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## IRAN'S PETROLEUM SECTOR: IS IT NOW OPEN TO U.S. COMPANIES?

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Headlines announce that the United States has lifted certain trade sanctions against Iran. So can U.S. companies now do business in Iran's petroleum sector? In the words of a legendary ESPN sportscaster, "not so fast, my friend!"

"Implementation Day" of the Joint Comprehensive Plan of Action ushered in several changes to the U.S. sanctions regime against Iran. These relate to certain so-called secondary sanctions, which the United States had implemented to influence non-U.S. entities' operations in Iran's petroleum sector.

But the United States still prohibits a U.S. company from doing business in Iran's petroleum sector. Or does it?

[General License H](#) changes the sanctions regime with respect to foreign "owned or controlled" entities. These are non-U.S. entities in which a U.S. person either holds at least a 50% equity interest by vote or value; holds a majority of seats on the board; or otherwise controls its actions, policies, or personnel decisions.

Before, a foreign entity "owned or controlled" by a U.S. person was prohibited from doing business with the Iranian government or a person subject to Iran's jurisdiction. Now it can.

Moreover, General License H now allows a U.S. person to engage in certain activities which were previously prohibited facilitations. These activities relate to (1) establishing or altering operating policies and procedures to allow a foreign "owned or controlled" entity to engage in these newly authorized transactions and (2) allowing a foreign "owned or controlled" entity access to "automated" and "globally integrated" business support systems (computer, accounting, e-mail, phones, etc.).

But a foreign "owned or controlled" entity will need to tread carefully. So will its U.S. owner.

Among other things, a foreign "owned or controlled" entity cannot:

- export, reexport (sending through intermediary countries), sell, or supply any good, technology, or service from the United States to Iran or the Iranian government;
- transfer funds to, from, or through the U.S. financial system, a U.S.-registered broker, or a dealer in securities; or
- engage with any person identified on certain lists maintained by the U.S. government, and it still must comply with any restrictions imposed under the Export Administration Regulations.

With these restrictions, how will such a foreign "owned or controlled" entity operate once inside Iran?

Its U.S. owner will face similar questions. The new exceptions to prohibited facilitating transactions are narrow. U.S. owners need to carefully navigate and develop compliance strategies to ensure they stay on the safe side of the involvement they can have with their foreign affiliates while determining how to benefit from their investments and returns earned by their foreign affiliates.

U.S. companies need to understand these and other trade sanction compliance issues before rushing to participate in Iran's petroleum sector through foreign "owned or controlled" affiliates. If not, they are potentially subjecting themselves to substantial liability despite the promises of Iran being open for business.

If you have any questions, please do not hesitate to contact the Thompson & Knight attorney with whom you regularly work or one of the attorneys listed below.

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