

RELEASE IN PART
B1,1.4(B),1.4(D),B6

From: Sherman, Wendy R <ShermanWR@state.gov>
Sent: Friday, May 11, 2012 9:50 AM
To: H
Cc: Burns, William J; Sullivan, Jacob J; Nuland, Victoria J; Hammer, Michael A
Subject: EU Insurance and PC today

Madam Secretary,

Since the issue of postponing EU sanctions on insurance may come up in PC today, I wanted to be sure you saw this exchange I had with Geoffrey Adams this morning on an article today that seemed to indicate that the EU was moving ahead.

1.4(B)
1.4(D)

B1

Wendy

-----Original Message-----

From: Geoffrey.Adams
Sent: Friday, May 11, 2012 7:14 AM
To: Sherman, Wendy R
Subject: RE: Article

B6

1.4(B)
1.4(D)
B1

Wendy -

All the best -

Classified by DAS, A/GIS, DoS on 10/30/2015 ~ Class: CONFIDENTIAL ~ Reason: 1.4(B), 1.4(D)
~ Declassify on: 05/11/2032

Geoffrey

-----Original Message-----

From: Sherman, Wendy R [mailto:ShermanWR@state.gov]
Sent: 11 May 2012 11:56
To: Geoffrey Adams (Restricted)
Subject: Article

1.4(D)
B1

Geoffrey,

Thanks,
Wendy

By RICK GLADSTONE Published: May 10, 2012 (New York Times) - Britain said Thursday that it was in talks with other European Union members about possibly easing a provision of their Iran oil embargo, set to begin in less than two months, that could cause harmful and unintended side effects because it bans Europe-based insurers from covering any ships that carry Iranian oil anywhere in the world. Such an easing would most likely be welcomed by Iran as well as non-European buyers of Iranian oil, and it could reduce a potential cause of spiking oil prices. But advocates of aggressive sanctions against Iran argue that it could also subvert the underlying purpose of pressuring Iran, a major exporter of oil. Most of Iran's estimated 2.2 million barrels of daily oil production goes to Asia. Concern about the impact of the insurance provision has grown since the European Union announced the embargo early this year, part of a coordinated Western campaign to penalize Iran over its disputed uranium enrichment program, which Iran says is peaceful and Western powers suspect is a cover for efforts to develop the capacity to make nuclear weapons. Most big maritime insurers and underwriters are based in Europe, and other buyers of Iranian oil are finding it increasingly difficult to buy the required liability insurance needed to ship it as the embargo's July 1 enforcement date looms. The provision has also been criticized as hastily conceived by many in the insurance industry, notably the associations of shipowners and charterers who pool resources to provide coverage. They are known as P&I clubs, for protection and indemnity. Even China, Iran's biggest customer, signaled last month that it might be forced to curtail purchases partly because of the insurance problem. Reports in the insurance trade press said the China P&I Club would suspend doing business with tankers carrying Iranian oil. Japan has already done so. There had been speculation that Britain, an epicenter of maritime insurance services and home to the International Group of P&I Clubs, a trade group, would seek to delay the insurance ban in consultation with other European Union members, which are scheduled to review the embargo's provisions this month. Reuters, quoting unidentified diplomats, reported Wednesday that the British would seek a six-month postponement. Britain's Foreign Office said in a statement on Thursday that it was "committed to a two-track approach of engagement and increasing pressure on Iran through far-reaching sanctions." The statement also said that the European Union was reviewing aspects of the insurance provision "to ensure that the pressure on Iran is maximized, while avoiding any undesired impacts elsewhere." "We are in discussions with several E.U. member states on this," it said. Iran had no immediate comment, but Iranian officials have confidently predicted that the European Union embargo would fail, undermined by divisions within Europe and by the demand for its oil elsewhere. Proponents of the sanctions, reacting to a possible delay in the insurance ban, were angry. "Iran's economy is feeling the impact of international sanctions, and it is now time to not only keep that pressure on, but increase it," Mark D. Wallace, the chief executive of United Against Nuclear Iran, a New York-based advocacy group, said in a statement. "The regime will not change course due to half measures." The development came as Iran and the so-called P5-plus-1 countries — the permanent members of the United Nations Security Council plus Germany — are preparing for a second round of negotiations over Iran's uranium enrichment activities in Baghdad on May 23. Iranian officials have said they expect a gesture of good faith — like an easing of the sanctions — as the talks progress. A version of this article appeared in print on May 11, 2012, on page A4 of the New York edition with the headline: European Countries Seek Easing of Provision Included in Iranian Oil Embargo.

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