



The Potential Impact of an Agreement between Iran and Permanent Members of the UN Security Council plus Germany

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(Five Questions)

- Is the optimism about Iran's negotiations with the permanent members of the UN Security Council and Germany (5+1) justified?
- Who are the potential winners and losers if these negotiations succeed?
- Can the political turmoil in the Middle East and the price of oil influence the outcome?
- What would be the business and financial outcome of a win-win scenario for Iran and others?
- What would it mean for Iran gas business with European countries?



Is the optimism about Iran's negotiations with the 5+1 justified

○ Iran:

Main issue is job for 70% of the population below 35 years old. Sanctions have drastically reduced 8% planned rate of growth.

The development of the oil and gas resources are delayed with major consequences for Iran's future revenues. Banking and insurance restrictions has effected many private sector companies.

○ The West:

Major upheaval in the Middle East and North Africa

Iraq and Afghanistan are not steeled. Syria's future in doubt.

The economic outlook in Euro zone and US are not bright

There is no unity in OECD's actions

Another crisis in a sensitive area with consequences on energy is not welcomed. Election year in the US. Change in France and potential changes in other main European countries




Can the political turmoil in the Middle East and the price of oil influence the outcome?

- Arab Spring has been a game changer. The developments in Egypt, Libya and Bahrain and unpredictable outcome in Syria has encouraged a speedy resolution on dispute with Iran
- **The Price of Oil in spite of 1.5 million barrels per day of overproduction by OPEC is still on a high side on the second quarter of the year where demand is low.**
- Sudden increase in the price of energy would jeopardize the economy of many countries



Who are the potential winners and losers if the negotiations succeed?

- **The countries that will increase trade with Iran considerably:**
US, Europe particularly Greece, Italy and Spain. Also Germany, Turkey and France. In Asia India, Japan and South Korea
- **The countries that will see their trade with Iran reduced:**
China, Russia and UAE.
- **Israel and Saudi Arabia will not be happy if there is a win-win deal with Iran**



What would be the business outcome of a win-win scenario for Iran and others?

- The Value of business transactions without considering the local content is around **\$500** billion in the coming ten years.
Oil and gas Exploration & production (\$150bn)
Refining, distribution and export of oil and gas (\$100)
Petrochemicals, LNG and GTL (\$125)
- **Transport Industry:**
Planes (around 100), trains, trucks etc. (\$75bn)
tourist Industry: (\$40bn)
- **Banking, insurance and other services (\$30bn)**



Developments in Gas Business

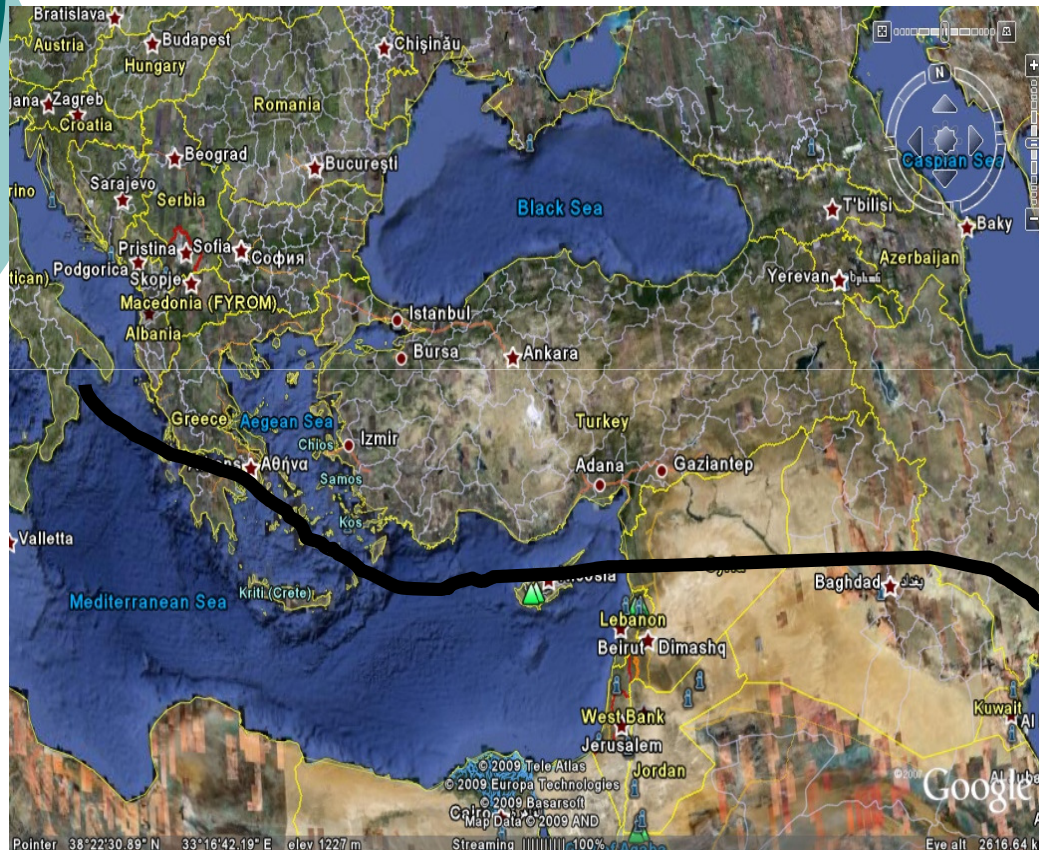
- **Gas to Gas Competition has increased which is a positive development for gas trade**
- **Oil indexed long term contracts based “take or pay” are under pressure due to weakening link between oil and gas prices**
- **Private consortium initiatives will take over from the governments to government gas trade as privatization and less regulations take shape in both gas consumer and producer states**



Developments that will Affect Gas Export to Europe

- The removal of energy subsidies in Iran will curtail the domestic demand for gas and increases the availability of gas for export
- The removal of Sanctions will accelerate the development of new gas resources and will have a positive impact on gas export to Europe
- Political turmoil in the Middle East will initially delay plans but a more democratic Middle East is positive for Gas Export to Europe

Potential Gas Export Pipeline Route to Italy (South Europe Via Mediterranean Sea)



- Length: 3000KM
- Estimated Investment around \$20bn
- The pipeline passes through;
Iraq
Syria
Greece
Italy
- Gas Volume to Syria is 35 bcm/y and to Europe 25 bcm/y

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Modified Persian Pipeline

The Persian Pipeline unlike Nabucco Pipeline passes through gas Consumer Countries (Customers) and not through Transit Countries



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Options for Exporting Gas from Iran to Europe if Iran/West problem is solved

- **The costs associated to these options range from 10-20 billion Dollars**
- **In most scenarios Greece is the first European country to benefit from this trade.**
- **This is not in direct competition with Nabucco.**
- **Mediterranean option is expensive but will be the first direct sale to Europe from the Middle East**



Main Points

- Iran is by far the largest producer and consumer of gas and gas based products in the Middle East and Caspian Region. The country is strategically located to benefit from regional and international gas trade.
Sanctions have deprived Iran from gaining its right place in the world gas business. If a Win/Win scenario is found in the upcoming negotiations, there will be a major change in gas trade
- **LNG Export has lost its lustre due to the development of shale gas planned LNG projects and potential markets.**
- **GTL is currently more viable due to increase in oil prices and relatively slower increase in gas prices as well as Iran's need for petroleum products.**



Main Points (Cont)

- **Export of gas by Pipeline to Europe and Indian subcontinent will happen if a political solution is reached between Iran and the West**
- **There are two ways for Iran's gas to reach Europe and Greece will be the gateway to Europe**
- **The strategic and economic value of these projects are intermingled and for Iran gas to enter Europe it must be priced to compete with other existing and planned projects**



THANK YOU
