Temporary Easing of Iranian Sanctions

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On 24 November 2013 an interim agreement was reached between Iran and the five permanent members of the United Nations Security Council (the United States, Russia, China, Great Britain and France) and Germany (Known as the P5+1) over Iran's nuclear programme and easing of the sanctions previously imposed on Iran. The parties have been negotiating the technical details of the Joint Plan Action for temporary suspension of sanctions over the past two months. This resulted in finalising the technical details on 10.01.14 and subsequently approval of the states concerned on 12.01.2014. The agreement is for a period of six months and will become effective from 20 January 2014.

Accordingly and as a first step, the European Union (EU) has published a draft regulation to ease certain restrictive measures which are currently in place. The European Commission proposal can be found here.

Further legislations from other states are still to follow. For the purpose of this article and as far as shipping, insurance and reinsurance are concerned, US legislation (similar to EU and in line with the agreement) is of particular importance. As part of the first, Iran will undertake a number of voluntary measures, as agreed in the Joint Plan Action, and in turn, the EU draft introduces the temporary suspension of the following restrictive measures:

- The prohibition on the provision of insurance and reinsurance and transport for Iranian crude oil, i.e. crude oil of Iranian origin or imported from Iran.

- The prohibition on the import, purchase or transport of Iranian petrochemical products and on the provision of related services.

- The prohibition on trade in gold and precious metals with the Government of Iran, its public bodies and the Central Bank of Iran, or persons and entities acting on their behalf.

- The increase by tenfold of the authorisation thresholds for transfer of funds to and from Iran.

However, the prohibitions under article 11(1)(a) and (b) of the Regulation 267/2012 still remain in force and therefore banning into the EU purchase or the importation of crude oil or petroleum products which originated or located in Iran or have been exported from Iran. The proposed paragraphs 3 and 4 amendments into Article 11 of the above Regulation suggest that transport, insurance and reinsurance related to those would be allowed, as long as those goods are exported to non-EU countries. This is crucial from an insurance and reinsurance perspective as the new measures would, in theory and although temporary, allow European insurance markets to provide cover to customers. There are, however, a number of issues which should be considered or awaited:

1. The proposed easing of sanctions and the agreement provide for temporary measures; those expire on 19 July 2014, unless the parties agree to extend the deadline or to reach a permanent agreement.
2. The US and other concerned states should also enact similar legislations for the new measures to be effective.

The EU insurance market will not act positively (assuming that the point 1 above is resolved) unless the US, in particular, have passed similar legislation to that effect.

3. From the practical perspective, and especially from the point of view of the international banking system, the 6 months relaxation may not be attractive enough. The banking system is likely to take a conservative approach and to wait until a comprehensive and permanent solution has been put in place.
4. The EU insurance market and the P&I clubs have seen the recent agreement as a positive move and are following the developments very closely.

Further information

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