EXPLANATORY MEMORANDUM TO

THE IRAN (SANCTIONS) (AMENDMENT) REGULATIONS 2024

2024 No. 944

1. Introduction

1.1 This explanatory memorandum has been prepared by the Foreign, Commonwealth and Development Office (FCDO) and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Stephen Doughty MP, Minister of State at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.

2.2 Abigail Culank, Deputy Director for Sanctions at the Foreign, Commonwealth and Development Office, can confirm that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 The Sanctions Directorate at the Foreign, Commonwealth and Development Office, Telephone: 0207 008 8553 or email: fcdo.correspondence@fcdo.gov.uk, can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The instrument amends the Iran (Sanctions) Regulations 2023 ("the 2023 Regulations") to expand trade sanctions against Iran, targeting additional goods and technology which are significant to Iran's military development and its production of Unmanned Aerial Vehicles (UAVs) and missiles. These measures build on existing trade restrictions contained in the 2023 Regulations relating to UAV goods and technology, internal repression goods and technology, and interception and monitoring goods, technology and services.

Where does the legislation extend to, and apply?

4.2 The territorial extent of this instrument is the whole of the UK.

4.3 This instrument also applies to conduct by UK persons where that conduct is wholly or partly outside the UK, and some parts of it also apply to conduct by any person in the territorial sea adjacent to the UK.

5. Policy Context

What is being done and why?

5.1 Iran continues to pose a severe threat to regional and international stability and security, through the development, proliferation, and use of weapons. The production of large volumes of advanced conventional weapons (ACWs) including UAVs and missiles, and the proliferation of these weapons to state and non-state actors, continues to destabilise the Middle East and prolong Russia's illegal war in Ukraine. Iran has supplied hundreds of UAVs to Russia, which Russia has used to target Ukraine's critical infrastructure and kill civilians. Iran also continues to supply UAVs and missiles to its partners and proxies in the region, including aligned militia groups in Iraq and Syria, Hezbollah in Lebanon, and the Houthis in Yemen.

5.2 Iran's use of an unprecedented number of UAVs and missiles during their attack on Israel on 13 April 2024 further demonstrated how Iranian weapons development and proliferation is fuelling conflict in the Middle East.

5.3 This instrument amends the 2023 Regulations to expand the UK's trade sanctions against Iran, with the aim of disrupting its UAV and missile industry and its access to items critical to military development. Specifically, the instrument will prohibit the export, supply and delivery, and making available of additional goods used by Iran to produce ACWs. The instrument also prohibits the provision of ancillary services (brokering services, technical assistance, and financial services and funds) associated with the goods. The additional goods and technology fall into four categories:

a) those included in the Russia Common High Priority Items List.[1] These items have significance to Iran's production of ACWs.
b) those only partially sanctioned by the 2023 Regulations through the use of "ex" codes. The prefix "ex" before a commodity code indicates that only part of the referenced subheading is subject to the measures. These codes will now be covered in their entirety.
c) those that have been sanctioned by the EU as part of the expansion of their Iran sanctions regime in May 2024[2]. The UK will sanction the same products, and remove the "ex" prefixes.
d) three additional items identified by the UK as important to Iran's UAV and missile industries.

5.4 This instrument extends the provisions of exceptions in the 2023 Regulations. It creates an exception in relation to personal effects, recognising that certain sanctioned goods could have civilian uses in defined circumstances. It also states that licences provided by the Secretary of State may permit activity prohibited by trade sanctions. Guidance will provide further detail about licencing considerations.

What was the previous policy, how is this different?

5.5 The 2023 Regulations were introduced to: deter Iran, its proxy and partner groups from conducting malign activities threatening the safety, security and interests of the UK and our partners; enable the UK to disrupt these activities; and demonstrate the UK's commitment to countering such activities. The 2023 Regulations expanded the criteria under which the UK can designate persons involved in hostile activities by the Government of Iran, armed groups backed by the Government of Iran, and anyone owned or controlled by, associated with and acting on behalf, or at the direction, of

[1] https://www.gov.uk/government/publications/russia-sanctions-common-high-priority-items-list

[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024R1338

those persons. The 2023 Regulations also introduced trade restrictions on specified goods and technology that could be used by Iran to repress its civilian population or manufacture or develop UAVs.

5.6 The trade measures introduced by this instrument build on these restrictions. By extending the trade prohibitions to cover a broader list of goods and technology of strategic concern, these measures will disrupt Iran's production and supply of UAVs and missiles, and further increase the pressure on Iran's defence industry. The measures broadly align with steps taken by our international partners.

5.7 The goods and technology that would be newly subject to sanctions have the potential to be used by Iran in the production and maintenance of UAVs and missiles. We have evidence that Iran has relied on these items to produce UAVs and missiles used by its proxies in the Middle East and for export to Russia for use in Ukraine. It is therefore important to prevent any supply of these components to Iran, even though UK trade with Iran in these items is low.

5.8 The sanctioned items fall into the four broad categories described in point 5.3.

5.9 These new measures will work in parallel with existing trade measures under the Iran (Sanctions) (Nuclear) (EU Exit) Regulations 2019 in respect of nuclear proliferation and missiles designed to be capable of delivering nuclear weapons. They will complement the UK's conventional arms embargo on Iran.

6. Legislative and Legal Context

How has the law changed?

6.1 As set out above, the instrument will expand the trade sanctions against Iran, targeting specific components used to produce UAVs and missiles, building on the existing trade restrictions already in place under the 2023 Regulations.

6.2 The purpose of the new trade sanctions is to disrupt Iran's UAV and missile industry, which is fuelling conflict in the Middle East and in Ukraine.

Why was this approach taken to change the law?

6.3 As noted above, this instrument strengthens UK trade sanctions on Iran's UAV and missile industry.

6.4 Amending the 2023 Regulations under the legal framework provided by the Sanctions and Anti-Money Laundering Act 2018 ("the Sanctions Act") was considered to be the most effective and appropriate way to change the law. This is in line with the approach which has been taken within the context of the UK's sanctions on Russia for similar sanctions measures.

7. Consultation

Summary of consultation outcome and methodology

7.1 No consultation has been carried out on this instrument. The Explanatory Memorandum to the 2023 Regulations themselves explains that consultation has been carried out in relation to the Sanctions Act.

7.2 There is neither a requirement in the Sanctions Act for public consultation on instruments made under the Act, nor is there any other legal obligation to consult in respect of this instrument. HM Government will continue engagement with stakeholders on the implementation of UK sanctions.

8. Applicable Guidance

8.1 In accordance with section 43 of the Sanctions Act, applicable guidance will be published in relation to the prohibitions and requirements under the 2023 Regulations. This guidance will be available on gov.uk once these regulations come into force.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument as no significant impacts on the private, voluntary, or public sectors are foreseen.

9.2 UK businesses must already comply with sanctions against individuals and entities appearing on a regularly updated gov.uk list. The process for notifying businesses about sanctions remains unchanged, so we do not expect significant changes to IT systems or administrative changes.

9.3 An impact assessment was produced for the primary legislation. The assessment concluded that the introduction of the Sanctions Act, and statutory instruments under it to transfer existing sanctions regimes into UK law, would overall reduce uncertainty for business and would not result in significant costs or impact, apart from some familiarisation costs for businesses associated with adapting to the new legislative framework.

Impact on businesses, charities and voluntary bodies

9.4 There is no, or no significant, impact on business, charities or voluntary bodies as this is an update to existing legislation.

9.5 The legislation does not impact small or micro businesses.

9.6 There is no significant impact on the public sector as this is an update to existing legislation.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 If His Majesty's Government determined that it was no longer appropriate to maintain a sanctions regime or specific sanctions measures, that regime would be removed or amended accordingly. In the case of the 2023 Regulations, that would include the measures introduced by this instrument. As such, the Minister does not consider that a review clause in this instrument is appropriate.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 This instrument, which is subject to the made affirmative procedure, is laid before Parliament on 12 September under section 55(3) of the Sanctions Act and comes into force on 13 September 2024.

12. European Convention on Human Rights

12.1 Stephen Doughty MP, Minister of State at the Foreign, Commonwealth and Development Office, has made the following statement regarding Human Rights:

"In my view the provisions of the Iran (Sanctions) (Amendment) Regulations 2024 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU law (Revocation and Reform) Act 2023, although section 7A of the 2018 Act applies in respect of some trade measures in Northern Ireland.