The Role of Energy in Iran’s Regional Relations

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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

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

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Iran’s Energy Basket (2012)

- Natural Gas: 58.12%
- Oil: 41.09%
- Gas: 0.70%
- Hydro Electric: 0.03%
- Renewables: 0.06%

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A Look at the Region’s Need for Gas

ME Gas Overview (bcf)

Production
Imports
Exports
Consumption

Yemen
UAE
Syria
Saudi Arabia
Qatar
Oman
Kuwait
Jordan
Israel
Iraq
Iran
Bahrain

Middle East

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## 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.

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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;
Existing and under construction Gas Pipelines in Iran

To Turkey
To Armenia and Georgia
From Turkmenistan
To Kuwait
To Pakistan

GAS
Tehran

IX, I, II, III, V, VI, VII, VIII

To Iraq, Syria and Europe?
Iran looks at herself as a regional energy hub.

To Turkey

To Iraq, Syria and Europe?

To Indian Subcontinent

From Azerbaijan

From Turkmenistan

From Qatar

Jask Zone

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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.
Finally, Oil, gas and Religions