



United States Permits Iran to Receive Billions in Iraqi Payments

Gabriel Noronha
Gemunder Center Fellow

Despite the Iranian regime's money and weapons enabling its proxy Hamas to attack Israel on October 7 and take and hold at least nine Americans hostage, as well as ongoing Iranian-backed attacks on U.S. forces in Iraq and Syria, on November 13, the United States granted a sanctions waiver to several countries - enabling Iran to access billions of dollars-worth of payments from Iraq for energy. The United States took extra and unusual steps to allow Iran's access to these payments in Euros instead of the typical Iraqi Dinar. Additional reports indicate China may now be helping the Iranian regime launder these funds for nefarious purposes. Congress should rescind these waivers and help Iraq expedite its efforts to wean itself off Iranian energy.

What Happened?

- On November 13, 2023, the State Department [granted](#) a 120-day sanctions waiver to the Trade Bank of Iraq to facilitate its payment to Iran for imports of Iranian natural gas used in electricity generation.
 - » The State Department also granted a waiver to financial institutions in Oman, Italy, and France that enabled Iraq to convert and transfer payments from Iraqi Dinar into Euros and move them into bank accounts in Oman that can be accessed by the Central Bank of Iran.

Why Is It Important?

- The sanctions waiver allowing Iran to be paid by Iraq is the latest Biden administration concession to Tehran regime, which it continues to grant despite their acknowledgement that their major policy objective, returning to the 2015 nuclear deal, is “dead,” that Iran is “broadly complicit” in Hamas’ savage October 7 attack on Israel, and that Iran’s proxies are undeterred in their continued attacks on U.S. forces in Syria and Iraq.
- Iraq remains [reliant](#) on Iranian energy exports in the form of electricity and natural gas that generate 30-40 percent of Iraq’s power supply. This energy trade has provided Iran with a critical source of revenue even during U.S. sanctions on Iran.
 - » As of July 2023, Iraq had between \$10-12 billion in [outstanding debts](#) to Iran related to its import of Iranian energy. Iran has previously leveraged its energy exports to Iran for political purposes, cutting the flow of gas exports by 50% in July 2023 over payment disputes.
 - Iraq imports around 55-60 million cubic meters of Iranian natural gas per day for use generating electricity in Baghdad and Basra power plants. According to the Iranian

Energy Ministry, Iraq also [imported](#) between 5,000-7,000 million kilowatt hours of electricity annually from Iran between 2011-2020, equivalent to 5-10% of Iraqi electricity requirements.

- » Iraq has placed \$12 billion in payments for Iranian energy into an escrow account in the Trade Bank of Iraq but has been wary of transferring these funds to Iran unless it receives guarantees that such transactions would be immune from U.S. sanctions.
- » In July 2023, a group of Iraqi Shia militias loyal to the Iranian regime [called](#) on the Sudan government to urge the United States to let Iraq provide payments to Iran.
- Since 2013, the United States has provided Iraq with sanctions waivers to facilitate limited energy trade with Iran.
 - » These waivers were unnecessary during U.S. participation in the Joint Comprehensive Plan of Action (JCPOA) from 2015 to 2018 but were resumed after the Trump administration ceased participation in the nuclear deal.
 - » Under Section 1245 of the National Defense Authorization Act for FY 2012, foreign trade in Iranian oil, petroleum, or petroleum goods is subject to mandatory banking sanctions. However, that law provides the Secretary of State the authority to waive these sanctions for 120-day periods if countries are cooperating to reduce their imports of Iranian energy-related goods.
 - » Section 1245 waivers require that the country receiving the waiver conduct transactions of non-sanctioned goods with Iran in their local currency and through a financial institution in their country.
- The U.S. provision of sanctions waivers to Baghdad have been intended to provide the Iraqi government time and political space to wean themselves off Iranian energy. However, after years of providing these waivers, Baghdad has made little progress and the projected timeline for Iraq to achieve energy independence from Iran keeps slipping further away.
 - » The Biden administration has defended the recent waiver to Iraq, noting that it has been provided on 21 prior occasions, including by the Trump administration. This is not an accomplishment by any stretch - instead, it is evidence that years of waivers have failed to wean Iraq off of Iranian energy in a timely manner.
- The past two waivers provided by the Biden administration to Iraq are the first to have been made public during the Biden administration and are radically different than those previously provided under the Trump administration. Recent waivers have provided Iran a pathway to receive payment in Euros instead of Iraqi Dinar, an extremely valuable and potentially illegal concession to Tehran.
 - » The provision by the State Department of additional sanctions waivers to France (July and November 2023), Germany (July 2023), Italy (November 2023), and Oman (July and November 2023) breaks the intent and letter of the Section 1245 waivers and may have been provided on a fraudulent basis to advance political negotiations with Iran.
 - » In the July and November 2023 waiver, Secretary of State Antony Blinken certified to Congress that France, Germany, Italy, and Oman were provided waivers as they “faced exceptional circumstances preventing them from significantly reducing their petroleum and petroleum product purchases from Iran.”
 - » This language is severely divorced from reality. None of these countries had been importing Iranian energy products prior to the July 2023 waiver and did not qualify for the

Section 1245 waivers, which were intended for countries weaning themselves off Iranian energy imports.

- » The State Department likely provided these waivers to France, Germany, and Italy in order to facilitate a conversion of Iraqi Dinar from the Trade Bank of Iraq into Euros, and provided the waiver to Oman in order to facilitate a “humanitarian channel” with Iran similar to the Qatari “humanitarian channel” created to [process the \\$6 billion ransom payment](#).
- According to press reports, the United States opened this Omani humanitarian channel as part of its summer 2023 secret [“not-a-deal”](#) with Iran designed to slow the regime’s rate of nuclear enrichment. In June 2023, Iraq [agreed](#) to pay Iran \$2.76 billion of its outstanding debt through a U.S.-provided sanctions waiver.
 - » The latest IAEA report [shows](#) that Iran continues to increase its enrichment and stockpile of highly-enriched uranium and has now accumulated 128.3 kilogram of 60% enriched uranium, enough for three nuclear weapons if purified to the 90% level.
- The Biden Administration has said that any payments made by Iraq to Iran would be held in “restricted accounts” abroad to buy non-sanctionable items like food and medicine.
 - » Despite administration claims, these payments would be fully fungible by Iranian authorities, who could reduce purchases and budgetary allocations towards consumer goods, food, and medicine, and increase their spending on terrorism and regional destabilization.
 - » Any “legitimate” purchases of food and medicine could easily be diverted to support Iranian regime military and terror forces, including being used to feed soldiers, provide medicine for military hospitals, or simply to be re-sold on black markets for cash.
 - » In 2020, Iraqi officials [confiscated](#) 19 trucks loaded with hundreds of thousands of medicines smuggled from Iran, and Iranian authorities have admitted that medicine and drug smuggling to countries including Afghanistan, Iraq, and Syria is rampant.
- Further troubling are reports that indicate the Iranian regime may be working with the Chinese government to launder the funds in Omani accounts, likely in order to be used for nefarious or non-humanitarian purposes.
 - » On October 12, 2023, the Central Bank of Iran [announced](#) that they had gained access to \$10 billion of currency resources held in Iraq. They noted that they were negotiating for the “procurement of those financial resources via financing in cooperation with China.”
 - » China could potentially launder these funds in two ways: one by Iraq providing Iraqi Dinar payments to China, which would then provide Iran a combination of sanctioned goods, non-sanctioned goods, or cash directly through the People’s Bank of China. Second, China could take receipt of the non-sanctioned goods purchased through the Omani humanitarian channel and in return provide sanctioned goods or cash through the People’s Bank of China.
 - » Despite Iranian claims, it is unclear how much money has been transferred through this waiver mechanism to date as the waiver provides immunity from sanctions for a specific time period rather than for a specific amount of money to be transferred.

- » The Associated Press, citing U.S. officials, [reported](#) on November 13, 2023 that “only a small amount of the money held in Iraq had been transferred to Oman during the [prior] 120 days and that none of the money now held in Omani banks had yet been spent.”

What Should the United States Do Next?

- The United States must not provide Iran with access to valuable foreign currencies, particularly Euros, that can be misappropriated to advance the regime’s support for terrorism. Congress should rescind sanctions waivers granted by the State Department to European countries and Oman, block future conversion of Iraqi payments into other currencies, and investigate the legal and political basis on which the State Department granted these waivers.
- Simultaneously, the United States should empower the Sudanese government in Iraq to rapidly detach itself from imports of Iranian energy. The current status quo plan from the State Department to bring about this change is not serious and should be replaced with a rapid effort to replace Iranian sources of energy with U.S. or Gulf Arab energy and electricity exports.
- If the Executive Branch will not set a firm and rapid date by which these Iranian energy imports must cease, Congress should step in to set a clear and ambitious sunset date for all future energy sanctions waivers for Iraq.
- Finally, particularly in light of the October 7 attacks that were financed by the Iranian regime and which killed dozens of Americans, the Biden Administration owes the U.S. public full transparency regarding these sanctions waivers, the political and legal basis on which they have been granted, the amount of funds that have already flowed out of Iraq, and the trajectory and volume of payments that will continue to accrue to Iran under the status-quo policy.