

## Arcanum in the news

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### **THE CASE FOR TARGETING THE REVOLUTIONARY GUARDS AND IRAN'S PETROLEUM SALES**

The IRGC has successfully manipulating Iran's privatization process and used front companies, investment companies, and foundations, to buy controlling shares in previously state-owned businesses ranging from telecommunications to construction, and most notably, in Iran's energy sector. Amendments to the Iranian constitution introduced in 2008 allow for up to 80 percent of the state energy sector to be in "private" hands. This has allowed the Guard Corps to increase their control over the energy sector and has fueled a bitter internecine struggle between Khamenei, Ahmadinejad and their followers over the spoils.

Hundreds of privatized and now IRGC-controlled companies are involved in Iran's crude oil and natural gas supply chains including in the development of oil and natural gas fields, drilling infrastructure, pipeline development, storage, port administration, shipbuilding and export.

Ever since Mahmoud Ahmadinejad, a former commander of the Islamic Revolutionary Guard Corps, assumed Iran's presidency in 2005, his cohorts in the IRGC have been busy. Not only have they greatly intensified their nuclear proliferation activities and human rights repression but they have steadily increased their economic clout in the country.

A report by the Foundation for Defense of Democracies provided to U.S. government officials has traced the role of a number of these entities and raised the possibility of targeted sanctions against IRGC companies active in the supply of oil and natural gas to international customers.

As just one example, one of the IRGC's largest firms, Khatam al-Anbiya, designated by the UN, U.S. and EU as a nuclear weapons proliferator, has won billions of dollars in no-bid contracts throughout the Iranian energy sector. It works through a vast network of IRGC-linked affiliates and partners to move Iranian oil and natural gas to international markets.

The role of the Guard Corps in Iran's crude oil and natural gas supply chains presents a target rich opportunity for

enhanced sanctions. The United Nations, the United States, the 27-member European Union, Canada, Japan, South Korea and Australia have sanctioned the IRGC or IRGC-related persons and companies. Last month, the House and Senate both announced new legislation targeting the IRGC's energy holdings. The bills call for an enhanced program of designations and sanctions against Guard Corps entities involved in the development, extraction, production, transportation, or sale of Iranian oil and natural gas as well as sanctions against those international companies involved in purchasing or facilitating the purchase of such Iranian petroleum.

The new U.S. legislation does not propose an all-out embargo on Iranian crude oil or natural gas, but rather increases the hassle factor of doing business with Iran. It encourages companies buying Iranian petroleum to perform the necessary due diligence to ensure that they are not working with the IRGC. And it forces those companies which are working with Guard Corps linked entities to justify why these business ties continue. With the IRGC's takeover of the Iranian energy sector, and a growing international consensus against the IRGC's dangerous and distasteful activities, this increasingly will be a difficult case to make.