

First steps taken to ease sanctions against Iran

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Following four days of negotiations between the P5+1 members (the US, Russia, China, France, UK plus Germany) and Iran, a "First Step Understanding" has been reached whereby, in return for a limited easing of sanctions, Iran has committed to halt the enrichment of uranium and the commissioning of the Arak plutonium reactor.

The easing of sanctions, described by the P5+1 as "*limited, temporary, and reversible*", would result in approximately USD 7 billion in relief for Iran during what both sides hope is a first phase of a more comprehensive deal.

There have been few details provided on the specifics of how the sanctions will be lifted. A detailed analysis of the effect of the understanding will have to await the passing of the relevant legislation in both the US and EU.

However, the early indications are that as well as a moratorium on any new sanctions against Iran, the prohibitions on foreign investment in Iran's automobile industry, on trade in gold and precious metals and on petrochemical exports are being lifted, as well as licences issued for safety related repairs to Iran's hard hit aviation industry. The relevant US sanctions can most likely be lifted by the President without the approval of Congress. The EU would need to pass legislation amending existing Regulation 267/2012 in order to permit the petrochemical exports and trade in gold and precious metals but this can be passed in reasonably short order by the EU.

The US will maintain its restrictions on Iran's crude oil exports, which are currently down 60% on two years ago, but will allow Iran to repatriate up to USD 4.2 billion in proceeds from those sales. Iran is currently required to keep the proceeds of crude sales in the country of export.

Perhaps what is more notable is how much of the sanctions "*architecture*" will remain in place. Iran will still be subject to the extensive financial sanctions that cut it off from the western capital and insurance markets and isolate its banking system. The crude oil export restrictions will remain in place, as will restrictions on the import by Iran of refined petroleum and dealings with the Iranian energy and shipping industries. Up to USD 100 billion of Iran's foreign exchange reserves will remain frozen and a large number of state owned enterprises will remain sanctioned. All these sanctions remain firmly in place together with a warning that they will be enforced vigorously notwithstanding the recent deal. And should Iran fail to keep to its uranium enrichment commitments, there is a further warning that the relief will cease and the pressure will be ratcheted up again.

However, this is still a historic deal and one that both sides clearly hope will be the first step in a further relaxation of sanctions and commitments on uranium enrichment.

We will be providing a more detailed analysis of the effect of this deal once the relevant legislation has been published.

To view the relevant US White House fact sheet, [click here](#).

For further information, please contact [Douglas Maag](#) or [Patrick Murphy](#).

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