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Senate Committee on Banking, Housing, and Urban Affairs Hearing Title:

“The Implications of Sanctions Relief Under the Iran Agreement”

Good morning, Chairman Shelby, Ranking Member Brown and Members of the Committee. Thank you for this opportunity to discuss the Joint Comprehensive Plan of Action that the United States and our international partners recently concluded with Iran. The testimony from my colleague from Treasury, Acting Under Secretary Szubin, discusses how our work in crafting an international consensus around tough sanctions brought about the conditions that made negotiations possible. As Adam notes, JCPOA sanctions relief is tied to specific steps that Iran must take to demonstrate the peaceful nature of its nuclear program and verification of these steps, and we will absolutely retain the ability to snap back both our own national sanctions and UN sanctions.

The JCPOA is the end result of not one year or two years’ effort, but a decade working to find the right approach to address the international community’s concerns over Iran’s nuclear program. The approach that finally succeeded in getting us to where we are today, with a clear plan for ensuring that Iran’s nuclear program will be exclusively peaceful, combined the toughest sanctions ever put in place with the willingness to negotiate to find a diplomatic solution. Congress played a critical role in fashioning and supporting those sanctions that brought Iran to the negotiating table, and now Congress has an opportunity to further support this approach by backing its outcome, the JCPOA.

I will focus in my testimony on the specific ways in which the deal that we reached meets the President's stated goal of ensuring that Iran will not acquire a nuclear weapon and that Iran's nuclear program will be exclusively peaceful. I will outline how the JCPOA cuts off all of Iran's pathways to enough fissile material for a nuclear weapon, and will discuss the comprehensive verification and transparency mechanisms built into the deal. Finally, I will review the timeline that we have achieved in the JCPOA, which puts significant restraints on Iran's nuclear program for 10, 15, 20, and 25 years, and other restraints that last forever.

The JCPOA Cuts Off All of Iran's Pathways to Fissile Material for a Weapon

On July 14, the United States along with our partners in the P5+1 and the EU concluded a historic deal that, when fully implemented, will peacefully and verifiably prevent Iran from obtaining a nuclear weapon. This deal is the result of nearly 20 months of intensive negotiations since the P5+1 and Iran concluded the Joint Plan of Action in November 2013.

From the day that those talks began, we were crystal clear that we would not accept anything less than a good deal. A good deal would effectively close off all four pathways to enough fissile material for a nuclear weapon. That includes the two possible pathways via uranium enrichment at Natanz and Fordow, the plutonium pathway at the Arak heavy water reactor, and any possible covert pathway. This was our standard, and the JCPOA meets that standard.

The uranium enrichment pathways are addressed by substantially reducing the number of centrifuges enriching uranium at Natanz, ending enrichment at the underground Fordow facility, and reducing Iran's stockpile of enriched uranium.

Iran must remove two-thirds of its installed centrifuges for ten years, reduce its stockpile of enriched uranium by 98% to 300 kilograms for 15 years, and cap uranium enrichment at 3.67 percent – far below the danger point – for 15 years. This combination will ensure a breakout time, the time required to produce enough fissile material for a weapon, to a year or more for at least 10 years.

The plutonium pathway is closed off by redesigning and rebuilding the Arak heavy water reactor so that it will be smaller and no longer produce weapons-grade plutonium. This is not a temporary conversion that could be easily reversed should Iran ever make a decision to try to break out to pursue enough plutonium material for a weapon. The core of the reactor will be removed and rendered unusable and the facility will be rebuilt to a different design. In addition, all the plutonium-bearing spent fuel will be shipped out of the country for the life of the reactor. And Iran has committed to light-water reactors in the future.

The covert pathway is cut off in multiple ways, because Iran would need multiple facilities to covertly produce enough fissile material for a weapon. The normal IAEA safeguards will be substantially expanded to cover the entire uranium supply chain, from the mines and mills, to conversion and enrichment, to assure uranium cannot be diverted to a covert facility. A dedicated procurement channel will be established to oversee the acquisition of sensitive nuclear technologies needed for Iran's nuclear program, with the U.S. having the ability to approve or disapprove of any equipment. All centrifuge production will be continuously monitored, and the IAEA will be able to track centrifuges from the time they are produced to ensure they are not diverted to a covert enrichment facility. In no other country does the IAEA have continuous monitoring of uranium production and centrifuge production, and these provisions will be in place for 25 and 20 years, respectively.

If we should suspect Iran is engaged in activities inconsistent with the JCPOA at any undeclared location in Iran, the IAEA can request access to that location and if we and our European colleagues agree that access is necessary, Iran must grant that access to the IAEA. The entire process cannot take more than 24 days. In no other country does the IAEA have assured access to undeclared locations. This provision gives us the assurance for the first time that Iran cannot delay access indefinitely to suspect locations.

Verification and Transparency

You have heard us say often that this deal is based on verification, not trust. Let me be clear here that we are not talking about the normal verification procedures that apply to all non-nuclear weapon state parties to the Non-Proliferation Treaty. We are talking about provisions that go far beyond that. As was just noted, international inspectors will have unprecedented continuous monitoring at Iran's declared nuclear facilities that will allow it to monitor the entire nuclear supply chain, from uranium production and centrifuge manufacturing to conversion and enrichment. The IAEA will also have access to undeclared locations if it has concerns about activities inconsistent with the JCPOA.

The IAEA will be permitted to use advanced technologies such as on-line enrichment monitoring, and electronic seals which report their status to inspectors, technologies developed in the United States.

The Timeline

One of the President's stated goals in these negotiations, and a guiding principle for those of us at the negotiating table, was that any comprehensive solution must ensure a breakout time of at least one year for ten years, and then a gradual decrease of possible breakout time after that. This is what we have achieved with the JCPOA.

For a minimum of ten years, Iran will be subject to strict limits on its facilities, domestic enrichment capacity, and research and development. Other provisions extend for 15 years, 20 years, and 25 years.

And under the Nuclear Non-Proliferation Treaty, Iran is permanently prohibited from pursuing a nuclear weapon – and the verification provisions of the safeguards associated with the NPT will remain in place forever, enhanced by the Additional Protocol as a result of the JCPOA.

The bottom line is that this deal does exactly what it was intended to do when we began formal negotiations two years ago. Remember that, two years ago, when our negotiations began, we faced an Iran that was enriching uranium up to 20 percent at a facility built in secret and buried in a mountain, was rapidly stockpiling enriched uranium, had installed over 19,000 centrifuges, and was building a heavy water reactor that could produce weapons-grade plutonium at a rate of one to two bombs per year. Experts estimated Iran's so-called breakout time – the interval required for it to have enough fissile material for a bomb – at two to three months.

This is the reality we would return to if this deal is rejected – except that the diplomatic support we have been steadily building in recent years would disappear because the rest of the world believes that we have achieved a deal that credibly resolves this problem.

The plan agreed to in Vienna will shrink the number of centrifuges, expand the breakout timeline, and ensure that facilities can only be used for peaceful purposes, and put the whole program under a microscope.

If Iran fails to meet its responsibilities, we can ensure that UN Security Council sanctions snap back into place, and no country can stop that from happening. If Iran tries to break out of the deal altogether, the world will have more time -- a year compared to the two months prior to the negotiation -- to respond before Iran could possibly have enough fissile material for a bomb. At that point, all the potential options that we have today would remain on the table, and we would also have the moral authority and international support that comes from having exhausted all peaceful alternatives.

As for Iran's other behavior, including its ongoing support for terrorism, its destabilizing activities in the region, its anti-Israel and anti-Semitic rhetoric and actions, and its dismal human rights record, the United States is under no illusions. These nuclear negotiations were never based on the expectation that a deal would transform the Iranian regime or cause Tehran to cease contributing to sectarian violence and terrorism in the Middle East. That is why we have made clear that we will continue to enhance our unprecedented levels of security cooperation with Israel. And as Secretary Kerry confirmed earlier this week in Qatar, we will work closely with the Gulf States to build their capacity to defend themselves and to

push back against malign Iranian influence. We will continue to take actions to prevent terrorist groups – including Hamas and Hezbollah – from acquiring weapons. We will maintain and enforce our own sanctions related to human rights, terrorism, WMD, and ballistic missiles. And we will continue to insist on the release of the U.S. citizens unjustly detained in Iran – Saeed Abedini, Amir Hekmati and Jason Rezaian - and for information about the whereabouts of Robert Levinson so he too comes home.

We all know that the Middle East today is undergoing severe stress due to violent extremism, challenged governance, and sectarian and political rivalries. But every one of those problems would be even worse if Iran were allowed to have a nuclear weapon. That’s why the plan reached in Vienna is so important. We cannot accept a nuclear-armed Iran.

Now, some have said that if we only doubled down on sanctions we could force Iran to agree to dismantle its nuclear program. But that is a fantasy, as my colleague Acting Under Secretary Szubin from the Treasury Department will attest. The whole purpose of sanctions was to get Iran to the bargaining table and to create incentives for precisely the kind of good deal we were able to achieve in Vienna. Over 90 countries have issued public statements in support of the deal. That list includes all of the countries that participated in the negotiation as well as the six economies that steadily reduced their purchases of oil in furtherance of our sanctions. It includes the countries that stopped their imports of Iranian oil altogether, and the countries that could potentially be major trading partners of Iran but have sacrificed economically because we showed good faith in reaching a negotiated diplomatic solution. Each of these countries has stood with us and made tough choices to keep the international sanctions regime intact so that we

could achieve a deal like the JCPOA. We need their support now as we move toward its implementation.

It is important to remember that the United States has had unilateral sanctions on Iran for many years, and yet its nuclear program continued to advance. President Obama's strategy was to push for stronger multilateral sanctions while keeping the door open to negotiations. Those sanctions forced Iran to pay a high price, but sanctions alone were not enough to make Iran change course. That required a diplomatic initiative that included strong support from our international partners.

If we walk away from what was agreed in Vienna, we will be walking away from every one of the restrictions we have negotiated, and giving Iran the green light to double the pace of its uranium enrichment, proceed full speed ahead with a heavy water reactor, install new and more efficient centrifuges, and do it all without the unprecedented inspection and transparency measures we've secured.

If we walk away, our partners will not walk away with us. Instead, they'll walk away from the tough multilateral sanctions regime they helped us to put in place. We will be left to go it alone and whatever limited economic pressure we could apply would be unlikely to compel Tehran to negotiate or to make any deeper concessions. They would instead push the program ahead, potentially forcing military conflict. And we will have squandered the best chance we have to solve this problem through peaceful means.

Make no mistake: we will never accept a nuclear-armed Iran. But the fact is that Iran has extensive experience with nuclear fuel cycle technology. We can't bomb that knowledge away. Nor can we sanction that knowledge away. Remember that

sanctions did not stop Iran's nuclear program from growing steadily, to the point that it had accumulated enough low enriched uranium that, if further enriched, could be used to produce about 10 nuclear bombs.

The United States will always retain the right to take whatever steps necessary to protect our security and prevent Iran from acquiring a nuclear weapon. But we also have not been afraid to pursue the diplomatic approach. We negotiated arms control agreements with the Soviet Union when that nation was committed to our destruction, and those agreements ultimately made us safer. Likewise, the truth is that the Vienna plan will provide a stronger, more comprehensive, and more lasting means of limiting Iran's nuclear program than any realistic alternative.

Congress played a critical role in getting us to this point. Sanctions achieved their goal by bringing about serious, productive negotiations with Iran. Now Congress has a chance to approve a deal that will make our country and our allies safer; a deal that will keep Iran's nuclear program under intense scrutiny; a deal that will ensure that the international community remains united in demanding that Iran's nuclear activities must be wholly peaceful. It is a good deal for America – a good deal for the world – and it deserves your support. Thank you.