of Kermanshah that increased the country's nominal capacity to produce electricity to more than 77,100 MW. The unit, which is the first among three units of the power plant, came into to operation following synchronisation with the national grid.

AVIATION

Kish Airlines to purchase Airbus and Boeing planes

Iran's Kish Airlines has announced a plan to purchase 10 planes from Boeing and six planes from Airbus. The Islamic Republic News Agency has reported that the new Airbus planes will be added to the fleet before the end of the current Iranian calendar year (21 March 2018).

Automotive

Agreements concluded with Renault, Alstom and Transmashholding

The Industrial Development and Renovation Organization of Iran (IDRO) has concluded landmark agreements with French automaker Renault, transportation giant Alstom as well as Russian logistics company Transmashholding. Under each of these deals, the relevant international company has agreed to establish a new joint venture company in Iran in which it will be the majority shareholder. In the cases of Renault and Alstom, each will control 60% of their respective joint ventures whereas Transmashholding will own 80% of its new partnership.

Mercedes-Benz Trucks signed contract with Iran Khodro

Germany's Mercedes-Benz Trucks has signed a contract with Tehran-based automaker Iran Khodro, laying the foundation for resuming distribution of its trucks in Iran. The deal includes creating a joint company that provides sales and after-sale services in the Islamic Republic.

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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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