

WRITTEN STATEMENT
WENDY SHERMAN
UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS
U.S. DEPARTMENT OF STATE

SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
“ASSESSING THE P5+1 JOINT PLAN OF ACTION WITH IRAN”
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Good morning, Chairman Johnson, Ranking Member Crapo, distinguished members of the committee. Thank you for inviting me to discuss the details of the Joint Plan of Action (JPA) concluded with Iran and our P5+1 partners on November 24 in Geneva.

Let me begin by noting that the diplomatic opportunity before us is a direct result of the cooperation between Congress and the Administration to put in place and implement a comprehensive and unprecedented sanctions regime designed to press Iran to address international concerns with its nuclear program.

Our collaboration on sanctions is what brought Iran to the table. However, it is important to underscore that what we do from this point forward is just as critical, if not more so, in terms of testing Iran's intentions. In that regard, I look forward to our consultations over the important weeks and months ahead.

Today, I want to give you the facts about what was agreed to in Geneva, so you can judge the merits of the JPA for yourself.

Iran Commitments

We have long recognized that the Iranian nuclear program constitutes one of the most serious threats to U.S. national security and our interests in the Middle East. Thanks to the sanctions pressure, and a firm and united position from the P5+1 (China, France, Russia, UK, U.S. and Germany, in coordination with the EU), we have reached an understanding that constitutes the most significant effort to halt the advance of Iran's nuclear program in nearly a decade. As a consequence, the JPA agreed to in Geneva is profoundly in America's national security interest, and makes our regional partners safer and more secure.

The JPA is sequenced, with a 6-month period designed explicitly to block near-term Iranian pathways to a nuclear weapon, while creating space for a long-term

comprehensive solution. The goal of that comprehensive solution is to resolve the international community's concerns with Iran's nuclear program. What this initial plan does is help ensure that Iran's nuclear program cannot advance while negotiations towards that solution proceed.

Upon implementation in the coming weeks, this initial step will immediately: halt progress of the Iranian nuclear program; roll it back in key respects; and introduce unprecedented monitoring into Iran's nuclear activities. Taken together, these measures will prevent Iran from enhancing its ability to create a nuclear weapon and increase the confidence in our ability to detect any move towards nuclear break-out or diversion of material towards a covert program.

The details demonstrate why this is the case. First, as stated, Iran must halt the progress of its enrichment program. This means, under the express terms of the JPA, that Iran cannot increase its enrichment capacity. Iran's stockpile of 3.5 percent enriched uranium hexafluoride (UF₆) cannot grow – it will be the same amount or less at the end of the six month period as it is at the beginning. Iran cannot build new enrichment facilities for the production of enriched uranium. Iran cannot install additional centrifuges of any type in their production facilities, operate more centrifuges, nor replace existing centrifuges with more advanced types. Moreover, Iran must limit centrifuge production to those needed to replace damaged machines; thus Iran cannot expand its stockpile of centrifuges.

Second, during this initial phase, Iran will roll back or neutralize key aspects of its program. Iran must cease all enrichment over five percent. The piping at Fordow and Natanz that is used to more efficiently enrich uranium over five percent must be dismantled. Iran must neutralize its entire 20 percent stockpile of enriched uranium hexafluoride by diluting it to a lower level of enriched uranium hexafluoride or converting it to oxide for fuel for the Tehran Research Reactor.

Finally, Iran cannot advance work on the plutonium track. At Arak, Iran cannot commission the heavy water reactor under construction nor transfer fuel or heavy water to the reactor site. Iran cannot test additional fuel or produce more fuel for the reactor nor install remaining components for the reactor. Iran cannot construct a facility for reprocessing spent fuel. Without reprocessing, Iran cannot separate plutonium from spent fuel and therefore cannot obtain any plutonium for use in a nuclear weapon. As such, this first step freezes the timeline for beginning operations at the Arak reactor and halts progress on any plutonium pathway to a weapon.

Significantly, the monitoring measures outlined in the JPA will provide much more timely warning of a breakout at Iran's declared enrichment facilities and add new checks against the diversion of equipment for any potential covert enrichment program. Some have rightfully asked why we should trust Iran to live up to these commitments. As Secretary Kerry has said, the JPA is not based on trust, it is based on verification – and the verification mechanisms set forth in the JPA are unprecedented.

Under its express terms, Iran must permit daily access by International Atomic Energy Agency (IAEA) inspectors to the facilities at Natanz and Fordow and allow more frequent access to the Arak reactor. Iran must allow IAEA inspectors access to sites related to centrifuge assembly and production of centrifuge rotors (both key aspects of the program). Iran must allow IAEA inspectors access to uranium mines and mills. Iran must provide design information for the Arak heavy water reactor. These monitoring mechanisms will provide additional warning of breakout or diversion of equipment all along the nuclear fuel cycle and would not be in place without the understanding reached in Geneva.

In summary, even in its initial phase, the JPA stops any advances in each of the potential pathways to a weapon that has long concerned us and our closest allies. It eliminates Iran's stockpile of 20 percent enriched uranium hexafluoride. It stops installation of additional centrifuges at production facilities, especially Iran's most advanced centrifuge design, together with freezing further accumulation of 3.5 percent enriched uranium hexafluoride. And it ensures that the Arak reactor cannot be brought on line while we negotiate a comprehensive solution.

P5+1 Commitments

In return for these concrete actions by Iran and as Iran takes the required steps, the P5+1 will provide limited, temporary, and reversible relief while maintaining the core architecture of our sanctions regime – including key oil and banking sanctions. And we will vigorously enforce these and all other existing sanctions.

We estimate that this limited relief will provide approximately \$6-7 billion in revenue.

First, we will hold steady Iran's exports of crude oil at levels that are down over 60 percent since 2011. This means that Iran will continue to lose \$4-5 billion per month while the JPA is in effect compared to 2011. Let me be clear, however. We will not allow Iran's exports to increase and we will continue collaboration with

our international partners to ensure that they understand that any increases in Iranian oil purchases – or any new purchases of Iranian oil – remain subject to sanctions.

Second, we are prepared to allow Iran to access \$4.2 billion in its restricted assets, not in a lump sum, but in monthly allocations that keep up with verified Iranian progress on its nuclear commitments. Remember, Iran will continue to lose \$4-5 billion a month due to our oil sanctions compared to 2011, so this access to funds is less than one month of those losses. And this is a fraction of Iran's total needs for imports or its budget shortfall.

Third, the P5+1 agreed to suspend certain sanctions on gold and precious metals, Iran's auto sector and on Iran's petrochemical exports. The suspension of the sanctions on gold and precious metals will not allow Iran to use restricted assets to purchase gold and precious metals, rather it allows Iranians to import and export gold and precious metals. The suspension of the sanctions on the auto industry will allow Iran to obtain support and services from third countries for the assembly and manufacturing of light and heavy vehicles. The suspension of sanctions on petrochemical exports means Iran will be able to sell petrochemicals and retain the revenues from these sales. We estimate that Iran will earn approximately \$1.5 billion in revenue from the temporary suspension of these sanctions.

We will also license the supply and installation of spare parts for the safety of flight for airplanes to occur in Iran. We will also license safety inspections and related services to occur in Iran. Notably, this will not apply to any airline subject to sanctions under our counter-terrorism authorities.

In addition, solely for the financing of humanitarian transactions and tuition assistance for Iranians studying abroad, we will facilitate access to Iran's overseas accounts for these specific transactions. Even before the JPA, we never intended to deprive the Iranian people of humanitarian goods, like food and medicine. In fact, Congress has explicitly exempted these transactions from sanctions.

There have been some that have incorrectly represented the limited relief as being far more. So, let me reiterate. The total relief envisioned in the JPA amounts to between \$6-7 billion – nowhere near the \$20 or \$40 billion that some have reported. The total relief for Iran envisioned in the JPA would be a modest fraction of the approximately \$100 billion in foreign exchange holdings that are inaccessible or restricted because of our ongoing sanctions pressure. This

sanctions pressure, moreover, will continue to increase over the six months of this initial phase through the continued enforcement of our sanctions.

Continued Enforcement of Sanctions

It is important to understand that the overwhelming majority of our sanctions remain in place and we will continue to vigorously enforce those sanctions to ensure that Iran receives only the limited relief that we agreed to. This will include aggressive enforcement of sanctions under the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (CISADA), the Iran Sanctions Act, the Iran Threat Reduction and Syria Human Rights Act of 2012, and the Iran Freedom and Counter-Proliferation Act of 2012. This means that sanctions will continue to apply to broad swaths of Iran's economy including its energy, financial, shipping, and shipbuilding sectors. By rigorous monitoring we will also prevent abuse of the relief that is part of the JPA. Were we to see increased purchases of oil or sanctions evasion, we are prepared to act swiftly to sanction the offenders.

Moreover, the U.S. trade embargo remains in place and U.N. Security Council's sanctions remain in place. All sanctions related to Iran's military program, state sponsorship of terrorism, and human rights abuses and censorship remain in place. Our vigilance will continue.

What is also important to understand is that we remain in control. If Iran fails to live up to its commitments as agreed to in Geneva, we would be prepared to work with Congress to ramp up sanctions. In that situation, we would be well-positioned to maximize the impact of any new sanctions because we would likely have the support of the international community, which is essential for any increased pressure to work

In comparison, moving forward on new sanctions now would derail the promising and yet-to-be-tested first step outlined above, alienate us from our allies, and risk unraveling the international cohesion that has proven so essential to ensuring our sanctions have the intended effect.

The Way Ahead

In assessing this deal on the merits, we must compare where we would be without it.

Without the JPA, Iran's program would continue to advance: Iran could spin thousands of additional centrifuges; install and spin next-generation centrifuges that reduce its breakout times; advance on the plutonium track by fueling and commissioning the Arak heavy water reactor and install remaining components ; and grow its stockpile of 20 percent enriched uranium hexafluoride. It could do all of that, moreover, without the new inspections that are part of this deal and give us new tools to help detect breakout.

With the JPA, we halt the program in its tracks, roll it back in key respects, and put time on the clock to negotiate a long-term, comprehensive solution with strict limits and verifiable assurances that Iran's nuclear program is solely for peaceful purposes.

In a perfect world, we could get to such a comprehensive solution right away. But the reality is that in the absence of the JPA, we would have had an Iranian nuclear program that could double its enrichment capacity, grow its stockpile of enriched uranium, and make progress on starting up the Arak reactor.

We are now moving forward to prepare for implementation. This week, our experts are in Vienna discussing with their P5+1 counterparts, Iran, and the IAEA, the mechanisms and timeframes for beginning implementation and setting a start date. These are technical and complex discussions, and it is critical that we do them well and right -- working to protect our national security interests at every step along the way.

At the same time, the JPA and its implementation is only a first step. There are still many issues related to Iran's nuclear program that must be addressed, and in the process, Iran must work with the IAEA to resolve all past and present issues of concern. That is why our ultimate aim is a comprehensive agreement that fully addresses all of our longstanding concerns.

Conclusion

Finally, let me be clear about one thing: Our policy with regard to Iran has not changed. The President has been clear that he will not allow Iran to acquire nuclear weapon. While his strong preference is for a diplomatic solution, he is prepared to use all elements of American power to prevent that outcome.

Our commitment to working with our partners, in the region and elsewhere, to hold Iran accountable for all its actions also remains firm. These negotiations will

solely focus on Iran's nuclear program. So we will continue to counter Iran's destabilizing activities in the region. We will continue to hold Iran accountable for its support for terrorism. Iran remains listed as a State Sponsor of Terror and our sanctions for their support of terror remain in place.

Our sanctions on Iran's human rights abusers will also continue and so will our support for the fundamental rights of all Iranians. Last week, National Security Advisor Rice reiterated our support for the UN Special Rapporteur on Human Rights and called on Iran to allow him to visit Iran. We will continue to speak forcefully for the oppressed inside Iran, including through our support, later this month, for a resolution before the UN General Assembly condemning Iran's human rights practices

We call on Iran to release Saeed Abedini and Amir Hekmati and support our efforts to bring Robert Levinson home. As Secretary Kerry has said, one day is too long to be in captivity, and one day for any American citizen is more than any American wants to see somebody endure. Mr. Abedini, Mr. Hekmati, and Mr. Levinson have been gone too long and we will continue to do everything we can, using quiet diplomacy.

And we will prevent Iran from obtaining a nuclear weapon. That is what these negotiations are all about. We have been encouraged that nearly 70 countries have expressed support for the understandings reached in Geneva, including statements of support from our partners in the Gulf Cooperation Council, with whom we remain closely engaged. The sentiment from our partners has been clear: give this process a chance. If Iran lives up to its commitments then the world will become a safer place. If it does not, then we retain all options to ensure that Iran can never obtain a nuclear weapon. The coming months will be a test of Iranian intentions, and of the possibility for a peaceful resolution to this crisis.

Throughout, and as always, we look forward to working closely with the Congress to ensure that U.S. national security interests are protected and advanced.

Thank you.

