

Financing Terror

The economic impact of
Iran's nuclear programme
and its support to
paramilitary groups across
the Middle East

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Research prepared for the Naame Shaam campaign by a European economic research institute that wishes to remain anonymous for security reasons.

Naame Shaam is a group of Iranian, Syrian and Lebanese activists that focuses on uncovering the role of the Iranian regime in Syria. For more details, see www.naameshaam.org.

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Contents

Executive Summary.....	i
Introduction.....	1
Chapter 1 Methodology and data limitations.....	2
1.1 Financial support to paramilitary groups	2
1.1.1 Quantifying support	2
1.1.2 Sources of financial support	3
1.2 Sanctions.....	3
1.3 Costs of Iran's nuclear programme	3
1.4 Impact on Iranian economy	4
1.5 Economic costs of a renewable energy pathway	4
Chapter 2 Iran's financial support to paramilitary groups in the Middle East	5
2.1 Overview.....	5
2.2 Hezbollah in Lebanon (since 1983).....	5
2.3 Shia militias in Iraq (since 2003).....	8
2.4 Hamas in Gaza (since 2007)	11
2.5 The Palestinian Islamic Jihad (since 2007)	12
2.6 Houthi rebels in Yemen (since 2010).....	13
2.7 The Al-Assad regime in Syria (since 2011)	15
2.8 Sources of financial support	17
2.8.1 Military and defence spending	18
2.8.2 Bonyads	20
2.8.3 Maraji taqlid	20
2.8.4 Setad Ejraiye Farmane Hazrate Emam	20
Chapter 3 Sanctions against Iran.....	23
3.1 Overview.....	23
3.2 US, EU and UN terrorism- and nuclear-related sanctions	24
Chapter 4 Costs of Iran's nuclear programme and the potential for renewable energy sources	30
4.1 Costs of Iran's nuclear programme	30
4.2 Impact of the nuclear programme and sanctions on Iran's economy	31
4.3 Economic and safety arguments for renewable energy sources in Iran.....	33
Chapter 5 Conclusions	35

Executive Summary

Iran's leaders have over the years repeatedly denied allegations of supporting terrorism or intending to develop nuclear weapons. But the international community remained unconvinced. The country has been termed a 'state sponsor of terrorism' since the mid-1980s and the United Nations, the European Union, the United States and other countries have all imposed a growing list of sanctions against Iran, both in relation to terrorism and human rights abuses, as well as to the country's suspected military nuclear programme.

With an interim nuclear agreement reached between world powers and Iran in 2013, and the subsequent Joint Comprehensive Plan of Action (JCPA) expected to be implemented in early 2016, the sanctions connected to the nuclear programme are expected to be lifted according to the JCPA.

The support to foreign paramilitary groups on the one hand, and the nuclear programme on the other hand, are both crucial factors in achieving Iran's geo-strategical goals in the Middle East and creating lines of defence against its opponents.

Over the past few decades (since 1979), Iran's foreign policy has not only consisted of traditional diplomacy but also support for a range of armed militias and repressive governments in the Middle East. This support has consisted of funds, weapons, strategic advice and military training. The broad aim, of course, is to consolidate and expand the Iranian regime's influence in the region.

Among the groups provided with Iranian funds as well as material and strategic support and included in this research are:

- Hezbollah in Lebanon (since 1983)
- Several Shia militias in Iraq (since 2003)
- Hamas and the Islamic Jihad in the Gaza Strip (since 2007)
- the Houthi rebels in Yemen (since 2010)
- the Assad regime forces and militias in Syria (since 2011).

While there are many indications of this support, it is much more difficult to quantify the levels of engagement. A lack of verifiable data means that the flow of funds, training, weapons and other support provided by Iran to foreign militias and governments remains largely subject to speculation. Based on available, credible information, Iran's estimated support for the above-mentioned entities over the specified periods of time can be summarised as follows:

- The Iranian regime's closest proxy, Hezbollah Lebanon, has been provided with approximately US\$ 100 million to US\$ 200 million per year since its early years in the 1980s, not accounting for special payments or arms deliveries. Considering apparent budget cuts, this amount may have dropped to approximately US\$ 50 million to US\$ 100 million per year between 2010 and 2012. Another round of cuts was reported for 2014/15. This has been attributed to the difficult economic situation in Iran due to a range of factors including international sanctions and decreasing oil prices. The massive support provided to the Assad regime in Syria is certainly another factor. Iran is also indirectly responsible for Hezbollah's fighters present – by the end of 2015 – in several other conflicts, namely in Syria, Iraq and, to a lesser degree, in Yemen, where they have been providing varying levels of training, weapons, strategic support and experienced fighters on the ground.

- A range of Shia militias in Iraq were provided, in the mid to late 2000s, with an estimated US\$ 10 million to US\$ 35 million annually. This increased to an estimated US\$ 100 million to US\$ 200 million yearly from around 2009 onwards. In addition to cash and weapons, foreign fighters funded by Iran, as well as Iranian elite units, have increasingly been sent to Iraq since 2014 to fight against the so-called Islamic State in Iraq and Syria (ISIS).
- Hamas was provided with approximately US\$ 100 million to US\$ 250 million between 2007 and 2011. Iran also provided training, advice and equipment. For the period from 2012 to 2014, it has to be assumed that financial backing was reduced significantly or even completely cut off due to Hamas' lack of support for the Assad regime in the current Syrian war. Since the end of 2014, however, funding has apparently resumed, although it is likely to be at lower levels than in 2010-2012.
- The Islamic Jihad was provided with approximately US\$ 100 million to US\$ 150 million annually since 2007. As of the beginning of 2015, it has to be assumed that this support has been cut due to the group's lack of support for the Houthi rebels in Yemen.
- The Houthi rebels have been provided with approximately US\$ 10 million to US\$ 25 million since 2010, partly as cash but mostly in the form of training, strategic advice and military equipment.
- The Assad regime and Syrian militias fighting on its side since the outbreak of the Syrian revolution in March 2011 have been provided with approximately US\$ 15 billion to US\$ 25 billion over a period of five years, equating approximately to US\$ 3 billion to US\$ 5 billion annually. The support has taken the form of credit facilities, fuel supplies, training, strategic advice and military equipment as well as support on the ground by Iranian special forces and Iranian-backed foreign fighters. Some sources provide even higher estimates of around US\$ 20 billion annually.

Predominantly drawing on estimates and anecdotal evidence quoted in various sources, the findings suggest that Iran's expenditure on various paramilitary groups and allied governments in the Middle East within the considered periods of time totalled between a low estimate of US\$ 20 and a high estimate of US\$ 80 billion.

These large funds provided to various paramilitary groups and allied governments, despite being heavily constrained by sanctions and continuously decreasing oil prices, show the level of importance that the Iranian regime has placed on increasing its influence in the region. While there are many clear indications that various types of support are funneled to these parties, the financial trails of Iranian funding remain largely non-transparent. There has been ample speculation over the years on how especially the Iranian Sepah Qods Force is financed and what assets are at the direct disposal of the Supreme Leader Ayatollah Ali Khamenei, but available data from credible sources is largely based on assumptions.

When talking about 'Iran' as a source of funds, it is important to bear in mind that it is unlikely that all the financial assistance originating from the country passes through official government channels and appears in the official budgets. It rather has to be concluded that Iranian support for militant groups comes from such budgets only partially; for a large part, it originates from funds managed outside the official government structures. Enormous assets have been found to be at the disposal of Ayatollah Khamenei and Sepah Pasdaran, the Islamic Revolutionary Guard Corps (IRGC). Religious foundations and clandestine business networks under their supervision generate billions of dollars of annual revenues. They are not accountable to the public and cannot therefore be traced.

Similarly obscure as the funding of the foreign engagement of Iran is the country's investment in its nuclear programme. The costs of only one nuclear reactor operational in the country are estimated to be approximately US\$ 11 billion. This figure increases tremendously to an estimated US\$ 100 billion when one also takes into consideration the indirect costs, especially those caused by the international sanctions imposed on the country in relation to military nuclear activities. Moreover, the nuclear programme makes little economic sense when looking at the costs of electricity production.

Considering economic factors as well as the geography of Iran, a determined strategy to quit high-carbon and nuclear energy generation and to rather implement alternative, renewable energy sources seems to be more economically and environmentally viable. In addition, the potential for attracting foreign investments when pursuing a renewable energy path may be promising.

The nuclear deal and the subsequent lifting of sanctions would make billions of frozen assets available to the Iranian regime, as well as offering large growth potential for the economy due to regained access to international markets. There have been justified fears that part of the released funds would end up being used by the Iranian regime to further fuel conflicts in the Middle East and increase military spending and financial assistance to allied Arab regimes and paramilitary groups. While the risk of additional financing of terror is widely acknowledged, many experts see Tehran's foreign ambitions to be less influenced by economic calculations than by political and strategic considerations.

Introduction

Iran's leaders have over the years repeatedly denied allegations that they support terrorism or intend to develop nuclear weapons. But the international community remains unconvinced. The US State Department has listed the country as a 'State Sponsor of Terrorism' since 1984 and the United Nations (UN), the European Union (EU), the United States (US) and other countries have all imposed a growing list of sanctions against Iran. There are concerns that if Iran spends billions of its limited resources today to support its proxies in the Middle East, it will spend even more once sanctions are lifted as part of a nuclear deal.

Iran is reportedly arming and supporting Hezbollah in Lebanon, Hamas and the Islamic Jihad in Gaza, the Syrian regime forces and militias, the Houthi rebels in Yemen, and a range of Shia militias in Iraq, Bahrain, Pakistan, Afghanistan and elsewhere.¹

A key role in this support is played by Iran's military, the paramilitary Revolutionary Guards Corps (IRGC) and its elite Qods Force, as well as its key proxy Hezbollah Lebanon. At the same time, Iran has pursued a nuclear programme for many years, which is seen by the international community not only as an alternative source for the growing energy needs of the country, but also intended to develop nuclear weapons.

This study focuses on some of the conflicts in the Middle East in which Iran is reportedly involved.

The specific objectives of this research are to:

- Provide an estimate of the Iranian financing of:
 - Hezbollah in Lebanon (since 1983);
 - Shia militias in Iraq (since 2003);
 - Hamas and the Islamic Jihad in the Gaza Strip (since 2007);
 - the Houthi rebels in Yemen (since 2010);
 - the Assad regime forces and militias in Syria (since 2011).
- Provide an overview of economic and political sanctions against Iran;
- Provide an estimate of the impact of the nuclear programme and the related sanctions on the Iranian economy and to briefly lay out arguments for an alternative energy scenario.

The support to foreign paramilitary groups and with this increasing influence in the region on the one hand, and the nuclear programme on the other hand, are both crucial factors in achieving Iran's geo-strategical goals in the Middle East and creating lines of defence against its opponents, namely Saudi Arabia, Israel and the US.²

This research focuses on a narrow set of questions and does not provide background information or detailed historical contexts on the conflicts in question.

Chapter 1 Methodology and data limitations

In order to answer the research questions, a number of activities have been carried out. Information on Iran's financial support to the five conflict areas in the specified periods was sought in government publications, publications by political research institutes and think tanks, scientific research papers, reputable international financial and political media as well as national, regional and international media.

In identifying relevant data to be considered, special attention was given to the competence, objectivity and accuracy of the selected sources. It is essential to note upfront though that there is very little precise data on the amount of support provided by the Iranian government or other Iranian institutions allegedly involved in providing funding to militant groups considered in this assignment. Due to the general scarceness of substantiated data on financial links and volumes, it was decided to also consider anecdotal evidence or sources which may be influenced by political views.

1.1 Financial support to paramilitary groups

1.1.1 Quantifying support

There is broad consensus among experts that Iran is providing critical support to different paramilitary groups and repressive regimes in the Middle East. In some cases, this is also confirmed by the leaders of these groups or representatives of the Iranian regime. However, estimates on the value of these provisions vary considerably. Annual funding figures provided by different sources generally fall within the realm of speculation due to the lack of verifiable evidence.

The research thus had to rely predominantly on estimates provided by diverse sources and anecdotal evidence quoted in various publications. These can be political or intelligence experts on the ground in conflict-stricken countries or close to other governments. The US government and various US think-tanks in particular publish regular briefings and papers on various conflicts in the Middle East, including the role of Iran in them.

Estimates carry an inherent risk of under- or over-estimation. The political agendas of the institutions publishing such reports may also influence their conclusions.

When it comes to quantifying the actual financial volume of the support provided by Iran, institutions such as the Congressional Research Service or the US Department of State often refer to sources quoted in media reports. These can be persons close to the command of one of the militant groups or military or security experts in the concerned country. These sources are mostly anonymous. Often only the nationality or area of expertise is provided. US analysts, often connected to the US government or US think tanks of different political orientations, are regularly quoted.

The estimates provided by different sources are sometimes close or similar. At other times, however, the figures vary considerably. In addition, the available information suggests that, in various conflicts, the level of support fluctuates over time, influenced by political, strategic and economic developments. This research quotes several sources in order to identify ranges of overall support provided to the different groups, giving low and high estimates.

Iran provides the paramilitary groups in question not only with varying levels, but also with different types of support. Besides direct financial support, this can be in the form of training, strategic advice, military equipment and fuel supply. Additional types of assistance, which also contribute to a further spurring of conflicts while impacting negatively on the Iranian economy, are mentioned in the paper where specific information is available. The financial value of this support can in most cases not be separately quantified.

Another factor complicating the attempt to quantify financial support in specific conflicts is the fact that there is often an overlap between the different paramilitary groups in question and their geographic area of activity. This applies, for example, to Hezbollah, which is not only active in Lebanon, but also sizably involved in the conflict in Syria, fighting alongside the troops of Syrian President Bashar al-Assad and the Iranian-supported Shia militias from Iraq. This inter-connection means that financial flows cannot necessarily be assigned to one group or one conflict.

1.1.2 Sources of financial support

Not only is it difficult to identify the level of support provided, it is also difficult to specify the actual source of funding. The budgets published by the Iranian government are not transparent enough to allow drawing conclusions on, for example, a specific ministry providing funds to one of the researched groups. Many analysts and experts doubt that the transparency and completeness of the published fiscal breakdowns realistically reflect the actual flow of funds. As with the level of funding provided to paramilitary groups, the research into the sources of funding has to rely predominantly on anecdotal evidence and generic research on funds available to key representatives of the Iranian regime.

The paper examines the information available on possible financial links to the Iranian military budget, and more specifically the Iranian Revolutionary Guards Corps (IRGC), and its special elite Qods Force. This is partly based on published fiscal breakdowns, complemented with findings of investigations of other sources of income of these groups.

At the same time, various experts suspect that there are large shadow budgets directly available to the Iranian Supreme Leader, Ayatollah Ali Khamenei, through a conglomerate of foundations and companies. The background of these networks is briefly described. While it is alleged that these revenues are also being used to support various paramilitary groups, it is impossible to identify or follow a money trail.

1.2 Sanctions

An overview of the economic, financial and political sanctions against Iran has been researched based on information from governments, international institutions and relevant research institutes. The large number of sanctions in place can be broken down into terrorism-related sanctions, which are likely to remain in place even after a nuclear deal has been implemented, and nuclear-related sanctions, which are expected to be lifted once such as deal is implemented. The overview focuses on sanctions imposed by the US, the United Nations and the European Union.

1.3 Costs of Iran's nuclear programme

As with the previous questions, hard data on the economic impact of Iran's nuclear programme and the related sanctions are not available.

A realistic estimate should consider the direct and indirect costs of the nuclear programme, thus, not only the costs of building and operating the actual civilian nuclear reactor in Bushehr and facilities related to the nuclear programme, but also the economic impact of nuclear-related sanctions. Besides some smaller budget items in the official budgets, the research had to rely on best estimates made by various experts and organisations in order to come up with a likely range for the total economic costs of Iran's long-term investment in nuclear energy facilities. It is not possible to discern the costs for civil use from a possible military programme.

1.4 Impact on Iranian economy

While it is not possible to discern the different levels of impact on public finances, estimates on the economic losses caused by international sanctions and the value attached to a relief of the nuclear-related sanctions as part of a nuclear deal are available.

1.5 Economic costs of a renewable energy pathway

Leaving aside the discussion on a possible nuclear weapons programme and focusing instead on the energy needs of the Iranian economy, arguments for a switch to renewable energy sources are summarised in this paper. Information published by national and international authorities and research institutes, scientists and civil society organisations forms the basis of this section.

Chapter 2 Iran's financial support to paramilitary groups in the Middle East

2.1 Overview

Since 1979, Iran's foreign policy has not only consisted of traditional diplomacy; it has also relied on the provision of funds, weapons, strategic advice and military training to allied governments and paramilitary groups in the Middle East as an instrument to achieve its objectives.³

In the following sections, an overview of information from a broad range of sources is summarised, with the aim of quantifying suspected Iranian funding to Hezbollah in Lebanon, Shia militias in Iraq, Hamas and the Islamic Jihad in the Gaza Strip, the Houthis in Yemen and militias fighting on the side of the Assad regime in Syria. The aim of the research at hand is not to provide a historical and political background to these groups and conflicts. It only focusses on their financial and material links to Iran.

2.2 Hezbollah in Lebanon (since 1983)

Hezbollah (a.k.a. Hizbollah, Hizbullah) was founded in 1982 as a Shia Muslim political group with an armed wing in response to the Israeli invasion of Lebanon. From the beginning the party had close ties to Tehran and is seen by many as Iran's proxy in Lebanon and the Middle East more broadly. This is clear in the ongoing war in Syria, where Hezbollah has provided crucial military support to President Bashar al-Assad (see section 2.7).⁴ The US, the EU, Israel and various Arab Gulf countries have designated the military wing of Hezbollah as a terrorist organisation.⁵

In its founding manifesto published in 1985, Hezbollah vowed its loyalty to Iran's then Supreme Leader, Ayatollah Ruhollah Khomeini. According to various sources, Iran has provided the group with considerable financial, military and organisational support from the very beginning. Indeed, in its infancy, the group received critical training and funding from the Iranian Revolutionary Guard Corps (IRGC), a military and internal security institution (see section 2.8.1 for more details on the IRGC).⁶ In addition, the IRGC reportedly has an officer appointed to oversee Hezbollah's operations on behalf of the Islamic Republic.⁷ Top-ranking military officers are also reported to have provided trainings to the party's militant arm over the years.⁸

Historically, Hezbollah has rejected allegations that it was dependent on Iranian support, at least in official statements. Similarly, the Iranian government insisted for a long time that it provided moral but not material support to Hezbollah.⁹ However, in recent years, material funding has frequently been confirmed by Iranian and Hezbollah spokespeople.¹⁰

One of the first public admissions was made in 2009, when Hezbollah's leader Hassan Nasrallah thanked Iran for providing "[...] *all the moral, political, materialist [sic] and financial support.*"¹¹ In February 2012, Nasrallah acknowledged openly his party's dependence on aid from Iran. Claiming that previously he had not wished "*to embarrass our brothers in Iran,*" he noted that since Iran had admitted the support, the time had arrived for Hezbollah to do so as well. "*Yes, we received moral, and political and material support in all possible forms from the Islamic Republic of Iran since 1982.[...] In the past we used to tell half the story and stay silent on the other half.[...] When they asked us about the material and financial and military support we were silent.*"¹² In July 2015, Nasrallah was quoted saying: "*We say this loud and clear: we receive material and financial support from the Islamic Republic, and we are proud of that fact.*" According to Nasrallah, the support provided by Iran was sufficient for Hezbollah, dismissing claims of money-laundering activities by the party.¹³

Few details are publicly available about Hezbollah's finances. Iran is believed to provide the group with at least US\$ 100 million per year. Yet details about the extent and sources of Iran's financial support remain hard to come by, as Lebanese political analyst Amal Saad-Ghorayeb explains.¹⁴

Estimates often do not include additional Iranian funding for crisis periods, such as the 2006 war with Israel, for which costs covered by Iran have been estimated at as much as US\$ 1.2 billion. Nor do they include exceptional circumstances such as the June 2009 parliamentary election, for which Hezbollah reportedly received foreign funding.¹⁵

Looking at different sources and estimates, the level of Iranian funding to Hezbollah has considerably fluctuated over the years.

- **1980s and 1990s**

According to one piece of research on the early years of Hezbollah, Iran's annual subsidy was estimated at US\$ 140 million during the 1980s.¹⁶ In 1997, the Supreme National Security Council of Iran reportedly decided to increase Iran's military and financial support to Hezbollah from US\$ 80 million in 1996 to US\$ 100 million in 1997.¹⁷ Matthew Levitt from the Washington Institute for Near East Policy also estimated Iran's annual contribution to Hezbollah in the 1990s to be at least US\$ 100 million per year.¹⁸

- **2000s to 2010**

The estimates for the flow of Iranian funds to Hezbollah in the early 2000s vary depending on the source, ranging between US\$ 60, US\$ 100 and US\$ 200 million per year, reportedly peaking in 2008/09 due to rocketing oil prices.^{19 20}

An article from 2004 referred to Western diplomats and analysts in Lebanon suggesting that Hezbollah may have received closer to US\$ 200 million a year from Iran at that time.²¹ This figure has been quoted by various US sources over the years.²² In the wake of the death of Palestinian leader Yasser Arafat, Hezbollah reportedly received an additional US\$ 22 million from the Iranian intelligence to support Palestinian armed factions and provoke instability in Israel and the Occupied Palestinian Territories in the West Bank and Gaza Strip.²³

The US State Department reported in its 2008 'Country Reports on Terrorism' that Iran provided an estimated US\$ 200 million in funding to Hezbollah during that year and trained over 3,000 Hezbollah fighters at camps in Iran. This support helped the group re-arm itself to levels beyond those of the 2006 war between Hezbollah and Israel.²⁴

Similar figures were given by the US Department of Defense in April 2010: between US\$ 100 million and US\$ 200 million a year.²⁵ According to Israeli intelligence sources, between 2006 and 2009, Iran provided Hezbollah with more than US\$ 1 billion in direct aid, equaling to about US\$ 250 million per year.²⁶

During a visit to Lebanon in October 2010, then Iranian president Ahmadinejad reportedly boasted of Iranian money and weaponry spent reconstituting the Hezbollah military arsenal that had been depleted in the 2006 war with Israel. According to Hezbollah officials, the group spent up to US\$ 1.1 billion of Iranian money on rebuilding destroyed areas in the aftermath of the 2006 war.²⁷ Another source estimated the Iranian aid provided in connection with the war with Israel at US\$ 1.2 billion.²⁸

Israeli army officials also indicated that Iran and Syria not only re-armed Hezbollah, but also helped it considerably improve the accuracy of its large arsenal of missiles.²⁹

Iran has long been a major arms supplier to Hezbollah. Iranian shipments of weapons destined to Hezbollah, with Syria as the main transit country, have repeatedly been intercepted. Iran has also trained Hezbollah fighters at camps in Lebanon and Iran.³⁰ Reported shipments prior to the 2006 conflict with Israel include the 'Fajr' and 'Khaybar' series of rockets, over 10,000 'Katyusha' rockets, and 'Mirsad' unmanned aerial vehicles.³¹

In 2002, the media reported on Iran financing and establishing military training camps in the Beka'a Valley, then controlled by the Syrian army. Trainings for Hezbollah, Hamas and Islamic Jihad fighters reportedly included the use of rockets such as the short-range 'Fajr-5' missile and the 'SA-7' anti-aircraft rocket. According to a report by an unnamed Western intelligence agency, the Iranian training programme cost US\$ 50 million.³²

In August 2006, Jane's Defense Weekly reported that Hezbollah asked Iran for "*a constant supply of weapons*" to support its operations against Israel. According to Western diplomatic sources, the Iranian authorities promised Hezbollah a steady supply of weapons.³³

Assistance also came in the form of aid for Hezbollah's political pursuits. Iranian officials announced in 2008 that Hezbollah, then making headway into Lebanon's political life, would receive US\$ 600 million in 'election financial aid' to help the party's prospects in Lebanon's parliamentary elections in 2009.³⁴

Despite denials by officials of Hezbollah's Al-Manar TV channel,³⁵ various Middle East analysts and journalists maintain that Iranian funding also includes Al-Manar, be it direct or indirect via Hezbollah.³⁶ Al-Manar reportedly received seed money from Iran and incurred initial operating costs of US\$ 1 million in the early 1990s.³⁷ By 2002, the annual budget of the channel had grown to approximately US\$ 15 million, with Iran reportedly still directly or indirectly contributing part of the required funds.³⁸

- **2010 onwards**

According to some analysts, financial support by Iran to Hezbollah has been cut twice over time, with no prior notice. In at least one of these instances, the cut affected as much as 30 to 40 percent of the support. According to Matthew Levitt from the Washington Institute for Near East Policy, this triggered a diversification of the group's financial portfolio beyond the estimated US\$ 200 million that they received from Iran.³⁹

In 2010, Israeli intelligence assessments came to the conclusion that the annual direct military aid from Iran was cut by as much as 40 percent.⁴⁰ Others questioned that, however, saying that US\$ 100 million to US\$ 200 million was not a large sum for Iran and that, if aid to Hezbollah was a high priority, it could easily continue at the same level.⁴¹

Observers believe that Iranian support to Hezbollah may have increased again since 2013 in conjunction with Hezbollah's direct involvement in the war in Syria. However, no new estimates quantifying such an increase have been published.⁴² Regional security officials told Reuters that between 2,000 and 4,000 Hezbollah fighters, experts and reservists operated in Syria in September 2013.⁴³ According to internal Hezbollah-sources, the militant group had as many as 6,000 combatants paid by Iran fighting alongside al-Assad's troops.⁴⁴

In 2014/15, new reports emerged on Hezbollah implementing 'austerity measures', largely due to the troubled economic situation in Iran due to declining global oil prices, the impact of international sanctions and the financial support funneled to other trouble zones in the region, namely Syria.⁴⁵ In March 2014, the US Treasury Department reported the sanctions regime was "[...] *squeezing Tehran's ability to fund terrorist groups such as Hezbollah*".⁴⁶ The London-based paper Al-Sharq Al-Awsat reported in April 2014 that Ayatollah Ali Khamenei continues to fund Hezbollah through his separate budget; however, the government's flow of money to the militant group was apparently stopped by the Iranian president Rouhani five months earlier during the reorganisation of Tehran's Foreign Ministry. In addition, the newspaper reported that the US and Europe are keeping a close watch on Iranian sources funding Hezbollah.⁴⁷

As a result of its tightening budget, sources close to Hezbollah's central command reported that the group had to fire many employees working within the party's social, health, media and service institutions, to impose salary cuts, defer payments to suppliers and reduce monthly stipends to its political allies in Lebanon.⁴⁸

However, while the budget was apparently cut by as much as 40 percent in 2015, this cut seemingly affected Hezbollah's social and health services, not its military budget.⁴⁹ The fighters and their families reportedly still receive an average of US\$ 1,000 per month, depending on their rank and responsibilities.⁵⁰

According to analysts, Tehran is not the only source of funding for Hezbollah. The group has acquired a reasonable degree of financial autonomy over the years through its own investments and charities. Revenue streams also come from import-export activities, the collection of donations, and operating an overseas network of legal and illegal businesses.⁵¹

Experts at the 'Iran Project' think that, while Hezbollah will be able to find financial sources without its main sponsor, Iran is above all an important supplier of weapons, particularly rockets and missiles. Maintaining this supply line is also seen as one of the key reasons for Hezbollah's involvement in the Syrian conflict.⁵²

Overall, Hezbollah continues to rely on significant funding from Iran. The impact of Iranian budget cuts on Hezbollah's ability to bankroll its social welfare network of schools and hospitals illustrates the level to which Hezbollah is still dependent on Iran.⁵³

2.3 Shia militias in Iraq (since 2003)

Iran's support to Shia armed groups in Iraq dates back to the 1979 Iranian Revolution. Following the US invasion of Iraq in 2003, this support continued as Iraq's exiled Shia parties returned with Iran's help.⁵⁴

- **2003 to 2007**

From 2003 onward, the key Iranian-backed militias were the Mahdi Army, the armed wing of the Sadrist movement, and the Badr Corps.⁵⁵ They reportedly received from Iran training, funding and weapons, including mortars, rockets, rocket-propelled grenades, as well as highly-lethal explosively-formed penetrators (EFPs).⁵⁶ Mahdi Army fighters also received training in Iranian camps as early as 2004.

In 2005 and 2006, the IRGC Qods Force reportedly expanded this effort with the help of Hezbollah Lebanon. Ali Mussa Daqduq, a senior member of Hezbollah, went to Iran to instruct Iraqi militants alongside the IRGC Qods Force commanders. According to the US-led Multi-National Forces in Iraq, the Qods Force provided Daqduq with a budget as high as US\$ 3 million on a monthly basis.⁵⁷ The supply of explosives and bomb-making material to Shia militants via the Iranian border was already a concern in 2005, as reported in classified US military documents. Nonetheless, figures quantifying the support before 2006 are difficult to find.⁵⁸

According to a US government intelligence analyst, the support provided by Iran to Iraqi militias increased in the second half of 2006, with the aim of forcing the US military out of Iraq. In 2007, a US military representative quoted information provided by detained members of Shia militias confirming that the IRGC Qods Force backed Iraqi Shia militants by supplying weapons, training and monthly allowances worth between US\$ 750,000 and US\$ 3 million.⁵⁹

In 2007, a US government official in Iraq estimated the annual financial support provided by Iran to different actors in Iraq at US\$ 150 million to US\$ 200 million. In addition, significant support in the form of training, technical support and arms, including rockets and mortars, was provided to various Iraqi Shia militias by the Qods Force.⁶⁰

- **2008 to 2010**

Iraqi officials and the US military estimate that Iran in 2009 provided weapons and financial backing worth an estimated US\$ 36 million to the Mahdi Army and other Shia militias. In addition, the Qods Force, together with Hezbollah Lebanon, was suspected of training Iraqi Shia militants and providing them with armor-penetrating explosives.⁶¹ In the period from 2008 to 2010, the small Asa'ib Ahl al-Haq militia grew significantly in influence due to Iranian support.⁶²

Leaked US embassy cables from November 2009 explain that the financial and operational support provided by Iran to competing Shia, Kurdish and some Sunni groups aimed to create a broad range of groups dependent on Iran's generosity among Iraq's political players. For lack of exact figures, the US State Department estimated Tehran's financial backing of Iraqi proxies at the time at US\$ 100 million to US\$ 200 million annually, with US\$ 70 million going to Islamic Supreme Council of Iraq (ISCI) and its Badr Corps militia.⁶³

- **2011 onwards**

After the US troops officially left Iraq in 2011, Iran helped reactivate and empower some of the Shia militias to support the Iraq Security Forces against the so-called Islamic State (IS). These included As'aib Ahl Al Haq, Kata'ib Hezbollah (Hezbollah Brigades) and the Badr Organization.⁶⁴

As of 2014, up to 50 Shia militias were recruiting in Iraq, at least 37 of them with ties to Iran.⁶⁵ The majority of these militias are part of the so-called 'al-Hashd al-Sha'bi', or the Popular Mobilisation Forces (PMF), an umbrella organisation of predominantly Shia militias set up in June 2014 and sponsored by both the Iraqi and Iranian governments.⁶⁶ Asaib Ahl al-Haq, Badr Brigades, and Kataib Hezbollah are seen as key players in the fight against IS. Together they are described as being the most powerful military force in the country.⁶⁷ Other important members of al-Hashd al-Sha'abi include Kata'ib Imam Ali and Harakat Hezbollah al-Nujaba.⁶⁸

As'aib Ahl al-Haq has close connections to Lebanon's Hezbollah and ideological links to Iran's Supreme Leader, Ayatollah Ali Khamenei. According to an Iraqi intelligence official quoted in 2014, the group receives US\$ 1.5 million to US\$ 2 million a month from Iran.⁶⁹ Another Iraqi source close to the extremist group estimated in 2011 that As'aib Ahl Al-Haq relies on Iran for approximately US\$ 5 million in cash and weapons on a monthly basis.⁷⁰

In addition, Iranian opposition groups estimated in 2014 that approximately 7,000 members of the IRGC Qods Force under the command of Iranian General Qassem Soleimani were on the ground in Iraq, both fighting and training militia forces.⁷¹

According to the US State Department, Iran increased training and funding to Iraqi Shia militia groups in 2014 in response to IS' advance in Iraq.⁷² Quoting an unnamed senior Iranian cleric with close ties to Tehran's leadership, the Washington Post reported in December 2014 that Iran had sent elite units and more than 1,000 military "advisers" to Iraq since the capture of much of northern Iraq by IS in June of the same year. In addition, Iran reportedly conducted air strikes and spent more than US\$ 1 billion on military aid.⁷³ The source did not specify whether the funds went to the Iraqi government or to Shia militias.⁷⁴

In March 2015, the secretary-general of Hezbollah al-Nujaba, Sheikh Akram al-Kaabi, stated in an interview that *"[w]e do not hide the fact that the technical and logistical support comes from the [Iranian] Islamic Republic at all levels of training, arming and with the provision of advice through the presence of leaders and field advisers from the brothers in the Quds Force of the Revolutionary Guards."*⁷⁵

In March 2015, Hezbollah Lebanon decided at a meeting of the Jihad Council headed by Hassan Nasrallah to send 800 elite fighters to Iraq to take part in the battles for Tikrit and Mosul. Equipped by Iran's Revolutionary Guards already present in the town, the Hezbollah troops also provided training to Iraqi Shia militia fighters.⁷⁶

According to an internal Iraqi intelligence report leaked to the media, the number of armed militias in Iraq in mid-2015 was 53, up from 43 in December 2014, with a total membership of 120,000 militiamen. The *"only common factors"* among them, the report adds, are the *"extremist religious cover"* and the source of their funding: Iran. Each militia is said to receive from Tehran between 100,000 and 500,000 US dollars per month, depending on its size and its achievements, in addition to Russian- and Iranian-made weapons.⁷⁷

In a series of interviews by Reuters published in February 2015, key figures inside the Iraqi Popular Mobilisation Forces detailed the ways in which these militias cooperate with Baghdad and Tehran, and the role that Iranian 'advisers' play, both inside the groups and on the frontlines. The interviewees included two senior figures in the Badr Organisation and the commander of a relatively new militia called Saraya al-Khorasani.⁷⁸ Saraya al-Khorasani was founded in 2013 and advised by IRGC General Hamid Taghavi, who was killed in northern Iraq in December 2014.⁷⁹

Iraqi officials told Reuters that former Badr commander Jamal Jaafar Mohammed, better known by his nom de guerre Abu Mahdi al-Mohandis, is General Qassem Soleimani's right hand in Iraq, and militiamen praised him as *"the commander of all troops,"* whose word is *"like a sword above all groups."*⁸⁰

Several of the Shia militias receiving Iranian funding in Iraq also sent fighters to Syria in recent years.⁸¹ The Guardian reported in March 2014 that the families of 'martyrs' receive a one-time compensation of up to US\$ 5,000 from Iran.⁸²

2.4 Hamas in Gaza (since 2007)

According to various different sources, the Palestinian Islamist group Hamas, which controls the Gaza Strip, receives external support from several states and non-state groups or networks. Historically, however, Hamas fighters were supplied with most of their funding and weapons by Iran.⁸³ While otherwise focusing its support on Shia militias, Iran seems to be willing to put aside its sectarian differences and back this Sunni militant group. This cooperation provides the Iranian Revolutionary Guards with access to the southern border of Israel, a joint enemy of both Hamas and the regime in Tehran.⁸⁴

- **2007 to 2010**

Quoted in Arabic-language Raya News in early 2014, Ali Nourizadeh, Director of the Center for Iranian Studies, estimated that Hamas has received more than US\$ 2 billion from Iran since the group's inception in 1987. According to Nourizadeh, Hamas received the aid through various channels, either in cash, when Hamas leaders visit Tehran, or through Hezbollah Lebanon.⁸⁵

Sources inside Gaza as well as international analysts have estimated Iran's support to Hamas to be somewhere in the range of US\$ 250 million annually provided to cover the budget of the Hamas-led government in Gaza.⁸⁶ At the same time, Iran also reportedly provided the armed wing of Hamas, the Izz ad-Din al-Qassam Brigades, with weapons, technical know-how and military training.⁸⁷ However, no more than 500 Hamas fighters were apparently trained by Iran.⁸⁸

Other sources give somewhat lower figures for the financial support. According to a 2009 article quoting Saeb Oraikat, then an official from the Palestinian Authority, Tehran awarded Hamas at the time a monthly budget of US\$ 10 million, or an estimated annual budget of US\$ 120 million.⁸⁹ The Washington Institute, quoting Israeli intelligence services, estimated annual Iranian subsidies to Hamas to be approximately US\$ 100 million in 2010. According to this source, the Iranian funds were at the time mostly flowing through the Hamas Political Bureau in Damascus and used primarily for weapons purchases and shipments.⁹⁰

- **2010 to 2013**

Between 2010 and 2012, the relations between Sunni Hamas and Shia Iran deteriorated and the latter reportedly decreased its funding significantly, or even stopped it altogether. Most experts explain the development with Hamas' refusal to show public support for the Syrian regime against the uprising.⁹¹ Although the exiled Hamas leadership had been hosted by the Assad regime in Damascus for a decade, it refused to back the government against the mainly Sunni rebels, incurring the wrath of Assad's close allies in Tehran. Consequently Khalid Meshaal, the head of Hamas' Political Bureau, and other members of the external Hamas leadership left Syria in 2012.⁹²

In May 2013, media reports quoted Hamas leaders stating that Iran cut up to US\$ 23 million a month in funding due to the movement's position on the uprising in Syria.⁹³ Ghazi Hamad, Hamas's deputy foreign minister, described the relations with Iran as "*bad*," adding that "*I can say it is not like the past. I cannot give you the exact amount. For supporting the Syrian revolution, we lost very much.[...] I cannot deny that since 2006 Iran supported Hamas with money and many [other] things.[...] I cannot say there is military cooperation.*"⁹⁴

The cut of Iranian support was also confirmed in October 2013 by Moussa Abu Marzouk, the deputy head of Hamas's Political Bureau, who was quoted saying that "*Iran used to be the most supportive state to Hamas in all aspects: money, arms and training. We don't deny this [...]. Our position on Syria affected relations with Iran. Its support for us never stopped, but the amounts [of money] were significantly reduced.*"⁹⁵

The drying up of funding apparently caused a serious financial crisis in the Gaza Strip. This was exacerbated in the second half of 2013 by the closure of the smuggling tunnels between the Gaza Strip and Egypt by the new regime in Cairo.⁹⁶ Nevertheless, some reports indicate that Hamas's military capabilities have nevertheless been augmented through Iranian technological assistance and training, either provided directly or indirectly via Hezbollah Lebanon.⁹⁷

- **2014 onwards**

Taher al-Nounou, an aide to Gaza's Prime Minister, Ismail Haniyeh, was quoted in early 2014 saying that the ties with Iran were weakened by the war in Syria, but not severed. In reply to the question whether Tehran had resumed its financial support, Nounou said that "*[w]e don't announce these things because there would be efforts to stop it.*"⁹⁸ The relationship reportedly improved further during 2014, with financial support being raised around March, but to levels lower than the ones at the end of 2012.⁹⁹ At the same time, reports emerged about alleged rockets shipments from Iran to the Gaza Strip.¹⁰⁰

In August 2014, the Head of the Political Bureau of Hamas, Khalid Mashaal, praised the important role of Iran's financial and military assistance.¹⁰¹ In December 2014, Palestine Today news site quoted Senior Hamas Leader Mousa Abu Marzouq stating that "*Iran is the only country that has stood beside Hamas and provided the resistance movement with financial, weaponry and training assistance*". He also mentioned Iran's contributions to the improvement of Hamas' military wing, the Izz ad-Din al-Qassam Brigades.¹⁰²

According to an April 2015 article in the Wall Street Journal, intelligence reports indicated that relations between the IRGC and the Izz al-Din al-Qassam brigades had been restored towards the end of 2014 and Iran had revived funding, facilitating tunnel reconstruction and medium-range missiles procurement in early 2015. According to a senior Western intelligence official, Iran's Revolutionary Guards transferred tens of millions of dollars to the Qassam Brigades in the first months of 2015. Funds were allegedly transferred on the direct orders of General Qassem Soleimani, the commander of the IRGC Qods Force, who also dedicated an annual budget to finance Hamas's military operations.¹⁰³

In August 2015, the Iranian Foreign Ministry underlined its support for the Palestinian Hamas, as well as other 'resistance groups' in the region, without specifying the type of support provided. This came in response to media reports claiming that a member of Hamas had criticized Iran for weakened support. A senior Hamas official was quoted saying that "*Iran's various supports [sic] for Palestine have been precious, abundant and greatly influenced the Palestinian resistance*".¹⁰⁴ Iran publicly confirmed to be arming Hamas, among others, and providing the militia with 'Fajr-5' missiles.¹⁰⁵

2.5 The Palestinian Islamic Jihad (since 2007)

While Hamas pursues a goal of establishing an Islamic Palestinian state in place of Israel, the Islamic Jihad is almost exclusively focused on terrorist acts to achieve its goals. And where Hamas in recent years faced cuts in Iranian financing due to a lack of support for al-Assad in Syria, the Islamic Jihad saw a cut-back in its funding due to a lack of support for the Houthi rebels in Yemen.¹⁰⁶

In the past, the Islamic Jihad was seen as having the closest ties with Iran out of all the Palestinian factions, as well as close relations with Iran's allies Syria and Hezbollah.¹⁰⁷ Quoted in Arabic-language Raya News, Ali Nourizadeh, Director of the Center for Iranian Studies, estimated that the Islamic Jihad received between US\$ 100 and US\$ 150 million annually until 2014. The group allegedly received its Iranian money via Hezbollah or through banks in Beirut or Malta. According to Nourizadeh, Islamic Jihad fighters were trained in Iran and the group's weapons all came from Iran, with Hezbollah playing an important role in the supply line.¹⁰⁸

Since Tehran pulled its funding for the group earlier in 2015, the Islamic Jihad in the Gaza Strip has reportedly been suffering a severe financial crisis. A television station belonging to the group was shut down, and so did some of its few non-military institutions. Salary payments also had to be stopped temporarily, both to its military wing (the al-Qods Brigades) and civil staff.¹⁰⁹

2.6 Houthi rebels in Yemen (since 2010)

Iran's involvement in Yemen goes back years. One of the key reasons for Iran to arm and finance the Shia Muslim rebels is the common adversary of Saudi Arabia, even though the Houthis had previously been supported by Saudi Arabia.¹¹⁰ According to media reports, Yemeni analysts and US officials, the Iranian support ranges from political and religious support for Houthi leaders to military training, provision of weapons and active involvement in the fighting, as well as humanitarian support.¹¹¹ According to US analysts, the support to Yemen's Houthi rebels is managed by Lebanese national Khalil Harb, a former special operations commander and a close advisor to Hezbollah leader Hassan Nasrallah.¹¹²

The level of Iranian support received by the Houthis is uncertain. Various analysts voiced opinions that it appears to be not nearly as systematic or significant as that provided to closer allies such as Hezbollah in Lebanon (see section 2.2).¹¹³ Domestic tensions are seen as the key underlying reasons for the conflict rather than the Houthis acting as Iran's proxies, as is the case in other conflicts in the region.¹¹⁴

Iranian support seems to be mostly provided in the form of training and military support.¹¹⁵ Several US official and intelligence sources, as well as UN experts, assert that Iran has transferred weapons to the Houthi rebels and provided military trainings.¹¹⁶ In March 2012, US officials stated that there appeared to be "[...] a relatively small but steady stream of automatic rifles, grenade launchers, bomb-making material and several million dollars in cash" sent by Iran to the Houthi rebels.¹¹⁷ US intelligence sources estimated in 2011 that Iranian operatives had provided "millions of dollars" to Houthi leaders.¹¹⁸ While no concrete figures are given, Houthi leaders admitted already in 2012 that they had received Iranian funds.¹¹⁹ In 2013, the US Department of State's terrorism reports stated that, "Iran actively supports members of the Houthi movement, including activities intended to build military capabilities."¹²⁰

In October 2014, Ali Akbar Velayati, a spokesman for Ayatollah Ali Khamenei, was quoted saying in a meeting with a group of Yemeni clerics in Tehran that "*the Islamic Republic of Iran supports the rightful struggles of Ansarullah [the party of the Houthis] in Yemen, and considers the movement part of the successful Islamic Awakening*".¹²¹

In December 2014, Reuters quoted unnamed Yemeni, Iranian and Western sources confirming Iranian military and financial support to the Houthi rebels before and after their takeover of Sanaa in September 2014. According to Yemeni security officials, "*[b]efore the entrance into Sanaa, Iran started sending weapons here and gave a lot of support with money via visits abroad.*" These transfers apparently also continued in the following months. An unnamed senior Iranian official confirmed to Reuters that the Iranian Revolutionary Guard's Qods Force had several hundred military personnel in Yemen who train Houthi fighters. The official also stated that the pace of money and arms provided to the Houthis had increased since their seizure of Sanaa in September 2014.¹²² An unnamed Western source familiar with Yemen was quoted by Reuters in December 2014 stating that "*[w]e think there is cash, some of which is channelled via Hezbollah and sacks of cash arriving at the airport*".¹²³

A Houthi official visiting Washington in early 2015, Ali Al-Emad, denied major financial backing or arms were coming from Iran. However, around the same time, a Houthi official in Yemen confirmed that assistance was provided by Iran in the form of logistics, intelligence and cash. He was quoted saying that "*Houthis have received tens of millions of dollars in cash from Iran over the past couple of years*".¹²⁴

Sources in the Lebanese government confirmed that Iran sent fighter pilots to Lebanon, where they received Lebanese passports and travelled on to Yemen to join the Houthi rebels.¹²⁵ David Weinberg, a Yemen analyst at the US Foundation for Defense of Democracies, asserts that "*Tehran does not exercise command and control over Ansar Allah (the Houthi militia). [...] But credible reports confirm that it has been providing on-the-ground advising ...training overseas, major sums of money and weapons by the literal ton.*"¹²⁶

In the first months of 2015, Iran reportedly put pressure on Hezbollah to send advisors to Yemen in support of the Houthi fighters, to help them secure cities they had captured. Hezbollah had already been training Houthi officials in the previous year in the use of media tools.¹²⁷ In an analysis for the EU Policy Department on External Policies, Ahmed Saif from the Sheba Centre for Strategic Studies in Yemen talks about Iran providing "*[...] remarkable direct financial and technical support to the movement through the Lebanese Hizbullah*".¹²⁸

In April 2015, a spokeswoman for the US Department of State was quoted saying that "*[t]here is a well-documented history of (Iranian) support for the Houthi, including in various State Department reports — money, weapons — support for a very long time*".¹²⁹ These statements are confirmed by a confidential UN report presented to the Security Council in April 2015, finding that Iran had supplied the Houthi rebels with weapons since at least 2009, the beginning of the Shia militia's uprising. The UN experts found "*[...] a pattern of arms shipments to Yemen by sea that can be traced back to at least 2009*" and reported that "*[t]he analysis further suggests that the Islamic Republic of Iran was the origin of these shipments and that the intended recipients were the Houthis in Yemen or possibly in some cases further recipients in neighboring countries*".¹³⁰ According to US government sources, Iran supported the Houthis among others with unknown quantities of 'AK-47s', rocket-propelled grenades and other arms.¹³¹

2.7 The Al-Assad regime in Syria (since 2011)

The foreign support received by the Syrian regime, especially from Iran, but also from Russia and China, is seen as crucial in allowing Bashar al-Assad to stay in place for so long.¹³² Different levels of Iranian involvement in the ongoing war in Syria have been reported from early on in the conflict.¹³³ As put by Karim Sadjadpour, a senior associate of the Middle East programme at the Carnegie Endowment for International Peace, “[a]bsent Iranian largesse, Assad would not be financially solvent today”.¹³⁴ According to the UN's envoy to Syria and other outside experts, Iran is spending billions of dollars a year to prop up the Syrian regime since the start of the revolution in March 2011.

Five groups play a crucial role in maintaining Assad's rule in Syria, all of which are directly or indirectly financially supported by Iran:

- the Syrian armed forces, namely, the Syrian Air Force, the Military Intelligence (Mukhabarat), and the Syrian Army;
- Syrian paramilitary forces, which operate under the banner of the National Defence Forces;
- Hezbollah Lebanon;
- Other foreign Shia militias, mostly from Iraq and Afghanistan; and
- The Qods Force of Iran's Revolutionary Guard Corps.¹³⁵

Despite Iran's banks and businesses being cut off from the international financial systems, many experts in the field estimate Iranian support to Syria to be substantial, especially when factoring in credit lines, oil subsidies, conventional and unconventional military aid, intelligence and training provided to the above-named groups.¹³⁶

- **Fuel supplies**

In 2012, Iran and Syria had arranged a gasoline-for-diesel swap, but the loss of Syria's main oil producing areas to IS and other armed groups meant that the Assad regime no longer commanded over the light crude it produced, nor the extra gasoline and naphtha it used to export. Iran also sealed a free trade deal with Syria granting the Syrian exports a low four percent customs tariff.¹³⁷

According to statements by the US State Department, Iran has begun to direct shipments of crude oil to Syria in the first months of 2014. These had been done from time to time before but their frequency reportedly increased at that point.¹³⁸

The shipments are said to be vital to the Assad regime as the war ravaged Syria's crude production, which fell from about 400,000 barrels a day to roughly 20,000 barrels. Analysis conducted by Bloomberg suggests that Iran sent about 10 million barrels of crude oil to Syria between January and June 2015, equaling approximately to US\$ 600 million in aid in those six months, or around US\$ 1.2 billion annually. At the same time, it is highly unlikely that the Assad regime is paying for the deliveries, considering the state of its economy and diminishing currency reserves.¹³⁹

- **Credit facilities**

In January 2013, Syrian state media announced a US\$ 1 billion credit facility agreement with Iran. Along with the agreement between the Commercial Bank of Syria and the Export Development Bank of Iran, seven contracts on energy transmission and electrical equipment were signed, with around half of the credit amount dedicated to the electricity sector.¹⁴⁰

According to banking sources, Tehran also agreed in early 2013, during a visit by Syrian Prime Minister Wael al-Halki, to deposit US\$ 500 million in Syria's central bank vaults to prop up the local currency.¹⁴¹

In June 2013, another credit line provided by Iran with a value of US\$ 3.6 billion was announced, with proceeds destined to finance the purchase of petrol and associated products, including diesel for the country's army. The credit, which was channelled through the state-owned Commercial Bank of Syria and Iran's Bank Saderat, allows Iran to acquire equity stakes in investments in Syria.¹⁴²

Preliminary approval for another US\$ 1 billion credit line was reportedly given by Iran in May 2015.¹⁴³ In July 2015, al-Assad signed a law to ratify the agreement, according to Syria's state news agency.¹⁴⁴

- **Overall estimates of support**

As with other armed conflicts in the region, Iranian activities in Syria are overseen by the IRGC Qods Force. The United States first exposed Iran's assistance to the Syrian government in the ongoing conflict in April 2011, when President Barack Obama announced new sanctions against the Qods Force pursuant to Executive Order 13572, which blocks property of certain persons with Respect to Human Rights Abuses in Syria.¹⁴⁵ In addition to the Qods Force, Western analysts say the IRGC Ground Force, members of Iranian intelligence services and law enforcement forces have also been providing material support to the Syrian regime.¹⁴⁶

Based on US sources and Iranian official statements, the Qods Force and its Lebanese proxy Hezbollah (see section 2.2) have provided training, high-level advisers, weapons and equipment to a 50,000 strong Syrian alliance of local Shia and Alawite militias known as al-Jaysh al-Shabi (the Popular Army, which was later rebranded as the National Defence Forces) to aid Syrian regime forces since mid-2012.¹⁴⁷ Hezbollah leader Nasrallah stated to be fighting alongside Assad's troops to prevent Syria falling "*into the hands*" of Sunni jihadi radicals, the US and Israel.¹⁴⁸

Iranian recruiters reportedly offer Syrian militiamen training and monthly salaries ranging between US\$ 200 and US\$ 500.¹⁴⁹ According to the US government, Iran has also "[...] *provided routine funding worth millions of dollars to the militia.*"^{150,a}

In addition to Syrian and other foreign Shia militiamen fighting on the side of al-Assad, there have also been hundreds of Iranian fighters and commanders from the Qods and Basij forces participating in and directing battles in Syria, particularly since mid-2013.¹⁵¹ Lebanese sources quoted by Reuters in early October 2015 reported that hundreds of Iranian ground troops had entered Syria recently. Backed by Russian air strikes, they were expected to join Syrian regime and Hezbollah forces in a major ground offensive in the northern parts of the country.¹⁵²

Overall estimates on Iran's support to the Assad regime and militias fighting on its side vary widely. In June 2015, the special UN envoy to Syria, Staffan de Mistura, was quoted saying that Iran is spending approximately US\$ 6 billion a year to sustain the Syrian dictator Bashar al-Assad.¹⁵³ Somewhat higher estimates of US\$ 7 billion to US\$ 8.5 billion per year were made by an Arab security source in 2013.¹⁵⁴

^a Details on how these salaries are paid can be found in Naam Sham's 2014 report *Iran in Syria – From an Ally of the Regime to an Occupying Force*, available at http://www.naameshaam.org/wp-content/uploads/2014/10/report_iran_in_syria_201411.pdf.

Nadim Shehadi, the director of the Fares Center for Eastern Mediterranean Studies at Tufts University, gave even higher estimates, as his research showed that Iran spent between US\$ 14 and US\$ 15 billion in military and economic aid to the Syrian regime in 2012 and 2013.¹⁵⁵ Hokayem (2014) quotes Western intelligence estimating Tehran spent US\$ 15 billion to US\$ 19 billion to directly support to al-Assad between 2011 and 2014.¹⁵⁶ Similar estimates were made by experts from the Iranian oppositional Green Movement.¹⁵⁷ Even though the Obama administration never disclosed its own estimates on how much Iran is spending on backing the Syrian regime, these estimates are considerably higher than what has been implied by the US government about Iran's spending on its destabilisation policy in the Middle East.¹⁵⁸

Steven Heydemann, until recently vice president for applied research on conflict at the US Institute of Peace, estimates that the value of Iranian oil transfers, credit lines, military personnel costs and subsidies for weapons for the Syrian government was likely between US\$ 3.5 and US\$ 4 billion annually. Factoring in indirect support through Hezbollah and other militias fighting Assad's opponents in Syria, he estimates the total support from Iran to al-Assad would total between US\$ 15 billion to US\$ 20 billion annually.¹⁵⁹

A Beirut-based diplomat and Western security sources estimated in early 2015 that Iran funnels between US\$ 1 billion to US\$ 2 billion a month into Syria, equivalent to approximately US\$ 12 billion to US\$ 24 billion annually. Of that, some US\$ 6 billion is supposedly spent on military assistance, mostly for the Syrian National Defence Forces.¹⁶⁰

In reaction to the expected nuclear deal between the United States and Iran, Syrian President Bashar al-Assad stated in July 2015 that he expected more support from Iran, his main ally in the region. He was quoted saying in a telegram to Iran's Supreme Leader Ayatollah Ali Khamenei that *"[w]e are confident that the Islamic Republic of Iran will support, with greater drive, just causes of nations and work for peace and stability in the region and the world"*.¹⁶¹

2.8 Sources of financial support

Iranian decision makers have made large funds available to various groups involved in Middle East conflicts over the years in order to increase their regional influence. Doing so despite being heavily constrained by international sanctions shows the level of importance that the Iranian regime places on this goal.¹⁶² While there are clear indications that various types of support are channeled to paramilitary forces in various countries, the financial trails of Iran funding any of these groups remain largely non-transparent. There has been ample speculation over the years on how the IRGC Qod Force in particular is financed and what assets are at the direct disposal of the Supreme Leader Khamenei, but the available data is still largely based on assumptions.

When talking about 'Iran' as a source of funds, it is important to keep in mind that it is unlikely that the financial assistance originating from the country passes in its entirety through official governmental channels and appears in publicly available budgets. Rather, it has to be concluded that Iranian support for militant groups is partly disguised in government budgets, but for a large part comes from funds managed outside of the official government structures.¹⁶³

The following sections briefly describe some suspected sources of funding. Due to the mentioned knowledge gaps around actual budgets and money flows, it is not possible to confidently link them to specific conflicts or militias.

2.8.1 Military and defence spending

In the mid-1980s, the Iranian government budget included an item for “*promoting revolutions abroad*”, in all likelihood referring to the financing of Hezbollah’s activities in various countries as well as other foreign paramilitary groups linked to Tehran. Until 1998, the Iranian Foreign Ministry had an office, headed by a Director-General, for “*exporting the Islamic Revolution*”.¹⁶⁴

While defence and military spending does show up in the official budgets signed off by the Iranian Parliament, there is a lack of precise information on how much funding is allocated to each branch of Iran’s military or to special operations forces. Additionally, defence spending may not reflect all of Iran’s expenditure in defence-related activities.¹⁶⁵ US experts claim that Iran’s defence budget excludes much of its spending on intelligence activities and support of foreign non-state actors through the IRGC and its special forces.¹⁶⁶ Similarly, the defence expenditure overviews of the Stockholm International Peace Research Institute (SIPRI) also state that the paramilitary forces are not included in its figures.¹⁶⁷

The official defence and military spending in Iran has been relatively low over the years when compared with the rest of the region.¹⁶⁸ As a percentage of GDP, it has stayed relatively stable, between 2.4 percent to 3.6 percent between 2000 and 2010. In the financial years 2011 and 2012, the share decreased to 2.5 percent and 2.3 percent respectively.¹⁶⁹ As previously mentioned, these figures from the SIPRI do not include the budgets allocated for paramilitary forces though.

In recent years, official military and defence spending by Iran has significantly increased again, despite the economic difficulties that the country has been facing. For 2015/16, the Iranian government reported that it intends to spend IRR 282 trillion (US\$ 10.4 billion) or 3.4 percent of its total budget on defense. Compared to the previous fiscal year, the official 2015/16 defence budget increased by about 33 percent from the IRR 212 trillion (US\$ 7.9 billion) in 2014/15.^{b,170}

- **Islamic Revolutionary Guard Corps**

With IRR 174 trillion (US\$ 6.2 billion) of the defence budget officially assigned to the Islamic Revolutionary Guard Corps (IRGC), this represents 62 percent of the defence budget, or 2.2 percent of the country’s total budget in 2015/16. The official budget assigned to the IRGC increased by more than 50 percent from the 2014/15 budget of IRR 115 trillion.¹⁷¹

The IRGC is the second military force in the country besides the regular army. It was created by Ayatollah Khomeini in May 1979 and is responsible for protecting the 'Islamic Revolution' and its achievements. The IRGC is seen as the key link to militias supported by Iran in various Middle East conflicts, providing training, funding and arms.¹⁷²

The elite Qods Force (IRGC-QF) was established within the IRGC in 1990. Its current leader, General Qassem Soleimani, reports directly to the Supreme Leader Ayatollah Ali Khamenei.¹⁷³ The Qods Force maintains operational capabilities around the world - in the Middle East, in North Africa and, more recently, in Latin America - using military, political and economic power to advance Iran’s national interests. The groups that the force backs do not always share Iranian revolutionary principles, but are sometimes also chosen on the basis of common interests or enemies. This is the case, for example, with the support provided to Palestinian Hamas (see section 2.4).¹⁷⁴

^b Including official budget lines for the regular army, IRGC and Basij Guards.

Having acquired large economic power under the presidency of Ahmadinejad (2005-2013), the IRGC is still seen to hold a very strong position in the country also under the more moderate Rouhani due to its ability to tap into state funds as well as presiding over vast independent resources.¹⁷⁵ As Al-Jazeera reported in February 2014, when US Foreign Minister Kerry tried to talk to his Iranian colleague Mohammad Javad Zarif about Syria during the Munich Security Conference, Zarif said that *“he does not control the Syria portfolio”*, which is explained with the IRGC being the decision-makers on Iran’s military support for Hezbollah and the Syrian regime.¹⁷⁶

In addition to the contributions from the military budget, the Revolutionary Guards preside over a vast business empire that generates a substantial income. Businesses acquired during a privatisation wave since the early 2000s include mobile phone networks, oil companies, and car manufacturing and construction companies. Many of the firms the force owns allegedly do not have to pay taxes or open their books to government inspectors.¹⁷⁷ In an unusual move, Rouhani suggested in early 2015 that he would support a resolution passed by the Iranian parliament to tax organisations overseen by the Supreme Leader Khamenei and the armed forces (see section 2.8) which so far are exempt from taxation, some of them probably even benefiting from the sanctions.¹⁷⁸

There have been accusations for years that the IRGC also controls smuggling networks.¹⁷⁹ Circumventing international sanctions, experts are convinced that the IRGC was able to thrive due to its control over smuggling of illegal commodities into the country and exports of state-subsidised oil.¹⁸⁰ Such allegations have also been voiced by members of the Iranian Parliament (‘Majles’) in 2007.¹⁸¹

Over the years, the funds available to the IRGC have been investigated by several analysts and experts. In 2004, a study of the Tehran University estimated the annual turnover of IRGC businesses at US\$ 12 billion, resulting in a net profit of US\$ 1.9 billion.¹⁸² Quoting local businessmen and economists and foreign political analysts, a 2007 media report estimated that the IRGC had ties to over 100 companies, controlling over US\$ 12 billion in revenues.¹⁸³ A similar figure was quoted by an unnamed Western diplomat recently, estimating the IRGC’s annual turnover at US\$ 10 billion to US\$ 12 billion.¹⁸⁴ These enormous funds have allowed the IRGC for many years to exert influence in Iran and finance military operations abroad, largely independently from the constraints of the official budget.¹⁸⁵

However, it seems that the tightening of sanctions in 2012, imposing additional restrictions on the banking and oil sectors, also impacted IRGC-affiliated companies and individuals. Many of them have been blacklisted by the US and the EU. As a consequence, even the IRGC was reportedly faced with economic problems in a number of business areas.¹⁸⁶

- **Ministry of Intelligence and Security**

The Iranian Ministry of Intelligence and Security (MOIS) is also suspected of being involved in the funding of Iranian operations related to various conflicts in the Middle East and beyond. US government analysts see it as being closely related to the IRGC.¹⁸⁷ In 2012, the US Treasury Department designated the MOIS for human rights abuses and support of terrorism, such as providing Hezbollah and Hamas with financial, material or technological support.¹⁸⁸ Already in 2003, the district court of Columbia in the US stated during a case around Hamas suicide bombings in Jerusalem that *“Iran funnels much of its support to Hamas through MOIS, a ministry with approximately 30,000 employees and a budget of between \$100,000,000 and \$400,000,000. [...] With Iranian government funds, MOIS spends between \$50,000,000 and \$100,000,000 a year sponsoring terrorist activities of various organizations such as Hamas.”*¹⁸⁹

In the current fiscal year 2015/16, the publicly announced, yet unlikely to be fully reported, budget available to the Ministry is US\$ 790 million.¹⁹⁰

2.8.2 Bonyads

Another sub-system of Iran's religious civil society which is suspected to not only fulfil a charitable role but also to provide funding for foreign militias, namely Hezbollah, is the network of charitable religious foundations known as 'bonyads'.

Following the money trail and identifying which bonyads are involved proves to be difficult though, as researched by Saad-Ghorayep in 2012.¹⁹¹ Bonyads are described as 'parastatal revolutionary foundations' with large assets controlled by key religious leaders at their disposal, allegedly for charitable purposes. Apparently some of the largest bonyads are controlled by IRGC members.¹⁹²

Besides funds accumulated from decades from individual donations, these foundations also control large business and industry conglomerates that together control a large portion of the Iranian economy. The biggest bonyad of all is the 'Bonyad-e Mostazafen va Janbazan' (Foundation for the Oppressed and Disabled), which reportedly is the second largest company in Iran after the state-owned National Iranian Oil Company. Another major bonyad that is also alleged to finance Hezbollah's activities, is the 'Shrine of Imam Reza Foundation', reportedly the largest landowner in Iran.¹⁹³

They have been characterised as a parallel economy that competes with and undercuts the private sector. They fall outside of formal state control as they are so far not obliged to publish financial accounts or to pay taxes. At the same time, they possess a significant degree of political power. Close ties with influential government members and religious leaders mean that they are not exactly operating outside of the Iranian state.¹⁹⁴

2.8.3 Maraji taqlid

Iranian 'maraji taqlid' (religious sources of emulation) are allegedly also a source of financial support to Hezbollah. Iranian Shiites pay a religious tax known as 'khums' to the maraji, with annual revenues estimated to reach several millions of dollars. These are meant to be distributed to people in need; however, the choice of recipients lies to a large degree with the maraji.¹⁹⁵ Hezbollah's representative in Iran, Abdallah Safieddine, was quoted in Lebanese newspaper Al-Akhbar in 2012 explaining that *"Hezbollah is entitled to a share of these 'religious legal rights,' [...] on account of the fact that 'it defends Muslims everywhere.'"*¹⁹⁶

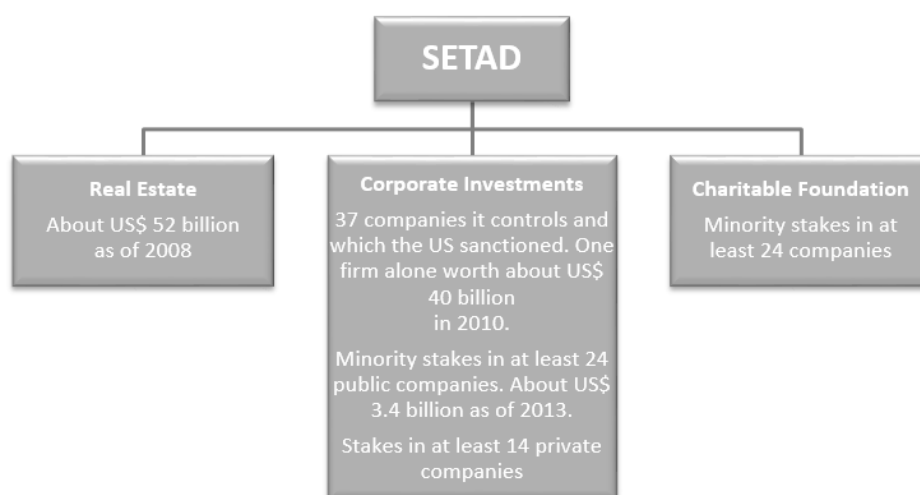
2.8.4 Setad Ejraiye Farmane Hazrate Emam

Hezbollah leader Nasrallah revealed in a speech in Beirut in 2006 that the US\$ 300 million the party had paid in compensation to families who had lost their homes during the 2006 war, was *"all religious legal money (amwal shariyeh) from Sayyid Ali Khamenei."* Abdallah Safieddine, Hezbollah's representative in Iran, stated in an interview in 2012 that his party receives funding directly from the Wali al-Faqih, or the Supreme Leader of Iran himself, as *"Khamenei has his own budget outside the state,"* which is financed by certain *"religious associations other than the awqaf /bonyads [...]."*¹⁹⁷

The Saudi newspaper Al-Sharq Al-Awsat reported in September 2014 that Ayatollah Ali Khamenei continued to fund Hezbollah through his discrete budget, even after the government's flow of money had been stopped by the president a few months earlier.¹⁹⁸ Such a direct financial relationship with Khamenei would also explain why a group like Hezbollah remained largely unaffected by changes of government in Iran over the years.¹⁹⁹

Iran's Supreme Leader controls an extensive yet clandestine business conglomerate called 'Setad Ejraiye Farmane Hazrate Emam' (Setad), or 'The Execution of Imam Khomeini's Order' (EIKO)).^{c,200} Little details are known about the activities of related entities. Reuters investigated and published more detailed information about Setad for the first time in 2013. Figure 1 shows a simplified structure of Setad's estimated holdings.

Figure 1 Setad's estimated holdings



Source: Internal Setad documents, Tehran Stock Exchange, company websites, US Treasury Department, in Stecklow, S., Dehghanpisheh, B. and Y. Torbati (2013, November 11), "Khamenei controls massive financial empire built on property seizures", *Reuters*.

The investigation revealed that Setad oversees a major network of 37 supposedly private businesses through two main subsidiaries: one managing and controlling Setad's international front companies, and another managing billions of dollars in investments.^{d,201}

The secrecy of the organisation's accounts makes it impossible to accurately identify the value of its holdings. Based on an analysis of statements by Setad officials, Tehran Stock Exchange data, company websites, and information from the US Treasury Department, the Reuters calculations come to the conclusion that Setad's holdings of real estate, corporate stakes and other assets have a value of about US\$ 95 billion, an amount approximately 40 percent bigger than the country's total oil exports in 2012.²⁰²

^c The name refers to an edict signed by the Islamic Republic's first leader, Ayatollah Khomeini, shortly before his death in 1989, creating a new entity to manage and sell properties 'abandoned' by its owners after the 1979 Islamic Revolution. Many of these properties belonged to supporters of the pre-1979 Shah regime or to leftist and progressive Iranians opposing the Shah and Khomeini's theocracy.

^d A graphical illustration of the international financial network of the 'The Execution of Imam Khomeini's Order (EIKO)' is available on the website of the US Department of the Treasury (see US Department of the Treasury (2013, June), *The Execution of Imam Khomeini's Order (EIKO) International Financial Network*, online: http://www.treasury.gov/resource-center/sanctions/Programs/Documents/eiko_chart.pdf, accessed in September 2015)

The US Treasury Department estimates that Setad has made tens of billions of dollars in annual profit through favourable loan rates from Iranian banks and the sale and management of real estate holdings. This includes property donated to Setad, as well as property confiscated from Iranian dissidents. The Treasury Department concluded that *"[i]n addition to generating revenue for the Iranian leadership, EIKO has been tasked with assisting the Iranian Government's circumvention of U.S. and international sanctions. Because of this unique mission, EIKO has received all of the funding it needs to facilitate transactions through its access to the Iranian leadership"*.²⁰³

It is unknown how much of Setad's revenues is being allocated to the groups and conflicts that are the focus of this paper. However, as the Reuters investigators concluded, Setad certainly puts Khamenei in a position to operate independently from parliament and the national budget.²⁰⁴ While the funds accumulated via religious donations and investments in property and commerce are likely also affected by Iran's difficult economic situation, analysts see the solid money reserve as sufficient to keep up financial backing for militant groups like Hezbollah.²⁰⁵

Chapter 3 Sanctions against Iran

3.1 Overview

The US first imposed economic and political sanctions against Iran in 1979, in response to Iran's Islamic revolution and the 1979-81 hostage crisis. Additional US sanctions were imposed in 1984 due to the implication of Iran's proxy Hezbollah (see section 2.2) in the bombing of the US Marine base in Beirut. In the same year, the US for the first time designated Iran a 'state sponsor of terrorism'.²⁰⁶

While the focus of these sanctions changed over time, they generally pursue a range of objectives simultaneously. Until the 1990s, they were intended to force Iran to cease supporting acts of terrorism and to generally restrict Iran's strategic power in the Middle East. Since the mid-2000s, an additional aim is to ensure a purely civilian use of Iran's nuclear programme.²⁰⁷ Besides the US, the United Nations Security Council and various regional and national authorities, including the member states of the European Union, Japan, South Korea, Canada, Australia, Norway, Switzerland and others have also imposed escalating rounds of sanctions on Iran.²⁰⁸

An increasing number of nuclear-related sanctions imposed since 2010 target Iran's ability to sell crude oil, import refined petroleum products and make it more difficult for Iran's Central Bank and other financial institutions to engage in international transactions.²⁰⁹ The overall aim was to prevent Iran from manufacturing nuclear weapons and to pressure the Iranian government to meet its obligations under international agreements, including the Nuclear Nonproliferation Treaty (NPT), International Atomic Energy Agency (IAEA) safeguards agreements and UN Security Council resolutions.²¹⁰

Among the implemented sanctions different types can be distinguished, namely those targeting:

- Financial and banking services;
- Oil exports;
- Trade;
- Financial assets and freedom of travel;
- Weapon development.

According to currently available information, Iran will receive limited sanctions relief as specified by the 2013 interim nuclear deal.^e Upon implementation of the Joint Comprehensive Plan of Action (JCPA), which was signed in Vienna on 14 July 2015, more sanctions relief is envisaged. In the case of the US, the detailed implications require new guidance by the Department of the Treasury.²¹¹

US sanctions to be suspended in line with the JCPA are primarily those that sanction foreign entities and countries for conducting specified transactions with Iran (the so-called 'secondary sanctions'). While US sanctions that generally prohibit transactions of US firms with Iran are not being changed, the JCPA allows the sale to Iran of commercial aircraft and related parts exclusively for civil aviation use, and the importation of Iranian luxury products. The US will revoke the designations of numerous specified Iranian economic entities and persons, including the National Iranian Oil Company (NIOC), various Iranian banks, and energy- and shipping-related institutions. In addition, some entities sanctioned under the Iran-North Korea-Syria Non-Proliferation Act (INKSNA) will be removed from that list, while the overall Act will remain in force.²¹²

^e This preliminary sanctions relief included Iran's purchase and sale of gold and other precious metals, export of petrochemical products, automotive industry and certain associated services.

Restrictions imposed by UN Security Council resolutions related to the purchase and sale of conventional arms and related material, as well as those related to ballistic missiles and technology, will remain in place for, respectively, another 5 and 8 years, or until the International Atomic Energy Agency (IAEA) confirms that all nuclear activity in Iran is serving peaceful purposes, depending on what is earlier.²¹³

Exemptions to these expected relieves as stipulated in the Plan of Action include:

- US sanctions on Iran related to human rights abuses, terrorism and missile activities will remain in place.
- 8 years after the adoption date and if IAEA concludes that all nuclear activity in Iran remains peaceful, the US will seek legislative action to terminate or modify nuclear-related sanctions.
- The EU's arms embargo and restrictions on transfer of ballistic missiles will remain in place for another eight years.
- After 5 years, UN sanctions on conventional weapons that were linked to Iran's nuclear activities will terminate.
- After 8 years, UN sanctions on Iran's ballistic missiles programme that were linked to Iran's nuclear activities will terminate.
- US and international sanctions on Iran's conventional weapons and missile capabilities will remain in place.²¹⁴

In addition, UN Security Council resolutions on arms embargoes against entities of concern and that receive Iranian arms will remain in place, including the Houthis in Yemen, Shia militants in Iraq and Hezbollah in Lebanon.²¹⁵

3.2 US, EU and UN terrorism- and nuclear-related sanctions

Table 1 provides an overview of key economic and political sanctions imposed on Iran by the international community over the years. The table focuses on sanctions imposed by the US, the UN and the EU. Those sanctions which have been suspended in connection with the 2013 interim Joint Action Plan, or are currently expected to be fully or partially relieved upon implementation of the July 2015 nuclear deal, are marked in *italics*.²¹⁶

Table 1 US, UN and EU sanctions against Iran targeting terrorism, human rights violations and nuclear weapon development

Imposed by	Year	Authority	Type	Sanctioned activities / Requirements	Source
US	1981	Executive orders	Blocked property & assets	Carter Administration Executive Orders blocked Iranian assets held in the United States. About US\$ 50 million in Iranian diplomatic property and accounts remain blocked, in addition to other past financial disputes.	
US	1984	Export Administration Act (Section 6(i) (P.L. 96-72); Section 620A of the Foreign Assistance Act, FAA (P.L. 87-95) and Section 40 of the Arms Export Control Act (P.L. 95-92, as amended); and Section 1621 of the IFIA (P.L. 95-118, as amended (added by Section 327 of the Anti-Terrorism and Effective Death Penalty Act of 1996 [P.L. 104-132])	Economic & financial sanctions; Licensing requirements	Iran's inclusion in 'State Sponsors of Terrorism' list leads to restrictions on US foreign assistance; ban on defence exports and sales; certain controls over exports of dual-use items; requirement of validated export licenses (with an implied presumption of denial) for trade in goods or technology that are controlled by the Department of Commerce for national security or foreign policy reasons. Miscellaneous financial and other restrictions.	217
US	1985	Section 307 of the FAA	Economic sanctions	Iran unable to benefit from US contributions to international organisations. Proportionate cuts in US contributions if these institutions work in Iran.	218
US	1987	Executive Order 12613	Economic sanctions	Bans US oil companies from importing Iranian oil into the US.	219
US	1992	Iran-Iraq Arms Nonproliferation Act	Economic sanctions	Calls for sanctioning any person or entity assisting in any transfer of goods or technology to Iraq or Iran whenever there is reason to believe that such transfer could contribute to that country's acquisition of chemical, biological, nuclear or advanced conventional weapons.	220
US	1995	Executive order 12947 and amendments	Economic sanctions	Blocks any transaction with terrorist organisations disrupting the Middle East peace process (incl. Hamas & Hezbollah) or entities supporting such organisations	221
US	1995	Executive Order 12957	Economic sanctions	Prohibits certain transactions for US persons or entities with respect to the development of Iranian petroleum resources.	222
US	1995	Executive Order 12959 (amending Executive Order 12613)	Economic sanctions	Bans US firms from exporting to Iran, importing from Iran or investing in Iran, with limited exemptions.	
US	1996	Sections 620G and 620H of the Foreign Assistance Act, as added by the Anti- Terrorism and Effective Death Penalty Act (Sections 325 and 326 of P.L. 104-132)	Economic sanctions	Withholds US foreign assistance to countries that assist or sell arms to terrorism-list countries. Section 321 also makes it a criminal offence for US persons to conduct financial transactions with terrorism-list governments.	223
US	1996	<i>Iran Sanctions Act (ISA) of 1996</i>	<i>Economic sanctions</i>	<i>Persons doing business with Iran, particularly certain investments directly and significantly contributing to the enhancement of the ability of Iran to develop petroleum resources.</i>	224

Imposed by	Year	Authority	Type	Sanctioned activities / Requirements	Source
US	1997	Executive Order 13059 (amending Executive Order 12959)	Economic sanctions	Prohibits certain transactions with respect to Iran, including US companies knowingly exporting goods to a third country for incorporation into products destined for Iran	225
US	2000	<i>Iran-North Korea-Syria Nonproliferation Act (INKSNA) (incl. Executive Order 12938 from 1994)</i>	<i>Economic sanctions</i>	<i>Individuals or corporations that have assisted Iran's WMD programmes. Sanctions imposed include prohibition on US exportation of arms and dual-use items to the sanctioned entity, and, under Executive Order 12938, a ban on US government procurement and on imports to the US from the sanctioned entity.</i>	226
US	2001	Executive Order 13224 (ISA Extension Act)	Economic sanctions	Freezes US-based assets of, and imposes a ban on US transactions with, entities determined to be supporting international terrorism (not Iran-specific)	227
US	2005/2007	Executive Order 13382	Economic sanctions	Blocks assets of proliferators of WMD and their supporters.	228
UN	2006	<i>Security Council Resolution 1696</i>	<i>Economic & diplomatic sanctions</i>	<i>Iran to suspend uranium enrichment.</i>	229
UN	2006	<i>Security Council Resolution 1737</i>	<i>Economic & diplomatic sanctions</i>	<i>Ban in relation to nuclear and ballistic missile programmes on export/procurement of arms and related material from Iran, and on supply of various conventional weapons and related materiel to Iran. Travel ban and assets freeze on designated persons and entities.</i>	230
US	2006	Iran Freedom Support Act (ISA Extension)	Economic sanctions	Firms or persons determined to have sold to Iran (1) technology useful for weapons of mass destruction (WMD) or (2) "destabilizing numbers and types" of advanced conventional weapons.	231
US	2007	Executive Order 13438	Personal sanctions	Persons, including Qods Force officers and figures linked to Iraqi Shia militia, who are posing a threat to Iraqi stability, presumably by providing arms or funds to Shia militias there.	232
UN	2007	<i>Security Council Resolution 1747</i>	<i>Economic, financial & diplomatic sanctions</i>	<i>Reaffirms UN Resolution 1737 (2006). Adds restrictions on states and financial institutions not to provide loans or other financing to Iran, except for humanitarian and developmental purposes. Asset freeze of selected IRGC members.</i>	233
UN	2008	<i>Security Council Resolution 1803</i>	<i>Economic & diplomatic sanctions</i>	<i>Tightened restrictions on proliferation-sensitive nuclear activities; increased vigilance over Iranian banks. Mandates states to inspect cargos.</i>	234
UN	2008	<i>Security Council Resolution 1835</i>	<i>Economic & diplomatic</i>	<i>Reaffirms earlier UN resolutions on uranium enrichment.</i>	235

Imposed by	Year	Authority	Type	Sanctioned activities / Requirements	Source
			<i>sanctions</i>		
UN	2010	Security Council Resolution 1929	Economic, financial & diplomatic sanctions	Adds measures directed against 41 named entities and individuals, including enterprises linked to the IRGC, defence industry, banks and the national shipping line.	236
EU	2010	Council Decision 2010/413/CFSP	Economic sanctions	Trade restrictions on direct or indirect supply, sale or transfer of items, materials, equipment, goods and technology related to nuclear weapons, including enrichment-related, reprocessing or heavy water-related technology; arms and ammunitions; dual-use technology.	237
US	2010	CISADA Section 103, 104, 105, 106 (ISA expansion/replacement)	Financial sanction, economic sanctions, visa ban	Consolidates previous sanctions. Mandatory sanctions with respect to financial institutions, imposition of sanctions on certain persons who are responsible for or complicit in human rights abuses, prohibition on procurement contracts with persons that export sensitive technology to Iran, harmonization of criminal penalties for violations of sanctions, increased capacity for efforts to combat unlawful or terrorist financing, sanctions on firms that conduct any type of transaction in Iran's energy sector. Section 104 specifically refers to foreign banks that conduct significant transactions with the IRGC or any of its agents or affiliates that are sanctioned under any Executive Order. It also sanctions any entity that assists Iran's Central Bank efforts to help the IRGC acquire WMD or support international terrorism.	238
US	2010	Executive Order 13553 (amending section 105 of CISADA)	Economic sanctions	CISADA sanctions against Iranians determined to be responsible for or complicit in post-2009 Iranian elections human rights abuses.	239
US	2011	Executive Order 13572	Personal sanctions	Individuals, including the IRGC-Qods Force, Qods Force officers including chief commander Qassem Soleimani, determined to be responsible for human rights abuses and repression of the Syrian people.	240
US	2011	Executive Order 13574	Financial sanction	Authorizing the implementation of certain sanctions set forth in the Iran Sanctions Act of 1996, as amended.	241
US	2011	Executive Order 13590	Economic sanctions	Imposition of certain sanctions with respect to the provision of goods, services, technology, or support for Iran's energy and petrochemical sectors.	242
US	2012	National Defense Authorization Act (NDAA) for Fiscal Year 2012 – Section 1245	Financial sanctions	Cuts off from the US financial system any foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran ("CBI") or with Iranian financial institutions designated by US Treasury.	243

Imposed by	Year	Authority	Type	Sanctioned activities / Requirements	Source
EU	2012	Council Regulation (EU) 264/2012	Economic & financial sanctions	Restrictions on activities contributing to human rights violations in Iran, including sale, supply, transfer or export, directly or indirectly, of equipment which might be used for internal repression, or provision, directly or indirectly, of financing or financial assistance for such equipment.	244
EU	2012	<i>Council Regulation (EU) 267/2012 (considering dual-use goods and technology as set out in Annex I to Council Regulation (EC) 428/2009) and amending Council Decision 2010/413</i>	<i>Economic & financial sanctions</i>	<i>Restrictions on trade in dual-use goods and technology, key petrochemical industry equipment and technology. Ban on import of Iranian crude oil, petroleum products and petrochemical products. Prohibition of investment in the petrochemical industry. Prohibition of trade in gold, precious metals and diamonds with Iran, delivery of newly printed banknotes and coinage to or for the benefit of the Central Bank of Iran.</i>	245
US	2012	Executive Order 13599	Financial sanction	Impounds US-based assets of Central Bank of Iran, or of any Iranian government-controlled entity. US persons are prohibited from any dealings with such entities.	246
US	2012	<i>Executive Order 13622</i>	<i>Financial sanctions</i>	<i>Additional sanctions on the purchase of Iranian crude oil and petrochemical products, or helping Iran to purchase bank notes or precious metals.</i>	247
US	2012	TRA Sections 211, 220, 221	<i>Economic & financial sanctions; Visa ban</i>	<i>Sanctions on provision of vessels or shipping services to transport goods related to proliferation or terrorism activities. Provision of specialized financial messaging services to the Central Bank of Iran and other sanctioned Iranian financial institutions. Identification of, and immigration restrictions on, senior officials of the Government of Iran and their family members.</i>	248
US	2012	TRA (except Sections 211, 220, 221)	Economic sanctions; Visa ban	Expansion of ISA to additional sectors, including energy, transportation of crude oils, WMD, etc. Measures related to human rights abuses, including visa ban. Sanctions with respect to Iran's Revolutionary Guard Corps.	249
US	2012	Executive Order 13606 (GHRVITY)	Economic sanctions	Blocks the US-based property and essentially bars US entry and bans any US trade with persons and entities linked to grave human rights abuses by the Governments of Iran and Syria via information technology.	250
US	2012	Executive order 13608	Economic sanctions	Gives the Department of the Treasury the ability to identify and sanction (by cutting them off the US market) any non-US persons who help Iran (or Syria) evade US and multilateral sanctions.	251
US	2012	<i>Executive Order 13628 (pursuant to TRA)</i>	<i>Economic sanctions</i>	<i>Blocks the property of persons/firms determined to have committed the censorship, limited free expression, or assisted in jamming communications.</i>	252

Imposed by	Year	Authority	Type	Sanctioned activities / Requirements	Source
US	2013	Executive Order 13645	Economic & financial sanctions	Blocks US-based property and prohibits US bank accounts for foreign banks that conduct transactions in Iran's currency, the rial, or hold rial accounts. Expands application of Executive Order 13622 (above) to helping Iran acquire precious stones or jewels. Blocks US-based property of any person that conducts transactions with any Iranian entity on the list of Specially Designated Nationals (SDNs) or Blocked Persons.	253

Abbreviations: CISADA - Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010; FAA - Foreign Assistance Act; IEEPA - International Emergency Powers Act; IFIA - International Financial Institutions Act ; INKNSA - Iran-North Korea-Syria Nonproliferation Act; IRGC - Iranian Revolutionary Guard Corps; ISA – Iran Sanctions Act; TRA - Iran Threat Reduction and Syria Human Rights Act; WMD – Weapons of Mass Destruction.

Sources: see table, and:

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Chapter 4 Costs of Iran's nuclear programme and the potential for renewable energy sources

4.1 Costs of Iran's nuclear programme

Iran currently has one operating light-water reactor in Bushehr, with a total capacity of almost 1,000 MW. It reached commercial operation in 2013. The energy supplied by the reactor in 2014 accounted for a mere 1.5 percent of the total domestic production.²⁵⁴ Overall, the nuclear programme currently includes at least 15 facilities throughout the country.^{f255}

Due to a lack of detailed information, as a result of the Iranian government's prohibition of open media coverage of the nuclear issue, the financial implications of this programme are largely unknown. Apparently not even the budgetary committee of the Iranian Parliament was provided with access to a cost report on the country's nuclear reactor.²⁵⁶

The official budget of the Atomic Energy Organisation of Iran has been reported at IRR 2,992 billion in the financial year 2010/11. It continuously increased to IRR 8,382 billion in 2015/16, which is equivalent to an annual amount of around US\$ 300 million, based on official exchange rates.²⁵⁷ While these budgets exceed those of many other ministries and state-affiliated agencies, they are hardly high enough to account for the full nuclear programme.

The programme's direct financial costs are estimated to be around US\$ 1 billion to US\$ 2 billion per year.²⁵⁸

In 2007, an analyst estimated the costs of the nuclear programme up until then to be over US\$10 billion.²⁵⁹ Based on publicly available information in relation to contracts agreed with German and Russian suppliers, the costs of only the Bushehr nuclear reactor have been estimated at approximately US\$ 11 billion.^{g,260}

However, this figure increases tremendously when one also considers the effect of sanctions imposed on Iran as a consequence of its nuclear activities.

In 2013, analysts of the Carnegie Endowment for International Peace were the first to attempt to estimate the direct and indirect costs of the nuclear programme. In calculating the costs, the study considered the construction of reactors, operation and research, as well as the effect of sanctions placed on Iran and the resulting loss of foreign investments and oil production. This resulted in estimated costs of the controversial nuclear programme of more than US\$ 100 billion. The extremely high construction costs are also caused by the concealed nature of most of the facilities, including dummy buildings, bunker facilities and anti-aircraft systems.²⁶¹

In June 2015, one of the study's authors gave an even higher estimate, referring to figures from former Iranian ministers, suggesting an amount close to US\$ 500 billion for the Iranian nuclear programme.²⁶²

^f Including, among others, nuclear research centres, uranium mines, mills and conversion facilities.

^g Measured in 2012 dollars; obtained by converting the US\$4.3 billion of 1975 and US\$ 1.24 billion of 1995 to 2012 dollar based on the inflation and exchange rates reported by the Central Bank of Iran.

With the help of the 'Nuclear Fuel Cycle Cost Calculator' set up by the Bulletin of Atomic Scientists, estimates can be used to calculate the cost of one kilowatt hour of electricity based on the input, start-up, maintenance and financing costs of three different configurations of the so-called nuclear fuel cycle.²⁶³ Using ballpark figures for the different variables and assuming a purely civil use of the various nuclear installations in the country, a cost-benefit analysis of the Iranian nuclear programme clearly shows that the programme based on a single 1,000 MW reactor does not make any economic sense due to comparatively high production costs.²⁶⁴

4.2 Impact of the nuclear programme and sanctions on Iran's economy

The nuclear programme, the related sanctions and the large military expenditure have undoubtedly taken a heavy social and economic toll on Iran over the years. While it is not possible to discern the impact of nuclear- and terrorism-related sanctions, and of Iran's engagement in various Middle East conflicts, the tightening of sanctions related to the nuclear programme in 2011/12 showed considerable repercussions on the economy of the country.

Since 2012, Iran has suffered from recession due to sharply declining crude oil exports, its currency dramatically losing value and resulting in spiraling inflation. As Reuters reported at the end of 2012, at that point even Iranian officials had to acknowledge the impact of sanctions on the country's economy.²⁶⁵ For the first time in January 2013, Iran's oil minister acknowledged that the fall in oil exports resulted in monthly losses of between US\$ 4 billion and US\$ 8 billion. According to some estimates, Iran suffered a loss of about US\$ 26 billion in oil revenue in 2012, compared to a total of US\$ 95 billion in 2011.²⁶⁶ According to US analysis, Iran was still exporting approximately 2.5 million barrels of oil a day to some 20 countries in 2012. This was reduced to around 1.1 million barrels and only six countries by early 2015.²⁶⁷

As a result of these developments, the already strained economy contracted by another 8.6 percent in two years from 2012.²⁶⁸ With falling oil prices aggravating the economic situation, President Rouhani was forced in early 2015 to significantly reduce budget projections. The initial budget presented in December 2014 for the fiscal year 2015/16 was still based on an average oil price of US\$ 72 per barrel, down from about US\$ 100 per barrel in the 2014 budget. However, in November 2015, oil has been trading at prices below US\$ 50 and prices are not expected to rise in the near future. As a consequence, Rouhani also plans to reduce the country's reliance on oil as a source of income, from an average of 45 percent of all revenues to about 31.5 percent.²⁶⁹

There are many factors responsible for the contracting Iranian economy over the last years, including a strong reliance on oil and gas, price controls, subsidies, and billions of dollars of non-performing loans held by the banking system.²⁷⁰ The large share of overdue loans in commercial banks' portfolios, resulting in a ratio almost four times higher than the international standard, can be explained with the previous administration's policy to support failing enterprises and the strong depreciation of the currency in 2013.²⁷¹ The terrorism- and nuclear-related sanctions have undeniably contributed to this situation and visibly impacted the livelihoods of Iranians for many years. Consumers are faced with a weakening currency, soaring prices, deteriorating health care and high unemployment rates (see Figure 2).²⁷²

Many Iranians see the lifting of the sanctions as an essential first step to improve the economy.²⁷³ According to consumer surveys conducted in 2013,

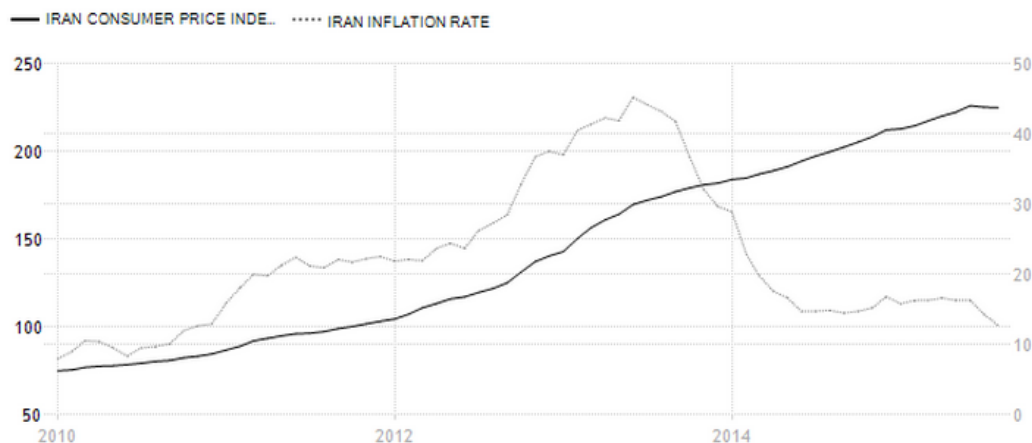
- Over 85 percent of Iranians say that sanctions have hurt their personal livelihoods, including 50 percent who say that sanctions have hurt them personally a great deal.²⁷⁴
- Half of Iranians have not had enough money to pay for adequate food or shelter within the past year; 34 percent say that their standard of living is deteriorating.²⁷⁵

- Nonetheless, 68 percent of Iranians still believe that Iran should develop nuclear power; 56 percent say for non-military purposes, while 34 percent say for military purposes.²⁷⁶
- 46 percent of Iranians blame the US for the sanctions, while 13 percent believe that their own government is primarily responsible.²⁷⁷

In addition to limited political and religious freedom, the difficult economic situation has led to an ongoing 'brain drain', with highly educated young people leaving the country. From 2009 to 2013, more than 300,000 Iranians emigrated. 25 percent of Iranians with a post-graduate education live in developed OECD countries today. According to World Bank estimates, this development has cost the Iranian economy US\$ 50 billion annually.²⁷⁸

However, overall the Iranian currency has stabilised and inflation has decreased considerably since Rouhani became president in 2013 and a first sanction relief was negotiated. Inflation slowed to 15.6 percent in June 2015, after reaching rates as high as 30.5 percent and 34.7 percent in the financial years 2012/13 and 2013/14 respectively (see Figure 2). In 2014, the Iranian economy also grew 3 percent, after two years of contraction.²⁷⁹

Figure 2 Development of Iran's consumer prices and inflation rate



Source: Trade Economics, "Iran Consumer Price Index", online: <http://www.tradingeconomics.com/iran/consumer-price-index-cpi>, accessed in October 2015.

If sanctions related to the nuclear programme are lifted, Iranian overseas assets with a value of approximately US\$ 100 to 150 billion, mainly from oil sales proceeds, would become available. These revenues have been frozen as a consequence of the nuclear sanctions.

In addition, it is estimated that Iran will gain around US\$ 20 billion a year in oil revenues once sanctions are lifted.²⁸⁰ Sanctions relief was already agreed in 2013, resulting in Iran gaining around US\$ 7 billion in return for curbing uranium enrichment and giving UN inspectors better access to its facilities. World powers at the time also committed to facilitate Iran's access to US\$ 4.2 billion in restricted funds.²⁸¹

It is obviously difficult to appraise how the Iranian economy would have developed without sanctions, considering the complex set of factors influencing it. The US Secretary of the Treasury Jacob Lew remarked in April 2015 that Iran's economy *"is today 15 to 20 percent smaller than it would have been had it remained on its pre-2012 growth trajectory. It will take years for Iran to build back up the level of economic activity it would be at now had sanctions never been put in place"*.²⁸²

4.3 Economic and safety arguments for renewable energy sources in Iran

Iran is heavily dependent on oil and gas also for its own energy needs. Fossil fuels account for almost 98 percent of Iran's total primary energy consumption. Of the 70 gigawatts (GW) of power generation capacity installed in the country, around 11 GW are low carbon sources, mostly hydropower (10 GW), while 1GW is nuclear and 0.1 GW is solar or wind.²⁸³ The current reliance on high-carbon energy sources means that Iran is among the top 10 emitters of CO₂ worldwide.²⁸⁴

Despite the economic problems that the country is facing due to sanctions, subsidy reforms and mismanagement, the overall energy demand in Iran has not diminished.²⁸⁵ Throughout years of controversy around Iran's nuclear programme, Iranian officials denied intents to use the enrichment of uranium to develop nuclear weapons. It was rather insisted that nuclear power was of crucial importance to the country to guarantee energy security and enable further economic growth.²⁸⁶

However, leaving aside the concerns around nuclear weapon proliferation, this does not seem a viable and sustainable option. Regardless of the location in the world, nuclear energy in general is connected to a range of barriers and risks, summarised by the Intergovernmental Panel on Climate Change (IPCC) as follows:

- operational risks;
- uranium mining risks;
- financial and regulatory risks;
- unresolved waste management issues.²⁸⁷

In the case of Iran, the issue of a suspected nuclear weapons programme triggered a range of international sanctions (see Chapter 3), with far-reaching economic consequences. As outlined in the previous chapter, the direct expenses, as well as the sanctions related to the nuclear programme, have already cost the country tens of billions of dollars. And this does not even include a host of future economic and environmental costs associated with pursuing a nuclear energy path.

Overall, the production of electricity under the current Iranian set-up is not competitive in comparison with other energy sources (see section 4.1). Countering the argument of the enormous costs incurred for putting the 1,000 MW Bushehr plant into operation and the resulting high production costs, the Iranian Atomic Energy Organisation has pointed out the project would be economically viable with two to four more power plants added in Bushehr.²⁸⁸ However, it is improbable that such an investment would lead to competitive production prices, especially when considering the other risks connected to nuclear energy.

As with any non-renewable energy, nuclear energy production relies on a depleting source. Uranium mining is not only connected to massive environmental degradation; resource depletion is also expected to lead to spiraling nuclear fuel costs in the coming decades.²⁸⁹

In addition to the setting-up of the necessary up- and downstream facilities, the radioactive waste produced by nuclear power is immense. The costs of the development of a nuclear waste disposal programme are huge, if not incalculable. The required timelines are beyond human imagination and so far no solutions consistent with the safety and security requirements have been found anywhere in the world, despite decades of research.²⁹⁰

Disasters can never be excluded, whether caused by an attack, natural forces or human error. An attack on a nuclear power plant, whether intentional or accidental, would be disastrous and is of concern in a politically unstable region like the Middle East.

The impact of natural forces like earthquakes is also not controllable. The fact that Iran is one of the seismically most active countries in the world cannot be ignored.²⁹¹ The example of the catastrophic consequences of the Tsunami and earthquake on the Japanese nuclear power plant Fukushima in 2011 illustrates the consequences. Leaving aside any of the other economic impacts caused by the damaged reactors in Fukushima, the first four years of decontamination efforts have already cost an estimated US\$ 13 billion. And this does not include the costs of actual decommissioning of the reactor and disposal of the nuclear waste.²⁹² In a 2014 study, Japanese scientists estimated the overall costs of the Fukushima accident to increase to at least ¥11.08 trillion (US\$ 97 billion).²⁹³

It is interesting to compare the situation in Iran with a country like Germany, which is seen to be at the forefront of developing renewable energy sources. Triggered by the Fukushima disaster, Germany took eight reactors off the national grid within a short period of time and legally required the phase-out of all nuclear power plants by 2022.²⁹⁴ The move to renewable energy resources made Germany the world's leader in installed solar photovoltaic (PV) capacity and PV coverage of peak demand.²⁹⁵ The country boasts the largest installed wind power capacity.²⁹⁶

Comparing the geographic location in Germany and Iran, the latter undoubtedly holds greater potential for renewable energy. Sunshine hours in Iran are far more than in Germany; most regions in Iran enjoy around 3,000 hours of sunshine per year,²⁹⁷ compared to only around 1,600 hours in Germany.²⁹⁸ The Lut Desert in eastern Iran has the hottest land surface temperature on record, while the mountainous west and northeast parts of the country hold unique wind corridors.²⁹⁹ In addition, geothermal and biomass energy production carry considerable potential for energy generation in Iran.³⁰⁰

Iran's government has recognised this potential and increased investment in renewable energies in recent years, with the aim of alleviating pollution in urban areas but also reducing the country's heavy dependency on oil and gas.³⁰¹ In 2012, Iran had the highest production of renewable energies in the region, with 12,553 GWh, accounting for more than half of the total renewable generation in the Middle East.³⁰² This was largely sourced from hydropower, accounting for approximately 10,000 GWh at the time.³⁰³ The country aims to set up a solar energy production programme with a capacity of 10,000MW by 2020. By 2018, 5,000MW of electricity using renewable energy sources are planned to be added, on top of the currently generated 10,000MW of hydropower.³⁰⁴ Iranian officials estimate the country's wind potential alone at more than 30,000MW, and the solar power potential at 10,000MW.³⁰⁵

Calculations comparing the economics of nuclear versus renewable energy sources in Iran come to the conclusion that even when assuming high-end estimates on costs of capital, the costs of renewable electricity in Iran would be competitive. This also offers opportunities for other countries to develop strategic partnerships, technology-sharing initiatives and joint ventures supporting such a move.³⁰⁶

Renewable energy technologies, including wind, solar and biomass technologies are not included in the EU sanctions against Iran. Such sales are banned for US companies, though, unless a specific license is granted.³⁰⁷ However, despite being a non-sanctioned business, renewable energy companies are faced with collateral issues like canceled bank transactions and problems in importing spare parts.³⁰⁸ Once sanctions are relieved, renewable energies could get a major boost. It is also noteworthy that, contrary to nuclear power, renewable energy projects have strong potential to attract foreign investors.³⁰⁹

Chapter 5 Conclusions

There are ample indications that Iran has supported over the years a range of paramilitary groups, armed militias, as well as repressive governments in the Middle East in order to establish influence in the region. However, it is much more difficult to quantify the levels of support, which originates largely from secret budgets and shadowy networks of companies with no public accounts.

Due to a lack of verifiable data, the flow of funds, trainings, weapons and other support provided by Iran to foreign militias and governments remains largely subject to speculation. Summarising ranges of estimated support to different paramilitary groups over different periods of time, the available information suggests that Iran on average supported:

- The Iranian regime's closest proxy, Hezbollah Lebanon, has been provided with approximately US\$ 100 million to US\$ 200 million per year since its early years in the 1980s, not accounting for special payments or arms deliveries. Considering apparent budget cuts, this amount may have dropped to approximately US\$ 50 million to US\$ 100 million per year between 2010 and 2012. Another round of cuts was reported for 2014/15. This has been attributed to the difficult economic situation in Iran due to a range of factors including international sanctions and decreasing oil prices. The massive support provided to the Assad regime in Syria is certainly another factor. Iran is also indirectly responsible for Hezbollah's fighters present – by the end of 2015 – in several other conflicts, namely in Syria, Iraq and, to a lesser degree, in Yemen, where they have been providing varying levels of training, weapons, strategic support and experienced fighters on the ground.
- A range of Shia militias in Iraq were provided, in the mid to late 2000s, with an estimated US\$ 10 million to US\$ 35 million annually. This increased to an estimated US\$ 100 million to US\$ 200 million yearly from around 2009 onwards. In addition to cash and weapons, foreign fighters funded by Iran, as well as Iranian elite units, have increasingly been sent to Iraq since 2014 to fight against the so-called Islamic State in Iraq and Syria (ISIS).
- Hamas was provided with approximately US\$ 100 million to US\$ 250 million between 2007 and 2011. Iran also provided training, advice and equipment. For the period from 2012 to 2014, it has to be assumed that financial backing was reduced significantly or even completely cut off due to Hamas' lack of support for the Assad regime in the current Syrian war. Since the end of 2014, however, funding has apparently resumed, although it is likely to be at lower levels than in 2010-2012.
- The Islamic Jihad was provided with approximately US\$ 100 million to US\$ 150 million annually since 2007. As of the beginning of 2015, it has to be assumed that this support has been cut due to the group's lack of support for the Houthi rebels in Yemen.
- The Houthi rebels have been provided with approximately US\$ 10 million to US\$ 25 million since 2010, partly as cash but mostly in the form of training, strategic advice and military equipment.
- The Assad regime and Syrian militias fighting on its side since the outbreak of the Syrian revolution in March 2011 have been provided with approximately US\$ 15 billion to US\$ 25 billion over a period of five years, equating approximately to US\$ 3 billion to US\$ 5 billion annually. The support has taken the form of credit facilities, fuel supplies, training, strategic advice and military equipment as well as support on the ground by Iranian special forces and Iranian-backed foreign fighters. Some sources provide even higher estimates of around US\$ 20 billion annually.

Predominantly drawing on estimates and anecdotal evidence quoted in various sources, the findings suggest that Iran's expenditure on various paramilitary groups and allied governments in the Middle East within the considered periods of time totalled between a low estimate of US\$ 20 and a high estimate of US\$ 80 billion.

The available information suggests that Iranian support for these militant groups comes partly from public budgets, but a large part of it allegedly comes from funds managed outside of the official government structures. Enormous funds have been found to be at the disposal of the Iranian Supreme Leader Khamenei and the Revolutionary Guard Corps. The clandestine business networks under their supervision generate billions of dollars of annual revenues and are not accountable to the public and cannot therefore be traced.

Similarly obscure as the funding of the foreign engagement of Iran is the country's investment in its nuclear programme. Not even the Iranian parliament seems to be fully informed on the financial dimension. The costs of the only nuclear reactor operational in the country alone are estimated at approximately US\$ 11 billion. This figure increases tremendously when one also takes into consideration the indirect costs of the nuclear programme, which are estimated at US\$ 100 billion to a high estimate of up to US\$ 500 billion.

Even if this figure may be exaggerated, the programme certainly comes at very high costs. Leaving aside possible intentions to develop nuclear weapons, Iran's nuclear programme makes little economic sense when looking at the electricity production costs. Iranian officials argued that these would become more economically viable if more reactors are added;³¹⁰ this may also become possible after the July 2015 nuclear deal and subsequent lifting of nuclear-related sanctions in 2016.

However, a determined strategy to quit high-carbon and nuclear energy generation and to implement alternative, renewable energy programmes seems to be a much more sensible choice, in light of both economic and environmental arguments. In addition, the potential for attracting foreign investments when pursuing a renewable energy path are more promising.

The expected lifting of sanctions in 2016 would make billions of frozen assets available to the Iranian regime, as well as offering large growth potential for the economy due to regained access to the international markets.

There have been fears that, next to domestic investment needs, part of the released funds could end up fueling conflicts in the Middle East even further due to increased military spending and financial backing of allied militias and governments like the Assad regime in Syria.

The increase in Iran's 2015/16 current defence budget may be a first sign of this. In recent months, Ayatollah Ali Khamenei and the Iranian Minister of Defence, Hossein Dehqan, both made it clear that they had no intention to cut their support to Hezbollah, Hamas, the Islamic Jihad, the Houthis militias in Yemen, the Syrian and Iraqi governments and their militias, despite a nuclear deal.³¹¹

While the risk of additional terrorist financing is widely acknowledged many analysts and politicians see Tehran's foreign ambitions to be less influenced by economic calculations than by political and strategic considerations.³¹²

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