

Sanctions 09 May, 2019

Iran – New Sanctions on Iron, Steel, Aluminium & Copper

By an Executive Order dated 8 May 2019 President Trump has extended Iran secondary sanctions to encompass the iron, steel, aluminium and copper sectors of the Iranian economy. Members will recall that previously the carriage of raw or semi-finished metals such as aluminium and steel was permissible subject to the cargo satisfying five tests and no SDNs being involved in the trade.

Subject a 90-day wind-down period for those transactions which pre-date 8 May 2019, this Executive Order now effectively prohibits, inter alia, a significant transaction for:

- The sale, supply, or transfer to Iran of significant goods or services used in connection with the iron, steel, aluminium, or copper sectors of Iran, and
- The purchase, acquisition, sale, transport, or marketing of iron, iron products, aluminium, aluminium products, steel, steel products, copper, or copper products from Iran.

Typically, no definition of what constitutes a “significant transaction” is given but the accompanying FAQs point users to previously published explanations which give only a very general guide as to the factors the U.S. authorities will consider in deciding whether a particular transaction is significant in the context of secondary sanctions or not. These can be found in OFAC FAQ 289 and §561.404 of the Iranian Financial Sanctions Regulations.

It was also unclear whether the term “iron” in the Executive Order includes iron ore and similar commodities. OFAC have subsequently clarified that commodities such as iron ore, iron ore fines, and/or iron ore pellets would very likely fall within the scope of the Executive Order and that any new business transporting these commodities from Iran would likewise be at significant risk of being deemed sanctionable activity.

Members are therefore advised to exercise great caution when considering fixtures which post-date 8 May 2019 for the carriage of these commodities from Iran and to consider the risk that such carriage may be deemed to be “significant”, thereby exposing Members to the full force of penalties for breaching U.S. secondary sanctions, including designation.

The Club’s U.S. attorneys Freehill Hogan & Mahar have produced a helpful Client Guide which is available [here](#).

Finally, Members are reminded that trading to Iran generally carries a high degree of systemic risk. There is a high likelihood that the Club will be unable to support them if there is an incident in Iranian waters, including not being able to pay claims or fees or to provide bail. Cover may also not be available in full because of U.S. involvement in the Pool and GXL reinsurance programme and those shortfalls might be for their account. All these factors could mean that the vessel is delayed - perhaps for a considerable period - in Iran. Details can be found in our Notice to Members No.11 2018/2019 and on the Club’s dedicated Iran sanctions webpage.

Members with specific questions concerning these developments and any other sanctions matters should contact the Managers.