

Sanctions and Iranian Energy Exports - isolation or diversification?-

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Sanctions and Iranian Energy Exports: isolation or diversification?

- **The international sanctions: context and targets**
 - Crude oil exports
 - Natural gas exports
 - Electricity exports
 - „A drop of water always finds its way“: the impact of sanctions on Iranian energy exports

Recent data on Iranian energy exports poses the following question:
have the sanctions had the desired impact on Iranian energy exports?

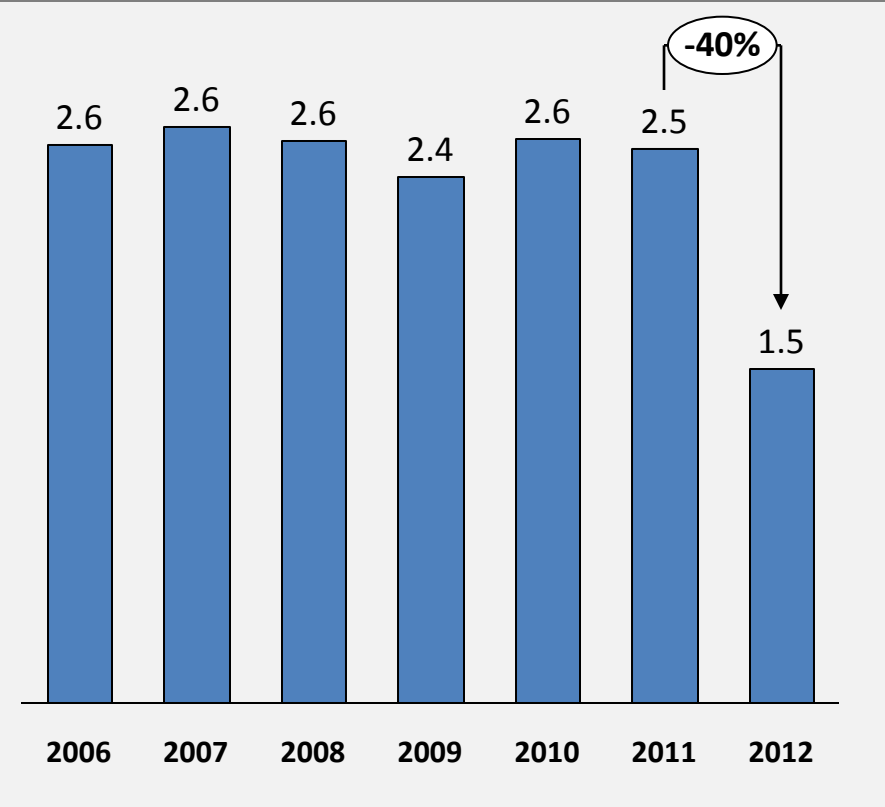
- The first set of recent **crude oil related sanctions** from the United States were imposed on December 31 2011 and the European Union adopted a similar embargo in January 2012, which took effect in July 1 2012
- The U.S. sanctions also determined **punitive measures against all those countries which do not “significantly reduce” their crude oil imports** from Iran
- The newest set of **U.S. waivers was passed in June 2013** for China, India and South Korea, Malaysia, Singapore, South Africa, Sri Lanka, Turkey and Taiwan. Waivers for Japan and 10 European countries were approved earlier in 2013
- Newest data indicates two things: **a) stabilization of crude oil exports** and **b) efforts of energy export diversification** in the last few years
- Question: *Have the sanctions had the desired impact on Iranian energy exports?*

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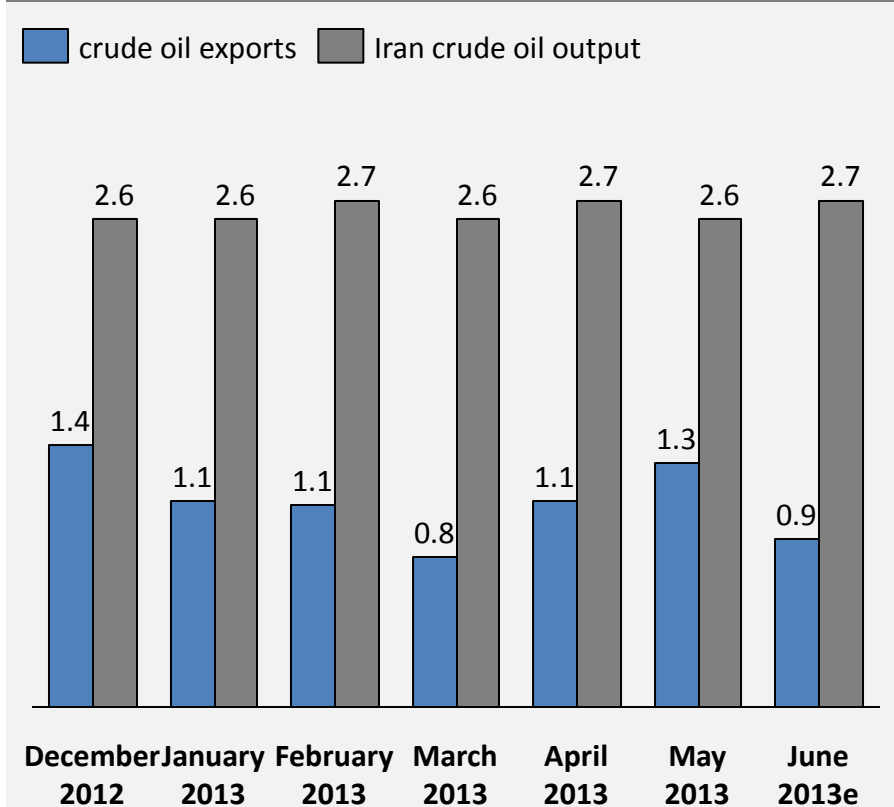
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The Iranian Budget of 2013/2014 projects a 40% decline in oil revenues – recent data indicates some level of stabilization

Iranian crude oil exports, 2006-2012
In million barrels per day



Iranian crude oil exports and production
In million barrels per day



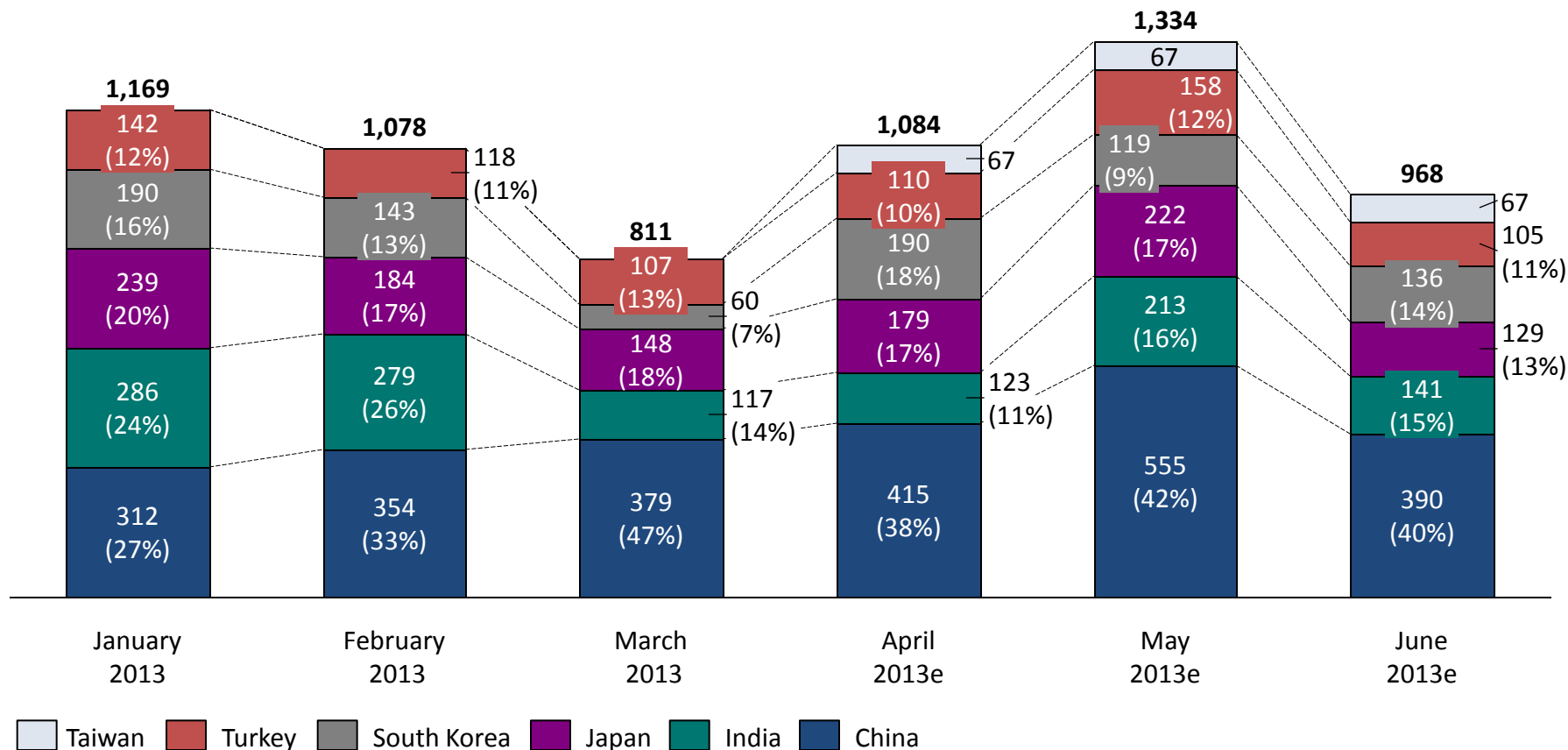
Source: OPEC 2012, U.S. Energy Information Administration 2013; Reuters, Oil and Gas; Arab News ; OPEC 2013

Largest importer remains China, followed by India, Japan, South Korea and Turkey – shares have stabilized in recent months



Iranian crude oil exports, 2013 by month and importing country

In thousand barrels per day



Source: Reuters; ArabNews; Press TV

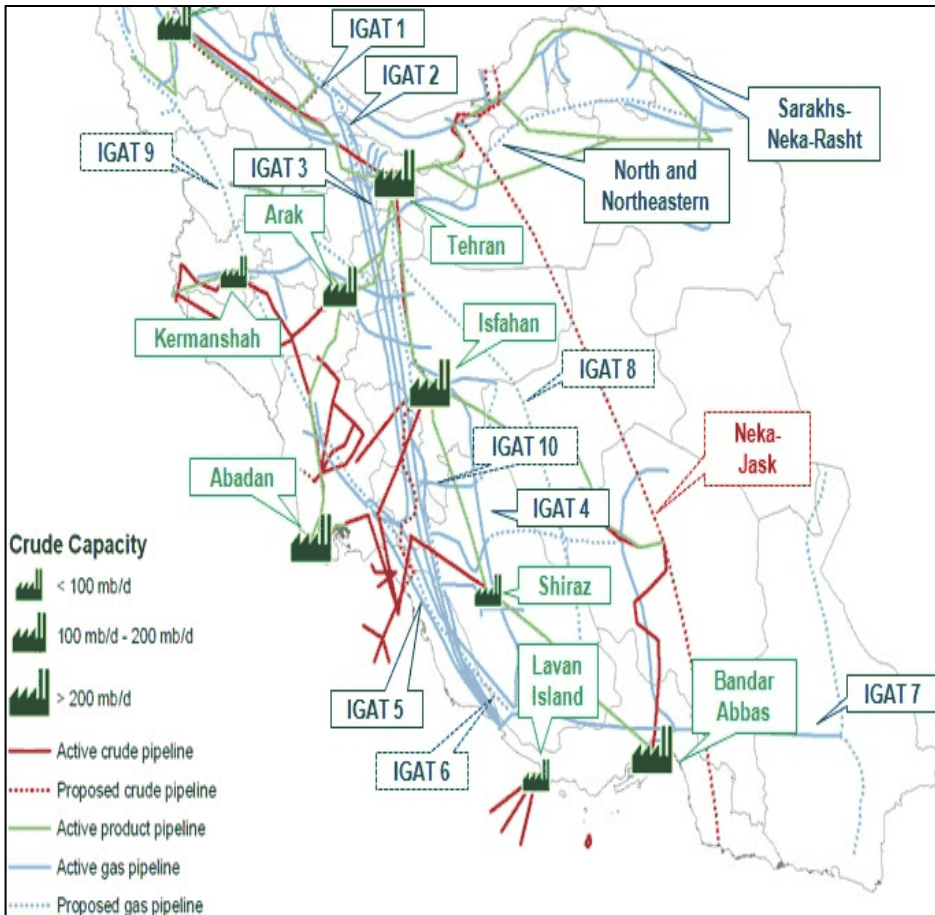
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Current natural gas export infrastructure is limited, however, plans have been set to triple export volumes by 2016 through three routes



Iranian natural gas infrastructure



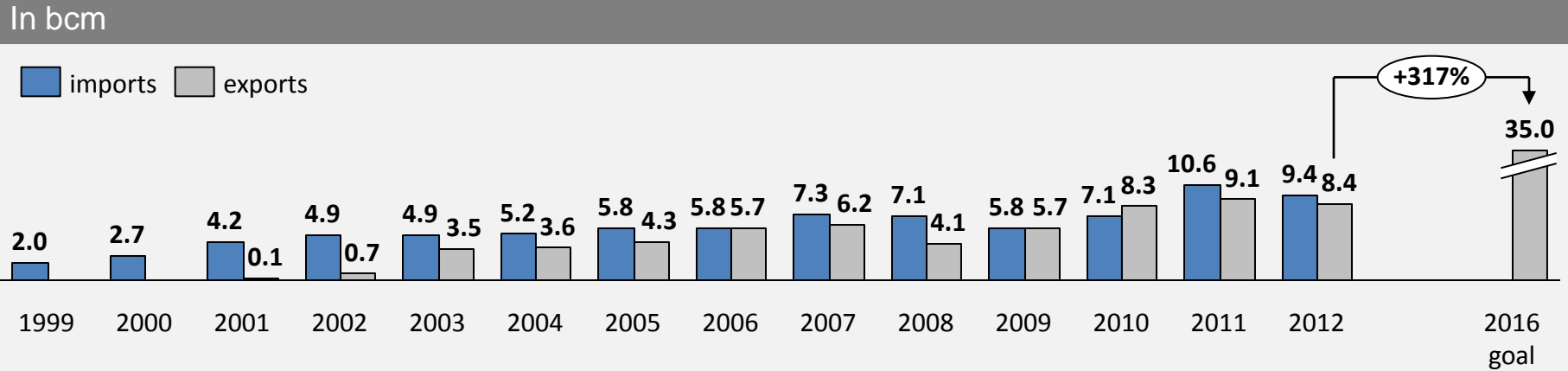
Iranian export pipeline infrastructure

- *Three existing export pipeline:*
 - **Iran-Turkey:** reached an estimated 7.5 bcm in 2012
 - **Iran-Armenia:** capacity of 2.3 bcm annually; but in reality closer to 1.1 bcm annually
 - **Iran-Nakhchivan:** 0.25 bcm annually
- *Planned export routes to increase natural gas exports to 35 bcm annually by 2016:*
 - **Iran-Iraq-Syria:** capacity to Iraq of 9.13 bcm and expand to 10.95 bcm annually including Syria (operational to Iraq by the end of 2013/beginning of 2014)
 - **Iran-Pakistan:** capacity of 9.13 bcm annually (operational by mid-2014)
 - **Iran-Turkey-Europe:** 3 bcm annually (2 bcm to Turkey, 1 bcm towards Europe)

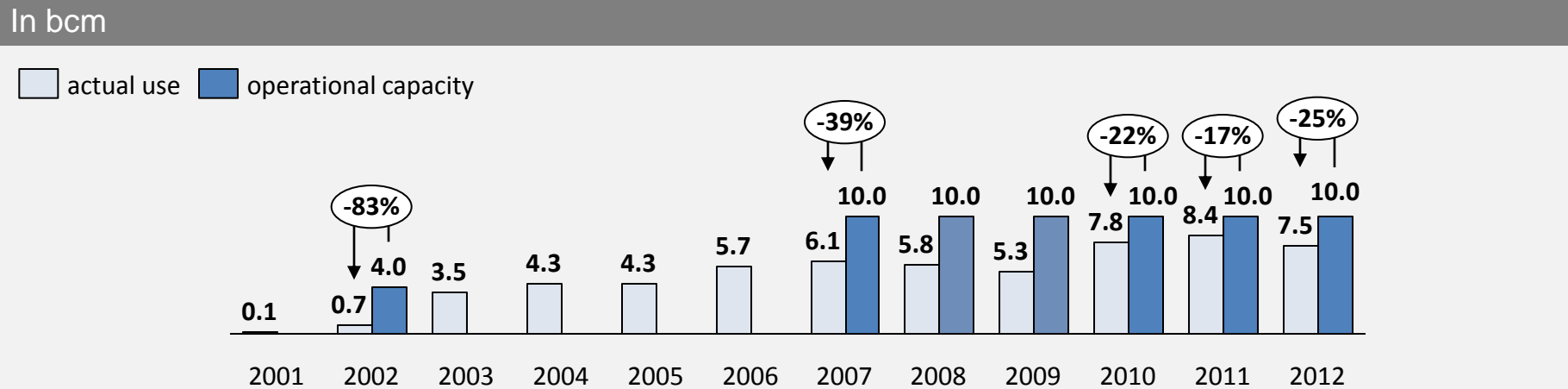


In 2012 Iran still imported more natural gas than its exports
 – 90% of Iranian natural gas exports are destined to Turkey

Iranian natural gas exports & imports, 1999-2012



Tabriz-Ankara Pipeline exports, 2001-2012



Source: OPEC 2012, BP Statistical Review 2013; Eurasia Review; Global Business;

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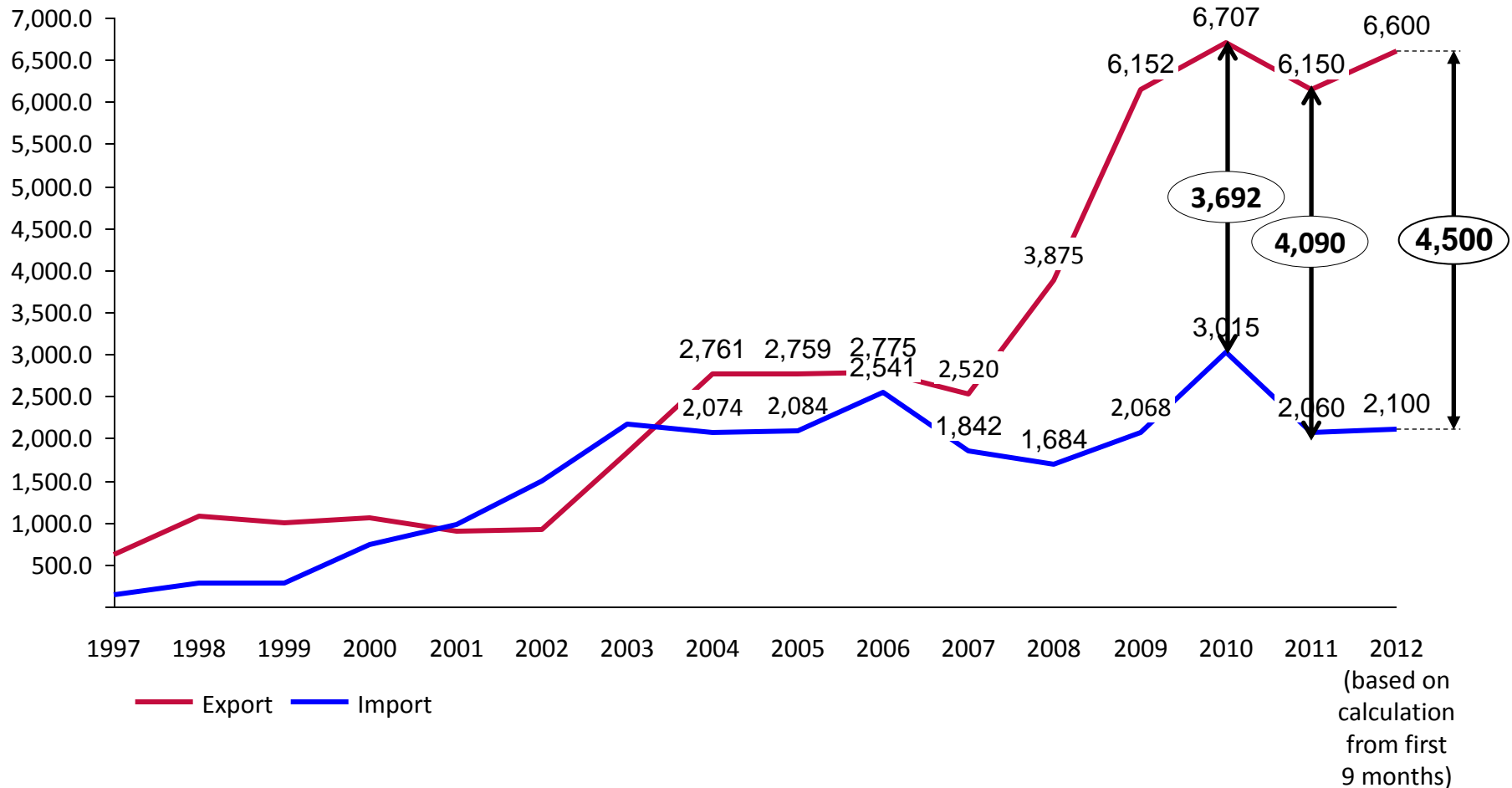
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Iran is preparing itself to increase its electricity exports in geopolitically critical areas – these include investment and management in the grid

Iran's strategic electricity export choice

In GWh



Source: Mirsaedi-Glossner (Science & Diplomacy, 2013); Iranian Energy Balance Sheet, 2012; Press TV

Four areas have been of particular interest in its electricity export Strategy – all areas of geopolitical interest to the United States



Turkey

- April 2012: Turkey imported 190 MW per hour from Iran
- July 2013: Turkey imported 400 MW per hour from Iran
- Future plans: 1,200 MW per hour from Iran; joint power plant constructions

Afghanistan-Tajikistan

- January 2012 -2013:
 - 10 MW to 24 MW for Nimroz; 90 MW to 140 MW for Herat; 50 MW to 100 MW in Farah Province per hour
- Plans for a joint power line from Iran through Afghanistan and Tajikistan

Pakistan

- Purchases 3 million USD worth of electricity a month currently, pays electricity debts with wheat exports to Iran
- First phase of project 1,000 MW annually, second phase 10,000 MW

Iraq-Syria-Lebanon

- Wasit province (Iraq): up to 1,300 MW annually from Iran; compared to 450 MW in mid-2011
- Iran has sold 40 USD worth of equipment for electricity transfer stations and high voltage transformers; contracts are being negotiation for the purchase of electricity from Iran
- Since April 2012 Lebanon has purchased electricity from Iran; first consignment of 25 MW to be increased to 100 MW per year

Persian Gulf states

- A 3.8 million USD agreement to develop a power plant with natural gas from the Forouz B gas field in the Gulf that will generate electricity to the UAE, Oman, Qatar (approximately 3 GW)

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- **Sanctions have the greatest impact in the initial phase**, then adjustments in dependencies can mitigate the impact
- Iran **cannot replace its crude oil sales** losses with natural gas and electricity exports, but it is **building itself as an indispensable regional player**
- Iran's **energy export diversification increases the complexities and minimized leverage** that the U.S. has to face if it wants to isolate Iran
- While the winner of this policy game has not been announced yet, every day that passes **increases the odds for Iran**

Thank you very much for your attention!

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