Iran: Winners and Losers

May 2014, London

As part of its energy talk series, **Access for Women in Energy (AccessWIE)** organised a roundtable dinner discussion on *Iran: Winners and Losers*. The dinner was hosted by Petrofac at the Caledonian Club on 8th May 2014 in London.

The discussion, co-chaired by Dr Carole Nakhle, Director of AccessWIE, and Dr Gavin Graham, Member of the Management Committee of AccessWIE, provided a platform for high profile professionals from both the public and private sectors, to exchange views on the latest political and energy developments in Iran. In particular, the discussion focused on the likelihood of a deal with Iran with respect to its nuclear programme and the implications on regional and global geopolitics, as well as oil and gas markets.

Participants included politicians, economists, geologists, lawyers and political analysts.

Participants at the dinner discussion

Geopolitics

An update on the political situation in Iran and its energy sector was first given, with a special focus on the complex cultural, historical and religious background. On the one hand, there is the strong Iranian establishment and the Revolutionary Guards who, although currently invisible, are still very active and hold a strong grip on the regime; on the other hand, there is the young generation who believes that Iran can do better in the world. For some, Iran is seen as a regional power that is seeking respect and understanding. It is also desperate to make more friends.

Experts who spent years in Iran and are familiar with the local mentality and culture pointed out that sanctions are not the right tool to instigate change in Iran. Iran and other Middle Eastern countries are still ruled by their history and what works in the West does not always generate the same outcome in this region.

Sanctions

The ongoing negotiations regarding Iran's nuclear programme represent the biggest challenge for both Rohani and Obama, while the latter seems to be putting everything into it to improve his legacy. 20th July 2014 will be a crucial day in terms of whether a deal will be reached. It was recognised that in the long-term Iran will not abandon its nuclear ambitions which in turn will result in the enforcement of further sanctions. In addition, the issue with Hezbollah and the sensitivity of the USA about terrorism do not contribute towards a possible deal.

Even if a deal is reached, the sanctions will not be lifted overnight. Iran would get some concessions but removing sanctions, especially American sanctions, is a lengthy and complex process.

Gulf

The Gulf countries seem to be divided in their sentiments vis-à-vis Iran and each Gulf state has a different relationship with Iran. Saudi Arabia and Kuwait simply don't trust the Iranians. Syria and Lebanon clearly illustrate the tensions between countries like Saudi Arabia and Iran. Those tensions can also be sensed at OPEC meetings.

Countries like Oman, however, see Iran as a good and helpful neighbor. For instance, back in the 1970s, Iran helped the Sultanate of Oman to fight communism.

Oil & Gas

Iran announced it would be launching a roadshow in London in autumn 2014 to promote its 'new' contracts.

The Iranian Constitution prohibits foreign investment in upstream oil and gas. However, following poor investment and production performance especially after the Iran-Iraq war, Iran had to introduce new types of service contracts – the buyback agreements – to allow some level of private participation in its oil and gas sector. The same officials who originally promoted and introduced the buyback agreements have now been brought back to the Ministry of oil. Some officials have recently announced that Iran would offer revised, more lenient terms – some form of 'enhanced buyback' - that are more attractive to investors compared to what Iraq offers.

Iran needs around US $100 billion in investment in its oil and gas sector in the next four years. But it is expected that it would take between one or two years for the oil companies to return to Iran if a deal is reached and sanctions are lifted. Under this most optimistic scenario, oil production will take even longer to reach the pre-revolution levels.

Despite the current uncertainty, it has to be recognized that the Iranians never violated their buyback contracts.

EU

The EU common foreign policy was challenged with the fact that French and German companies are sending delegations to Tehran, especially as a result of the latest developments in Russia and Ukraine. The EU is under pressure to diversify its energy sources and its limited domestic hydrocarbon resources have altered its political will.

Although the EU is working on plans for business opportunities with Iran, the sanctions will remain.

The European Commission's six months action plan for co-operation with Iran has a multi-level approach and include human rights, safety concerns, renewable energy alternatives. It is very likely that Iran will get some concessions, but the EU is interested in how potential revenues will benefit the Iranian people.