

Offshore Drilling and Foreign Terror: Iran, Syria, and America's Oil Industry



NOTE: This report has not been officially adopted by the Committee on Natural Resources and may not necessarily reflect the views of its Members.

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Introduction:

Iran is currently the world's most dangerous state sponsor of terrorism, and is actively attempting to build an arsenal of nuclear weapons. Syria is currently engaging in a barbaric purge of its own citizens, after decades of brutal rule over its citizens. These countries do not deserve American economic investment, nor is it allowed under many current laws.

Several oil companies were forced in recent years to cease their investments in Iran's energy development. In fact five companies who currently hold active oil and gas leases off the shores of America's coasts were recently forced to divest from investment in Iran's energy sector.

Yet on July 25, 2012, when House Republicans voted to approve a new offshore drilling plan that would open all of America's coastline to drilling, they voted against an amendment offered by Rep. Louise Slaughter (D-NY) that would require oil companies to not invest in Iran or Syria in order to be given new taxpayer-owned lands to drill.



This vote continues a trend begun last year when, in October of 2011, House Republicans voted to hand over one of America's largest copper mines to a [company that continued to do business with Iran to mine uranium](#). House Republicans voted against a similar Democratic proposal that would have required the company to cease its joint investment in the mine that supplies Iran with nuclear fuel. (See vote [here](#).)

Background:

Since 1996, the State Department has been required to sanction companies that invest in Iran's energy sector by the Iran Sanctions Act (ISA). The Obama administration is the first administration to sanction companies using provisions of the 1996 law. The Bush administration had waived key provisions of the law, allowing certain foreign companies to continue to do business with the Government of Iran despite that countries' nuclear activities. The provisions and reach of ISA was expanded with 2010 amendments. It was further expanded by an executive order in 2011.

The Obama administration has moved swiftly to pressure firms to divest from Iran and Syria, and has shown no hesitation in imposing sanctions against those violating laws such as the Iran Sanctions Act, the Syria Accountability and Lebanese Nonproliferation Act and International Emergency Economic Powers Act.

Using provisions from 2010 amendments, the State Department has negotiated with five companies (Total SA, Royal Dutch Shell, ENI, Inpex & Statoil), leading to their divestment (or planned divestment) from Iran and compliance with the ISA. Each of the above listed companies currently hold drilling leases off America's shores, according to the Bureau of Ocean Energy Management.

Democratic legislation would allow the administration to up the ante by ensuring that companies that violate these sanctions are also not allowed to access American energy resources off U.S. shores. It would also ensure that if the five companies that ceased doing business with Iran should resume their business relations with that country, they would be barred from receiving

new offshore oil and gas leases in the exclusive economic zone of the United States. This restriction could not be waived.

17,000

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Oil produced off U.S. shores is among the most valuable assets the government holds in the public trust. During fiscal year 2011 alone, oil companies produced [538 million barrels of oil collectively worth an estimated \\$51.3 billion from these federal offshore leases](#), according to the Office of Natural Resources Revenue.¹

The administration has already worked to ensure that companies supportive of the brutal Iranian and Syrian regimes cannot do business in the United States.

Specifically, the administration has imposed sanctions on 13 energy companies from countries like Russia, China and Liberia have violated U.S. law by investing \$20 million in Iran's energy sector during a rolling 12-month period. The Department of Treasury has put dozens of top Syrian officials and businesses important to the Assad regime.

In today's House floor vote on the Slaughter amendment, Democrats voted to also ensure that oil and gas companies who decided to do business with Iran or Syria cannot tie up critical energy resources on the Outer Continental Shelf.

House Republicans protecting economic interests of Iran, Syria:

Today's vote is not the first time Republicans have put the interests of global corporations above the interests of global security. In October of 2011, Republicans handed over an enormous copper mine in Arizona to the global mining company Rio Tinto. They did not require Rio Tinto to divest their majority ownership stake in an African uranium mine in Namibia, of which the Iranian government also held a 15 percent share.

¹ The Office of Natural Resources Revenue reported that oil companies produced 385 million barrels of oil from royalty-bearing leases during fiscal year 2011. Those leases had a total sales value of \$36.7 billion or \$95.32 per barrel. An additional 153 million barrels were produced from Outer Continental Shelf lease tracts that did not report sales value. The Natural Resources Committee staff used the average sales price of \$95.32 for those leases.

Foreign oil companies like Royal Dutch Shell of the Netherlands, Canada's Suncor, Gulfsands of the United Kingdom, and Statoil of Russia have already divested from Syria in order to comply with European sanctions.

House Republicans passed a bill on July 25th, 2012, to open up nearly all of America's shores to offshore drilling. Yet when Democrats offered a proposal that day that would prevent companies investing in Iran or Syria to be given new taxpayer-owned lands, House Republicans voted it down.

An estimated 17,000 innocent Syrians have been killed as President Bashar Assad continues a civilian slaughter to maintain power. In Iran, President Mahmoud Ahmadinejad's continued development of a menacing nuclear arms program and violent suppression of free speech has threatened regional stability, putting our Middle East allies at risk.

Appendix A

Companies Sanctioned for doing business with the Islamic Republic of Iran

The Department of State has imposed sanctions on the following 13 companies for violations of the Iran Sanctions Act of 1996 (P.L. 104-172). Each company is accompanied by their home country:

- Allvale Maritime Inc. (Liberia)
- Associated Shipbroking (Monaco)
- Belarusneft (Belarus)
- FAL Oil Company Limited (UAE)
- Kuo Oil (S) Pte. Ltd. (Singapore)
- Naftiran Intertrade Company (Switzerland/Iran)
- Petrochemical Commercial Company International (a.k.a. PCCI) (Jersey)
- Petróleos de Venezuela S.A. (Venezuela)
- Royal Oyster Group (UAE)
- Société Anonyme Monégasque D'Administration Maritime Et Aérienne a.k.a. S.A.M.A.M.A., a.k.a SAMAMA (Monaco)
- Speedy Ship FZC (UAE)
- Tanker Pacific Management Pte. Ltd. (Singapore)
- Zhuahai Zhenrong Company (China)

Appendix B

Companies Sanctioned for violation of sanctions against Syria

The Congressional Research Service compiled the following table of sanctions implemented by the Treasury Department's Office of Foreign Assets Control (OFAC) since early 2011 in response to Syria's uprising.

Date	Sanctioned Individual/Entity	Sanction or Related Activity Description
July 18, 2012	Omran Ahed Al-Zoubi, Minister of Information, , Subhi Ahmad Al-Abdullah, Minister of Agriculture and Agrarian Reform, Safwan Al-Assaf, Minister of Housing and Urban Development, Wael Nader Al-Halqi, Minister of Health, Mohammad Al-Jleilati, Minister of Finance, Hala Al Nasser, Minister of Tourism, Mohammad Abdul-Sattar Al-Sayyed, Minister of Religious Endowments, Yasser Al-Sibaei, Minister of Public Works, Hazwan Al Wazz, Minister of Education, Mansour Fadlallah Azzam, Minister of Presidential Affairs, Nazira Farah Sarkis, Minister of State for Environmental Affairs, Hussein Mahmoud Farzat, Minister of State, Omar Ibrahim Ghalawanji, Deputy Prime Minister for Services Affairs, Radwan Habib, Minister of Justice, Ali Haidar, Minister of State for National Reconciliation Affairs, Bassam Hanna, Minister of Water Resources, Riyadh Hijab, Prime Minister, Mahmoud Ibrahim Said, Minister of Transport, Qadri Jamil, Deputy Prime Minister for Economic Affairs, Imad Mohammad Deeb Khamis, Minister of Electricity, Adib Mayaleh, Governor of Central Bank of Syria, Jassim Mohammad Zakarya, Minister of Social Affairs and Labor, Lubanah Mshaweh, Minister of Culture, Said Mu'zi Hneidi, Minister of Oil and Mineral Resources, Imad Abdul-Ghani	Added to OFAC's Specially Designated Nationals (SDN) List

	Sabouni, Minister of Communications and Technology, Fuad Shukri Kurdi, Minister of Industry, Joseph Jurji Sweid, Minister of State, Mohammad Yehya Moalla, Minister of Higher Education, Mohammad Zafer Mihbek, Minister of Economy and Foreign Trade; Business Lab, Drex Technologies(Virgin Islands) ^a , Handasieh, Industrial Solutions, Mechanical Construction Factory, Syronics	
May 30, 2012	Syria International Islamic Bank	Added to OFAC's Specially Designated Nationals (SDN) List
May 1, 2012	Foreign Persons/Foreign Entities that have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions against Iran or Syria, or that have facilitated deceptive transactions for persons subject to U.S. sanctions concerning Syria or Iran.	Executive Order 13608—Authorizes the Department of the Treasury to publicly identify foreign individuals and entities that have violated U.S. sanctions against Iran and Syria and generally bars their access to U.S. financial and commercial systems.
April 27, 2012		OFAC issued General License 4A, which authorizes the exports or re-exports to Syria of items licensed or otherwise authorized by the Department of Commerce and of exports and reexports of certain services. General License 4A replaces and supersedes General License 4, dated August 18, 2011.
April 23, 2012	Governments of Syria and Iran, Ali Mamluk (Director of the Syrian General Intelligence Directorate), Syrian General Intelligence Directorate, Syriatel, Islamic Revolutionary Guard Corps, Iranian Ministry of Intelligence and Security, Law Enforcement Forces of the Islamic Republic of Iran, Datak Telecom	Executive Order 13606—Blocks the property and suspends entry into the United States of certain persons with respect to grave human rights abuses by the governments of Iran and Syria via information technology.
March 30, 2012	General Munir Adanov (Deputy Chief of General Staff of the Syrian Army), General Dawood Rajiha	Added to OFAC's Specially Designated Nationals (SDN) List

(Minister of Defense)

March 5, 2012	General Organization of Radio and TV	Added to OFAC's Specially Designated Nationals (SDN) List
February 23, 2012		OFAC issued General License 15 related to Syria to authorize transactions in connection with patent, trademark, copyright, or other intellectual property protection that would otherwise be prohibited by Executive Order 13582.
February 16, 2012	Iranian Ministry of Intelligence and Security	Added to OFAC's Specially Designated Nationals (SDN) List
December 1, 2011	Muhammad Makhlef, Military Housing Establishment, Real Estate Bank	Added to OFAC's Specially Designated Nationals (SDN) List
October 3, 2011		OFAC issued two general licenses related to Syria to authorize payments in connection with overflight or emergency landing and transactions with respect to telecommunications
September 27, 2011		OFAC issued a General License related to Syria to authorize third-country diplomatic and consular funds transfers and to authorize certain services in support of nongovernmental organizations' activities.
September 9, 2011		OFAC issued four general licenses related to Syria to authorize wind down transactions, certain official activities of international organizations, incidental transactions related to U.S. persons residing in Syria and operation of accounts.
August 30, 2011	Walid Mouallem (Foreign Minister), Ali Abdul Karim Ali (Syrian Ambassador to Lebanon), Bouthaina Shaaban (Advisor to the President)	Added to OFAC's Specially Designated Nationals (SDN) List

August 18, 2011	Government of Syria	Executive Order 13582—Freezes all assets of the Government of Syria, prohibits U.S. persons from engaging in any transaction involving the Government of Syria, bans U.S. imports of Syrian-origin petroleum or petroleum products, prohibits U.S. persons from having any dealings in or related to Syria's petroleum or petroleum products, and prohibits U.S. persons from operating or investing in Syria.
August 18, 2011	General Petroleum Corporation, Syrian Company For Oil Transport, Syrian Gas Company, Syrian Petroleum Company, Sytrol	Added to OFAC's SDN List
August 10, 2011	Commercial Bank of Syria and its Lebanon-based subsidiary, Syrian Lebanese Commercial Bank, Syriatel, the country's main mobile phone operator	Added to OFAC's SDN List
August 4, 2011	Muhammad Hamsho (businessman with ties to Asad family), Hamsho International Group	Added to OFAC's SDN List
June 29, 2011	Jamil Hassan (Head of Air Force Intelligence), Political Security Directorate (PSD, domestic intelligence)	Added to OFAC's SDN List
May 18, 2011	President Bashar al Asad, Farouk al Shara (vice president), Adel Safar (prime minister), Mohammad Ibrahim al Shaar (minister of the interior), Ali Habib Mahmoud (minister of defense), Abdul Fatah Qudsiya (head of Syrian military intelligence), Mohammed Dib Zaitoun (director of political security directorate), Nabil Rafik al Kuzbari, General Mohsen Chizari (Commander of Iran Revolutionary Guard Corp Qods Force suspected of human rights abuses in Syria), Al Mashreq Investment Fund, Bena	Executive Order 13573 adds listed individuals and entities to OFAC's SDN List

April 29, 2011	Properties, Cham Holding, Syrian Air Force Intelligence, Syrian Military Intelligence, Syrian National Security Bureau Maher al Asad, Ali Mamluk (director of the Syrian General Intelligence Directorate GID), Atif Najib (former head of the Syrian Political Security Directorate for Dara'a province and the president's cousin). the General Intelligence Directorate, and Iran's Islamic Revolutionary Guard Corps – Quds Force (for allegedly assisting Syria in its crackdown)	Executive Order 13572 adds listed individuals and entities to OFAC's SDN List
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Source: U.S. Treasury Department.

Notes: As part of its enforcement efforts, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called Specially Designated Nationals or SDNs. Their assets are blocked and U.S. persons are generally prohibited from dealing with them.

a. According to the Treasury Department, Drex Technologies, "belongs to Assad's billionaire cousin and government insider, Rami Makhluף, who was designated by the Treasury Department in February 2008 under E.O. 13460 for improperly benefiting from and aiding the public corruption of Syrian regime officials. Drex Technologies was designated pursuant to E.O. 13572, which authorizes the United States to sanction any entities owned or controlled by persons designated under E.O. 13460."