

Iran's gas export ambitions: *still hazy after all these years*

| by Alex Forbes

Stand on the beach at Assaluyeh in western Iran and look out to sea to the south-west. Roughly 100 km out lies South Pars, Iran's portion of the world's largest non-associated gas field. Shared with Qatar, which calls its portion the North Field, this immense geological structure holds over half of Iran's 27,000 bcm (billion cubic metres) of proved gas reserves – more than any country in the world except Russia. With gas riches like these, it is no surprise that Iran has long harboured ambitions to become one of the world's major exporters.

In April 2004, gas executives from around the world converged on Tehran for Iran's "first gas export conference". Amidst much fanfare, Iran's gas industry, led by the recently-formed National Iranian Gas Export Company (NIGEC), set out ambitious plans for exports via pipeline, LNG, and even gas-to-liquids (GTL). The then head of NIGEC, Rokneddin Javadi, said Iran had set a target of exporting 64 bcm/year of gas by 2014, enough to cover

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the entire gas consumption of France and Belgium. This, he added, would require up to four LNG liquefaction complexes and several ambitious pipelines to markets such as India, Europe, Kuwait and the United Arab Emirates.

It was an optimistic time. Iran was still in the aftermath of the "Tehran Spring", with the reformist president Mohammad Khatami approaching the end of his second term. Pipeline exports to Turkey had already begun and Iran was looking forward to exporting gas through several other proposed pipelines: to south Asia via the Iran-Pakistan-India pipeline; through Turkey into Europe via the Nabucco pipeline; and to

several of its neighbours in the Middle East. Across the waters of the Gulf, Iran's neighbour Qatar was on a trajectory to becoming the world's dominant LNG exporter with ever-larger projects of breathtaking audacity. Iran was keen to emulate Qatar's success.

In 2006, in an interview during the run-up to the World Gas Conference in Amsterdam, Iran's then vice-Oil Minister and head of the National Iranian Gas Company (NIGC), Reza Kasaei Zadeh, said the country's gas policy was 'to achieve 8-10% of the world's gas trade and its by-products within 20 years'. 'It is estimated,' he continued, 'that by 2015, Iran's gas exports could reach 248 bcm/year, both as LNG and through pipelines.' Interestingly, this amount is similar to the upper production limit that Qatar has set itself under a moratorium on new North Field projects imposed in April 2005.

Wayside |

Kasei Zadeh is now head of NIGEC and so directly responsible for developing Iran's gas exports. But half a decade on, few of Iran's trumpeted ambitions have made much progress. While ten phases of the South Pars gas field are now operational, all are allocated to supplying Iran's own gas needs.

Of the four LNG projects that Javadi mentioned at the 2004 conference, one, a joint venture involving BP and India's Reliance, quickly fell by the wayside. The three still being pursued are: Pars LNG, a joint venture involving the National Iranian Oil Company (NIOC), Total and Malaysia's Petronas; Persian LNG, involving Shell, Repsol and NIOC; and a project called Iran LNG involving just Iranian companies, though Austria's OMV may participate and take some of the output.

Wrangles over costs and prices, along with political issues, have bedevilled the two projects with foreign partners. Neither has yet reached final investment decision (FID) or begun construction. Frustrated at the lack of progress, Iran has been cajoling and threatening the foreign partners. In June NIOC announced it

had reached a preliminary agreement with China's CNPC for the upstream development of South Pars phase 11, the phase that was to have supplied Pars LNG. NIOC's managing director Seifollah Jashnsaz said Total still had the option of negotiating to participate in the downstream liquefaction part of the project.

Shortly afterwards, Iran's petroleum minister Gholamhossein Nozari said that Shell and Repsol had submitted a new proposal for the development of South Pars phases 13 and 14, which are to supply gas for Persian LNG. However, no details were released and the foreign partners have declined to comment.

Work has begun on upstream development of South Pars phase 12, which is to supply gas for Iran LNG, but it is hard to see how Iran will be able to get its hands on LNG technology while sanctions are in place. The companies involved in the project have no experience of LNG, a technology that even experienced companies often struggle with. And most of the complex equipment used in liquefaction plant is manufactured by US companies.

Several other LNG projects have been proposed but all are in the very early stages of development.

Of the major pipelines Iran is pursuing, the Iran-Pakistan-India pipeline has been under negotiation for years but without finalisation and India now seems to have dropped out of the project.

Nabucco, if it goes ahead, seems likely to do so without Iran. The US continues to strongly oppose any participation by Iran until Tehran changes its policies.

The only pipeline project to have made significant progress is one to pipe gas from the offshore Salman field to the United Arab Emirates. However, despite all the infrastructure now being in place, several years later than contracted, wrangles over gas price have led Iran to threaten that the gas will instead be supplied to the domestic market. The customer for the gas, Crescent Petroleum, now intends to take the matter to international arbitration. ■

Regional superpower

Iran has ambitious plans for gas export



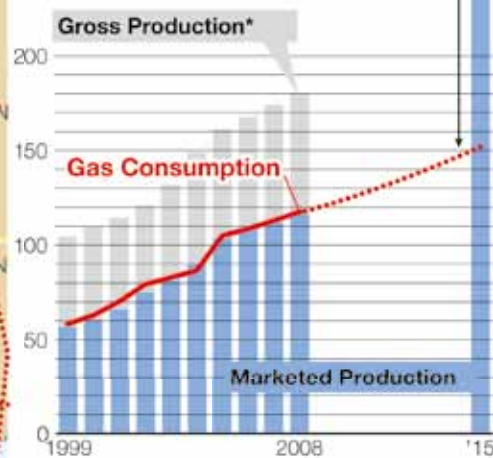
Potential riches...

Proven reserves natural gas in Bcm

Russia	44,650
Iran	26,850
Qatar	25,630
Saudi Arabia	7,167
United Arab Emirates (UAE)	6,071
United States	5,977
Nigeria	5,210
Venezuela	4,708

...as yet unfulfilled

Production of natural gas insufficient for domestic consumption, in Bcm/y



*Losses include flaring, re-injection, shrinkage X&Y Graphics