Iran Energy Sector Post Sanctions Era
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Introduction

Iran’s energy profile is unique. It holds the world’s second largest proven natural gas reserves and is the world’s fourth-largest oil reserves. Yet conversely, Iran has no major gas export projects, and more than 40% of oil production is consumed in its domestic market. In addition, Iran is a net importer of gasoline and also electricity and spends a huge part of its state budget on importing petroleum products. Oil revenues make up about 80% of total export earnings and approximately 40 – 50% of state revenue. 70% of Iranian-produced gas is consumed domestically.1

Iran Energy Strategy

Like other countries, Iran pursues energy diplomacy along the following lines: 1-structure, 2-agenda, and 3-process. Iran’s weakness is essentially structural: Iran shares some fields with her neighbors, such as Qatar, Kuwait, Iraq, and Saudi Arabia, and the extent of its desire to exploit oil and gas from these fields is unknown, as UN sanctions directly affect its exploitation of oil and gas domestically. Its counter strategy against American-led UN sanctions in the energy sector is disputable, but this structural weakness and lack of agenda has implications for the future of OPEC.2

Iran Energy Profile

According to the US energy Administration, Iran holds the world’s fourth-largest proven oil reserves and the world’s second-largest natural gas reserves3. In addition, the last Statistical Review of World Energy published by BP reveals that Iran is the world’s first gas reserves holder with 33.6 trillion cm3.4 Iran holds the world’s first natural gas reserves, but the gas sector

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1 Brenda Shaffer, Energy Politics, University of Pennsylvania Press, USA, 2009, p.149
is developing mostly to meet domestic demand. Natural gas accounts for about 59% of Iran’s total domestic energy consumption while oil consumption accounted for 39% of total energy use in 2010.\(^5\)

**Oil**

The *Oil & Gas Journal* as of January 2013 estimated that Iran holds 154 billion barrels of proven oil reserves. Such an amount represents 9% of the world’s total reserves and more than 12% of OPEC reserves.

**Iran-Oman Gas Pipeline**

According to this agreement, Iran is to export 10 million cubic per annum. Both sides are discussing the building of a 260 km underwater pipeline to carry Iranian gas across the Persian Gulf to the country. Oman’s gas reserves are roughly 900 bcm, while the country’s gas production is about 85 mcm/d.\(^6\)

**Iran-Pakistan Natural Gas Pipeline**

According on the agreement, Pakistan was also supposed to pay $200 million to Iran as penalty for delays in implementing the project. It sees that Pakistan has no choice but to buy Iranian gas. Pakistan is also keen to import Turkmen gas via the TPAI, but delivery capacity of this pipeline is far less than Pakistan’s forecasted gas demands by 2025.\(^7\)

**Iran-Iraq Pipeline**

Iran-Iraq gas pipeline is the 100-kilometer pipeline stretches from Charmaleh in Ilam province to Naft-Shahr on the Iran-Iraq border. According agreement between two conteris,Iran will initially export 4 mcm of gas to Iraq per day and this figure will later increase to 25 mcm.On completion, the project will solve a major portion of Iraq's energy problems, particularly its electricity shortage.\(^8\)

\(^5\) Ibid
\(^7\) Ibid
\(^8\) http://www.iran-daily.com/News/112515.html, ( accessed on 30.4.2015)
Iran and Southern Gas Corridor

The Southern Gas Corridor initiated by the European Commission (EC) with the aim of diversifying the EU’s gas supply requires the infrastructure to transport supplies from the Caspian basin and Middle East – primarily Azerbaijan, Turkmenistan, Iran and Iraq. One of main reasons for corridor is to create a supply route alternative to Russian infrastructure and reserves. Political and economic concerns, as well as lack of developed infrastructure and gas resources, mean that Azerbaijan remains the only partner of this project. According to Miguel Arias Canete, EU Commissioner for Climate Action and Energy, the Southern Corridor is a top priority for the EU. EU member states will apply all efforts for that to be fully operational. Iran gas will also connect to the project, if the agreement finally takes place.

The Southern Gas Corridor aims to be alternative sources of natural gas for Europe, decline dependency of Russian natural gas. The move comes at the time when Turkmenistan is trying to comfort its export dependency on Russia, the main market for Turkmen gas – and as Turkey and Europe are looking to diversify their supply.

LNG Industry

According to the outline of the fourth five–year Iranian National Development Plan (2005-2009), the country aimed to produce 70 million tons of LNG from South Pars, North Pars, Ferdosi, Gholshan gas fields by launching six LNG production facilities. Iran has signed LNG agreement with French Total, Spanish Repsol, Dutch-British-Shell and Malaysian Petronas. Due to sanctions, all these firms withdrew from the Iranian LNG industry and Iran practically lost around 27 million tons of its LNG production capacities. By 2008, Iran signed $25 billion worth of contracts to develop its gas fields and produce LNG with the Chinese SINOC group, Chinese CEPA, Polish state-owned gas company (PGNiG) and Malaysian Petrofield. All companies left

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the Iranian LNG sector. Iran is now planning to invest in LNG projects and has invited foreign companies to invest in the sector. As Ali-Akbar Safaei, the head of National Iranian Tanker Company (NITC) “the LNG project is vital for Iran. Markets in the East and the West need Iran’s gas and we can produce production-transport-consumption chain in this sector.

**Conclusion**

The P5 + 1 nuclear agreement and the removal of sanctions on the Iranian energy sector has provided a great opportunity for Iran to recover its oil, natural gas, LNG and production capabilities. Furthermore, in the near future this will be positive for the Iranian economy as a whole and the oil and gas industry in particular. Bijan Namdar Zangeneh, the Oil Minister who greeted a press conference in April 2015, expressed that Iran was ready for a rapid increase in oil exports after the lifting of sanctions and emphasized that maintaining the share of Iran's oil sales at OPEC and said the rate would be likely to return to the state it enjoyed before sanctions.

It seems that the outline for a development plan on the oil and gas sector is ready, but the main question remains as to how it will be able to increase oil production capacity in the international market as well as how much energy is needed for the development of the oil industry.

According to the OPEC website, the country has oil reserves of 157 billion barrels, or about 13.1 percent of the oil reserves of OPEC, putting Iran at similar level of significance to Venezuela and Saudi Arabia. Despite this important potential in terms of oil reserves, production and export has never been in a capacity to fully seize upon its potential, even if the pre-sanctions rate of barrel production reached 6 million (decreasing to 2.5 million barrels during the sanction period – about one million barrels of exports). 

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13 [http://sedaviran.com/fa/news/56011/%D8%AF%D9%88%D8%B1%D9%86%D9%85%D8%A7%DB%8C-%D8%B5%D9%86%D8%B9%D8%AA-%D9%86%D9%81%D8%AA-%D9%BE%D8%B3-%D8%B1%D9%81%D8%B9-%D8%AA%D8%AD%D8%B1%DB%8C%D9%85-%D9%87%D8%A7](http://sedaviran.com/fa/news/56011/%D8%AF%D9%88%D8%B1%D9%86%D9%85%D8%A7%DB%8C-%D8%B5%D9%86%D8%B9%D8%AA-%D9%86%D9%81%D8%AA-%D9%BE%D8%B3-%D8%B1%D9%81%D8%B9-%D8%AA%D8%AD%D8%B1%DB%8C%D9%85-%D9%87%D8%A7) (accessed on 12.5.2015)