



CITY OF BEVERLY HILLS STAFF REPORT

Meeting Date: March 2, 2010
To: Honorable Mayor & City Council
From: Cheryl Friedling, Deputy City Manager *cf*
Subject: AB 1650 – Legislation Prohibiting Contracts Between California
Public Agencies and Companies with Significant Business
Interests in Iran's Energy Sector

Attachments:

1. Press Release – Assemblymember Feuer and Blumenfield
2. Fact Sheet – Offices of Assemblymember Feuer and Blumenfield
3. LA Times Article – "Poizner Pushes Iran Divestiture"
4. List of Companies Doing Business with the Iranian Petroleum/Natural Gas, Nuclear and Defense Sectors

INTRODUCTION

Assemblymen Mike Feuer and Bob Blumenfield have introduced AB 1650, a bill which prohibits the State of California and local governments from contracting with companies that have business activities in Iran's energy sector.

The purpose of the legislation is to discourage international corporations from supporting the nuclear objectives of Iran's government if they desire to conduct business with the State of California and its subdivisions (including cities.)

AB 1650 was heard and passed out of the Assembly Judiciary Committee on February 16, 2010, and awaits further action in the Assembly Business and Professions Committee.

This item has been approved for full Council review by the Legislative Committee, even though the Committee's schedule precluded in-depth review.

DISCUSSION

AB 1650 mirrors Congressional legislation authored by Rep. Howard Berman titled 'The Iran Refined Petroleum Sanctions Act of 2009.' This Congressional legislation passed in the U.S House of Representatives and Senate is awaiting conference committee prior to being sent to the President for signature.

The bill also complements legislation which passed in the State Legislature and was signed into law on October 14, 2007. This bill - The California Public Divestment From Iran Act - prohibits Cal-PERS and Cal-STRS from investing in corporations which conduct business in Iran's energy sector.

This legislation also is similar to State Insurance Commissioner Poizner's efforts to require all California insurance companies to divest of holdings in multinational companies that operate in Iran's nuclear, oil, banking or defense sectors.

FISCAL IMPACT

Staff is reviewing the list of corporations which conduct business in Iran's energy sector to determine if the City has a contractual relationship with any of these firms.

The fiscal impact is likely to be negligible to the City, as most of the corporations identified as those which conduct business with Iran's energy sector are not current or potential city vendors.

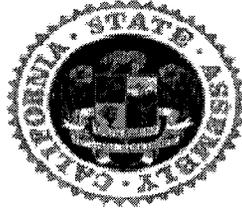
Companies seeking to bid on state and local government contracts would be required to certify that they are not engaged in developing Iran's energy resources.

RECOMMENDATION

Staff seeks the City Council's direction regarding support of AB 1650.

Cheryl Friedling

Approved By



California Legislators Introduce Sweeping New Legislation as President Pushes for Strong New Sanctions

FOR IMMEDIATE RELEASE: January 13, 2009
Feuer Contact: Arianna Smith (916) 319-2042
Blumenfield Contact: Colleen Beamish, (916) 319-2040

January 13, 2010 (Sacramento) – Today Assembly members Mike Feuer (D-Los Angeles) and Bob Blumenfield (D-San Fernando Valley) introduced AB 1650, legislation prohibiting contracts between the state of California and companies with significant business in Iran's energy sector.

"This legislation gives corporations with interests in Iran's energy sector a clear choice—and if they choose to support Iran's destabilizing, repressive regime, California's taxpayers will not support them," said Feuer. "As one of the largest economies in the world, California has an essential role to play in ensuring that the current regime in Iran lacks the resources it needs to further its nuclear ambitions."

The Iran Contracting Act of 2010 precludes all public entities in the State of California from renewing or entering into contracts with companies that have substantial business in Iran's energy sector, ensuring that California's tax dollars do not support companies whose investments either directly or indirectly support Iran's nuclear program or terrorist activities. Companies with current interests in Iran's energy sector which choose to cease these operations will be permitted to contract with the state and local governments in California.

"As the evidence mounts that Iran is perilously close to attaining nuclear weapons capability, we must deploy every available strategy to stop them. With AB 1650, California will, to the maximum extent allowable under federal law, be the first state to use our financial muscle against Iran. Every state should follow California's lead and do all that is in their power to help beat back the grave threat to world security posed by Iran's nuclear ambitions," said Blumenfield.

"I fully support the proposed legislation by Assemblymembers Blumenfield and Feuer that will prohibit California public entities from financially supporting companies that do business in Iran's energy sector, and I encourage other states to follow their lead. This type of financial pressure will help deter Iran from its pursuit of nuclear arms, support for terrorism and repression of the Iranian people. It will also make a powerful statement about the commitment of the people of California to international peace and stability and to responsible corporate behavior," said Rep. Howard L. Berman, Chairman, House Committee on Foreign Affairs. Berman is the author of the Iran Refined Petroleum Sanctions Act of 2009, which aims to amend the Iran Sanctions Act of 1996 and expand sanctions to include companies that provide, enable to import, or increase domestic production of petroleum in Iran. That bill easily passed through the House of Representatives on December 15 and now awaits a vote in the Senate.

Assembly member Mike Feuer's website: <http://www.assembly.ca.gov/a42>

Assembly member Bob Blumenfield's website: <http://www.assembly.ca.gov/a40>

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STATE CAPITOL
SACRAMENTO, CA 95814



Assembly
California Legislature



MIKE FEUER

ASSEMBLY MEMBER, FORTYSECOND DISTRICT

BOB BLUMENFIELD

ASSEMBLY MEMBER, FORTIETH DISTRICT

Assert Financial Pressure to Stop Iran's Nuclear Ambition

BACKGROUND

The International Atomic Energy Agency has called attention repeatedly to Iran's unlawful nuclear activities, leading the United Nations Security Council to adopt a range of sanctions designed to encourage the Government of Iran to cease those activities and comply with obligations under the "Nuclear Non-Proliferation Treaty."

The U.S. also has imposed sanctions on the Government of Iran, determining that Iran's illicit nuclear activities, combined with its support of international terrorism, represent a serious threat to the security of the United States, Israel and other United States allies in Europe, the Middle East and around the world.

Congress is advancing bipartisan federal legislation, cosponsored by more than one third of the members of the United States Senate and more than half of the members of the House of Representatives, that would authorize state and local governments to divest and otherwise disassociate themselves from companies operating in Iran's energy sector that support Iran's efforts to achieve a nuclear weapons capability.

It is the responsibility of the State to decide how, where and by whom its financial resources should be invested. It also is the prerogative of the State not to invest in, or do business with, companies whose investments with Iran place those companies at risk from the impact of economic sanctions imposed upon the Government of Iran for sponsoring terrorism, committing egregious violations of human rights, and engaging in illicit nuclear weapons development.

California for decades has engaged in socially responsible investing, ranging from divesting state pension funds from companies that supported

apartheid in South Africa in the 1980s to sanctions for human rights violations in Sudan.

While enacting state law in 2007 directing California pension funds to be divested from companies with active interests in Sudan, Governor Schwarzenegger stated his intention to support "efforts to further prevent terrorism."

THIS BILL

The State of California and its subdivisions would be prohibited from contracting with companies that have specified business activities in Iran's petroleum sector. The prohibition applies to new contracts or contract renewals.

Companies seeking to bid on state and local government contracts would be required to certify that they are not engaged in developing Iran's petroleum resources.

Companies would be given 90 days written notice to challenge their disqualification for prohibited activities. Companies that cease these activities would become eligible to do business with the State of California and its subdivisions.

Companies that submit a false certification would be fined an amount that is equal to the greater of \$250,000 or twice the amount of the contract for which a bid was submitted. Such companies also would be ineligible to bid on government contracts for three years.

Enactment of the contract sanctions is conditioned on passage of federal legislation authorizing states to impose economic sanctions.

The measure authored jointly by Assembly Members Feuer and Blumenfield was introduced in the California Assembly in January 2010.

Staff Contacts

Alexander Ponder
Assembly member Feuer
(310) 285-5490
Alexander.Ponder@asm.ca.gov

Sandy Michioku
Assembly member Blumenfield
(916) 319-2040
Sandy.Michioku@asm.ca.gov

MAY 2, 2009

Los Angeles Times

Poizner pushes Iran divestiture

State insurance chief plans to outline how insurers would have to sever ties with firms doing business there.

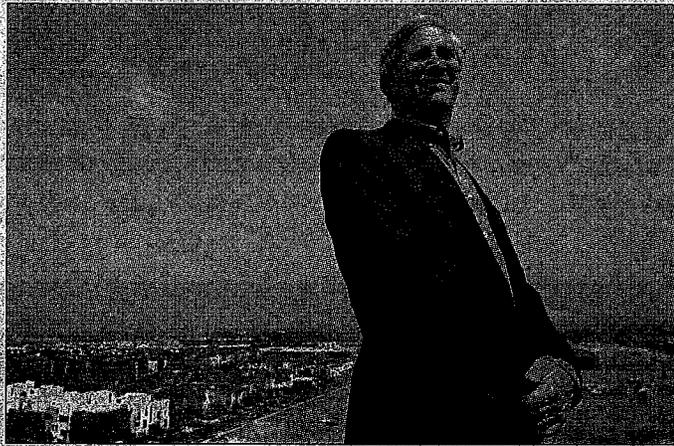
MARC LIFSHER
REPORTING FROM SACRAMENTO

California insurance companies that own stock in some multinational companies that operate in Iran soon may have to sell their holdings or face penalties.

In June, Insurance Commissioner Steve Poizner, a Republican running for governor next year, ordered 1,300 California-licensed insurers to give him information about indirect investments in Iran's nuclear, oil, defense and banking sectors. About 1,100 replied, and 200 didn't.

Now, Poizner, at a news conference scheduled for this morning at Los Angeles' Museum of Tolerance, is expected to detail how the insurers would be required to divest themselves of stock that he estimates is worth at least \$6 billion.

"The regime in Iran is at-



IRFAN KHAN/LOS ANGELES TIMES

PIONEER: Steve Poizner's Iran divestment plan is the first by a state insurance regulator in the nation.

tempting to dominate the region and is a huge national security threat to this country," Poizner said. "It is very important for anyone in a position like I am to look for a way to put maximum financial pressure on Iran."

Part of Poizner's job is to oversee how insurance companies invest surplus funds. And he says he wants to send a message that California does not want to support a nation that the U.S. government has listed as a state sponsor of terrorism. American companies are pro-

hibited from making direct investments in Iran, but indirect investments are not illegal.

Representatives of the insurance industry were reluctant to comment on the commissioner's Iran initiative. "We have not questioned his authority to ask for this information," said Ken Gibson of the American Insurance Assn. in Sacramento.

Poizner's Iran divestment policy is the first to be ordered by insurance regulators in any of the 50 states and the District of Columbia. The California

commissioner said he intended to discuss his plan with his counterparts at a meeting of the National Assn. of Insurance Commissioners that starts Saturday in San Francisco.

Under Poizner's plan, insurers that already have reported indirect investments in the Islamic republic would be given 30 days to agree voluntarily to unload their stock or bonds in foreign companies, such as Chinese or Russian oil companies or German electronics firms, that operate in Iran. They would then have 90 days to sell the securities.

Insurers that refuse to report on indirect investments or fail to divest could be penalized with administrative fines or loss of their licenses to sell insurance policies in California.

Poizner also will subpoena 10 top executives from among the 200 companies that did not respond to his calls for information.

"There shouldn't be money coming from hardworking Californians as they pay their insurance premium dollars ... to prop up the repressive regime in Iran," Poizner said. "This is a loophole that I'm going to close."

marc.lifsher@latimes.com

CALIFORNIA DEPARTMENT OF INSURANCE
LIST OF COMPANIES DOING BUSINESS WITH THE IRANIAN PETROLEUM/NATURAL GAS, NUCLEAR,
AND DEFENSE SECTORS
(AS OF FEBRUARY 9, 2010)

1. ABB Ltd. [Switzerland]	26. Linde AG [Germany]
2. ACS, Actividades de Construccion Y Servicios, S.A. [Spain]	27. Lukoil OAO [Russia]
3. Alstom [France]	28. Oil & Natural Gas Corp. (ONGC) [India]
4. Ashok Leyland, Ltd. [India]	29. OMV [Austria]
5. Aker Solutions [Norway]	30. PetroChina Company Limited [China]
6. China National Petroleum Corp. [China]	31. Petrofac Limited [United Kingdom]
7. China Petroleum & Chemical Corp. [China]	32. Petroliam Nasional Bhd (Petronas) [Malaysia]
8. CNOOC Ltd. [China]	33. Petronas Gas Bhd [Malaysia]
9. CNPC (Hong Kong) Limited [Hong Kong]	34. PT Citra Tubindo Tbk [Indonesia]
10. Daelim Industrial Co., Ltd. [South Korea]	35. PTT Exploration & Production PCL (PTTEP) [Thailand]
11. Dragon Oil PLC [Ireland]	36. PTT Public Company Limited [Thailand]
12. Edison Spa [Italy]	37. Ranhill Bhd [Malaysia]
13. Eni S.p.A. [Italy]	38. Repsol YPF [Spain]
14. Everest Kanto Cylinder Ltd. [India]	39. Royal Dutch Shell Plc [United Kingdom]
15. Finmeccanica SPA [Italy]	40. Sasol Limited [South Africa]
16. GAIL (India) Limited [India]	41. Siemens AG [Germany]
17. Gas Natural SDG [Spain]	42. StatoilHydro ASA [Norway]
18. Gazprom Neft [Russia]	43. Tatneft [Russia]
19. Gazprom OAO [Russia]	44. Technip S.A. [France]
20. GS E&C (Engineering & Construction) [South Korea]	45. Trevi-Finanziaria Industriale S.p.A. (Trevi Group) [Italy]
21. GS Holdings Corp. [South Korea]	46. Total S.A. [France]
22. Hyundai E&C (Engineering and Construction) Co., Ltd. [South Korea]	47. Welspun-Gujarat Stahl Rohren Limited [India]
23. Hyundai Heavy Industries [South Korea]	48. Worley Parsons Ltd. [Australia]
24. Ina-Industrija Nafta DD [Croatia]	49. Ulan-Ude Aviation Plant JSC [Russia]
25. Indian Oil Corporation, Ltd. [India]	50. ZiO-Podol'sk OAO [Russia]