



U.S. State Department Advisory on Sanctions Risks Associated with Needle Coke and Graphite Electrodes Exports to Iran

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On December 16, 2019, the U.S. Department of State (State Department) issued an advisory concerning the exports of metal products to Iran. This follows E.O. 13871 which announced sanctions on those supporting the steel sector in Iran, see our [previous post](#). The State Department's advisory focuses on the risks associated with the transfers or exports—either directly or indirectly—of needle coke and graphite electrodes, both of which the State Department states “are essential materials for Iran’s steel industry.” This advisory defines *Graphite Electrodes* as being mainly used in “electric steelmaking, due to their high levels of electrical conductivity and ability to withstand high temperatures.” It also defines *Needle Coke* as “needle-shaped carbon material characterized by low electrical resistance and strong shock resistance.” Needle coke is the major raw material needed for producing graphite electrodes, which in turn is the main heating element in the electric steelmaking process.

Producers and exporters of graphite electrodes and needle coke, along with port operators, shippers, shipping companies, and vessel operators and owners, run the risk of being subject to primary or secondary sanctions if they export or reexport needle coke or graphite needles. Notably, the guidance states that sanctions exposure could exist even if the intended end-user is not in Iran’s steel industry.

U.S. businesses must already comply with the embargo on Iran. This Advisory is primarily directed to non-US businesses, including shippers and freight forwarders as well as exporters and manufacturers, who may face secondary sanctions by the US for their actions. It underscores the sanctions risks such businesses face when involved in the transfer or export of graphite electrodes or needle coke to Iran. Persons engaging in such activity, even if there is no obvious involvement with Iran’s steel industry, should implement effective due diligence policies procedures, and internal controls to identify and address sanctions risk.

Given the complexity of Iranian sanctions, the Advisory stresses that it is incumbent upon the industry to also understand the particulars of a transfer or export of graphite electrodes or needle coke to Iran (e.g., the shipping line used, intended end-user, and supply chain), as these activities could also be covered by other Iran sanctions-related authorities.

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