

The Role of Energy in Iran's Regional Relations

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Salzburg, 30 August 2013

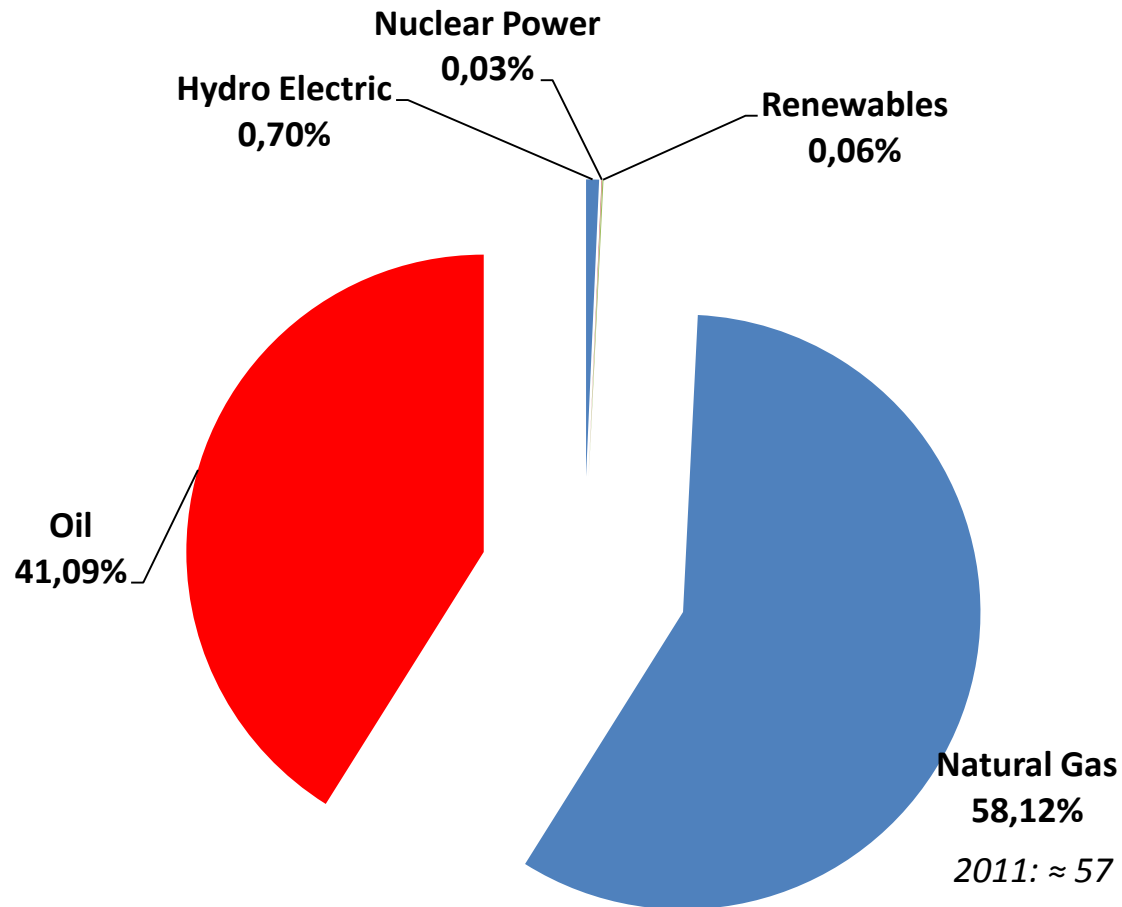
Introduction

- Iran's stated goal for 2025 is to become the region's top economic and technological power house – energy exports as well as transit are a significant element in that strategy;
- Iran is actively pursuing gas as well as electricity interconnectivity with its immediate neighbors;
- Iran is importing gas from **Turkmenistan** and **Azerbaijan**, and exporting gas to **Turkey** and **Armenia**;
- Furthermore, Tehran will export gas to **Pakistan**, **Iraq** and **Oman** and is in talks with **UAE** and **Kuwait** regarding gas exports;
- Tehran has also connected its electricity grids to most of the neighbors, especially Turkey, Iraq and Afghanistan;
- Recent sanctions have also compelled Iran to look for oil-based value-add projects with immediate neighbors;
- The emphasis on nuclear power generation as well as renewable energies also fits into this macro picture;
- Energy interdependency is fast becoming a critical element in the regional interaction;
- Subsidy reforms have changed the dynamics of domestic energy consumption and production.

Some key facts

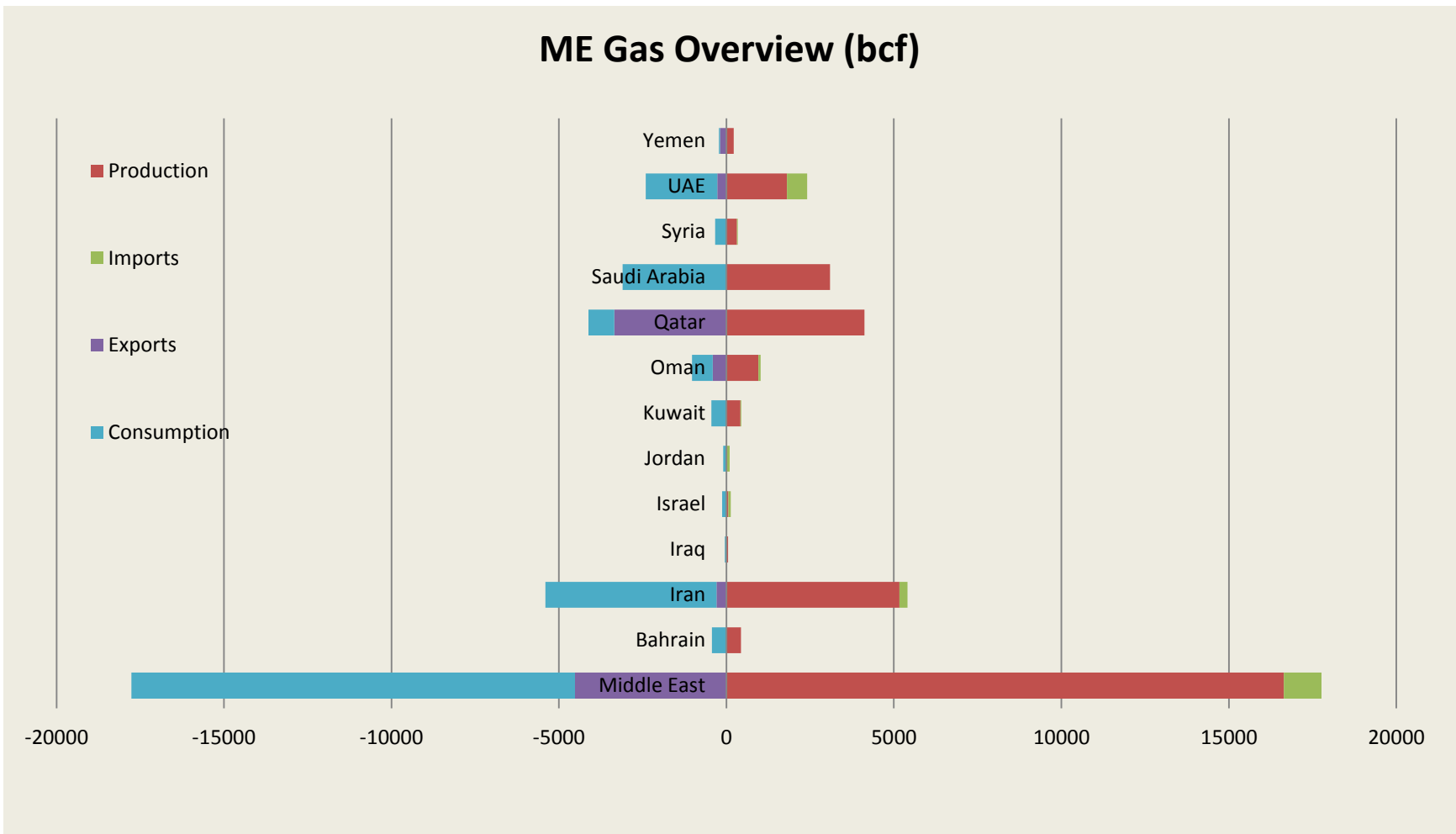
	Oil	Gas
Current Reserves	157 BB	33.6 TCM
2013 Oil and Gas Figures	Oil	Gas
Current Production	3.3 mbpd	550 mcm
Current Imports (from Turkmenistan)		22 mcm
Domestic Consumption	1.8 mbpd	545 mcm
Current Exports	1.5 mbpd	27 mcm
2016 Oil and Gas Figures (Projected)	Oil	Gas
2016 Production	3.5 mbpd	840 mcm
2016 Imports		27 mcm
2016 Domestic Consumption	2.8 mbpd	660 mcm
Potential for Export in 2016	0.7 mbpd	207 mcm

Iran's Energy Basket (2012)



A Look at the Region's Need for Gas

ME Gas Overview (bcf)



Iran Energy Sector: Priorities and Issues

Priorities:

- Development
 - Main focus on gas resources in South Pars;
- Feeding the domestic consumption, but also increasing energy efficiency;
- Finding the optimal domestic energy basket, especially in utilizing gas for oil injection;
- Promoting alternative energy production to free up hydrocarbon resources for export;
- Gas-based Industries;
- Exports to immediate neighbors (strategic);
- Exports to remote markets (hampered by sanctions);

Issues:

- Relatively high domestic consumption despite subsidy reforms;
- Adjustment processes after the subsidy reforms;
- Lack of investment and technology due to sanctions;
- Weak overall energy planning to clarify priorities between the various subsectors;
- Energy pricing;
- Adjustments after the EU oil sanctions.

Gas-based Industries

- Though pipeline exports to neighboring countries has been declared a priority, Iranian officials realize that there are many burdens in the way of pipelines (not the least pressure from the US and geopolitical irritations).
- As Iran needs to develop a strategy for its excess gas, there seems to be a shift towards focusing on the development of gas-intensive industries. Key parameters in this strategy would be:
 - Creation of a number of special zones for the development of gas-intensive industries (eg. the Jask Region at the Sea of Oman);
 - Investors are encouraged to look at integrated projects;
- Furthermore, there is a push towards increasing the domestic electricity production from gas in order to export electricity to neighboring countries;
- The development of gas-based industries does not mean an end to the planned pipeline projects;

To Turkey

To Armenia and Georgia

From Turkmenistan

Existing and under construction Gas Pipelines in Iran

To Iraq, Syria and Europe?

To Kuwait

To Pakistan

To UAE

Tehran

IX

I

II

III

V

VI

GAS

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VIII

IV

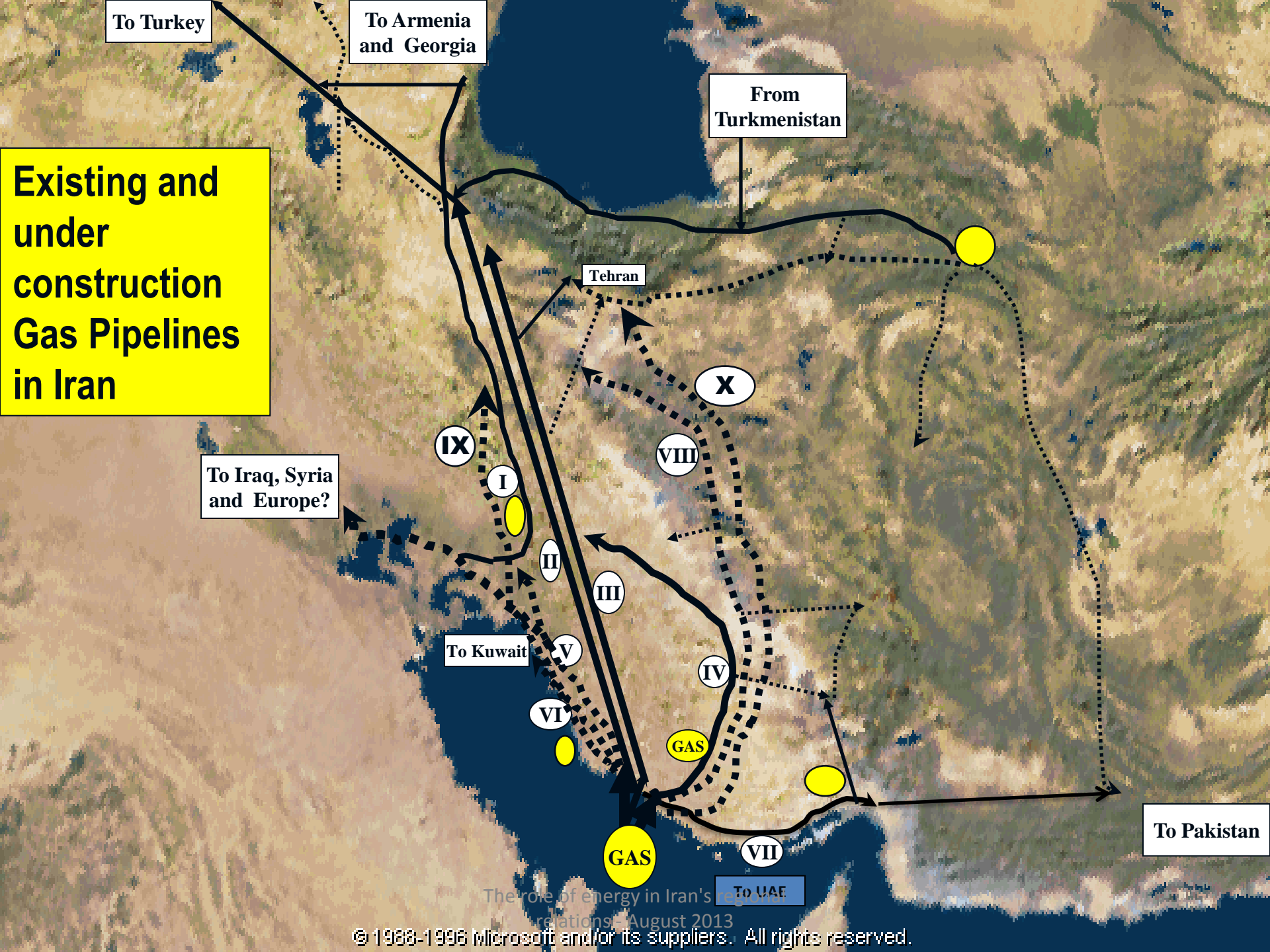
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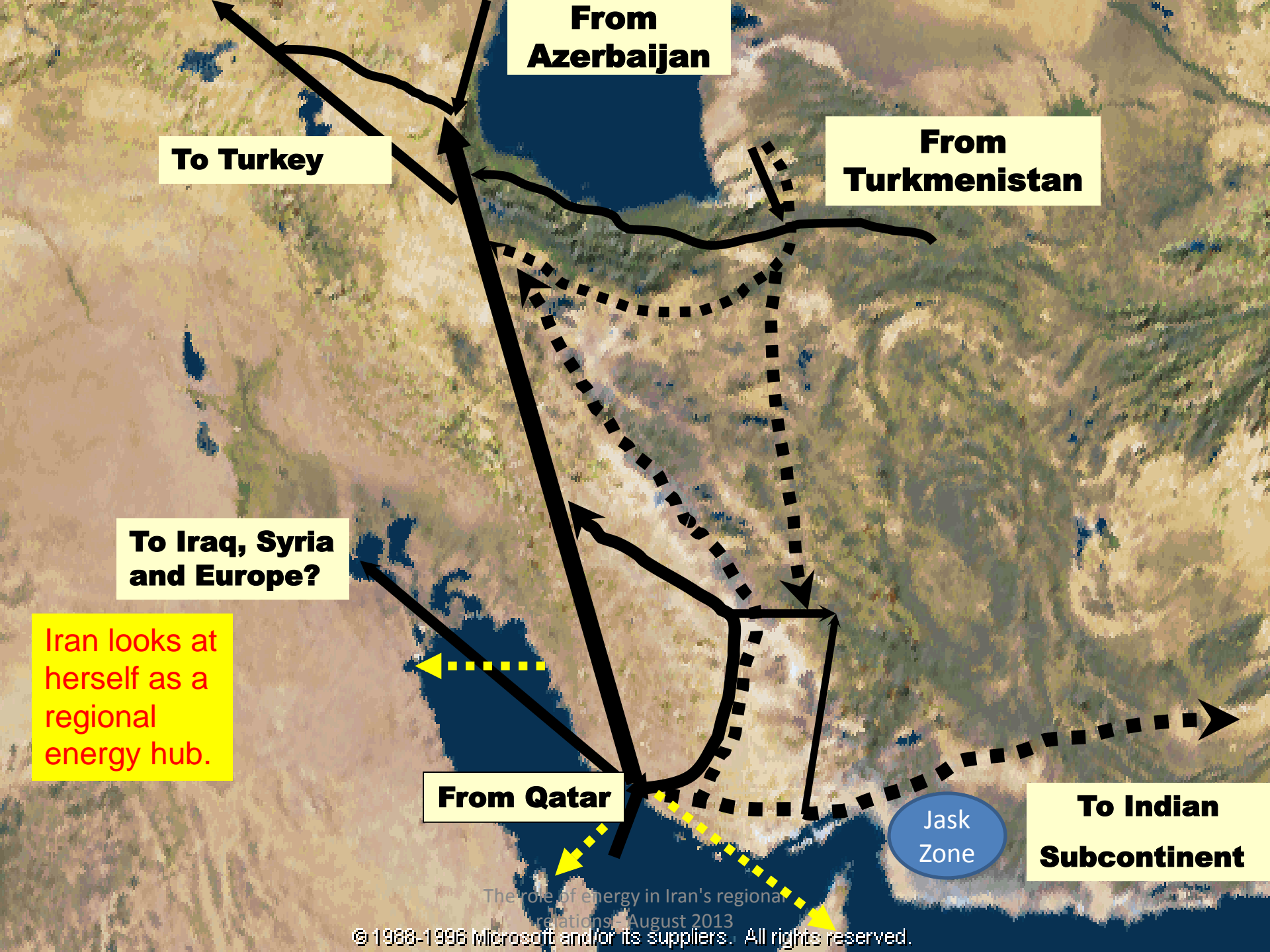
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August 2013

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From Azerbaijan

To Turkey

From Turkmenistan

To Iraq, Syria and Europe?

Iran looks at herself as a regional energy hub.

From Qatar

Jask Zone

To Indian Subcontinent

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What does this mean for regional security?

- Iran believes that energy interdependency will increase mutual cooperation;
- At the same time, US and European efforts to curb Iran's energy sector are seen as an instrument to stop Iran from achieving a dominant position in the region (and internationally?);
- The current sanctions are slowing down the Iranian development, but they are also compelling Iran to become a giant producer and exporter of energy-related products and services;
- Iran has the resources (natural and human) as well as geography of playing the role of the regional energy hub and cooperation with Iran in this matter would ease some of the existing tensions;
- Antagonizing Iran will deprive the world and the region of one of the main sources of energy, especially gas.

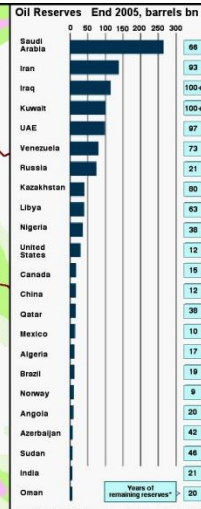
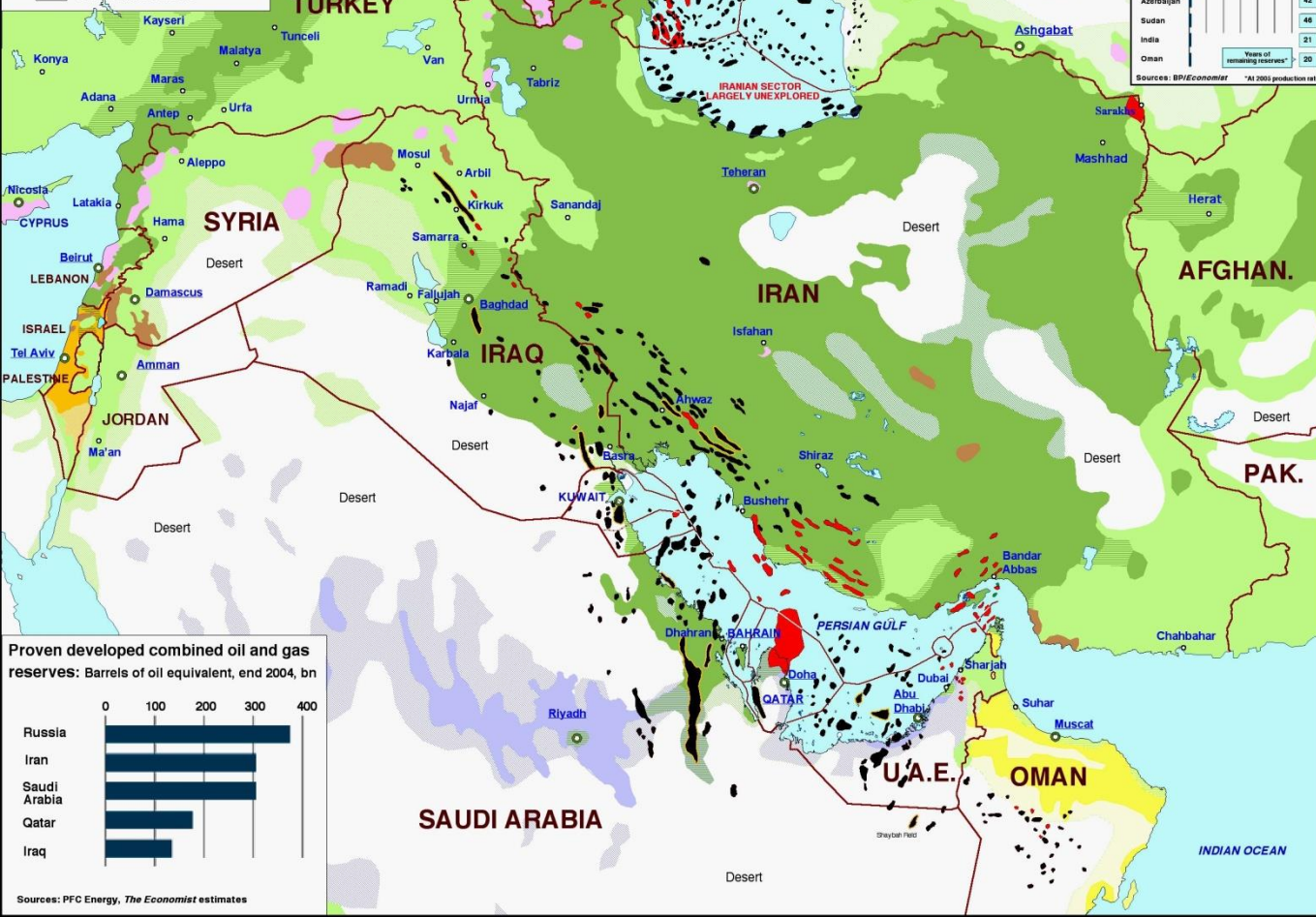
Primary Oil and Gas Deposits in the Middle East and the Shia Majority Areas.

- A Major Oil field
- A Super-Giant Oil field
- A Major Gas field

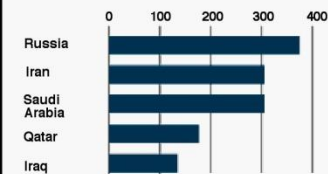
- Islam:
- Shiism (to include Alevis/Alawis)
 - Sunnism (Hanafi, Shafi'i, Maliki)
 - Wahhabism
 - Ibadism
 - Christianity
 - Judaism
 - Other

- Mixed population areas
- Sparsely populated areas
- Uninhabited areas

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Proven developed combined oil and gas reserves: Barrels of oil equivalent, end 2004, bn



Sources: PFC Energy, The Economist estimates



Finally, Oil, gas and Religions