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Client Alert: Implementation of P5 +1 and Iran Definitive Nuclear Agreement

On July 14, 2015, after nearly two years of high-level negotiations, the P5 + 1 – the United States, the United Kingdom, France, China, Russia and Germany – and Iran announced that they reached a landmark agreement regarding Iran's nuclear program. The agreement, known as the Joint Comprehensive Plan of Action (the "JCPOA"), is based on the framework agreement signed by the P5 + 1 and Iran in April and the Joint Plan of Action (JPOA) agreed among same group in November 2013. The JCPOA requires Iran to achieve certain milestones, including alterations in its current nuclear infrastructure and reductions in its nuclear fuel centrifuges and supplies of nuclear materials, in exchange for gradual and incremental lifting of certain economic and financial sanctions previously imposed by the United Nations Security Council (UNSC), the European Union (EU) and the United States in response to Iran's nuclear proliferation activities.

The JCPOA, and the commitments of the various JCPOA participants, will come into effect on the date that is 90 days after endorsement of the JCPOA by way of a UNSC resolution ("Adoption Day"). Upon Adoption Day, the JCPOA requires that Iran submit to and undertake all actions necessary to achieve the following, among other commitments:

- Iran must transform the Fordo uranium plant into a center for scientific research and, for 15 years, must refrain from any uranium enrichment-related activities, including R&D, and from keeping any nuclear material at Fordo.

- Iran must scale back operations at the Natanz Enrichment facility by approximately 50 percent and, for 15 years, must carry out its uranium enrichment-related activities, including R&D, exclusively at the Natanz Enrichment facility.

- For 15 years, Iran must limit uranium enrichment to 3.67% and adhere to a cap of 300 kg on its stockpile of low-enriched uranium and, for 10 years, Iran must reduce its centrifuges to 6,104.

- Iran must redesign and rebuild the Arak nuclear reactor as a modernized heavy water research center for peaceful nuclear research and radioisotope production; the redesigned and rebuilt Arak reactor must not produce weapons grade plutonium; and for the lifetime of the reactor, Iran must ship all spent fuel out of the country.

- Iran must not build any heavy water nuclear reactors or accumulate any heavy water for 15 years.

- Iran must submit to continuous surveillance by the International Atomic Energy Agency (IAEA) at current enrichment sites and centrifuge production and storage sites.

- Iran may be requested by the IAEA to provide access and information to enable IAEA investigation of additional suspicious sites and allegations of covert uranium enrichment facilities; Iran may object to such requests, triggering a dispute resolution process, which features ultimate referral to the UNSC, if necessary.

Sanctions relief agreed by the UNSC, EU and United States under the JCPOA will be provided once the IAEA has issued a report verifying implementation by Iran of its commitments under the JCPOA ("Implementation Day"). As of Implementation Day, the UNSC will terminate all provisions of previous UNSC resolutions on the Iranian nuclear issue and the EU will terminate all nuclear-related economic and financial sanctions. At the same time, the United States will lift its nuclear-related 'secondary sanctions' against Iran, which were imposed in recent years in direct response to Iran's nuclear activities and which apply not to U.S. persons (i.e., both individuals and corporations) but to foreign persons engaged in certain proscribed dealings involving Iran. The JCPOA also calls for the United States to allow for the sale of commercial passenger aircraft and related parts and services to Iran, to permit, via general license, non-U.S. persons that are owned or controlled by U.S. persons to engage in activities with Iran consistent with the JCPOA and to allow for the importation into the United States of Iranian-origin carpets and foodstuffs. We understand that, in connection with meeting its obligations under the JCPOA, Iran will also receive more than $100 billion in oil revenues frozen in overseas banks.

Based on U.S. government statements, following 5 years, the UNSC will lift its conventional arms embargo. Additionally, on the earlier of the date that is 8 years after Adoption Day or such time when the IAEA reaches the conclusion that all nuclear material in Iran remains in peaceful activities (i.e., is not being used for development of nuclear weapons), the EU will terminate all provisions of EU proliferation-related sanctions (including restrictions on ballistic missile transfers) and the United States will seek such legislative action as may be appropriate to terminate or modify certain

U.S. sanctions on the acquisition of nuclear-related commodities and services for nuclear activities contemplated in the JCPOA. Pursuant to the agreement, should Iran fail to abide by any of its JCPOA commitments, sanctions relief may be reversed and any particular sanctions lifted by the UNSC, EU and United States may 'snap back' into place.

The only sanctions relief presently in effect is the relief provided under the JPOA, as extended, which the P5 + 1 and Iran agreed on July 14 to extend further through Implementation Day. In addition, it should be noted that the JCPOA does not call for – and the U.S. government has given no indication that it is contemplating – the lifting of any U.S. sanctions imposed on Iran in light of the country's support for terrorism, ballistic missile development program or human rights violations. Such economic sanctions generally predate the nuclear-based sanctions and broadly restrict U.S. persons from engaging in any dealings in, with or involving Iran, subject to certain defined exceptions and licenses. Therefore, U.S. persons, including U.S. nationals and permanent residents and corporations domiciled or registered in the United States, should remain vigilant and mindful of applicable restrictions on U.S. person dealings involving Iran.

The U.S. Congress has 60 days to review and vote on the JCPOA.

This Client Alert is not comprehensive as to the full scope of UNSC, EU and United States sanctions against Iran and is only a summary of certain key elements of the JCPOA.

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