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## Framework for Nuclear Agreement with Iran Announced—But Still a Long Way to Go

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*On April 2, 2015 representatives of the United States, Britain, France, Germany, China and Russia (collectively, the “P5+1” countries) announced that they had agreed with the Islamic Republic of Iran on the Parameters for a Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran’s Nuclear Program (the “Parameters” or “Framework Agreement”). The Parameters establish a comprehensive framework regarding Iran’s nuclear energy industry and capabilities. The parties have not yet drafted the text of the final agreement and will continue to negotiate implementation details, probably until the June 30, 2015 deadline (with some indications that the deadline could be extended). Meanwhile, U.S., EU and UN sanctions will remain in place until Iran demonstrates verifiable compliance with the key terms of the agreement.*

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The announcement represents a major milestone in the negotiations involving Iran’s nuclear program. However, the Parameters reflect only a preliminary step, and there already have been conflicting comments from the U.S. and Iran about significant issues that remain to be addressed. The Parameters state that “nothing is agreed until everything is agreed.” A final deal would include the removal of many U.S., EU and UN sanctions on Iran, opening significant new business opportunities. However, if the next phase of the negotiations fails to bridge the gaps among the parties on these significant issues, the temporary sanctions relief measures implemented under the original Joint Plan of Action that launched the discussions would end, and new U.S. sanctions may be imposed.

### Summary of Parameters

Two documents summarize details of the Parameters: a joint statement issued by EU High Representative Federica Mogherini and Iranian Foreign Minister Javad Zarif and a more detailed [White House fact sheet](#). The summary below is based primarily on the White House fact sheet, to which some Iranian officials (including Ayatollah Khamenei himself) have taken exception because of its description of phased

sanctions relief while the position of the Iranian government appears to be that all sanctions relief must be immediate.

According to the White House media note, the Parameters include, among other things, agreements to:

- Limit Iran's ability to enrich uranium;
- Eliminate by approximately two-thirds the number of installed centrifuges;
- Reduce the number and limit the location of facilities with enrichment capabilities;
- Extend the "breakout time" necessary for Iran to accumulate enough uranium to make a nuclear weapon;
- Redesign a heavy water research reactor in Arak so that it would not be able to produce weapons grade plutonium;
- Grant access to International Atomic Energy Agency ("IAEA") inspectors and other authorities to conduct inspections at all of Iran's nuclear facilities; and
- Take other steps to regulate Iran's procurement of nuclear material and ensure the transparency of the country's nuclear program, including IAEA access to Iran's nuclear supply chain, access to Iran's uranium mines and milling facilities, and continuous surveillance of centrifuges and facilities.

In return for these concessions, Iran will obtain sanctions relief, as long as it verifiably abides by its commitments. All past UN Security Council resolutions sanctioning Iran for its nuclear program will be lifted once Iran completes actions that address all key concerns noted in the Parameters. Furthermore, the UN Security Council will pass a new resolution endorsing the Parameters and urging their full implementation. The new resolution will also create a dedicated procurement channel that will allow, on a case-by-case basis, the supply, sale, or transfer to Iran of certain dual use materials and technology. The UN will retain the right to freeze assets, restrict arms sales, and inspect Iranian cargo.

Additionally, the U.S. and EU will suspend nuclear-related sanctions, but only after the IAEA verifies that Iran has taken all key steps identified within the final agreement. The framework of the sanctions will remain in place for "much of the duration of the deal," and the U.S. fact sheet states the sanctions will "snap back" in the event Iran fails to fulfill its commitments or in the event of "significant non-performance". (The Framework Agreement does not define "significant non-performance."). This likely means that, to the extent sanctions are relaxed, they will be waived rather than repealed. A dispute resolution process will be specified to enable any party to resolve disagreements about the performance of a party's commitments. If an issue of significant non-performance cannot be resolved through that process, then all previous U.S. sanctions could be re-imposed.

According to the White House, U.S. sanctions related to Iran's long-range missile development, support for terrorist groups and human rights violations will remain in place. The EU-Iran joint statement provided that the "U.S. will cease the application of all nuclear-related secondary economic and financial sanctions, simultaneously with the IAEA-verified implementation by Iran of its key nuclear commitments."

The Islamic Republic News Agency has hailed the agreement as a pivotal breakthrough, noting the favorable reactions from other heads of state. Additionally, in Friday prayers on April 3, 2015, Ayatollah Mohammed Emami-Kashani, speaking on behalf of the spiritual leader Ayatollah Ali Khamenei, stated that Iran will abide by the framework, provided that the other parties do so as well. But as noted above, the Ayatollah Khamenei did raise concerns about the phased approach to lifting sanctions, likely to address concerns of the hardliners in Iran.

## Potential Short-Term and Long-Term Effects of Sanctions Relief

### Short Term

Companies are positioning themselves in anticipation of the lifting of sanctions, but there are clear limits on what can be done. Existing sanctions remain in effect and will continue to be enforced. Activities of great interest such as conducting seismic studies of Iranian petroleum resources continue to be off limits, and contacts with Iranian entities must be strictly limited to discussions without engaging in transactions. No services or technology transfers are allowed, and no U.S. products may be exported or re-exported to Iran without a license. Companies with U.S. registered securities must still report certain transactions or dealings by affiliates with Iranian entities to the U.S. Securities and Exchange Commission.

### Initial Sanctions Changes if an Agreement is Reached

The sharpest disagreement between the U.S. and Iranian statements on the Framework Agreement pertains to when the sanctions will be lifted. Despite dueling press statements, what the separate U.S. and EU/Iran statements on the Parameters appear to agree on is that the first sanctions expected to be lifted are U.S. nuclear-related “secondary” sanctions, *i.e.*, sanctions imposed on non-U.S. companies engaging in activity outside the United States. It appears that at least the U.S. and EU agree that U.S. sanctions imposed for missile, terrorism and human rights reasons will remain in place, even with a final deal and full Iranian implementation. Reading between the lines, the language seems to indicate that U.S. secondary sanctions on trade in Iranian oil, gas and petrochemicals by non-U.S. companies, and support thereof, may be the first to be removed. Other secondary sanctions, as well as “primary” sanctions imposed on U.S. companies under U.S. sanctions regulations and Executive Orders, would remain in place.

### Impact on Nuclear Negotiations with Other Countries

One area where the Framework Agreement may have an impact is with respect to other nuclear non-proliferation efforts and negotiations. The Framework Agreement may have implications for the negotiation of some civil nuclear cooperation agreements that the U.S. is currently negotiating with other countries, commonly referred to as “123 Agreements” after section 123 of the Atomic Energy Act, 42 U.S.C. § 2011, et seq., which governs the transfer of certain nuclear materials and reactor equipment. The extent to which the Framework Agreement may impact future 123 Agreement negotiations is yet to be determined.

### Path to U.S. Approval and Lingering Questions

Ultimately, much work remains to be done for the P5+1 countries and Iran to reach a final agreement, and a number of other obstacles to such an accord exist. They include significant opposition within the U.S. political system and in Iran among isolationists who have benefitted from the sanctions, as well as from certain hardline Iranian ideologues who oppose a lasting rapprochement with the U.S. and other Western powers.

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If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the attorneys below.

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