



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 24, 2012

To the Congress of the United States:

Section 312 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRSHRA) requires the Secretary of the Treasury, no later than 45 days after the date of the enactment of ITRSHRA, to determine whether the National Iranian Oil Company (NIOC) or the National Iranian Tanker Company (NITC) is an agent or affiliate of Iran's Islamic Revolutionary Guard Corps (IRGC), and to report to Congress on these determinations and the reasons for them.

Pursuant to authority delegated by the Secretary of the Treasury, I have determined that NIOC is an agent or affiliate of the IRGC. Based on the information currently available, I am unable to determine at this time that NITC is an agent or affiliate of the IRGC.

The Department of the Treasury has reviewed classified reporting and unclassified information in support of these determinations. As Iran's most powerful economic actor, the IRGC dominates many sectors of the economy, including energy, construction, and banking. The IRGC, long a target of U.S. sanctions, has a history of attempting to circumvent sanctions by maintaining a complex network of front companies. Recently, the IRGC has been coordinating a new campaign to sell Iranian oil, in order to evade international sanctions, specifically European Union sanctions that prohibit the import, shipping, and purchase of Iranian oil, which went into effect on July 1, 2012.

NIOC, which is owned by the Government of Iran through the Ministry of Petroleum, is responsible for the exploration, production, refining, and export of oil and petroleum products in Iran. Under the current Iranian regime, the IRGC's influence has grown within NIOC. For example, on August 3, 2011, Iran's parliament approved the appointment of Rostam Qasemi, a Brigadier General in the IRGC, as Minister of Petroleum. Prior to his appointment, Qasemi was the commander of Khatam Al-Anbia, a construction and development wing of the IRGC that generates income and funds operations for the IRGC. Even in his new role as Minister of Petroleum, Qasemi has publicly stated his allegiance to the IRGC. As the IRGC has become increasingly influential in Iran's energy sector, Khatam Al-Anbia has obtained billions of dollars worth of contracts with Iranian energy companies, including NIOC, often without participating in a competitive bidding process.

NIOC is blocked already under Executive Order 13599 as part of the Government of Iran. As a result of the Department of the Treasury's ITRSHRA section 312 determination, NIOC now is also a person described under section 104(c)(2)(E)(i) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) as an agent or affiliate of the IRGC whose property or interests in property are blocked pursuant to IEEPA. This means that foreign financial institutions determined to knowingly facilitate significant transactions or provide significant financial services for NIOC may be subject to CISADA sanctions, including

prohibitions or the imposition of strict conditions on the opening or maintaining of correspondent or payable-through accounts in the United States.

In addition, section 302 of ITRSHRA requires sanctions on foreign persons determined to have knowingly provided certain material support to, or engaged in significant transactions with, the IRGC or its officials, agents, or affiliates whose property or interests in property are blocked. ITRSHRA section 312 authorizes the President not to impose the sanctions described in section 104 of CISADA (as amended by section 312 of ITRSHRA) or section 302 of ITRSHRA, for those transactions or services involving NIOC for the purchase of petroleum or petroleum products from Iran if the Secretary of State has determined that the country is significantly reducing its importation of Iranian oil in accordance with section 1245(d)(4)(D) of the National Defense Authorization Act for Fiscal Year 2012.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam J. Szubin', is positioned above the printed name.

Adam J. Szubin
Director
Office of Foreign Assets Control
Department of the Treasury