



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

November 18, 2009

**H.R. 2194
Iran Refined Petroleum Sanctions Act of 2009**

*As ordered reported by the House Committee on Foreign Affairs
on October 28, 2009*

H.R. 2194 would amend the Iran Sanctions Act of 1996 in several ways. The bill would:

- Require the President to immediately investigate a person once the United States receives credible information that they have supplied refined petroleum products to Iran or supported the domestic production of such products in Iran, and to determine within 180 days whether that person has in fact engaged in such sanctionable activity in Iran,
- Prohibit any foreign exchange, banking, and property transaction with persons engaged in sanctionable activity in Iran unless the President determines it is vital to the national security interest of the United States, and
- Extend the act's sunset date from December 31, 2011, to December 31, 2016.

Enacting the bill would not affect direct spending or revenues. However, the bill would increase spending subject to appropriation to cover the costs of employing additional staff to gather and analyze information, provide advisory opinions, write reports, and administer blocked property. Based on information provided by the Department of State, CBO estimates that those costs would be about \$2 million a year.

H.R. 2194 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

By extending and expanding sanctions under the Iran Sanctions Act, the bill could impose private-sector mandates as defined in UMRA on entities in the United States that engage in transactions with businesses or countries sanctioned under that act. The bill would require the President to impose certain sanctions on entities that invest more than a specified amount of money in businesses involved in Iran's petroleum industry. The bill

also would require the President to sanction any entity that provides Iran with refined petroleum resources, or engages in an activity that could contribute to Iran's ability to import such resources. Efforts to expand or improve Iran's oil production or refinery capacity, any related shipments, and any technical or material support for its nuclear weapons or missile programs would also be sanctionable activities. Entities sanctioned for those actions would effectively be prohibited from engaging in business with persons in the United States.

Entities in the United States involved in transactions with entities sanctioned under the bill also would be required to cease those transactions. For example, vessel chartering companies as well as financial institutions engaged in transactions related to trade with sanctioned entities could be affected. The cost of the mandate would be the forgone net income from the prohibited transactions, and would depend on the specific sanctions applied by the President in the future. CBO has no basis for predicting when the President might impose such sanctions and thus cannot determine whether the aggregate cost of mandates would exceed the annual threshold established in UMRA for private-sector mandates (\$139 million in 2009, adjusted annually for inflation).

On November 17, 2009, CBO transmitted a cost estimate for the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2009 as ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on October 29, 2009. Section 102 of that act is similar to H.R. 2194, but would not extend the sunset date of the Iran Sanctions Act of 1996 beyond December 31, 2011. Thus, CBO estimated that it would cost about \$5 million to implement the previous legislative language over the 2010-2014 period, whereas CBO estimates that it would cost about \$10 million to implement H.R. 2194 over those five years.

The CBO staff contacts for this estimate are John Chin for federal budget impacts and Marin Randall for impacts on the private sector. This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.