United States Government Accountability Office
Washington, DC 20548

January 24, 2012

The Honorable Joseph Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate

Subject: *Firms Reported in Open Sources to Have Sold Iran Refined Petroleum Products Declined Since June 30, 2010*

Iran's involvement in illicit nuclear activities, support for terrorism, and abuse of human rights has led the United States, as well as other nations, to impose sanctions in an attempt to curb these activities.[1] According to the Department of State (State), the sanctions are intended to, among other things, target sectors of the Iranian economy that are relevant to Iran's proliferation activities and block the transfer of weapons and technology related to Iran's missile and nuclear programs.[2] One of the measures enacted by the United States, intended to limit resources available for proliferation and support for terrorism, imposes sanctions on firms that sell refined petroleum products to Iran.

According to the Department of Energy (DOE), Iran has limited refinery capacity and has been reliant on imports of refined petroleum products to meet domestic demand for gasoline. Foreign commercial activity in Iran's energy sector has also declined in recent years, limiting Iran's ability to produce gasoline to meet demand, much less to export refined petroleum products on world markets. However, according to State and DOE officials, Iran has attempted to reduce its dependence on foreign refined petroleum products by reducing gasoline subsidies to its citizens in order to reduce demand, converting petrochemical facilities to produce gasoline, as well as expediting the construction of new refineries or the expansion of current refineries. In 2009, Iran imported approximately 130,000 barrels of gasoline per day, but, according to DOE, in 2010 the amount of gasoline shipped to Iran declined to an estimated 78,000 barrels per day, and by July 2011 it had declined to 50,000 barrels per day, according to *Petroleum Intelligence Weekly*.

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[1]For example, the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, Pub. L. No. 111-195, 124 Stat. 1312 and Council Decision 2010/413/CFSP Concerning Restrictive Measures Against Iran and Repealing Common Position 2007/140/CFSP, 2010 O.J. (L 195) 39.

[2]The International Atomic Energy Agency reported in November 2011 on concerns regarding the possible military dimensions to Iran's nuclear program. International Atomic Energy Agency, *Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran*, GOV/2011/65. (Vienna, Austria: November 8, 2011).

The United States has imposed multiple sanctions through various legislation and executive orders, including the Iran Sanctions Act of 1996 (ISA).[3] On July 1, 2010, the President signed into law the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) of 2010, which amends ISA, among other provisions.[4] ISA, as amended, provides for sanctions to be imposed against persons, including foreign firms, who engage in certain activities in Iran's energy sector, including selling or providing Iran with refined petroleum products.[5] In 2010, we identified, in open sources, 16 firms that reported having sold refined petroleum products to Iran from January 1, 2009, to June 30, 2010.[6] This report updates the findings of the 2010 report.

As you requested, this report (1) provides a list of firms reported to have sold refined petroleum products to Iran from July 1, 2010, through December 31, 2011, and firms reported to have stopped sales to Iran since the 2010 report, and (2) identifies which of those firms have contracts with the U.S. government. We defined the sale of refined petroleum products as receiving payment for the provision of any such products through direct sale, shipment, or brokering (i.e., trading) of these products to Iran.

To accomplish our objectives, we reviewed open source information, including industry and trade publications, corporate reports and statements, and Securities and Exchange Commission filings. We listed firms that were reported to have sold Iran refined petroleum products if at least three reputable industry publications and/or the firm's corporate statements reported the firm to have sold or provided refined petroleum products to Iran from July 1, 2010, through December 31, 2011. We also listed the firms that were reported to have stopped sales to Iran if open source information reported and/or the firm indicated in a letter to us that the firm had stopped sales by June 30, 2010, and if we did not find open source reports of sales to Iran during the time period. In cases where dates of activity were not specified in the reports, we used the date of publication for the date of activity. We provided the firms that were reported to have sold refined petroleum products to Iran an opportunity to comment on our findings. While we spoke with U.S. intelligence agency officials, we only used unclassified, open source information for this report. To determine the firms that also had contracts with the U.S. government, we searched the Federal Procurement Data System-Next Generation (FPDS-NG), the primary government-wide contracting database since 1978, for active contracts from July 1, 2010, through December 31, 2011. We first searched in FPDS-NG for firms identified as having sold refined petroleum products to Iran. We did not review the contracts or documents underlying these transactions reported in open sources and did not independently verify these transactions. Further, we did not attempt to determine whether reported sales of

[3]International Emergency Economic Powers Act, Pub. L. No. 95-223, 91 Stat. 1625 (1977); National Emergencies Act, Pub. L. No. 94-412, 90 Stat. 1255 (1976), and 3 U.S.C. § 301 as implemented by Executive Order 12957, 60 Fed. Reg. 14615 (Mar. 15, 1995) (prohibiting U.S. involvement with petroleum development in Iran), Executive Order 12959, 60 Fed. Reg. 24757 (May 6, 1995) (banning specified exports and investment), and Executive Order 13059, 62 Fed. Reg. 44531 (Aug. 19, 1997) (prohibiting virtually all trade and investment activities with Iran by U.S. persons, wherever located). Iran and Libya Sanctions Act of 1996, Pub. L. No. 104-172, 110 Stat. 1541, as amended.

[4]Pub. L. No. 111-195.

[5]Pub. L. No. 104-172, § 5, as amended.

[6]GAO, *Firms Reported in Open Sources to Have Sold Iran Refined Petroleum Products between January 1, 2009, and June 30, 2010*, GAO-10-967R (Washington, D.C.: Sept. 3, 2010).

refined petroleum products to Iran by the firms listed in this report met the legal criteria of sanctionable activities specified in ISA, as amended by CISADA. The Secretary of State is responsible for making such determinations. In a related report, we described State's process for enforcing energy related sanctions under ISA, including those for the sale of refined petroleum products to Iran.[7] See enclosure I for a full description of our scope and methodology.

We conducted our work from September 2011 to January 2012 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objective and discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

Summary

Based on open source information, four firms—Petróleos de Venezuela S.A., China Oil, Unipec, and Zhuhai Zhenrong—were reported to have sold refined petroleum products to Iran between July 1, 2010, and December 31, 2011. Of the four firms, Petróleos de Venezuela S.A. was not identified in our 2010 report. According to open sources, the number of firms selling refined petroleum products to Iran has decreased since the release of our 2010 report. Eleven of the 16 firms that we listed in our 2010 report were reported in open sources and/or indicated in letters to us that they had stopped sales of refined petroleum products to Iran, and we did not find any open sources that reported the firms having sold refined petroleum products to Iran since June 30, 2010. For two firms that our 2010 report listed as having been reported to have sold refined petroleum products to Iran—Emirates National Oil Company and Hin Leong Trading Corporation—we did not find sufficient open source information that reported whether the firms had continued or ceased sales of refined petroleum products to Iran since June 30, 2010. According to DOE and open source reports, as well as a State official, sanctions have made it difficult for Iran to import gasoline as many suppliers of refined petroleum products stopped shipments after the passage of CISADA. According to DOE and State officials, Iran has attempted to increase its ability to refine its own gasoline and to reduce domestic demand.

The U.S. government did not have contracts with the three Chinese firms or Petróleos de Venezuela S.A., which were reported in open sources to have sold Iran refined petroleum products between July 1, 2010, and December 31, 2011.

Background

The United States enacted legislation that allows for the imposition of sanctions on activities with Iran's nuclear, missile, energy, and financial sectors, including activities related to Iran's nuclear and conventional weapons technology and activities that involve human rights violations.[8] U.S. law has restricted U.S. and foreign firms from engaging in

[7] GAO, *Actions to Enforce the Iran Sanctions Act and Implement Contractor Certification Requirement*, GAO-12-316R (Washington, D.C.: Jan. 24, 2012).

[8] Pub. L. No. 111-195.

activities through a variety of sanctions since 1987. According to State, these measures are designed to

(1) block the transfer of weapons, components, technology, and dual-use items to Iran's prohibited nuclear and missile programs;

(2) target selected sectors of the Iranian economy relevant to its proliferation activities; and

(3) induce Iran to engage constructively, through discussions with the United States and other countries, to return to compliance with its nonproliferation obligations.

CISADA was enacted on July 1, 2010, adding additional requirements and measures to the Iran Sanctions Act of 1996 (ISA).[9] ISA, as amended by CISADA, provides for sanctions to be imposed against firms that are determined to knowingly sell or provide Iran with refined petroleum products that (1) have a fair market value of $1 million or more, or (2) during a 12-month period, have an aggregate fair market value of $5 million or more.[10] For any person determined to have engaged in a sanctionable activity after July 1, 2010, the President can impose three or more of a possible nine sanctions, including prohibiting the foreign firm from engaging in U.S. government procurement. The President, who delegated certain authorities under the act to the Secretary of State, may waive the imposition of sanctions for these activities.[11] State is the agency primarily responsible for implementing the provisions of ISA and the amendments by CISADA.

Four Foreign Firms Sold Refined Petroleum Products to Iran from July 1, 2010 to December 31, 2011, According to Open Sources

<u>Open Sources Reported Four Foreign Firms That Sold Refined Petroleum Products to Iran</u>

Based on open sources, we identified four foreign firms that reported sales of refined petroleum products to Iran from July 1, 2010, through December 31, 2011. Three Chinese firms—China Oil, Unipec, and Zhuhai Zhenrong—and Petróleos de Venezuela S.A. were reported, in open sources, to have sold refined petroleum products to Iran during this period. Of the four firms reported to have sold refined petroleum products to Iran after June 30, 2010, only Petróleos de Venezuela S.A. was not identified in our 2010 report. A September 2010 report in *El Finance* stated that the number of gasoline cargoes to Iran declined after the passage of CISADA, leaving Iran heavily reliant on Chinese traders to provide it with gasoline. In our September 2010 report, we identified 16 firms that open sources reported had sold refined petroleum products to Iran from January 1, 2009, through June 30, 2010. However, 11 of these firms were reported in open sources and/or indicated in letters to us that they had stopped sales of refined petroleum products to Iran, and we did not find any open source information indicating that these firms had resumed selling refined petroleum products to Iran after June 30, 2010. For two firms that were reported as having sold refined petroleum products to Iran in our 2010 report—Emirates

[9] Id.

[10] Pub. L. 104-172 § 5(a), as amended.

[11] Memorandum: Delegation of Certain Functions and Authorities under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, 75 Fed. Reg. 67025 (Sept. 23, 2010).

National Oil Company and Hin Leong Trading—we did not find sufficient open source information that reported whether or not the firms sold refined petroleum products to Iran after June 30, 2010, and the firms did not respond to our requests to comment on activity with Iran after June 30, 2010. The firms we identified in our September 2010 report and this 2011 update are listed in table 1. We did not attempt to determine whether the reported sales of refined petroleum products to Iran met the legal criteria for sanctionable activities under ISA. The Secretary of State is responsible for making such determinations.

Table 1: Comparison of Foreign Firms Reported in Open Sources to Have Sold Refined Petroleum Products to Iran during the Periods of January 2009 through June 2010 and July 2010 through December 2011

Firm	Country [a]	Summary of reported sales – Jan. 2009 to June 2010	Summary of reported sales – July 2010 to Dec. 2011
1. China Oil	China	Sold gasoline to Iran in 2010.	Sold gasoline to Iran in 2010 and 2011. No comment on our findings as of December 31, 2011.
2. Unipec	China	Sold gasoline to Iran in 2010.	Sold gasoline to Iran in 2010 and 2011. No comment on our findings as of December 31, 2011.
3. Zhuhai Zhenrong	China	Sold gasoline to Iran in 2010.	Sold gasoline to Iran in 2010 and 2011. No comment on our findings as of December 31, 2011.
4. Petróleos de Venezuela S.A.	Venezuela	No reported sales.	Sold petroleum products to Iran in 2011. No comment on our findings as of December 31, 2011.
5. Emirates National Oil Company	United Arab Emirates	Sold gasoline to Iran in 2010.	No reported sales and no reports that the firm stopped sales. No comment on our findings as of December 31, 2011.
6. Hin Leong Trading	Singapore	Traded refined petroleum products to Iran in 2009.	No reported sales and no reports that the firm stopped sales. No comment on our findings as of December 31, 2011.
7. British Petroleum	United Kingdom	Sold gasoline to Iran in 2008, but stopped in 2009.	No reported sales. Stopped sales in 2009.
8. Glencore	Switzerland	Sold gasoline to Iran in 2009, but stopped in 2009.	No reported sales. Stopped sales in 2009.
9. Independent Petroleum Group (IPG)	Kuwait	Sold gasoline to Iran in 2009 and 2010, but stopped in 2010.	No reported sales. Stopped sales in 2010.
10. Lukoil (Litasco)	Russia (Switzerland)	Sold gasoline to Iran in 2009 and 2010, but stopped in 2010.	No reported sales. Stopped sales in 2010.
11. Petronas	Malaysia	Sold gasoline to Iran in 2009 and 2010, but stopped in 2010.	No reported sales. Stopped sales in 2010.
12. Reliance Industries	India	Sold gasoline to Iran in 2009, but stopped in	No reported sales. Stopped sales in 2009.

Firm	Country [a]	Summary of reported sales – Jan. 2009 to June 2010	Summary of reported sales – July 2010 to Dec. 2011
		2009.	
13. Royal Dutch Shell	the Netherlands	Sold gasoline to Iran in 2009, but stopped in 2009.	No reported sales. Stopped sales in 2009.
14. Total	France	Sold gasoline to Iran in 2009 and 2010, but stopped in 2010.	No reported sales. Stopped sales in 2010.
15. Trafigura	Switzerland	Sold gasoline to Iran in 2009 and 2010, but stopped in 2010.	No reported sales. Stopped sales in 2010.
16. Tupras	Turkey	Sold gasoline to Iran in 2010, but stopped in 2010.	No reported sales. Stopped sales in 2010.
17. Vitol	Switzerland	Sold gasoline to Iran in 2009 and 2010, but stopped in 2010.	No reported sales. Stopped sales in 2010.

Source: GAO analysis of open source information.

[a]The country listed in this column is the physical location of the firm as reported in open sources.

According to Open Sources, Sales of Refined Petroleum Products to Iran Have Decreased

Based on open sources, since the enactment of CISADA in July 2010, sales of refined petroleum products to Iran have decreased. According to DOE, Iran imported approximately 130,000 barrels of gasoline per day in 2009. DOE reported that in 2010 Iran imported an estimated 78,000 barrels per day, and Petroleum Intelligence Weekly reported in July 2011 that the imports had declined to an estimated 50,000 barrels per day. According to State and DOE officials, the reduction in the sales of refined petroleum products to Iran can be attributed to multiple causes, including (1) a decrease in the number of firms selling refined petroleum products to Iran, (2) increased Iranian refining capacity, and (3) a reduction in Iranian government gasoline subsidies provided to Iranian citizens, which aimed to lower domestic demand.

According to a 2011 DOE report, Iran has a limited refinery capacity for the production of fuel and consequently imports a sizable share of its gasoline supply. According to DOE, the sanctions imposed on Iran have made it difficult for Iran to import the needed volumes of gasoline to meet demand, as the number of firms that are reported to have sold refined petroleum products to Iran has decreased.

In addition, Iran is expanding its refining capacity to meet domestic demand and reduce reliance on foreign refined petroleum products. For example, according to an open source, Iran has expanded its Shazand refinery, which quadrupled gasoline production capacity to 100,000 barrels per day. Increased refinery output will eventually lead to a further reduction in Iran's purchase of gasoline from foreign firms, and DOE reported that if proposed expansions occur as planned, Iran could export gasoline in 2015.

Furthermore, DOE, an Institute for Defense Analyses briefing, and open source reports indicated that, in order to compensate for the reduction of shipments of refined petroleum products, Iran has been producing gasoline at petrochemicals facilities.[12] According to these sources, gasoline produced in this way is of poor quality and reduces the output of petrochemicals that would have been produced in these facilities otherwise.

Finally, according to DOE and International Monetary Fund reports, Iran has also reduced the amount of gasoline subsidies for citizens in an effort to reduce domestic demand for gasoline and further limit the impact of reduced imports of refined petroleum products. The government of Iran subsidizes petroleum sales in-country, but on December 19, 2010, it announced a reduction in the subsidy of gasoline for Iranian citizens, increasing the cost of gasoline from approximately $0.10 per liter to $0.40 per liter for up to 60 liters of gasoline per month, according to open source reports. According to an International Monetary Fund report, gasoline consumption in Iran declined as a result of the change.

<u>The Secretary of State Imposed Sanctions on Eleven Foreign Firms for Providing Refined Petroleum Products to Iran</u>

Since the enactment of CISADA in July 2010, the Secretary of State has imposed sanctions under ISA on 13 firms, including sanctions on 11 firms for the sale of refined petroleum products or related goods and services to Iran.[13] In September 2011, State imposed sanctions against Allvale Maritime Inc., Associated Shipbroking, Petrochemical Commercial Company International, Petróleos de Venezuela S.A., Royal Oyster Group, Société Anonyme Monégasque D'Administration Maritime Et Aérienne, Speedy Ship, and Tanker Pacific Management Pte. Ltd.[14] On January 12, 2012, State imposed sanctions on Zhuhai Zhenrong, FAL Oil Company Limited (United Arab Emirates), and Kuo Oil (S) Pte. Ltd. (Singapore) for conducting business with Iran's energy sector. According to State, the firms were sanctioned for the following reasons:

- Petrochemical Commercial Company International, Royal Oyster Group, and Speedy Ship were among the largest current suppliers of refined petroleum products to Iran and all three regularly engaged in deceptive practices in order to ship these products to Iran and evade U.S. sanctions.

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[12]Jessica L. Knight, Dr. Robert A. Zirkle, and Dr. Richard H. White, Institute for Defense Analyses. *Iran's Petrochemical Plants: An Open Source Primer,* annotated briefing prepared for United States Central Command (Alexandria, Va: Mar. 22, 2011). The Institute for Defense Analyses annotated briefing is an unclassified, open source review of Iran's petrochemical plants, and includes findings and conclusions regarding the production, development, and expansion of Iran's petrochemical industry.

[13]In addition to the sanctions imposed on eleven firms for the sale of refined petroleum products or related goods and services to Iran, on October 13, 2010, and April 5, 2011, the Secretary of State imposed sanctions on two firms, Belarusneft (Belarus) and NaftIran Intertrade Company (Switzerland) for their investment in Iran's oil, gas, and petrochemical sectors. 75 Fed. Reg. 62916-02 (Oct. 13, 2010) (imposing sanctions on Naftiran Intertrade Company) and 76 Fed. Reg. 18821-04 (Apr. 5, 2011) (imposing sanctions on Belarusneft).

[14]See Public Notice 7585, 76 Fed. Reg. 56866 (Sep. 14, 2011) (imposing sanctions on Allvale Maritime Inc., Associated Shipbroking, Petrochemical Commercial Company International, Petróleos de Venezuela S.A., Royal Oyster Group, Société Anonyme Monégasque D'Administration Maritime Et Aérienne, Speedy Ship, and Tanker Pacific Management (Singapore) Pte. Ltd.).

- Allvale Maritime Inc., Associated Shipbroking, Société Anonyme Monégasque D'Administration Maritime Et Aérienne, and Tanker Pacific Management were sanctioned for their roles in a September 2010 transaction that provided a tanker valued at $8.65 million to the Islamic Republic of Iran Shipping Lines, an entity that has been determined to have supported Iran's nuclear and missile programs.

- Petróleos de Venezuela S.A., the state-owned oil company of Venezuela, delivered at least two cargoes of reformate, a blending component that improves the quality of gasoline, to Iran between December 2010, and March 2011, worth approximately $50 million.

- Zuhai Zhenrong is the largest supplier of refined petroleum products to Iran, and brokered the delivery of over $500 million in gasoline to Iran between July 2010, and January 2011.

- FAL Oil Company Limited, a large independent energy trader based in the UAE provided over $70 million in refined petroleum to Iran over multiple shipments in late 2010.

- Kuo Oil (S) Pte. Ltd., an energy trading company, provided over $25 million in refined petroleum to Iran between late 2010, and early 2011.

To identify firms that sell refined petroleum products to Iran, a State official indicated that State collects and reviews information from numerous sources, including open source information, but relies on information from numerous intelligence organizations including State's Bureau of Intelligence and Research, the Office of the Director of National Intelligence, the Central Intelligence Agency, and the Office of Naval Intelligence. According to a State official, companies are going to great lengths to hide the sales of refined petroleum products to Iran. According to a State official, intelligence information gathered by the U.S. government led to the determination to impose sanctions on all but one of the firms.[15]

In a related report, we described State's process for enforcing energy-related sanctions under ISA, including those for the sale of refined petroleum products to Iran.[16]

None of the Four Firms Had Contracts with the U.S. Government

From July 1, 2010, to December 31, 2011, the U.S. government did not have any contracts with the four firms that were reported in open sources to have sold refined petroleum products to Iran during that period. As noted in our 2010 report, the U.S. government obligated funds to three firms that were reported to have sold refined petroleum products to Iran, but open sources did not report that these firms sold such products to Iran after the enactment of CISADA in July 2010.

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[15]We searched open sources for information on the eleven firms on which State imposed sanctions for the sale of refined petroleum products or related goods and services to Iran. We identified reports in at least three credible and reliable open sources that Petróleos de Venezuela S.A. and Zuhai Zhenrong had sold refined petroleum products to Iran between July 1, 2010, and December 31, 2011. We did not find sufficient information in at least three credible and reliable open sources that reported that the remaining nine firms had sold or transported refined petroleum products to Iran during that time period.

[16]GAO-12-316R.

Agency Comments

We provided the Departments of State, Energy, and Defense with a draft of this report for review and comment. The Department of State provided technical comments, which we incorporated into the report as appropriate. The Departments of Defense and Energy did not comment on the report.

In addition, we provided the firms listed in this report as having sold refined petroleum products to Iran between July 1, 2010, and December 31, 2011, an opportunity to comment on the open source information about their activities. As of December 31, 2011, we had not received any responses from firms that were reported to have sold Iran refined petroleum products or the firms that did not have sufficient information on whether they sold or stopped selling refined petroleum products to Iran after June 30, 2010.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 7 days from the report date. At that time, we will send copies to appropriate congressional committees, the Secretary of State, Secretary of Energy, and Secretary of Defense. In addition, the report will be available at no charge on GAO's website at http://www.gao.gov.

If you or your staffs have any questions about this report, please contact me at (202) 512-9601 or melitot@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in enclosure II.

Thomas M

Thomas Melito
Director, International Affairs and Trade

Enclosures - 2

Scope and Methodology

To identify firms reported in open sources to have sold refined petroleum products to Iran at any time during the period between July 1, 2010, and December 31, 2011, we searched open source information that was determined to be credible and comprehensive by an information specialist on our staff, who has conducted work on the energy sector and worked for firms that conduct audits in the oil processing industry, such as refining and petrochemical production. For the purposes of our search, we defined refined petroleum products to include gasoline, kerosene, diesel fuel, and gas oil. To generate our list of firms that provided refined petroleum products to Iran, we reviewed open sources published between July 1, 2010, and December 31, 2011. Open source information is overt and publicly available information, as opposed to covert or classified.

We searched industry trade publications for reports of firms selling refined petroleum products to Iran at any time during the period between July 1, 2010, and December 31, 2011. Our information specialist used the Nexis Oil and Energy databases, which contain trade publications where more than 60 percent of the stories pertain to the oil and energy industries. Publications include *Oil Daily*, *Oil and Gas News*, *Oil and Gas Journal*, and *Platt's Oilgram News*, among others. The information specialist then screened the publications and excluded sources deemed insufficiently reliable, such as newspaper reports, newswires, and direct news releases from the Iranian government. We reviewed the open sources for specific firms named in U.S. government reports from the Department of State (State) and the Department of Energy (DOE) as sellers of refined petroleum products to Iran. We also reviewed company publications, annual reports, Securities and Exchange Commission filings, and press releases and corporate statements reporting the sale of refined petroleum products to Iran or for corrected information that had been publicly reported. In addition, we reviewed government reports from the Congressional Research Service, as well as other reports from international and industry organizations, such as the International Atomic Energy Agency and IHS Global Insight.

After identifying firms in open sources, we confirmed that the reports of the sales of refined petroleum products to Iran were reliable if one of the following criteria had been met: (1) at least three standard industry publications cited the firm as having sold refined petroleum products to Iran at any time during the period between July 1, 2010, and December 31, 2011, (2) the firm provided information on its corporate website about its sale of refined petroleum products to Iran at any time during this period, and at least one standard industry publication corroborated the firm's reported sale of refined petroleum products to Iran at any time during this period, or (3) the firm provided information in a corporate report, a Securities and Exchange Commission filing, or confirmed in a letter to us that the firm sold refined petroleum products to Iran during this period. If none of these criteria were met, the firm was not included in our tables. We did not review the contracts or documents underlying these transactions reported in open sources and did not independently verify these transactions. We reviewed open source information to identify the details of the reported sale of refined petroleum products to Iran. In cases where dates of activity were not specified in the reports, we used the date of publication for the date of activity. We did not attempt to determine whether the reported sales of refined petroleum products to Iran met the legal criteria for sanctionable activities under the Iran Sanctions Act, as amended by the Comprehensive Sanctions Accountability and Divestment Act. The Secretary of State is responsible for making such determinations. We also applied the same methodology to determine whether to list a firm that was reported to have stopped selling refined petroleum products to Iran during the same period. We determined to list firms that were reported to have stopped sales if three separate open sources reported and/or the firm provided information to GAO that it had stopped sales of refined petroleum products to Iran. We also reviewed open sources to confirm that no new reports of refined petroleum product sales by these companies had resumed after June 30, 2010.

We interviewed officials from State and DOE regarding the Iranian energy sector and sales of refined petroleum products to Iran. We also met with intelligence agency officials to discuss sales of refined petroleum products to Iran and Iran's energy sector, but we did not present any classified information in this report.

After identifying the firms that were reported to have sold refined petroleum products to Iran, we attempted to contact the firms by telephone to explain the purpose of our report and obtain an appropriate point of contact within the firm to officially comment on the information reported in open sources. We then e-mailed the firms a letter containing information from table 1 concerning the firms' reported sales to Iran. As of December 31, 2011, none of the firms had responded.

To determine whether the four firms identified in open sources as having sold refined petroleum products to Iran also had contracts with the U.S. government from July 1, 2010, through December 31, 2011, we searched the Federal Procurement Data System-Next Generation (FPDS-NG) for references to these firms. We chose FPDS-NG to determine whether any of these firms also had contracts with the U.S. government because FPDS-NG has served as the primary governmentwide contracting database since 1978. Congress, executive branch agencies, and the public rely on FPDS-NG for a broad range of data on agency contracting actions, procurement, and spending. The Office of Management and Budget established FPDS-NG, and the General Services Administration administers the system. More than 60 government departments, agencies, and other entities submit contract data to FPDS-NG.

We searched the FPDS-NG archives from July 1, 2010, through December 31, 2011 using search terms that would select any record with the names of firms that were reported to have sold refined petroleum products to Iran, as identified in table 1. Our searches for U.S. contracts only covered firms that we had identified in open sources as having sold or shipped refined petroleum products to Iran.

We conducted our work from September 2011 to January 2012 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objective and discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions.

GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the individual named above, Tetsuo Miyabara (Assistant Director), John F. Miller, Joanna Berry, Grace Lui, Julia Kennon, Debbie Chung, and Dave Hancock made key contributions to this report.

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