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Office of the Press Secretary

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Background Conference Call on Today's Presidential Determination Regarding the Availability of non-Iranian Oil in the Market

Via Conference Call

3:05 P.M. EDT

SENIOR ADMINISTRATION OFFICIAL: Thank you very much. And thanks everybody for joining today's background call on the presidential determination regarding the availability of non-Iranian oil in the market, along with the announcement by Secretary Clinton this afternoon on the exceptions granted to seven economies for significantly reducing their volume of crude oil purchases from Iran.

Again, this call will be on background. And our speakers from here on out will be referred to as senior administration officials. And with that, I'll turn things over to senior administration official number one.

SENIOR ADMINISTRATION OFFICIAL: Thanks, everybody, for getting on the call here. We just wanted to provide you with updates around the administration's efforts to implement Iran sanctions. As you know, since the beginning of the administration, we have steadily ramped up pressure on Iran through a non-precedented set of sanctions that included the National Defense Authorization Act passed at the end of last year, which added considerable pressure by focusing on the Iranian banking and petroleum sectors in particular.

Just to give you some context for what we are announcing today, Section 1245 of the NDAA added to existing U.S. sanctions because it made sanctionable certain significant transactions between foreign financial institutions in the Central Bank of Iran. So among other things, it provides for sanctions on private foreign financial institutions that normally conduct significant transactions other than petroleum purposes with the Central Bank after February 29th.

And there was an exception to that for sales of food, medicine and medical devices to Iran. But it also provided for sanctions on any foreign financial institution that normally conducts a significant transaction with the Central Bank of Iran, on or after June 28th, for the sale or purchase of petroleum or petroleum products. So in effect, we've been phasing in these banking sanctions. And after June 28th, they will apply to petroleum sales as well.

So in terms of the steps that we're taking today, in the first instance, the President made the determination under



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Section 1245 of the NDAA for the fiscal year 2012, that there is a sufficient supply of petroleum and petroleum products from countries other than Iran to permit a significant reduction in the volume of petroleum and petroleum products purchased from Iran by, or through, foreign financial institutions. So this determination must be made periodically under Section 1245, and it reaffirms the last determination that the President made on this subject on March 30th. As a result of this determination, significant transactions between foreign banks and the Central Bank of Iran for purchases of petroleum and petroleum products from Iran will be sanctionable as of June 28th.

So, again, what we've done in a very steady and methodical way is phase in these sanctions. We've assessed carefully the effect of taking Iranian petroleum off the market, both so that we can monitor those effects, but also so that we not have an unintended effect of providing Iran with additional revenue through higher prices of oil.

What we've seen to date is a significant impact on the Iranian government's ability to obtain revenue through the sale of petroleum products, as well as a general impact that the broader sanctions regime that we put in place has had on the Iranian government.

I'll turn it over to my colleague here to discuss the specific State Department effort, which has been focused on getting other countries to reduce their reliance and imports of Iranian oil. So the fact that we are able to announce a series of exceptions for a number of economies today is demonstrative of the broad international support that we've been able to get for sanctions.

And, again, the fact that these countries are coming with us in reducing their reliance on Iranian oil furthers the goal of our sanctions regime and I think demonstrates the international unity that is so important to pressing Iran to come in line with its international obligations with respect to its nuclear program.

So I'll turn it over to my colleague here now to talk through those exceptions.

SENIOR ADMINISTRATION OFFICIAL: Very good. Thank you. Thanks again for joining. Today Secretary Clinton decided to utilize the authorities under Section 1245 of the National Defense Authorization Act to issue exceptions that apply for the next 180 days to India, Malaysia, the Republic of Korea, South Africa, Sri Lanka, Taiwan and Turkey. As was just indicated, those exceptions are indicative of the fact that countries are significantly reducing their volume of purchases of crude oil from Iran -- so, in effect, helping us achieve the very purpose of our policy.

We've seen that impact, as was just indicated, already on Iran. If we go on the basis of IEA's figures, they estimated that in the year 2011, that Iran had exported approximately 2.5 million barrels a day. Today, the IEA estimates that that has dropped to somewhere between 1.2 and 1.8 million barrels a day. So conservatively, roughly on the order of 700,000 barrels a day.

As we move ahead, we're going to continue to implement these sanctions fully. We're going to continue to work with countries to further reduce the volume of purchases of Iranian oil. We have seen that these exceptions, if used strategically together with the other authorities in the legislation, have been successful in achieving our purpose, which is to help reduce Iran's ability to export and reduce its revenue.

We have worked very aggressively to engage producers to be able to encourage their production and ensure that adequate supplies are getting onto the market. And as was indicated earlier, we're going to continue to monitor those markets very closely, including looking at supply factors, demand factors, inventory, spare capacity issues, to ensure that the market can accommodate continued reductions in the purchases of crude oil from Iran.

SENIOR ADMINISTRATION OFFICIAL: Great. With that, we'll be happy to take your questions.

Q Hi, guys. Thank you for doing this call. I have a couple questions. The first is, there is no exception for China, obviously. Is China still importing Iranian oil? To what extent is it doing so, and what do the sanctions mean for China going forward? And the other is, the countries that did get exemptions, do they also get some kind of a warning or another inducement to further limit their imports?

SENIOR ADMINISTRATION OFFICIAL: First of all, on China, we have had discussions with China; we continue discussions with China. It's been a very important partner in the P5-plus-1 process. It's been committed to working with us to help Iran from acquiring a nuclear weapon. It has shown that it's committed to a dual-track approach of both engagement and pressure, including sanctions. China itself has voted on four different occasions to impose sanctions on Iran. We may have different perceptions of sanctions at different times, but one of the things that has been very important is that China has agreed to this dual-track process of pressure as well as persuasion.

What we have seen is that the pressure that is increasingly applied to Iran we believe has been critical to bringing Iran to the negotiating table. As we indicated, we are in discussions with China. It would be premature to comment further on where those discussions might lead. But as with China and with every other country that has been an importer of Iranian crude oil, we continue to outline what the legislation says, what the requirements are that we have to undertake, and we are I think engaged in a good-faith dialogue to be able to work toward a solution that in our view addresses the fundamental point here which we have to address, which is how do we reduce the volume of purchases of Iranian crude oil. That's one of the critical issues of the law that we have to keep in front of us at all times.

Q Thank you for doing this call. Can you give us some sense of what went into your determination for exempting India from Iran's sanctions?

SENIOR ADMINISTRATION OFFICIAL: The process of reaching any decision on a determination on an exception takes into account a range of data sources that's pulled together by agencies across the United States government, including the Department of Energy, the Energy Information Administration, the Department of Treasury, the Department of State, the intelligence agencies. We've reviewed commercially available data. We review data that is made available at different points in time by importers themselves.

The Indian government also took steps to publish data on its previous imports through a process of parliamentary questions. These were published on the website of the lower house of parliament. And it was based on taking into account all of these factors that we reached our decision.

Q Yes, hi. I wanted to ask you again about China. Some analysts think that China may have received some clandestine cargo from Iran. I wonder if you could comment on that possibility, and could comment on whether China has actually decreased its imports from Iran.

SENIOR ADMINISTRATION OFFICIAL: Sure. Let me just comment on the first part, then I'll hand it over to my colleague here. No, again, I think that all of these determinations we're making are based on the criteria that my colleague referenced. And I think we've been able to have a constructive dialogue with the Chinese on Iran sanctions over the course of the last three years, and have been able to work through these issues. So the criteria is far more the range of factors in data sources that were referenced earlier rather than any additional information that you referenced.

But with that I'll hand it over to my colleague to make any additional comments.

SENIOR ADMINISTRATION OFFICIAL: I would pretty much leave it at that. I think it would be premature to get into discussions of any specific reports about imports taken at any given time. We continue in our discussions with

China, and we, as I said before, we have informed our Chinese colleagues fully about the scope and urgency of the NDAA provisions.

Q Hi. Yes, can you tell me are these seven countries the first seven? And did you do a review of Japan as well?

SENIOR ADMINISTRATION OFFICIAL: These six countries and Taiwan are in addition to a decision that was previously taken in March by Secretary Clinton to provide exceptions to Japan and 10 European countries that have been importers of Iranian crude oil.

SENIOR ADMINISTRATION OFFICIAL: I'd just add to that in reference to a question Olivier had earlier, too, that these exceptions are provided for a 180-day period. So in terms of the need for continued action, these countries have the full knowledge that -- these countries and Taiwan have the full knowledge that we're going to have a process of continuing to review actions taken to reduce reliance on the import of Iranian oil.

I think when you look across the broad spectrum here, what you see is a truly global coalition of countries that have united in taking action to reduce the import of Iranian oil. You have from Europe to Asia to South Asia, a very significant number of major economies that are allowing us to heighten the pressure on the Iranian government and to sharpen the choice to the Iranian government that as their chief revenue source continues to be dried up through this international action, they can continue down the path of growing economic impact and international isolation, or they can shift course and come in line with their obligations.

So all of this is obviously in service of the goal of preventing Iran from obtaining a nuclear weapon, and we'll continue to review this going forward and continue to dialogue with all of these different economies as we implement our sanctions.

Q Hi. I just wanted to get a sense -- you talked about this global coalition -- do you guys have a sense of how much now we're talking about as a percentage of buyers to the Iranian market? Is this 90 percent of buyers have now reduced their oil supply to a significant enough extent that you've given them exemptions? Do you have sort of any figures for us on that?

SENIOR ADMINISTRATION OFFICIAL: Again, I would go back to the IEA figures that I cited earlier. Last year, Iran's exports were about 2.5 million barrels a day. Estimates this year are that their exports are between 1.2 to 1.8 million barrels a day. Quite a significant reduction in their ability to export, which has created additional pressure on the Iranian economy; has had an impact on the currency. We've seen extensive commercial reporting on that. There have been, I think, very constructive articles that have been put out documenting some of the impacts that are being dealt internally within Iran.

And importantly, I think it's a key question in creating the right kinds of environment to support negotiations where we've indicated that what we advocate is a two-track approach: the ability to maintain pressure and at the same time a willingness to engage Iran, to see if they're willing to honor their international obligations.

Q Hi, thanks for taking my call. I'm sorry if this has been asked already, but can you guys give us an idea about how much these countries have reduced their oil imports? I know Japan is typically referenced as, like, the standard-bearer for how much a country could be expected to reduce their imports, to receive an exemption. Can you give us like a ballpark number for these countries?

SENIOR ADMINISTRATION OFFICIAL: I think it's important here to stick with that collective impact of all of the reductions. We've had good-faith discussions with each individual country. We've based our assessments, as I indicated earlier, on a wide range of data and analysis, including reports from the Department of Energy, the Energy

Information Administration, the Department of Treasury, the Department of State, the intelligence agencies, from commercial sources as well.

And if one looks at the collective impact that we've seen through the actions taken by Japan, the EU countries, the EU-10 -- in fact, it's actually the entire European Union took actions to ban future contracts with Iran, and their imports from Iran go to zero beginning July 1st. If you add to that the seven economies that were discussed today, this is quite a significant impact, and we think that we'll continue to see those impacts demonstrated in the marketplace as countries continue to put into effect the commitments that they have made to continue to reduce their imports.

SENIOR ADMINISTRATION OFFICIAL: I'd just reinforce one of those points in that, obviously, different countries have been able to take a different range of steps. I think the most dramatic step that is set to come online here is the EU oil embargo, which is set to come online in July.

Given the fact that Iran in the past had exported nearly a third of its oil to Europe, the fact that now they're faced with a potential full embargo of those oil exports gets at the type of dramatic impact that this has on the Iranian government and its ability to generate revenue.

Other countries have taken a range of actions to reduce their imports as well. But again, I think as we continue in the P5-plus-1 negotiation and as we continue to put forward a choice to the Iranian government between isolation and coming in line with their obligations, the fact of the EU taking the step that they're taking sends a very powerful signal at the type of consequences Iran and its government is going to be faced with going forward if they don't come in line with their obligations.

We've got time for a couple more questions.

Q This statement issued by the White House again references the Strategic Petroleum Reserves. Do you see any need at this point to rely on those?

SENIOR ADMINISTRATION OFFICIAL: As you said, the statement referenced that, and the administration, as we have, continues to monitor global oil market developments. And as the President has said repeatedly, the Strategic Petroleum Reserve is a tool that will remain on the table as part of this process.

And I would also point to the fact that the G8 leaders made it clear at Camp David that they stand ready to call on the IEA to take appropriate actions to ensure that the market is fully and timely supplied, and that remains the case. But certainly, with respect to stock releases, we don't have any announcements or anything specific on that today.

Q Hi. I wanted to ask -- the Pakistanis now remain on this list of countries that are large buyers of Iranian crude oil. Is Pakistan subject to sanctions on June 28th if they don't reduce their oil purchases from Iran? Thank you.

SENIOR ADMINISTRATION OFFICIAL: Can you repeat the question? We couldn't quite hear you.

Q Pakistan is one of the larger buyers of Iranian crude oil. On June 28th, will Pakistan be subject to sanctions if they do not reduce their oil supplies from Iran?

SENIOR ADMINISTRATION OFFICIAL: The countries that may or may not be importers of Iranian crude oil may be subject to change at different times. And I think that one of the things that is important to remember that was outlined by my colleague earlier is that the portion of the sanctions that apply to petroleum and petroleum products that come into effect on or after June 28th is for conducting significant transactions after that date. And so it would

be premature for us at this point to get into any specific discussion of individual countries that might be additionally considered for sanctions.

SENIOR ADMINISTRATION OFFICIAL: Just the only thing I'd add to that is relative to the countries that received exceptions today and the previous announcement, Pakistan is certainly below them in terms of the amount of Iranian oil that is exported. So these are all economies -- the economies that we're addressing today are all far more substantial importers of Iranian oil than Pakistan.

With that, we'd be happy to -- we're going to wrap up here, but we're happy to continue to take your queries on this going forward. Appreciate your dialing in on a fairly technical subject matter, but one that is of absolute critical importance to our national security as we continue to pursue the goal of preventing Iran from obtaining a nuclear weapon. And we'll look forward to speaking to all of you about these matters in the days to come.

Thanks.

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3:30 P.M. EDT