

P5+1 Nations Reach Nuclear Deal with Iran

On July 14, 2015, the P5+1 nations (United States, United Kingdom, France, Russia, China and Germany) and Iran announced that they had agreed upon a Joint Comprehensive Plan of Action (JCPOA) regarding Iran's nuclear program. Under the JCPOA, Iran will reduce its stockpile of enriched uranium, limit the number of centrifuges it operates for uranium enrichment, and allow monitoring of its nuclear program by International Atomic Energy Agency (IAEA) inspectors. In return, once Iran's compliance with the terms of the JCPOA is verified, U.S. and E.U. nuclear-related sanctions against Iran will be eased and ultimately phased out. In addition, the parties agreed to extend the limited sanctions relief issued on November 24, 2013 under the interim Joint Plan of Action, at least until the JCPOA is finalized and implemented, (see *Cozen O'Connor Alert* "Implementation of Temporary Iran Sanctions Relief," January 28, 2014).

Of particular interest to the international transportation industry, U.S. and E.U. sanctions are expected to be eased with respect to Iran's energy and petrochemical sector, its shipping, shipbuilding and port sector, its automotive sector, and its civil aviation sector. In this regard, numerous individuals and entities are likely to be removed from the Specially Designated Nationals and Blocked Persons List (SDN List) maintained by the U.S. Office of Foreign Assets Control (OFAC).

It is important to understand that, other than the limited relief provided in November 2013, there will be no immediate relief from sanctions. At the outset, the JCPOA must be submitted to the UN Security Council for adoption. The agreement will not become effective until 90 days after Security Council endorsement. The JCPOA will also need to be approved by the participating parties' governments. In the United States, the legislative process alone could take the better part of the next four months and is likely to be contentious.¹ Once the agreement has been finalized, Iran must demonstrate compliance with its terms and IAEA inspectors must verify Iran's compliance. According to the IAEA Director General, the agency is not expected to issue an assessment before mid-December 2015.

As noted in a statement issued by OFAC, only after the IAEA verifies that Iran has implemented key provisions of the JCPOA, will the United States begin to provide gradual relief of "nuclear-related secondary sanctions." (View the full OFAC statement [here](#).) At best, this suggests that there will be no meaningful sanctions relief until at least the first quarter of 2016.

It is also important to note that not all sanctions will be lifted. Iran is subject to U.S. sanctions for various reasons beyond the curtailment of its nuclear program, including sanctions directed at counter-terrorism and human rights abuses. There has been no agreement to remove Iran from the U.S. list of state sponsors of terrorism. As set out in the JCPOA and referenced in the OFAC statement, the sanctions that the United States will cease to apply, are the secondary sanctions directed at non-U.S. persons. U.S. persons and U.S.-owned or controlled foreign entities will continue to be generally prohibited from transacting business with Iran unless licensed by OFAC.

We will advise further as the JCPOA progresses toward implementation and whenever new sanctions regulations are issued.



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¹ Upon receiving the details of the JCPOA, the U.S. Congress will begin a 60-day review period, after which it may vote to approve or disapprove the deal, or it may do nothing and simply let the agreement stand. If Congress disapproves the JCPOA, the resolution will be sent to the president where, presumably, he will veto any attempt by Congress to derail the JCPOA. Congress could then attempt to override the veto although, at present, it does not appear to have sufficient votes to do so.

