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Leading suppliers of Petroleum products
A well-known member of OPEX
(Iranian Oil ,Gas & Petrochemical products Exporters' Union)
.Swap & Transit
• Possessing special certificate of export from the Headquarters of Struggling against commodity Smuggling
Export Fields:
Fuel Oil, Base Oil, Bitumen
Petrochemicals
Hydrocarbure
Condensate
Import Fields:
Refinery & Oil-well equipments

Northern Corridor Company

N. C. C.

Northern Corridor Company (NCC) with registered number 255858 presently is active in international trading and transiting of OIL PRODUCTS to Middle East such as Gas Oil, Gasoline, Fuel oil, Naphtha, LPG, LAB, HAB, RAFFINATE, N.PARAFFIN, Heavy End, Light End, Urea 46% and Bitumen 60/70 &85/100 and etc….

I would like to take this opportunity to introduce our company which is active in field of chemical and petrochemical products especially in Importing, Exporting of Polymer products to Middle East, China, India, Turkey and CIS countries. The main focusing target markets are China, India and Turkey and in our long term plan we are expanding our business to Europe and South Africa.

Sister's companies:
1-GOLDEN OPPORTUNITY INT'L CO.LTD (BVI)
2- OCEAN INTERNATIONAL PETROCHEMICAL CO.LTD (DOMINICA)
3- TRINITY PETROLEUM CO.(S.A)(Liechtenstein)
4-PETWELL COMPANY (ERBIL)
5-ENTISOL(Pty) Ltd. (South Africa)

Scope of Work:
1- Active in international trading and transiting of OIL PRODUCTS from CIS Countries especially Turkmenistan to Afghanistan, by vessel, Truck as well as wagon rail (RTC) method
2- Supplying Gas oil from CIS Countries and transiting through the Middle East.
3- Purchasing Naphtha and Condensate from North of Kurdistan / Iraq to deliver Petrochemical Company in region.
4- Supplying and transporting of oil products from Iran andexport to Persian Gulf Countries.

Approved Prospective project in future program:
1- Selling Gasoline and Gas oil to Iraq ,purchasing Naphtha produced from Kurdistan/ Iraq Refinery , transporting and delivering to Petrochemical Company in region.
2- Purchasing Oil Products from South of Iraq, loading and transporting to European Countries especially Italy and Switzerland.
3- Marketing and studding of exporting LPG for European End User as well as Pakistan, India, Turkey
4- Investing and supplying facilities in order to build refinery in Kurdistan / Iraq to remove Sulphur (de Sulphurization) from Oil Products such as Gas oil and Naphtha.
5- Purchasing Oil Products from Arabian Countries in the Persian Gulf to African Countries destination especially south Africa.
6- Our sister company, Ocean International Petrochemical Co concentrating on exporting of Polymer products produced by Petrochemical units in Iran, such asPVC, HDPE, LDPE,CAUSTIC SODA & UREA 46%.
7- Planning to get some percentage of market segmentation in Turkey, China, Pakistan and India .

Objective:
The main objectives of NCC are as below:
Making the efficient Economical relationships and presenting extensive satisfactory services and mutual consent in relation with business counterparts such as a legal person/ company active in international trade of petroleum products in region .

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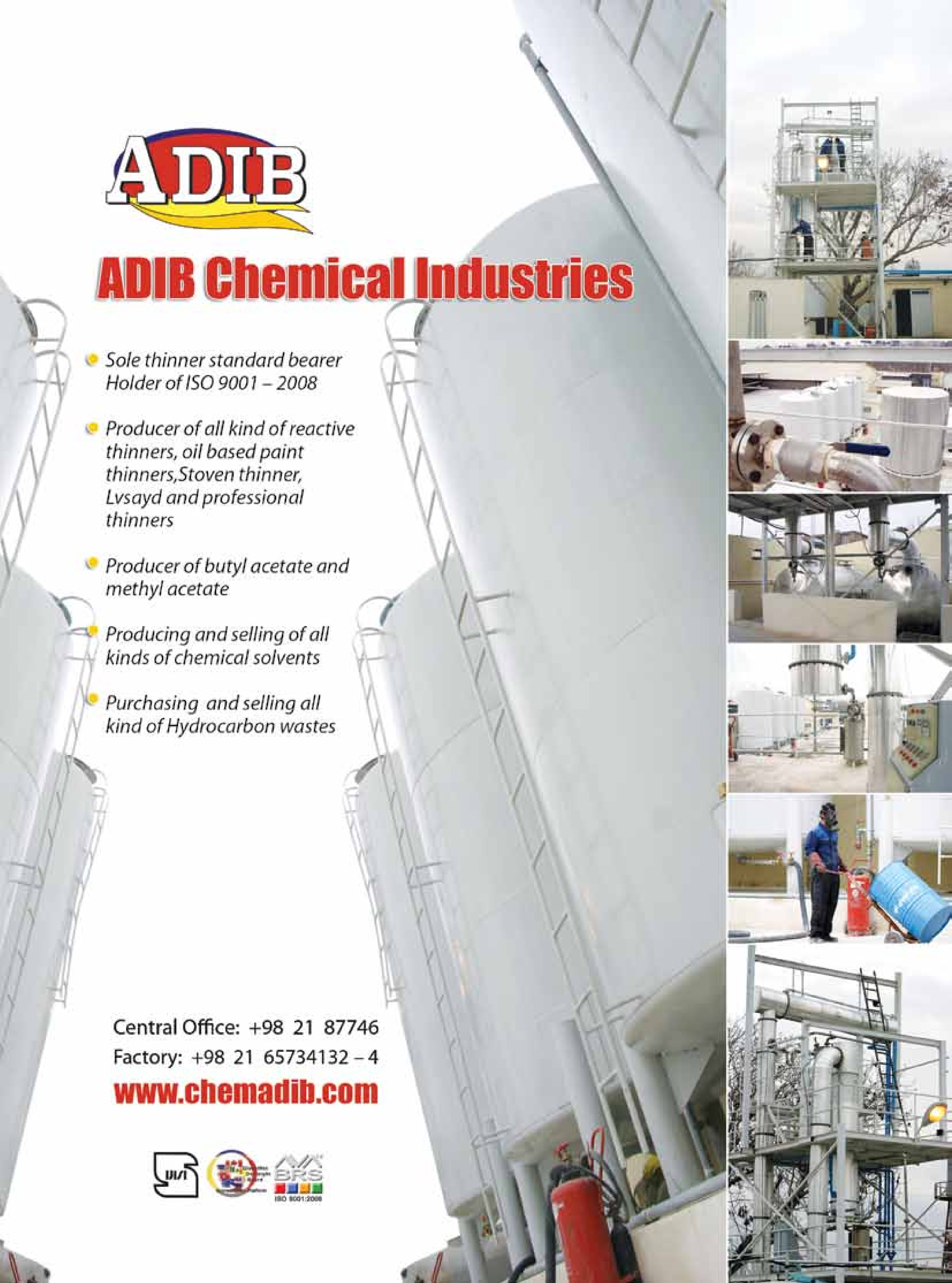
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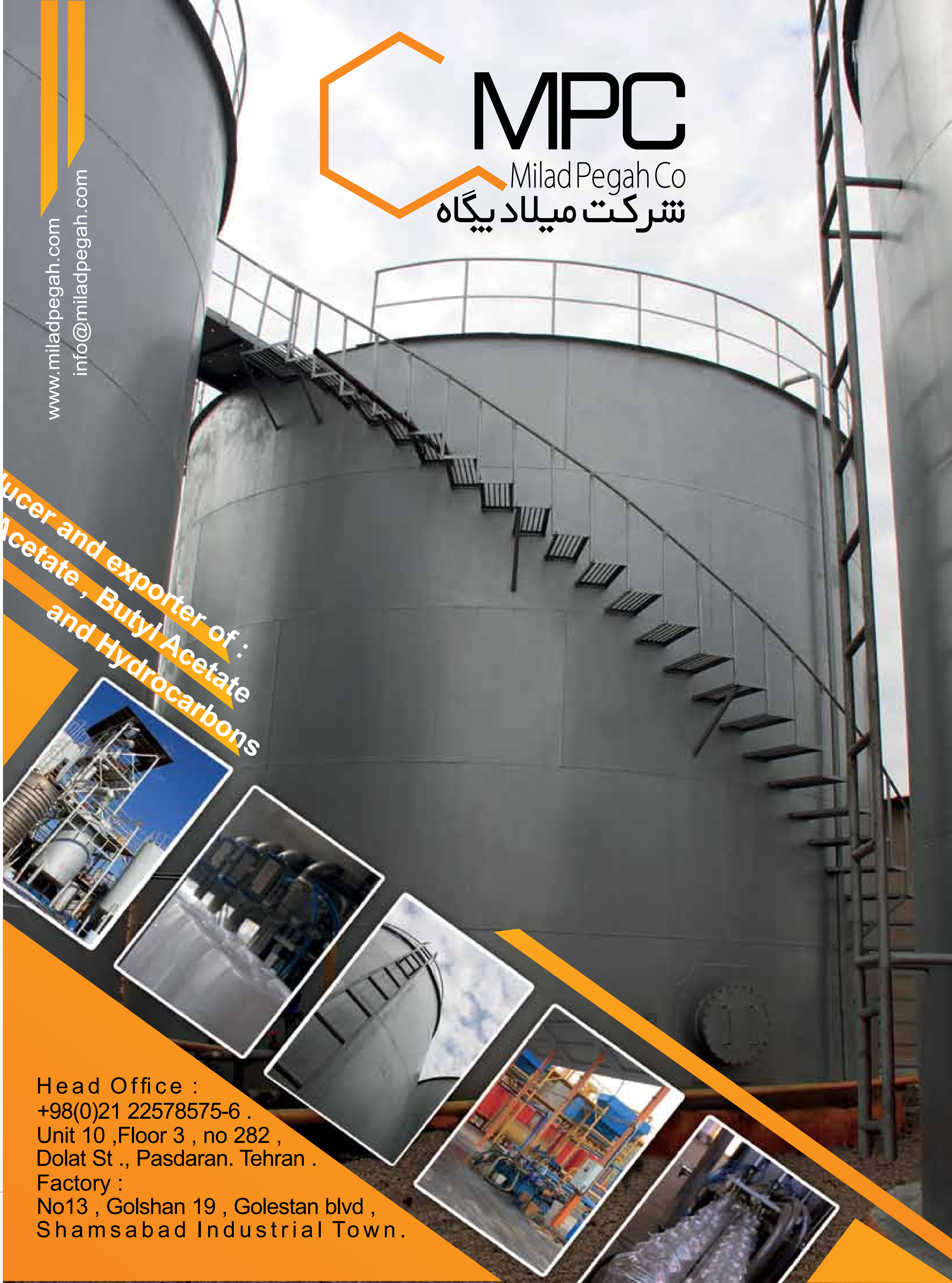
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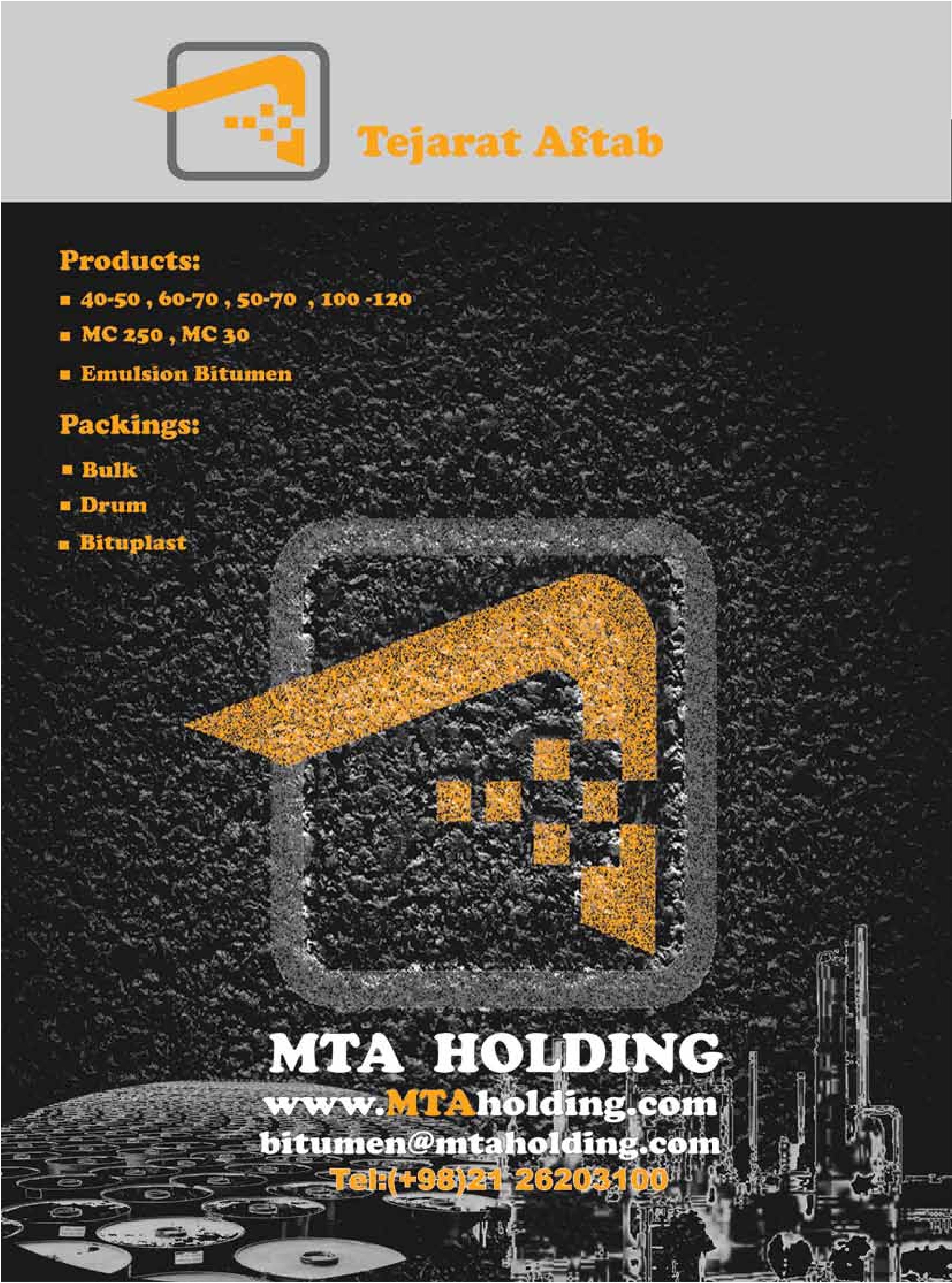
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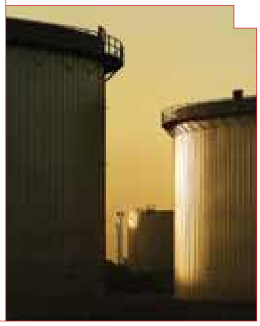
8th annual Iranian

Oil, Gas & Petrochemical Products Exports Union

Iran to start gas exports to Iraq by July 2014

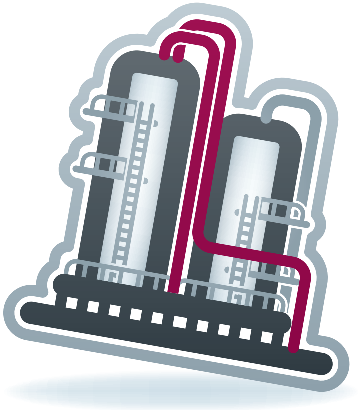
OPEC ministers see no 2014 oil glut amid signs of demand growth

Lack of concentration in private sector's purposes is the major problem in Iran



Low price of gas feedstock and the export of raw petrochemical

ENERGY WORLD
MAGAZINE



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U.A.E targeting to prudect 3.5 million Crude oil barrels by 2017

Making small refineries should be taken seriously

The private sector can be present in energy areas as a participant

Hamid Reza Fooladgar *

Using the power of the private sector to invest in oil and gas in the constitution is predicted to be related to fields of mining and exploratory regions and oil and gas resources of the governance areas and corresponding to that. However, the private sector can be present in those areas as a participant, while it can be present in the lower fields as an owner, that is to say that it can enter discussions of transferences, or establish private refineries with no contradictions with the law.

As a matter of fact, the private sector can participate in all oil fields including the upper fields that are governance as a participant, conserving the government's ownership, and in lower fields as an owner.

However, we believe that based on this series of regulations, the activity of the private sector is yet insufficient in the field of oil and gas. The problem is that we lack a powerful private sector, or that it has never been improved in the previous years, or was stopped from coming forward by obstacles.

Unfortunately, a set of hassling bureaucracies and regulations have led to absence of investors in the private sectors since these regulations are difficult and fail to provide the required facilities.

We believe that the environment of business must be enhanced and hassles eliminated. Moreover, the private sector must be helped to improve whether in the oil and gas fields or other areas since our country's development lies in the hands of large industries such as oil and gas.

Since governments have always been authoritarian in our country, the private sector was rarely let into the arena to make large investments due to shortage of facilities and credit.

We are to lay the groundwork for more activity in the private sector either by foreign exchange facilities or banking facilities, which would lead up to a healthy environment of business.

We surely need investments in the private sectors of oil and gas, and the private sector must become less sedentary since we have provided the possibility even in the investments of oil and gas docks. Although the main docks do not enjoy the chance of investment, they can contribute by outsourcing and delegating management.

The matter of export was one of our reservations. Fortunately, proper facilities have been provided by the law for export of oil and gas throughout the recent years. For instance, the export of such products does not undergo taxes. Although, there were issues created by sanctions, the private sector was not affected, and the ones that were affected did not go through.

Our relative advantage is if funds to toward investments in areas of oil and gas, and if we try not to invest in crude oil sales, but in value added, completing the value chain.

At the moment, most of our revenues from crude oil sale are happening in oil and gas which must be reversed. That means, our revenues must come from lower industries and the added value must go to petro chemistries.

The matter of avoiding crude oil sale requires the implementation of overall policies of principle 44 of the constitution and other laws, the execution of which is sadly unsatisfactory in the mentioned fields ■

*** The head of the special commission of supporting and monitoring the overall policies of principle 44 of the constitution**

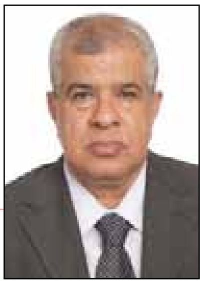
How can Iran be the secure center of energy in Middle East?

Seyed Behzad Akhlaghi*

Today, energy is an influential issue in global economy and hence comes the immense importance of production and consumption centers and also energy transit routes. Therefore the security of energy supply, demand and transportation in an international level has great significance and countries that have energy reserves or proper energy transit routes possess a potentially influential regional and international power. Realizing this power requires the proper exertion of country's facilities and policies. Meanwhile, however Iran is the world's second possessor of oil and natural gas reserves and has particularly proper energy transit routes, including the Strait of Hormuz, but improper utilization of present opportunities, technological inability in exploiting energy reserves and lack of adequate capital might lead to gradual deterioration of Iran's privileged position in energy supply and transportation security. Here, political tensions also play a significant role that must not be overlooked. Disputes about use of military force or Iran blocking the Strait of Hormuz, all caused a considerable decline in energy security factor, and consequently energy clients of Middle East became suspicious in their transactions in the region. But the situation entered a new phase, with the establishment of Iran's new government and success in negotiations with P5+1 group since the summer of 2013, that could be named the new season of global energy transaction. Contrary to past phase, this new era follows regulations that would offer more secure, but not necessarily less expensive, energy to the global market. Meanwhile, global economy is recovering and this would lead to an improvement in global energy demand. According to statistics by 2035 the world would consume %44 more energy than 2007, that is to say a demand for 4.4 trillion cubic meters more gas and this means there will be a great growth in global demand for energy that would prompt the increasing role of Iran in world energy supply market. As mentioned before since the establishment of new government in Iran there were speculations about Tehran playing a more important role in global energy markets. Considering Iran's vast terrestrial and maritime borders, security was an influential factor affecting the export basket status of Islamic Republic of Iran in recent years, to the extent that much of the security risks, given the geographical situation of Iran, are not alterable but just reducible. What here is of great importance is Tehran's strategy for their nuclear program that would make Iran able to perform a more active role in global energy market. In this way Tehran would be able to prepare a major part of its hydrocarbons productions to enter the global market, and this has an undisputable relation with energy security. Also, ensuring this security demands political stability in Iran's neighbors including Iraq, Turkey, Afghanistan, and Pakistan more than others. Concerns about terrorism expanding to Iran's western borders neighboring Iraq and eastern borders with Pakistan have had a devastating impact on the export of hydrocarbons productions, thus Iran needs secure borders and stable neighbors if they want to expand hydrocarbons sale in order to supply the progression of their nuclear program for generating electricity and domestic energy needs. Achieving energy security has been a vital and controversial issue for Iranians for so long, an issue that faced fluctuations and different orientations in different periods that sometimes followed same goals. However, since 1945 and the end of the Second World War Iran and US interests in the Persian Gulf fell in a historical conflict. Washington has never concealed its interest in controlling this region's energy supplies, and this is the principal point of opposition between Iran and US interests, and thus many of the conflicts in the region can be taken account of referring to this fact. Making a stable region free of tensions is the undeniable aim of Tehran. Iranians need the region without tensions in order to sell more and secure their hydrocarbons export, thus agreements of the November and negotiations of the December of 2013 suggests that Iran is preparing to enter a market without fluctuation. Such planning is clearly discernible in Islamic Republic of Iran's foreign policy; easing the tensions with neighbors, especially Arabs, in order to reduce security costs for trading is among the goals that is being followed seriously by Iran's new government foreign policy apparatus ■

*Chief Clerk

Iran to start gas exports to Iraq by July 2014



Asri Mousa
Independent Oil & Gas Advisor , Former Minister's Advisor, Ministry of Oil , Iraq

Iran expects to begin exporting gas to neighbouring Iraq by July next year, with initial volumes at 7 million cubic metres per day, a senior Iranian energy official said on Saturday.

Iraq's electricity ministry said earlier this year it had signed an agreement to import natural gas from Iran through a new 220 kilometre pipeline to feed three power plants in Baghdad and Diyala provinces.

"Gas exports to Baghdad will begin next July, with an initial capacity of 7 million cubic metres (per day)," the head of Iran's national gas export company Ali Reza Kameli .

Under the contract, which has a duration of 10 years, Iranian gas exports to Iraq will rise to 25 million cubic metres (mcm) per day by 2015 and ultimately 40 mcm/day.

Iraqi officials including Prime Minister Nouri al-Maliki visited Iran this week and discussed strengthening ties, particularly economic.

Almost 10 years after the US-led invasion that toppled Saddam Hussein, investment is needed in most of Iraq's industries, not least power generation, which produces just 8,800 MW of the 14,000 MW needed.

Kameli said the two countries were also preparing to finalise a contract in the coming weeks for Iran to export another 50 mcm/day of gas to Iraq's southern city of Basra.

The plans will depend in part on Iran's multi-phased development of the vast South Pars gas field, which has been set back by a withdrawal of international energy companies and technology suppliers due to Western trade sanctions.

On Saturday, Iranian Oil Minister Bijan Zanganeh said he hoped most of phases 12, 15 and 18 would be complete by the end of the Iranian year in March 2015.

"The management of this project is moving in the right direction.

Zanganeh as saying. "There is a lag in digging operations in some of the phases, but we are trying to conclude these phases under the current programme."

Although Iranian gas production has risen significantly, its domestic demand has almost doubled from 79 billion cubic metres (bcm) in 2002 to 156 bcm in 2012, gobbling fuel faster than it has been able to pump it out.

The last status of 8 oil superpowers' return to Iran

Muhammad ali Zaman Khani

Eight great oil giants must go through different ways to return to Iran's oil industry. Among them Shell, Enni, Statoil, Petrobras would easily return to Iran's oil industry. On the other hand, Total, Gazprom and Chinese companies have a long way to reach Iran's oil.

Today, the most important policy on the table for Oil Ministry is based on the return of great oil and gas companies to Iran's oil industry. Therefore, Bijan Namdar Zangeneh issued the correction of buyback contracts in his very early days of his profession, Mehr News Agency reported.

Therefore, Oil Ministry intends to increase the quality of development contracts in upstream products. At the same time it plans to achieve "win-win" agreements between National Iranian Oil Company and oil and gas giants, while taking national interests into consideration.

During the last two decades till the present moment and before increasing international sanctions against Iran's Oil and Gas Industry and particularly the development plan for the common phases in Southern Pars, National Iranian Oil Company signed some contracts in petroleum industry with companies such as Total, Shell, Statoil, Enni, Petrobras, Reposol, Gazprom, Lukoil, Petronas, Inpex.

While international restraints increased and great European oil and gas companies exited from Iran's oil industry, Chinese companies including CNPC, Sinopec, Kasel signed some contracts with Iran's oil industry. But they were gradually eliminated from oil projects, due to their postponement in performing the projects.

sWhen The government of prudence and hope started its work, several issues were placed at the top of the new administration's agenda. These activities were based on the energy issues with different European and even American countries to revive diplomacy. Simultaneously, the Oil Ministry started its diplomatic consultations with European countries as the second ministry of foreign issues.

The Oil Ministry announced some negotiations with some European and American companies, while accentuating on the issue that there is no limitation and barrier to cooperate with European and American oil companies and "win-win" participation.

Mohsen Qamsari, the National Iranian Oil Company's CEO in international affairs recently mentioned the tendency of great oil companies to return to Iran's oil industry and continued "representatives of great oil companies had negations with National Iranian Oil Company during the last decades."

He also mentioned the foreign companies trying to reduce the sanctions and return to Iran's oil industry.

Shell, Iran's biggest debtor

The project of developing oil fields of Soroush and Norouz was the most important project to expand the relations with Shell Company, happened in the reform administration.

Before the UN increasing sanctions, Shell was one of the buyers of Iran's crude oil exports, so that it purchased 150-200 barrels per day. While sanctions increased, Shell stopped to purchase Iran's oil and made a debt of 8 million barrels(2 billion dollars).

This multinational company tried to return the debts after the sanctions including bank limitations and swift network increased. The company also had some consultations with the US and the UN to pay its debts.

Recently, a committee was formed to get Iran's money from different purchasing companies. Among which there had been some negotiations and correspondences with Shell's official to get oil debts.

Shell Company does not have specific problem to return to Iran's oil industry. Considering the high quality of the development project including Soroush and Norouz and paying Shell's debt to Iran, It can sign great contracts with Iran's National Oil company.

numerous troubles of Total to return to Iran

Christophe de Margerie, Chairman and Chief Executive Officer of Total mentioned that if Iran's oil sanctions removed, he is ready to return to gas and oil industry of Iran. "there are some limitations currently, but we expect to remove them as soon as possible," he added.

Total's CEO who took part in some phases of Southern Pars and the oil fields development told that Total company wants to be Iran's partner in the long run.

Therefore, Total has a difficult way to return to Iran's oil industry. Based on the French Foreign Minister' speech in Geneva negotiations, Total's return to Iran is more difficult than previously.

Meanwhile, there were some criticisms on the Total's performances in regard to studies on reservoirs and geology of the Southern Pars. The chairman of Iran's Gas Association, Mansour Daftarian talked about an act which was prepared for complaining the Total and will be delivered to the related officials soon.

"it's been 10 years that Iran has nothing from the biggest gas layers, since the Total's plan for benefiting the layer was not complete," he told, noting four gas layers in Southern Pars.

He also told that "a big trick is underway" and mentioned that he is sure about the Total's behavior.

Many of the legal experts and contractors mention the weakness of Iran's contracts in Total's reaction in Southern Pars.

On the other hand, Total's cooperation with Iran's National Oil Company in development project of the 11th phase of Southern Pars never reached its implementation level, since there has been so much pressure from Paris state, while the two countries signed some contracts.

However, Total's corruption profile for signing Iran's oil contracts is still an issue in the parliament's commission and supervising systems.

Italian Enni, the true Iran's oil partner

Despite Total, Enni has a simple way to return to Iran's gas and oil industry, so that its profile to develop the first and second phases of Darkhovin oilfield is quite favorable and will have the least technical difficulties.

Despite the sanction of 28 countries against Iran, still continues to purchase crude oil. The company is an exception even if in the US and UN oil sanctions against Iran.

Before increasing international sanctions the company intended to cooperate in the third phase of Darkhovin oilfield as well as the development project of the 19th phase in Southern Pars. It is noteworthy to say that the primary agreements were done for starting cooperation.

Red carpet for Norway's Statoil Hydro

Statoil Hydro had also high level relations with Iran's oil industry even after the sanctions. The company has still continued to import Iran's liquid gas and other liquid oil products due to the development project of 6 to 8 phases in Southern Pars and also for bilateral contracts of the two projects, Mehr News Agency reported.

before the sanctions the Norway company had a considerable performance in developing three common gas fields in Southern Pars, discovering Anaran oil block, and particularly in Azar oil field as well as discovering plan for Khorram Abad block.

The only negative point about the company is offering bribe to governmental officials to sign a gas and oil contract with Iran.

The company had sincere policies in implementing different plans in Iran's oil industry, so that for wasting time paid billion dollars as compensation.

It has also some beneficial steps including the construction of a stadium and providing treatment services in remote villages.

Brazilian bitter experience in return to Iran

The most important common project between Iran and Petrobras was to discover new hydrocarbon reservoirs in discovering blocks of Iran,

located in Persian Gulf.

Although the Brazilian company announced economic discovering of oil through digging two wells n Persian Gulf, but the discovering officials in Iran's National Oil Company told: "discovered oil in Taftan field, located in Persian Gulf is not economic."

While the disputes between Iran and the company increased, this Brazilian company was the first foreign oil company which closed its central office in Tehran.

Jorge Luiz Zelada, Petrobras international CEO told "discoveries made in Iran were not economic and therefore the company returned the discovering privileges to Iran," mentioning the end of its discovering mission.

Taftan Block in Persian Gulf cost almost 100 million dollars for the Brazilian company to dig two wells in 2003. While Iran started a new negotiations with the company for more discovering activities in Caspian Sea, the plan was finished without any result, due to the sanctions.

Unreliable partner for oil industry

Although Gazprom played an important role for Iran's oil and gas industry and used pipelines in development plan of the second and third phase of the southern Pars, it was not a reliable partner during the international sanctions.

In the 10th administration and due to the several postponing made by Gazprom Company, the National Iranian Oil Company stopped its cooperation with the company. Stopping the cooperation was not an immediate act, but also occurred after several Ultimatum and postponement.

Also, the Russian Company was not committed to the contracts and agreements signed with Iran and its National Oil company. In case the sanction are removed completely, this Russian Company has a difficult way to return to Iran's oil industry.

Although, Russian administration criticized the sanctions against Iran, the Russian oil companies including Gazprom, Lukoil and OilTat had no acceptable background in their s cooperation with Iran's National Oil Company.

Also Lukoil gave up more cooperation with Iran's oil industry after the discovering of oil and gas block in Anaran, Ilam province and did not have any participation in development project of Azar and Changuleh fields. Also Tatneft company had no acceptable background in participation with Iran's National Oil Company.

After several fluctuations in Russian oil companies, now it is time for Zarubezhneft to participate in a development plan of a gas field near Asaluyeh.

Zarubezhneft had a proposal for Iran to develop the recent-discovered gas field, Khayyam. However, there has not been any agreement on how to develop the project. It is been expected that the representative of this Russian Company soon be established in Tehran.

Wasting time was the only consequence of Chinese for Iran's oil development

While big oil companies exited from Iran's oil industry and 40 billion dollar putting aside as well as signing contracts with Chinese companies Iran has been left with multi billion dollars loss in the development plan for oil and gas industry, Mehr News Agency reported.

During the last decade till the present moment Chinese companies including CNPC, Sinopec signed some contracts for development plan with Iraq, Qatar. The plan includes the Northern Azadegan, Southern Azadegan, Yadavaran, phase 11 of the Southern Pars, second phase of the development plan for Iran's factory of LNG and the Northern Pars development plan.

In each field, the Chinese company either has not started the project, or postponed it. The failure in the common fields of oil and gas with Qatar and Iraq is the result. These processes are not compatible with the government policy which is based on the acceleration of hydrocarbon development.

the postponements in phase 11 development and development of Northern Pars gas field encountered the Chinese companies with the command of firing from Iran's National Oil Industry.

6 years after signing the development contract of Yadavaran field as one of the biggest oil field common for Iran and Iraq, oil production has not been completed yet. Chinese behavior is the target for sharp criticism of Iran's National Oil Company.

Undoubtedly, the biggest gas contract ever signed with Chinese companies occurred in Independent Northern Pars field with almost 16 billion dollars value. Now, 5 years passed and equipping the workshop never has been started. These postponement were due to excuses including the uncertainty in selling rate of natural gas.

Meanwhile, the biggest part of the contract were assigned to CNPCI Company and after 4 years, the executive operations for the first phase has not been started yet.

Chinese companies has nothing except wasting time for Iran's oil industry in the second phase development of Iran LNG, completing the discovering contract of Garmsar, development in some part of the Resalat oil filed in Persian Gulf, Construction of drilling towers, Financing of refinery and petrochemical projects ■

India's Iran oil imports far below levels last year

Sadaf Samimi

Lifting sanctions as a great opportunity for oil industry reconstruction.Gas and petroleum industry in Iran faced several challenges from the very early days of its establishment. Currently, sanctions are the most significant challenges which they handled with. Today, lifting sanctions and P5+1 agreement in Geneva summit is the focus of current discussions. In this regard, Energy World had an interview with an oil expert and university professor Alireza Soltani.

- Regarding the recent P5+1 agreement, what is the influence of a little change in oil sanctions on Iran's economy?

The Iranian negotiating team opened a new horizon for Iran's gas and oil industry with the advantages taken. Firstly, we must have a glance at these scores. The advantages gained in the agreement are divided into two parts: general and specific consequences. The general consequences includes a new atmosphere in the country's macro economy. These achievements might be fulfilled only if a wise management can benefit from the atmosphere in favor of the country's economy, particularly in oil and gas industry as the most important resources in the country. The specific consequences of lifting sanctions must be examined in psychological issues. The reason is that untruthfulness, disappointment prevailed the domestic and international aspects of the economy.

- What is the most obvious advantage that Iran's gas and oil industry can gain from a new space in economic issues?

Due to Iran's type of economy, Iran's oil and gas industry is the most significant section that can use this new atmosphere because Iran is famous in the world due to it's oil. Iran is able to have a suitable status in international economic field as a consequence of lifting sanctions. The most important point is that Iran and oil industry must not reexperience sanctions. As all people know, the US senate had another sanction against Iran in its agenda implying no right for Iran to sell its oil. In case that this sanction performed, the oil industry would be practically paralyzed.

- Lifting a little amount of sanctions is mentioned in the agreement. Therefore, how should we believe The safe economic atmosphere and expect a better economic status in the long run?

The economic sanctions of the West include a very strong structure and foundation, so that they are called smart sanctions. The US and the West along with the Security Council's sanctions and using electronic tools, electronic commerce and new technologies made strict sanctions against Iran and at the same time had seriously supervised the sanctions. Since they had great executive power, their sanctions had great influence on Iran. Currently, as a result of the agreement, the foundations of the sanctions diluted. Since the foundation is not strong as it was previously, one might hope its complete destruction in the future. Therefore, if Iranian economists and those involved in sanctions-led losses take the necessary actions, the sanctions would be eliminated in the long run.

- What do you mean by moving in the current gap? how is Iran able to remove the remaining sanctions?

If we have an efficient economic team with a proper planning in the current management system, the same factors leading to sanctions can result in lifting sanctions. What the president say based on "the point that sanctions are decreasing, now it is time for economic activists to come to the scene" was a true and to the point word. The sentence means the weakening conditions of sanctions.

-What are the effects of sanctions on oil and gas industry?

During the recent years and as a result of economic sanctions, most of the oil and gas resources exited the benefiting and we were faced with withdrawal of foreign investment and lack of liquidity. Consequently, Iran has lost its status in competitive field. Particularly in the part mentioning that no country has the right to purchase Iran's oil. We thought we could continue alone without selling our oil and we can use it to develop our industries. Currently, we can compensate the loss through the new created atmosphere.

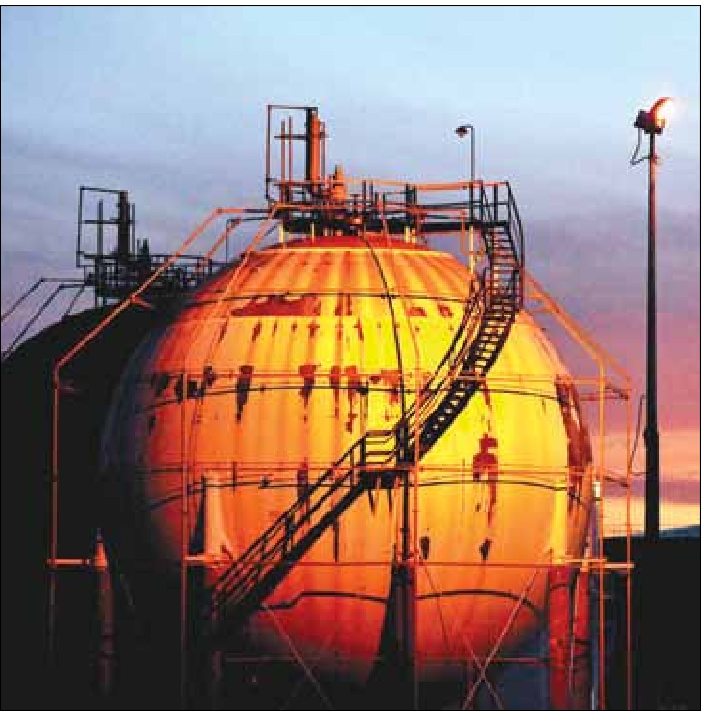
-What are the direct actions of Iran's oil and gas industry to develop its activities more than before?

Unfortunately, this industry is the most important part of our economy for which other industries are dependent on its activities and income. Interestingly, this industry can benefit more from the current conditions. After presidential election, there were some talks based on European oil and gas companies. It seems that they started the initial dialogues. Undoubtedly, the result is dependant on Iran's diplomatic negations with P5+1. The fact is that the nuclear agreement broke the blockage in oil and gas field.

From then, it is expected that they return to Iran market more comfortably. Therefore, the very first step of the industry must be paving the ground for European participatory companies. The next step is related to one of the issues in the agreement. Although, in the agreement it is mentioned that Iran oil is not purchasing more than before, the experts are aware of the fact that there might be a lot of ways to sell more amount of oil. In the recent discussion we were not allowed to sell more than 700 to 800 barrels, but we had 400 to 500 barrels official selling. Those who purchased Iran oil cautiously can buy it without any fear of international punishment.

- What is the best way and field to use oil revenue?

It is crystal clear the oil industry faces a lot of difficulties. It has no money to invest and needs almost over 150 billion dollars to return to its primary condition. The said amount needs cooperation with financial companies as well as international organizations. Sanctions worsened the condition. The very few resources in the past are lost as result of sanctions. Now that there are some space for development, we must be aware that the oil revenue must be injected to the industry to become activated. The more withdrawal we have, the more lose our status in international ranking.



-Does the sale of petrochemical products and metals or release of blocked property has any effect on this industry?

Yes, because during the sanctions, petrochemical was faced with a lot of difficulties. Therefore, with the recent agreement, it is expected that we have almost 6 billion dollars of exports in these products. On the other hand, we would have 1.5 billion dollars for exporting precious metals for which the income might return to the oil industry. More important is the favorable amount of freed oil. Although the revenue is not high in amount, it would be useful to compensate some parts of last failures.

Currently, does activation of the private sector can help the oil industry to develop?

During sanctions people believed that because the government has no money, the private sector must take some action and fill the empty places. The point is that, currently the private sector in its current process cant help the condition. Private companies are private only in their names and due to the lack of investment and as a result of financial problems are greatly dependant on the government. This is one of our management weaknesses that after many years we are not still able to have powerful private agency. In case we had some private companies, we were not under so much pressure during the sanctions. Although we had the subject of privatization recently and as a result we had some apparently private companies , the truth is that they were more like oil brokers in regard to technology, investment and management. The same brokers imposed several difficulties on gas and oil industry.

-How do you evaluate the arrival of the foreign private sector in Iran?

Iran is at the second rank in regard to gas reservoirs and also is the third rank in global oil reservoirs. Several oil and gas companies want Iran to be present in the field. We must pave the way for their arrival to Iran's oil industry. At the same time we must be aware that the presence of Chinese and Indian oil companies which are themselves dependant on the other powers of the world could not have positive influence on our industry. If the unsecure atmosphere resulting from the sanctions would be controlled, undoubtedly several successful companies wish to cooperate with Iran ■


CIFIC BATTLER

IEA's Birol:

Surprised if Iranian Oil Exports Rebounded Soon

Kjetil Malkenes Hovland

International Energy Agency chief economist Fatih Birol said Monday that he would be surprised if Iranian oil exports returned to pre-crisis levels soon, following the political accord Sunday on Iran's nuclear program."We may see currently some downwards pressure on the prices, but we're still not there to comment on a structural impact on the markets, because the agreement is not yet clear about the future of Iranian oil production," Mr. Birol told The Wall Street Journal on the sidelines of an Oslo oil conference hosted by Statoil ASA (STO).Crude-oil futures were lower Monday on expectations that more oil supply could soon be available to the global oil market. Mr. Birol said he would be surprised to see Iranian oil exports reach pre-crisis levels anytime soon."It was about 2.2 million barrels per day, and I would be surprised to see that it would come back to those levels soon, because the agreement is not in that direction yet. We have to wait for six months," Mr. Birol said.The U.S. and five other world powers struck a historic accord with Iran on Sunday, agreeing to ease part of an economic stranglehold in exchange for steps to cap Tehran's nuclear program and ensure the Islamist government doesn't rush to develop atomic weapons.Iran's oil reserves are among the world's largest, though its exports have dropped off as the U.S. and Europe tightened sanctions. Iran exported 1.5 million barrels a day in 2012, down from 2.5 million barrels a day in 2011, according to the U.S. Energy Information Administration.In general, Mr. Birol did not expect oil prices to fall in the longer run, due to high production costs, growing demand and the need of some exporters to maintain a high price to fuel government spending."reasons. One is the cost of production of oil in many areas, including shale oil in the United States, (which) is about $80 (a barrel). Second, many Middle East countries need about $90 to balance out their budgets. Third, demand will continue to grow very strongly."The International Energy Agency has assumed oil prices at around $100 a barrel in the coming years, Mr. Birol said. He didn't rule out that the oil price could fall briefly to between $50 and $60 a barrel, but "not for a sustained period of time.""If the market expects that there will be more supply, it could affect the price," Statoil Chief Executive Helge Lund told The Wall Street Journal in an interview Monday.Statoil has previously had activity in Iran, but recently exited the country. Mr. Lund said there were both commercial and technical challenges to enhance Iranian exports."I think this will be a result of politics on the global arena, which we are talking about now, what framework conditions the industry can get down there, and competence and infrastructure," Mr. Lund said. "There are commercial aspects that will decide whether oil companies invest there or not ■ "

Oil slips below $110 as investors eye Iran talks

Oil slipped below $110 a barrel on Friday but was on track to end higher for the second week running, with investors awaiting the outcome of talks on Iran's nuclear programme.

Benchmark Brent crude oil saw its biggest jump in almost three weeks on Thursday, fuelled by a surge in U.S. gasoline futures, signs of continued economic strength in the United States and indications that a deal to curb Tehran's nuclear programme could be a long time coming.

"The focus is going to be about Iran and it doesn't seem that everything is going to be done today. It risks slipping into the weekend," Petromatrix analyst Olivier Jakob said.

Brent for January delivery was down 37 cents at $109.71 per barrel at 0843 GMT. U.S. crude was trading 34 cents lower at $95.10 per barrel, after posting its biggest gain in nearly two months on Thursday.

Sanctions on Iran have kept around 1 million barrels per day of oil from the global market and any deal could allow some of that oil to be sold, potentially bringing down prices.

Iran and six major powers made some progress this week towards an interim deal, but negotiators appeared to play down expectations of an imminent breakthrough in the three-day talks that began on Wednesday.

Before the meeting, expectations of a breakthrough had been high after the United States, Russia, China, France, Britain and Germany came close to winning concessions from Iran in the previous round of negotiations two weeks ago.

Adding to pressure on negotiators, U.S. Senate Majority Leader Harry Reid said on Thursday he was committed to moving ahead with a tougher Iran sanctions bill.

Signs of strength in the U.S. economy helped support prices. The number of Americans filing new claims for jobless benefits fell sharply last week and a gauge of factory activity hit an eight-month high in early November.

China's oil demand is expected to rise an average 3.8 percent a year in 2014 and 2015 with demand for transportation fuels being a main factor, a senior researcher at top Asian refiner Sinopec <0386.HK> said.

China has been the engine of global oil demand in the past decade, accounting for almost half of total growth. But demand growth hit a four-year low of 4.5 percent in 2012, and a slowing economy has again weighed on its consumption this year.

China overtook the United States in September as the world's biggest net oil importer, but crude oil imports dropped in October to a 13-month low.

Unrest in Iraq added to uncertainty over supply, with the country suffering its worst wave of violence in at least five years ■

Secretary General of Iran's oil refining industry in talks with the Energy World Magazine

Making small refineries should be taken seriously

Danesh Pourshafiee

Refineries transfer to the private sector, the production of Euro-4 gasoline, refining crude oil and export of petroleum products, quality control of the gasoline consumed in the country, the situation of the country in energy production and gas exports are among the issues discussed with Ali Sadeghi, secretary general of Iran's Oil Refining Industry Association .The young manager spoke about the subjects patiently. Sadeghi emphasized on the point that in Iran there is no such thing as a standard of energy consumption. He also pointed to the fact that an export obligation has to be considered for refineries.

- Now what is the ratio of crude oil production to its refining in the country?

Euro 4 gasoline production in the country has started and If Imam Khomeini refinery in Arak with a daily production capacity of 8 million liters of fuel enters the orbit, approximately, the balance of crude oil sale to refinement with the ratio of 55 to 45 percent (exports to refinement) will change to 60 to 40. This means 60% will enter the refinery and 40% will be exported.

- How much will the VAT rate change?

Certainly, anything that happens to crude oil in domestic refining, one hundred percent of VAT will be caused at each stage. Refinement is one of those profitable activities.

- Why have not already done so?

This is a chain. Transmission of oil products to export ports, storage in ports and transfer and export from ports to other countries are a chain of tasks that must be performed on a regular basis. Such activities and typically in the downstream sector of the oil are done entirely by the private sector in other countries. But in Iran, Iranian National Oil Refining and Distribution Company has been doing these activities for many years as a public trustee. And because there have been no incentives for marketing and market development no appropriate consideration has been given to the development of ports and storage tanks. Today, however, with respect to increasing the capacity of oil production, refineries require export and transport logistics.

-Are refineries still in government or have been granted?

There are two groups of refineries in Iran. Upstream and Midstream. The first group includes refineries in Tehran, Tabriz, Isfahan, Shiraz, Bandar Abbas, Arak, Lavan and up to 2 million barrels of oil go directly into them each day and in distillation columns they will be divided into 8 and 9 sections and then enter the Midstream refineries.

-Which refineries are Midstream?

Pars, Behran, Iranol and Sepahan. These refineries will produce about 140 types of products from the nine major cuts of the refinement.

- Which refineries are private?

We have 14 refineries in the country. The 4 Midstream Refineries are completely private. Refineries in Isfahan, Tabriz and Tehran have also been entirely privatized. Bandar Abbas refinery is 50-50 and Shiraz refinery is being exposed. If this can be accelerated, all the refineries throughout the country, except the 20 percent of the equity shares held by people, will be privatized within the next two years.

- Does the private sector have the ability to run refineries?

The private sector has the ability, but the government still does not have the heart to do it. Although refineries have been privatized and a part of its share has been given to share equity plan, the managing board and the managing director are selected by the National Company of Refining and Distribution of Petroleum Products. The composition and management decisions still have not changed. On the one hand, the business law allows the managing director to expand the activities, because it is a private sector and must be pursuing profit, on the other hand because the management is government- based, it has focused on annual budget and has a passive stance and is not keen to take bold actions.

- The entry of refineries to stock market was highly significant. Shareholders who have purchased the shares of these refineries are happy.

If we analyze the country's refineries based on replacement value, they are still to grow. This means that if now you decide to make a refinery like the one in Tehran, you need to pay about eight thousand dollars based on today's rate. And it is just possible when the situation is just the way that all parts can be easily imported and there is a consortium of good interior and exterior contractors and they make it based on international standards. But when the refinery is supplied in exchange market, it is valued a thousand and five hundred billion dollars. So, it can still grow from 1500 billion dollars to 8000 dollars to reach its true price. Refineries were offered in exchange with lower prices than their intrinsic value and the market is intelligent and can analyze.so they grew well. The government also provided the refineries with good crude oil prices. In total, if refineries make the minimum of 4 to 5 percent interest annually, this figure can go up to thousand billion dollars.

- In the refining base, oil product can be revised, and Iran is so good at producing this product that manufacturers and suppliers of engine oil on the market do not know any rivals for this country. Even foreign oil that is sold in the country is not as good as domestic oil.

The oil generated in the country's oil fields is Paraffinic. Oil is divided into three categories of petroleum aromatic and paraffinic and Naphtynic. The oil produced in the Middle East, particularly in Iraq and Iran, is paraffinic type. This type of oil is appropriate for production of engine oil because of containing fatty acids and also manufacturing paraffin, petroleum jelly and cosmetics. That is why a variety of cosmetics manufactured in the region is based on the paraffin produced in Iran. For this reason 56 years ago the first oil refinery for production of engine oil in Asia was established by a group of foreign companies in Iran. Since then they thought Iran can be the base oil production hub in the region.

Today, in the four refineries of the country one billion liters of motor oil are produced annually from which 500 to 550 million liters are used for the domestic consumption and 400 to 450 million liters are exported. The main part of this export is the well-known oil called foreign engine oil that was imported to Iran from UAE until a few years ago. The base oil was exported from Iran, packaged in the name of famous foreign oils in the United Arabic Emirates, re-exported to Iran and sold to consumers with higher prices. In recent years, however, this process became a bit more complicated due to fluctuations of exchange rate. We believe that even there is doubt in the nature of the motor oils that are sold as foreign ones inside the country.

-Why?

The 500 or 600 million liters of oil that is consumed in the country will be changed into burnt oil after some time. This oil definitely goes to a place. Almost one thousand units in Iran have license for burnt oil refining. These units have a legal duty to expose the burnt oil to market after refining, packaging and inserting the title of "re-refined" on packages. But I have never seen such a phrase on any gallons of motor oil. The 21 workshops and factories that were sealed by the National Iranian Oil Refining Industry Association in cooperation with the police sold double refined oil in the name of foreign brands in market.

- Among the 140 refined products, except for the base oil, which other Iranian product is significant in the region?

Almost all manufacturing that takes place in the region is based on bitumen produced in Iran. Bitumen is one of the good products of Iran's refinery industry that is exported to European and American countries. Bitumen is produced in different forms in 2 monopolized refineries; Jey and Pasargad. The paraffin produced in Iran also is divided into 12 categories based on sulfur and the oil inside it. Despite all the sanctions on Iran, the major consumed paraffin in Europe is exported from Iran and it will change to food paraffin. Most of the packaged foods, especially canned foods, have a layer of paraffin on them to avoid spoilage. This packaging hub is mainly in Italy and Spain. Regarding grease production, from 21 thousand tons of grease produced in the Middle East, 12 thousand tons will be produced in Iran that is 50%. Grease is a hi-tech product and very functional because it shows positive effects against pressure and temperature. The regional market is very hungry for the main products including gasoline, diesel, and gas but we do not observe the balance of production and consumption. We shouldn't consume 70 million liters of petrol daily.

- Is petrol still cheap?

Yes, compared to global prices.

-How?

If this gas is allowed to be exported, I promise that all 70 million liters of consumed gasoline will be exported with the right price in dollar. But the first priority is producing for the domestic market consumption. The condition of the engine oil is the same way. If there is the atmosphere of profit and loss, a great profit can be achieved by consumption management.

- In recent years, following the problems of gasoline imports, petrochemical production line was tried to be changed into gasoline production and the Euro 4 gaso-

line was still supposed to be produced. On the other hand, with law enforcement of Subsidies act fuel prices became partly true and gasoline showed up more than ever in terms of fuel consumption, price and quality. How is the situation of lines of gasoline production and infrastructure in refineries? To what extent can we increase the production of gasoline?

In terms of production capacity and based on duties under the Fifth Development Plan in the oil and gas sector, six refineries were reconstructed and modernized to produce gasoline and Euro-4 gasoline production began. Imam Khomeini refinery in Arak with the daily production capacity of 8 million liters of gasoline will soon start working, gasoline making in Lavan refinery has also entered the orbit. Now the ratio of production to consumption in the country is positive. This means we produce as much as we consume. But the problem is that even if we produce 100 million liters per day, to the same amount of we consume. Petroleum Ministry as part of the government's oil fields should determine a set of rules for the refineries which will enter the global market. For instance, it should force the refineries to export 20 per cent of their products. Given the value of dollar, export is vey precious for the country these days. But because there is no control on the consumption in certain fields, and this unlimited consumption will certainly continue, imposing export duty on refineries will have positive effects. If petrol is exported, a great deal of goods can be imported into the country and we will get rid of the situation that we have today. Crude oil is now exported and the goods are imported while products have While higher value-added. Now we produce 500 million cubic meters of gas and we almost consume it all, nearly one and half times as much as the consumption in Europe. On the other hand, we do not believe in gas storage and storage rate is the same as what is in pipes now. 10 years ago, ifwe had taken gas exports to Europe seriously, considering that it has a lot of customers and they want to have a strong point against Russia, Perhaps today we wouldn't observe such political misbehavior by Europeans. Anyways, they would be dependent on Iranian gas and it is very important in the issue of energy security. Petrol is the same. If the market is dependent on the gasoline of Iran, it will not be eliminated, like Pakistan's LPG tanks which are dependent on Iran. Iran should and is able to make all the energy export markets in the world dependent on itself, as they are eager to use Iranian products.

- The petrol offered in fuel stands includes regular and super gas and Euro 4. Regarding your remarks about Iran's gasoline production capacity as is needed, and even to export gasoline it can be concluded that the gasoline is produced in the quality of international standards. So why are citizens prohibited from using regular gas?

Traditionally we have two kinds of regular and super gasoline. This traditional division is completely wrong, because it should be divided according to petrol Euro 2, Euro 4 and Euro 5 which is the international standard.

- Why did we get to the Euro?

There is a paradox in the selection of high-octane petrol and unleaded petrol. One keeps the environment healthier and the other improves combustion in car engines. It means that people had to choose whether to have a cleaner environment or better car engine combustion, which was a wrong choice.in the world nobody believes in any of the previous classifications but they care about the octane number. In The instruction book of produced vehicles, it is written to use petrol with octane of 85to 90, 90 to 95 or 95 to 100 based on which the class of vehicle production is determined. But EUR 4 gasoline has solved the problem all together. The degree of improved combustion fits the vehicle that fits and it is also compatible with the environment.

- When citizens refer to refueling stations, gas station operators advise them to use Fuel Lubricant or products with the word "Octane" on them for improved combustion. Most of these products are imported. Do they really help with cars improved combustion?

Such products are called "octane booster". These are products that increase gasoline octane number with the base of gasoline and lead to improved combustion engine. If the manufacturer of the octane boosters are well-known, it is a good product because these products are offered everywhere in the world. However, as a manufacturer and an authority in this field, I do not trust such products because I know the international standards and when I compare them, I see that these are not real products. Let me give you an example. A kind of foreign engine oil with a famous brand which fits cars like 206 in Turkey is sold at almost 4 Euros a liter. The price is 16 Euros for 4 liters. If Iran wants to export this product must pay a 40% tariff on imported Iranian customs and it will eventually cost 20 Euros. 3 to 4 Euros for transport costs and distribution costs are added to price and finally we reach to the total number of30 Euros for each 4 liter gallon. Considering that the price of Euro currency is about five thousand dollars, if you buy a gallon of oil to the price of 170 to 180 thousand Tomans, you can be sure that it is original, otherwise it is fake. Therefore, I do not believe that any of these imported products with foreign brands are real.

- How is refinery industry in terms of technical knowledge and modern technology? Does it need to be rebuilt and updated?

There is no technical problem. Iran has more than a half century of experience in refining and the University of the Oil Industry has been training refining engineers for more than 45 years. But there is a time when you try to produce a product, for example petrol Euro 5, that Europe produces and consumes it and you also want to export it to Europe. Iran's refineries can produce such gasoline but they must get approval from a Euro 5 gasoline manufacturer in Europe.

-Do refineries use one hundred percent of their production capacity?

Because crude oil export is restricted and the main portion of oil comes to refineries, we can say that a high capacity is used for refining.

- Is it possible to take the amount of exportable crude oil to refineries? Does this amount of refining capacity exist?

There is not enough refining capacity for all the exportable crude oil and new refineries should be built. It is not reasonable to close the fixed crude oil export markets. But export basket of petroleum products should be defined. So that the crude oil customer is required to purchase other petroleum products with reasonable prices as well. But the fact is that even if all 4 million barrels of crude oil enter the refinery and turn into gasoline, it is all consumed inside the country. This means that there is a fault with the work. That's why I emphasize that refineries should be forced to export at least 20 percent of their productions.

- Are Iran's neighboring countries as good as this country in refining?

Iraq now has four operating refineries but their overall refining capacity is not as high as Isfehan's Oil Refinery. In fact the energy system of the countries in the region is designed based on selling raw products. Although other countries in the region have one to two refineries, they cannot export. But because of the largest consumer market Iran moved from the beginning to the construction of refineries.

- So can Iran be the energy hub in the region?

Definitely. Iran could reach this goal beyond gasoline with natural gas. If we can count gas as equivalent to barrels of oil, aggregate hydrocarbon resources of the country will reach 150 billion barrels. In this case, Iran is the first in the world in terms of hydrocarbon reserves. Iran can affiliate the world with its natural gas.

- Currently, does the country need to build new refineries? And if needed, can we count on foreign investment?

In the current strategy, the country does not seek to build refineries like the ones in Tehran and Tabriz, because now in the world small refineries with a daily capacity of 500 thousand barrels are currently under construction. Existing refineries have a capacity of at least 250 thousand barrels per day.

-So what should be done?

Commensurate with the country's oil fields around the country with the resources of 2 to 3 thousand barrels per day, we can set up small refineries that have modern technology and are also inexpensive. These refineries need an investment of only 20 million dollars. But a mega-project such as the oil refinery at Hormuz, Bandar Abbas demands nearly 4 billion Euros and the private sector cannot afford it.

-Is this type of small refineries built in the country?

Yes. One is in Khorramshahr and the other one is around Tabriz with the capacity of one thousand barrel. The private sector also has the ability to build and deploy these refineries.

- The holders of petrochemical units complained that only 8% of the gas produced in the country is at their disposal, while they can receive up to 30 percent of the produced gas for the production of petrochemical products.

Let's see what number we are talking about. This issue was also posed by the owners of CNG stations. We asked them how much gas they needed. We reached the number of 40 million cubic meters a day. We have daily gas production by 500 million cubic meters. All the gas petrochemical units need does not reach to 80 million cubic meters per day ▪

Gasoline Prices in Europe: Country Rankings

	COUNTRY	PRICE, EURO PER LITER: 95-OCTANE GASOLINE	PRICE, EURO PER LITER: DIESEL FUEL	CHANGES IN PRICES FROM THE START OF THE YEAR, IN PERCENTAGES: 95-OCTANE GASOLINE	CHANGES IN PRICES FROM THE START OF THE YEAR, IN PERCENTAGES: DIESEL FUEL	GASOLINE IN TERMS OF NET AVERAGE WAGE, LITERS
1	Norway	1.86	1.64	6.3	3.1	2,161
2	Italy	1.74	1.67	-1.0	-2.1	962
3	Netherlands	1.71	1.41	-1.3	-2.1	1,539
4	Greece	1.66	1.39	-1.4	-1.6	753
5	Finland	1.65	1.51	2.1	-1.9	1,481
6	Denmark	1.64	1.51	-2.5	3.1	1,643
7	Sweden	1.60	1.61	-4.9	-4.2	1,740
8	Ireland	1.60	1.51	-0.3	-3.0	1,394
9	Germany	1.57	1.43	-1.8	-2.3	1,430
10	United Kingdom	1.56	1.65	-4.0	-4.4	1,774
11	Portugal	1.53	1.37	-3.3	-3.8	669
12	Belgium	1.52	1.37	-3.1	-3.5	1,445
13	France	1.49	1.33	-2.2	-2.4	1,470
14	Slovakia	1.49	1.40	-0.9	-2.6	424
15	Slovenia	1.45	1.38	-2.6	-0.5	664
16	Malta	1.43	1.36	-2.7	-1.4	941
17	Czech Republic	1.43	1.43	5.4	1.8	540
18	Spain	1.41	1.36	0.8	-0.3	1,149
19	Lithuania	1.40	1.35	1.7	1.0	323
20	Hungary	1.38	1.44	-3.6	-1.5	374
21	Austria	1.36	1.35	-3.1	-1.5	1,659
22	Croatia	1.35	1.30	n/a	n/a	n/a
23	Cyprus	1.34	1.41	-0.8	-0.4	n/a
24	Poland	1.32	1.32	0.6	-0.2	444
25	Bulgaria	1.32	1.33	5.4	2.4	215
26	Latvia	1.31	1.29	-3.7	-4.6	376
27	Luxembourg	1.30	1.21	-1.2	-2.7	2,370
28	Estonia	1.26	1.30	-3.3	-4.4	579
29	Romania	1.25	1.32	-2.1	-1.7	283
30	Ukraine	0.99	0.88	-1.1	-2.7	230
31	Russia	0.74	0.72	6.2	1.5	715
32	Belarus	0.73	0.74	14.7	15.0	362
33	Kazakhstan	0.67	0.48	-0.5	-12.9	646
	Average	1.40	1.33	-0.3	-1.3	961
	Brazil	0.94	0.73	2.5	8.3	n/a
	China	0.90	n/a	-4.0	n/a	n/a
	USA	0.72	0.76	1.3	-0.4	3,315
	Kuwait	0.16	0.14	0.0	0.0	n/a

Central Europe is a ready market for U.S. gas

The global economy is still struggling to overcome the effects of the recession sparked by the 2008 financial crisis. But energy — in particular, shale gas exploration — has become one of thestrongest engines for the U.S. economy. U.S. natural gas production has increased by one-fourthin the past five years, according to the Energy Information Administration; it has created600,000 jobs since 2009 and helped drive down gas prices for millions of Americans. Moreover, the United States is now in a position to export gas. This surplus creates opportunities for the United States to again be a geopolitical player in Europe.

While U.S. officials ponder their approach to Syria, the larger Middle East and Central Asia, they need look no farther than Central Europe and the "Visegrád Four" (Hungary, Poland, the Czech Republic and Slovakia) to find some of the United States' most passionate allies. Our countries' commitment to the transatlantic relationship is unwavering. But we remain vulnerable to "energy diplomacy" because of our overwhelming reliance on Russian gas and oil. Nations in Central Europe import 50 to 100 percent of their gas from Russia. In comparison, Western Europe imports only 17 percent.

Our region has done much to modernize its inherited energy-transmission systems, which, until recently, reflected the Soviet era's east-west supply routes. New pipeline connections and other technological improvements make the Central European energy infrastructure more flexible and more secure than it was even four years ago. Yet Gazprom's monopolistic position in supplying most of our countries makes gas prices for millions in our region many times higher than in the United States.

The gas crises of 2006 and 2009 underscored that the Visegrád countries remain more vulnerable to supply disruptions than any other European nations. We have long recognized the importance of reducing dependence on a single source of gas and are eager to achieve real competition. The U.S. natural gas boom raises the prospect of a reliable trade partner for our region.

But as things stand, U.S. regulations make exporting gas cumbersome, unpredictable and strategically counterproductive. U.S. companies seeking to export gas to countries that do not have free-trade agreements with the United States are subject to lengthy bureaucratic procedures. Almost two dozen export license applications are pending; only a few have been granted in the past three years. This regulatory obstacle is the main bottleneck to increased U.S. gas trade with NATO members and Japan.

Energy Secretary Ernest Moniz pledged this summer to make decisions on additional export licenses by the end of the year. Meanwhile, several members of Congress, including Sens. John Barrasso (R-Wyo.) and Lisa Murkowski (R-Alaska) and Reps. Ted Poe (R-Tex.) and Mike Turner (R-Ohio), have taken the lead in recognizing this opportunity and advocate measures that would help to expedite liquefied natural gas exports to U.S. allies.

We believe this creates a win-win situation. Congress, working with the administration, can help U.S. companies gain new business opportunities while also helping the United States and its allies diversify their energy sources. Accelerating the export licensing procedure to allow increased sales to trustworthy, reliable foreign partners should be a policy that politicians on both sides of the aisle can support.

This is a historic moment. The United States has the chance to become a key player in international exports of natural gas. If Washington expands export opportunities, the results would include strengthened domestic production, enhanced global energy security, expanded market opportunities, lower global prices and stronger transatlantic alliances. By making strategic choices, the United States could demonstrate, once again, that it considers the Czech Republic, Hungary, Slovakia and Poland close allies and start a new, even closer, chapter in bilateral relations. ■

Big oil makes better case in dispute over ethanol

Big Oil has squared off against Big Agriculture in the dispute over the federal mandate to mix corn- based ethanol into the nation's fuel supply. Both sides are powerful and self-interested, but Big Oil has the edge in this case for being right.

The ethanol mandate should be cut because it is a misguided policy. It forces the public to use and subsidize a product that is both uneconomical and environmentally destructive, given the land, fuel and fertilizer needed to grow, harvest and transport all the corn.

So it was good news earlier this month when the Environmental Protection Agency for the first time proposed to trim the ethanol mandate.

Congress should go further and revise the law that requires increasing amounts of ethanol in gasoline — a law conceived during the post-Sept. 11 attacks anxiety over the nation's then- growing reliance on Middle Eastern crude oil and before the consequences of mass ethanol production were well understood. Better yet, it should eliminate the law altogether.

The reduction the EPA has proposed is modest: U.S. fuel companies would be allowed to use about 6 percent less ethanol in 2014 than this year. The rationale is that U.S. gasoline use is falling, mainly because cars are becoming more fuel- efficient.

Without such a change, fuel companies might have to break through the so-called blend wall, producing gasoline with more than 10 percent ethanol — even though many U.S. cars and trucks aren't designed to run on mixes with higher amounts of ethanol.

The alternative would be to buy credits granting exemptions from adding ethanol. A bidding war for these credits earlier this year helped drive up the price of gas to almost $4 a gallon.

By now it should be clear that ethanol, which was pitched to the public as a renewable and environmentally friendly energy source, hasn't lived up to its billing. By some calculations, producing ethanol is a net consumer of energy and generator of greenhouse gases.

Ethanol has also pushed demand for corn to the breaking point. As much as 40 percent of the nation's corn crop goes to ethanol production, for which farmers

have plowed up millions of additional acres, much of it environmentally sensitive grasslands or wetlands.

The mandate not only raises the price of farmland but also forces Americans to pay as much as $40 billion a year more for food, from soft drinks to beef, according to estimates by Texas A&M University researchers.

There are even signs that the mandate has played a part in the rise in global food prices.

The oil industry has asked the EPA for a partial or total waiver of the mandate for next year. But don't expect Big Ag to go without a fight. Agriculture Secretary Tom Vilsack, a former governor of Iowa, has said the Barack Obama administration supports the mandate, and he has powerful allies in Charles Grassley in the Senate and Steve King in the House, both also from Iowa, the country's biggest corn producer.

Ethanol's defenders, of course, say the oil industry simply wants to recapture market share lost to ethanol. That sounds right. But at least the demand for oil will persist without federal mandates.

Yes, there is a place for ethanol in the nation's fuel mix. In small quantities, it helps gasoline burn more efficiently in car and truck engines. But let the market dictate how much ethanol gasoline buyers use. ■ ”

Iran's oil industry is trying for a comeback

Miho Dobrasin

Iran's oil exports are being ravaged by sanctions, but there are signs under the new president, Hassan Rouhani, that efforts to attract old clients may be boosting the country's most essential economic lifeline.

China, India and Japan, which together account for half of Iran's oil exports, have increased their purchases over the past several months, offering some hope to Iran and complicating U.S.-led efforts to put pressure on the country over its disputed nuclear program by attempting to cut off its main source of income.

Under the U.S.-led sanctions, some importers of Iranian crude have been granted short-term waivers to continue buying if their imports demonstrate significant declines during six-month intervals. China, India and Japan received such exemptions.

The flow of oil is vital to Iran as oil exports make up nearly half of its revenue.

Overall, the International Energy Agency (IEA) reports that Iran increased its oil exports by 180,000 barrels per day in September over the previous year, a 26 percent increase. But the monthly total of 1,170,000 barrels per day still represents a far cry from what industry insiders and analysts say is possible.

Although Iran holds the fourth-largest proven oil reserves in the world, the increasingly rigorous sanctions imposed on the country over its nuclear program have exacted a significant toll. Under the sanctions, some imposed by the United Nations and others by the United States and its allies, Iran's oil revenue last year dropped to less than half its level in 2010, and the oil output fell last year to its lowest level since 1986, when the country was in the midst of an eight-year war with Iraq.

Iranian officials acknowledge the extent of their difficulty. "The great problems we face today in production, exports and purchase of commodities in the petroleum industry have never been like they are today," Iran's oil minister, Bijan Namdar Zanganeh, told a gathering of industry officials Tuesday.

Although the sanctions continue to cut deeply into Iran's oil revenue, efforts by Rouhani and his cabinet have begun

to fuel hopes that the country could begin to find a way out.

Under the sanctions, China, Iran's biggest buyer, is supposed to reduce its intake by 5 percent by the end of the year if it is to qualify for a new waiver. Instead, China's imports of Iranian oil are on the rise, up 1.4 percent this year compared with the previous year, according to IEA figures.In September alone, Chinese imports of Iranian oil jumped by 24 percent compared with the same period last year. China still relies on Iran for about 10 percent of its crude imports.

Some Iranians have begun to express hope for a deal between Rouhani and the West that might even lead to a lifting of sanctions, opening the way to new investment by international companies and to renewed exports.

Zanganeh said recently that Iran hopes to "take advantage of the power of oil" in seeking broader access to international markets.

If sanctions are lifted, exports could reach 3.5 million barrels per day within a year, economist Saeed Laylaz said. Within two years, "we can reach the record levels we had during the Khatami period of 4.2 million barrels per day," he added, referring to former Iranian president Mohammad Khatami.

For Iran to have any hope of returning to pre-sanctions export levels, however, it will have to appeal to more than just its longtime customers in Asia, where the international sanctions have prompted countries to diversify imports to become less dependent on Iran.

At the same time, India has sought recently to pay its oil debts to Iran in rupees rather than in dollars, an arrangement that Tehran is not eager to accept at a time when Iran's foreign currency reserves are quickly dwindling.

For that reason, Iran is looking west for oil partnerships. Turkey, an important customer, buys 100,000 barrels per day from Iran, and officials there say they are willing to buy more if it is available.

The European Union, which completely halted oil imports from Iran in July 2012, also seems poised to reenter the market, with 10 member states receiving sanctions waivers last month. There are no statistics about exports to those countries, but Italy, Spain and Greece traditionally imported large volumes of Iranian oil.

Laylaz said Tehran thinks that international oil companies such as France's Total are eager to return to Iran and might influence Western governments to respond positively to Rouhani's quest for an easing of sanctions.

According to Western diplomats in Tehran and industry officials, international oil companies that once had a presence in Iran are negotiating with the new government to return, and several European companies have sent delegations to explore oil opportunities.

"A large number of traditional buyers of Iranian crude oil are making the preparations for raising their crude oil purchases from Iran," Mohsen Qamsari, director of international affairs for the National Iranian Oil Co., said last week in an interview with Shana, a news agency dedicated to the domestic energy sector

Oil slips as investors await outcome of talks with Iran

Joshua Franklin

Oil slipped below $110 a barrel on Friday but was on track to end higher for the second consecutive week, with investors awaiting the outcome of talks on Iran's nuclear programme.Benchmark Brent crude oil saw its biggest jump in almost three weeks on Thursday, fuelled by a surge in US petrol futures, signs of continued economic strength in the US and indications that a deal to curb Tehran's nuclear programme could be a long time coming.

"The focus is going to be about Iran and it doesn't seem that everything is going to be done today. It risks slipping into the weekend," Petromatrix analyst Olivier Jakob said.

Brent for January delivery was down 37c at $109.71 a barrel at 8.43am GMT. US crude was trading 34c lower at $95.10 a barrel, after posting its biggest gain in nearly two months on Thursday.

Sanctions on Iran have kept about 1-million barrels a day of oil from the global market and any deal could allow some of that oil to be sold, potentially bringing down prices.

Iran and six major powers made some progress this week towards an interim deal, but negotiators appeared to play down expectations of an imminent breakthrough in the three-day talks that began on Wednesday.

Before the meeting, expectations of a breakthrough had been high after the US, Russia, China, France, Britain and Germany came close to winning concessions from Iran in the previous round of negotiations two weeks ago.

Adding to pressure on negotiators, US Senate majority leader Harry Reid said on Thursday he was committed to moving ahead with a tougher Iranian sanctions bill.

Signs of strength in the US economy helped support prices.

The number of Americans filing new claims for jobless benefits fell sharply last week and a gauge of factory activity hit an eight-month high in early November.

China's oil demand is expected to rise an average 3.85% a year in 2014 and 2015 with demand for transport fuels being a main factor, a senior researcher at top Asian refiner Sinopec said.

China has been the engine of global oil demand in the past decade, accounting for almost half of total growth. But demand growth hit a four-year low of 4.5% in 2012, and a slowing economy has again weighed on its consumption this year.China overtook the US in September as the world's biggest net oil importer, but crude oil imports dropped in October to a 13-month low.

Unrest in Iraq added to uncertainty over supply, with the country suffering its worst wave of violence in at least five years ▪

Is Russians back on oil equipment market ?

Gazprom and Rosneft urged to use domestic equipment

The Russian government is considering making Gazprom and Rosneft purchase up to 80 percent of the capital equipment needed for shelf oil field development domestically.

The rules on equipment purchases may work two ways, says Russia's Union of Producers of Oil and Gas Equipment (UPOGE). It could be fixed at between 30 to 80 per cent across the board, or Rosneft and Gazprom could each have specific targets depending on the project and type of work.

Alexander Romanikhin, UPOGE President, told Izvestia newspaper that amendments to legislation will be presented before the end of this year.

According to Romanikhin, buying equipment from abroad and putting money into a foreign economy makes little sense.

"As oil and gas engineering are strategic industries for our country, not using Russian equipment will make us dependent on technology from foreign producers. It's like buying tanks from the US. We sponsor their economy while the Russian oil and gas industry perishes from lack of orders", compared Romanikhin.

Oil companies welcomed the introduction of a Russian equipment directive; however, they suggest introducing it gradually. Radif Tuktarov, the head of department of oilfield services purchases at Gazprom Neft says a 10 year period to introduce the changes would be preferable. "If in 2015 this directive covers 5% of the general equipment and services, by 2030 it will grow up to 90%, without reducing the quality and extending the time for sea field development", Tuktarov said.

However Stanislav Kemishis, the head of the scientific and technical area of Rosneft's production division believes that setting such strict requirements is too early. The domestic industry is still not able to meet the necessary demand for equipment in all shelf projects. Also, if the technology is not reliable customers will face delays and possibly accidents on some developments.

"Primarily it's important to make a list of all the shelf's contractors in order to understand the scale of work they'll be ready to perform", says Kemishis.

"Russia can't be turned into the prototype for experimental equipment approval, as any failures can lead to multi-billion dollar losses and even accidents", said Alexander Karasevich, from SGM, a company which builds pipelines for Gazprom ■

Canada's Tar Sands Oil Boom Yields Toxic Wastewater Lakes

Canada is blessed with 3 million lakes, more than any country on earth—and it may soon start manufacturing new ones. The oil sands industry is in the throes of a major expansion, powered by C$20 billion ($19 billion) a year in investments. Companies including Syncrude Canada, Royal Dutch Shell (RDS/A), and ExxonMobil (XOM) affiliate Imperial Oil are running out of room to store the contaminated water that is a byproduct of the process used to turn bitumen—a highly viscous form of petroleum—into diesel and other fuels. By 2022 they will be producing so much of the stuff that a month's output of wastewater could turn New York's Central Park into a toxic reservoir 11 feet deep, according to the Pembina Institute, a nonprofit in Calgary that promotes sustainable energy.

To tackle the problem, energy companies have drawn up plans that would transform northern Alberta into the largest man-made lake district on earth. Several have obtained permission from provincial authorities to flood abandoned tar sand mines with a mix of tailings and fresh water. Syncrude began work this summer on Base Mine Lake, which when complete will measure 2,000 acres. It says the reservoir will eventually replicate a natural habitat, complete with fish and waterfowl. As many as 30 so-called end-pit lakes are planned, according to Alberta's Cumulative Environment Management Association, a private-public partnership.

Green groups are alarmed. The industry's spotty environmental record drew global attention in 2008 when some 1,600 ducks died in a tailings pond belonging to Syncrude. Provincial authorities introduced regulations the next year governing the storage of fluid waste from oil sands. A June report from Alberta's energy regulator, though, said several companies aren't meeting the more stringent targets. "There's no way to tell how the ecology of these lakes will evolve over time," says Jennifer Grant, director of oil sands at Pembina. "It's all guesswork at this point. It's reckless."

One big concern surrounding end-pit lakes is that the contaminated water will spread through the boreal ecosystem, the tract of trees and marshland that stretches around the top of the world from Canada to Russia and Scandinavia. Boreal forests store almost twice as much carbon as tropical forests. In October communities bordering Canada's Athabasca River were cautioned not to drink from the waterway after a breach in a coal tailings storage pond dumped 1 billion liters (264 million gallons) of contaminated water into an area west of Edmonton. "We're playing Russian roulette with a big part of an important ecosystem," says David Schindler, an ecology professor at the University of Alberta. "Nothing is going to grow in that soup of toxic elements except perhaps a few hydrosulfide bacteria. And all of the unforeseen events are being downplayed."

This summer, Syncrude began filling in a mine 30 miles north of Fort McMurray. Toxic slurry is being topped with fresh water from a dam to a depth of 16 feet, the level required to force tailings particles to remain at the bottom, according to Cheryl Robb, a company spokeswoman. She says that in trials involving test ponds, Syncrude's scientists discovered naturally occurring microbes in tailings that help break down some of the pollutants. The reservoirs eventually developed ecosystems, including insects, amphibians, and fish. But the largest test pond was 4 hectares—roughly 1/200th the size of Syncrude's lake. "The big question we have is how long will it take before the water is clean, how long is it going to take before the littoral zones develop and the shoreline vegetation builds up?" Robb says. "But we're confident in the technology."

Canada boasts the world's third-largest reserves of bitumen after Saudi Arabia and Venezuela. So any effort to mitigate the pollution that results from mining the fossil fuel must by necessity be grand in scope, says Dan Wicklum, chief executive of Canada's Oil Sands Innovation Alliance, an industry group based in Calgary. "Large-scale issues require large-scale approaches," he says, adding that Cosia has encouraged technology sharing with the goal of improving the industry's environmental record. "Companies are working together in ways the world hasn't seen."

That's precisely what's bothering one money manager. "I'm alarmed that these companies are relying on this for a reclamation strategy," says Jamie Bonham, who's in charge of extractives research at NEI Investments in Vancouver. "We're putting a lot of eggs in one basket. Imagine the costs if it doesn't work."

Russia's 21st Century Malaise in Five Grim Charts

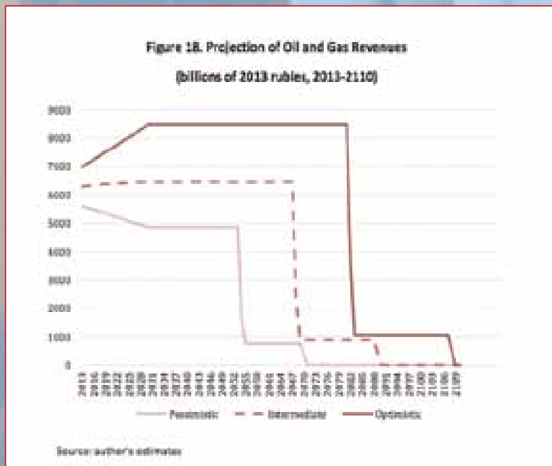
The recent economic news out of Russia has been unremittingly awful, and the longer-term future doesn't look much brighter.

It seems Vladimir Putin's petro state has hit a wall, with the government last week reporting economic growth at a disappointing 1.2 percent in the third quarter, over the year-ago period. The Russian economy has been decelerating since the end of 2011, when gross domestic product expanded by 5.1 percent. Meanwhile, Russian Economy Minister Alexei Ulyukayev recently broke the news that the country's share of the global economy is likely to shrink. Government forecasters project an average growth rate of 2.5 percent each year through 2030, below the global average of 3.4 percent or 3.5 percent. At the same time, the U.S. shale-energy boom is complicating life for Putin, whose government finances and political power are tethered to oil and gas exports.

Now yet another economic study, this one charting out trends to 2100 or so, suggests the entire 21st century may feature subpar growth for Russia. A team of economists from the Gaidar Institute for Economic Policy and Ranepa say Russia already faces serious fiscal challenges, despite official statistics that show a solid government financial position. The economists analyzed Russia's likely future financial obligations such as pension payments and social spending, as well as expected taxes and additional receipts, based on the country's economic growth trajectory. They concluded that Russia faces an eventual fiscal gap of $28 trillion unless the economy grows far faster than predicted or the government raises taxes dramatically.

Russian fatalism? Yes, this is in some ways a thought experiment—who knows what Russia, let alone the world, will look like in 2063?—that assumes some brilliant Russian leader of the future doesn't enact the right reforms or otherwise figure out a way to get the economy streaking ahead. Still, the working paper submitted to the National Bureau of Economic Research, titled Russia's Fiscal Gap, points to some worrisome trends for Putin's current government. Here are five of them:

Falling Energy Revenue. Russia is currently the world's biggest energy exporter. Natural gas and oil represent some 70 percent of exports, compared with less than 50 percent in the mid-1990s, providing half of the government's revenue and roughly 17 percent of GDP, according to the European Bank for Reconstruction and Development. That bounty may not last forever.



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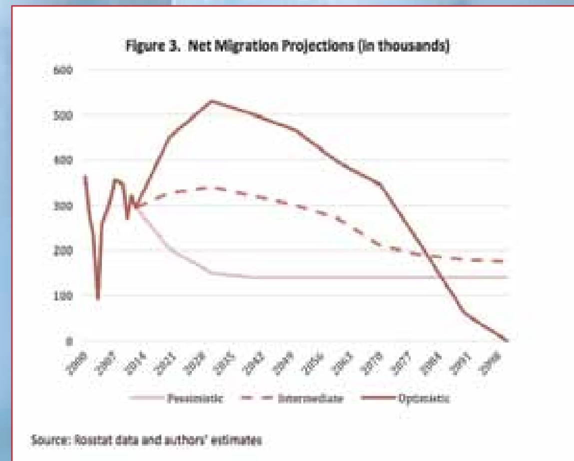
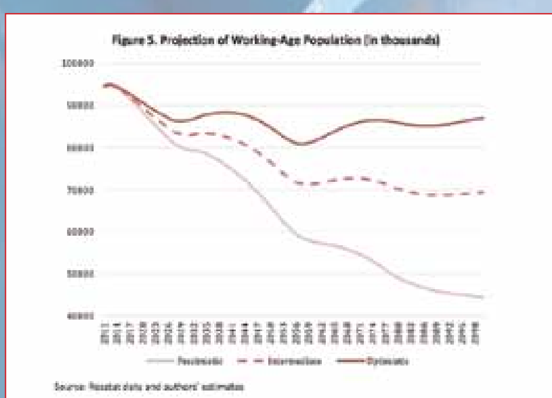
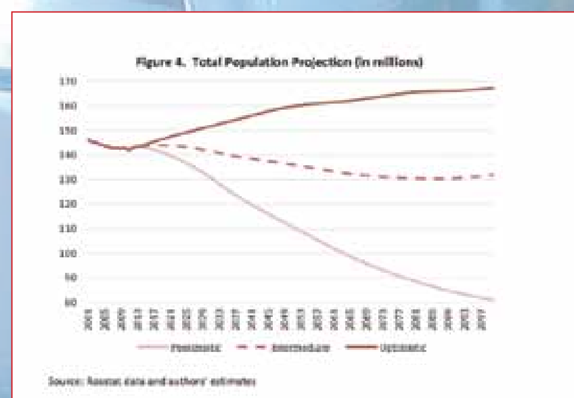


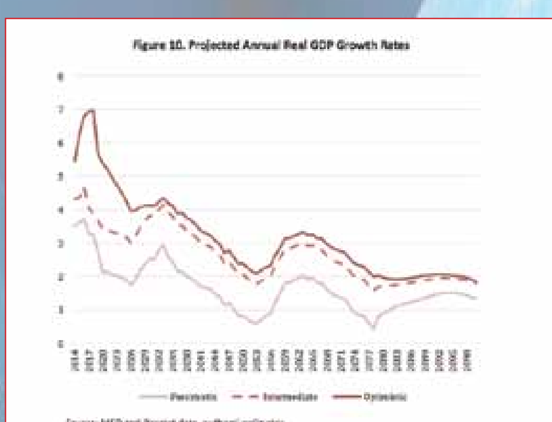
2.Shrinking Population. Russia may be facing a steady exodus of citizens over the next century.



3.Smaller Workforce. Migration trends and an aging population will mean fewer workers.



4. Dwindling Consumers. Russia's overall projected population decline—unless you buy into the optimistic scenario in the next chart—will mean fewer potential consumers.



5. Add it all up, and it becomes clear why Russia's outlook for economic growth may prompt some to reach for the Stoli.

BP and Shell among oil firms Iran wants back in country

Iranian Oil Minister seeks talks with oil giants to return Iran to help tap world's fourth-largest oil reserves after sanctions are lifted

Iran on Wednesday named seven Western oil companies it wants back in its vast oil and gas fields once international sanctions are lifted and said it would offer contract terms in April next year.

Iranian Oil Minister Bijan Zanganeh named the seven in order: BP, Royal Dutch Shell, Total of France, Italy's ENI, Norway's Statoil, and US companies Exxon Mobil and ConocoPhillips.

Iran has the world's fourth-largest proved national reserves of oil - most of it cheap to produce - and is also home to the biggest proved reserves of natural gas, some 18pc of the global total.

With nationalisation in the Islamic revolution of 1979, the oil companies were thrown out. Iran's share of world oil production fell to below 40pc by 1997 from 55pc in the 1970s. Its gas output remained negligible.

Oil companies from around the world drifted back in the 1990s, and Zanganeh oversaw their return as minister under the reformist government of 1997-2005.

Total returned to onshore fields in 1997 and Shell in 1999, both while Zanganeh was minister and both in defiance of the US sanctions of the time, even though President Bill Clinton had blocked a Conoco project in 1995.

However, Iran's production stagnated through the 2000s amid growing international tensions over its nuclear programme. The more effective sanctions instituted in 2012 have choked out foreign investment and sent output down to 2.65 million barrels a day in November from an average of 4.3 million in 2011.

Iran last month reached an interim deal with six western powers to limit its nuclear programme, under which sanctions on oil investment and trade with Iran may be lifted next year.

Speaking to reporters at an OPEC meeting where the cartel agreed to maintain oil production at 30m barrels a day, Mr Zanganeh said he was already talking with some compa-

nies, although so far not those from the United States.
"We had no limitations for U.S. companies. Twenty years ago there were limitations against them from their own administration. For doing projects in Iran, we have no limitations," Mr Zanganeh said.He is due to meet senior executives from Western oil companies including Eni and Shell on Thursday, an Iranian oil official said.
Mr Zanganeh made no mention of Russian, Chinese or Japanese companies or those of other nationalities. Asked whether he would like to see Asian, Indian, Chinese companies coming to Iran as well, he said: "Yes, but now we are discussing with European (firms)."
He said contract terms would be better than those in post-war Iraq, which limited oil companies to operating fees rather than the share of production deals they prefer.

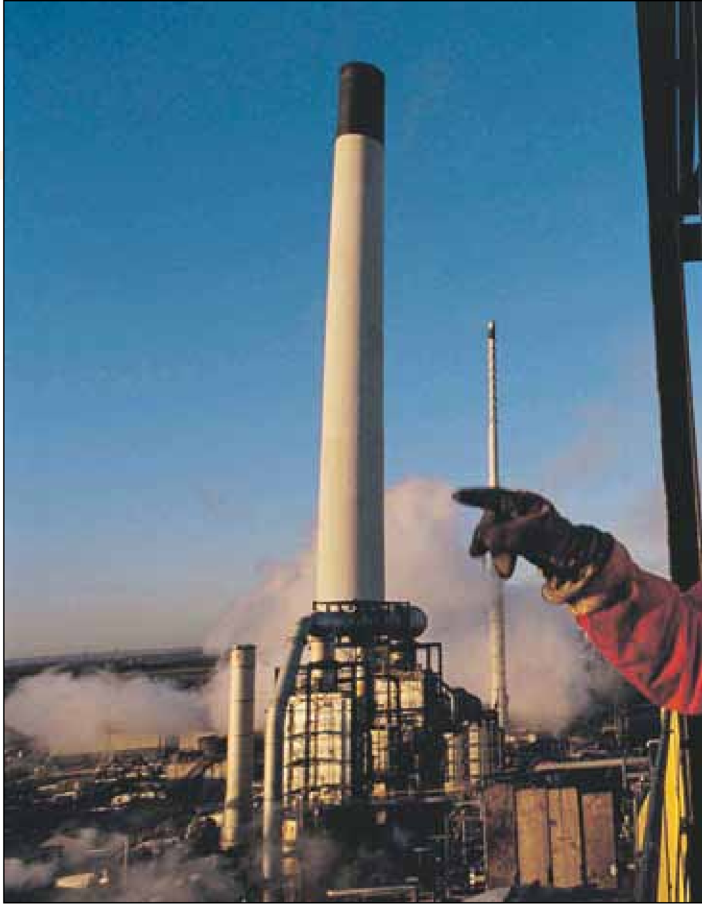
Latest Brief

Iranian oil tankers enable trackers, signal export willingness

Iran's oil tanker fleet started enabled vessel tracking systems in a signal to customers that it's ready to return to world markets barely 48 hours after Tehran agreed on an interim deal on November 24 to restrict its nuclear program in return for sanctions relief, Thomson Reuters data revealed.
Before the deal's announcement in Geneva, more than 50-75 percent of National Iranian Tanker Co (NITC) tankers were seen to have their transponders turned off, according to information provided by Thomson Reuters Oil Analytics. But just days after the deal was struck, only eight out of 39 NITC tankers - or 21 percent of the fleet - had their tracking systems disabled as of 0330 GMT on Nov. 26, implying "that NITC is gearing up to bring its oil export operations back to pre-sanction levels," Thomson Reuters Oil Analytics' Yaw Yan Chong and Luke Pachymuthu said in a commentary on Nov. 26. Thomson Reuters Oil Analytics believe Iran is most likely signaling a willingness to export more fuel oil – a feedstock used mainly by China's small, independent 'teapot' refiners which make up more than a quarter of the country's refining capacity.
Iran's fuel oil exports - which are also blended into bunkers or fuel for ocean-going vessels – have reportedly managed to slip through the sanctions net because unlike crude oil, international sanctions don't explicitly forbid their export though the embargo does include restrictions on intermediaries and third parties who may channel fuel oil from Iran on its behalf.

'Direct Negotiations'

Thomson Reuters Oil Analytics say Iran has raised offers of its fuel oil cargoes by more than five times after the interim nuclear pact was struck with Western powers, and state-run National Iranian Oil Company (NIOC) has re-



verted to "direct negotiations with buyers for the first time in more than two years."
However, Iran may have to mark down offers for those cargoes sharply since China is holding ample inventory while demand has been lacking.
"The Iranians will be hard-pressed to offload any of their low-density fuel oil at the price levels on offer," Thomson Reuters Oil Analytics said. Demand has been "pervasively poor for more than half a year with little chance of picking up any time soon."This is the latest indication that Tehran appears to be preparing the ground and the market for the future return of Iranian supply although the late-November nuclear deal doesn't guarantee the complete dismantling of crude oil sanctions and the immediate return of Iranian supply.
If and when the embargo is comprehensively lifted, Iran wants to ramp up production to pre-sanctions levels of 4 million barrels a day, Bijan Namdar Zanganeh the country's oil minister said at the Organization of the Petroleum Exporting Countries (OPEC) meeting this week, "even if the price drops to $20.
The possible lifting of sanctions against Iran as early as next year - setting the stage for the return of the country's oil exports - may spark a "price war" within OPEC as rival producers try to compete with heavily discounted crude offered by Tehran, CNBC reported on Nov. 5.

Iran puts out the welcome mat for Big Oil

Through the hustle and bustle of OPEC's meeting in Vienna on Wednesday, Iranian Oil Minister Bijan Namdar Zangeneh sent out an invite to oil majors across the globe.

Namdar Zangeneh said that Total of France, Anglo-Dutch Shell, Italy's ENI, Norway's Statoil, Britain's BP and U.S. companies Exxon and Conoco would be welcome to invest in Iran, according to Reuters.
Speaking to reporters at the meeting of the Organization of the Petroleum Exporting Countries (OPEC), he said he was already in talks with some of companies, specifying that none were from the U.S.
"We had no limitations for U.S. companies. Twenty years ago there were limitations against them from their own administration. For doing projects in Iran, we have no limitations," Reuters quoted him as saying.
BP and Statoil declined to comment when contacted by CNBC, Total were not immediately available for comment.Iran - the world's fourth biggest oil-producer according to the International Energy Agency (IEA) - and six world powers reached a breakthrough agreement in November to moderate Tehran's nuclear program in exchange for limited sanctions relief. Namdar Zangeneh told CNBC that the country was "technically ready" to start producing 4 million barrels per day (bpd) as soon as sanctions stopped, which would be around the middle of 2014.
Many analysts remain skeptical of the possibility that Iran would be able to hike production so quickly as oil fields in the country are rapidly maturing. Trond Omdal, an equity analyst at Arctic Securities that has previously worked for Statoil in Iran, added that there were a variety of other reasons why oil majors would be cautious on the welcoming invite.
"It's not really a race for Iranian oil, more of a gentle walk," he said. Project challenges for western companies include a lack of transparency, corruption and having to use local suppliers, he warned. He added that "buyback" terms were also often unfavorable. Buybacks are where international oil companies invest billions upfront on projects in return for a pre-agreed share in oil and gas revenues.Omdal conceded that there is significant potential for oil exploration in the country and if transparency and contract terms were improved, he expects some majors would be interested in investing in Iran.
John Olaisen, an equity analyst from ABG Sundal Collier echoed Omdal's comments that oil majors should be cautious. Security, commercial agreements and infrastructure development are all big issues that need to be tackled, he said. He added that the "promises and false hopes" in neighboring Iraq may also make investors reluctant.

Could Iran break oil production limit?

Johannes Benigni, managing director of JBC Energy, says that it is unlikely Iran will break its oil production limit.
"I think the (exploration and production companies) are more likely to be early movers into Iran. They are willing to take on more risk and move quicker," he said.
Gareth Lewis-Davies, senior oil strategist BNP Paribas told CNBC that investment is still very much reliant on whether these sanctions are actually lifted. The Middle Eastern country has been on the receiving end of strict sanctions since its revolution in 1979. Current oil sanctions by the U.S. and European Union on Iran's energy sector have been in place since 2012 and have prevented western energy companies from dealing with Tehran, slashing exports from 2.5 million bpd to around 1 million bpd."Sanctions on Iranian exports or investment in its energy sector are still firmly in place. Until such time that a follow-on accord is agreed and then implemented, it is therefore very unlikely that foreign investment will be forthcoming," Lewis-Davies said.
Richard Mallinson, chief policy analyst at Energy Aspects told CNBC that European majors in particular are likely to remain very cautious until there is a comprehensive deal over the nuclear program.
"Companies like Total, Eni and Statoil all invested during the 1990s only to then suspend operations during the last decade as sanctions were tightened up. They will be weighing up how sustainable any diplomatic progress looks before committing to a return to Iran," he said.
"US firms face the toughest sanctions blocking them from involvement in Iran and I see little prospect of them taking on projects in Iran. I would expect to see national oil companies, particularly from Asia, and Russian firms all being interested in projects." ■

OPEC ministers see no 2014 oil glut amid signs of demand growth

Oil ministers from OPEC's three biggest members dismissed concerns about a possible glut in global crude supply next year amid an increase in US output and efforts by Iran and Libya to add barrels to the market.

The Organisation of Petroleum Exporting Countries, which provides about 40 per cent of the world's oil, won't need to cut production in 2014 because growth in demand can absorb the additional crude, the ministers from Saudi Arabia, Iraq and Kuwait said yesterday after a meeting of Arab oil exporters in Doha, Qatar.

US benchmark West Texas Intermediate crude climbed to a two-month high on Dec. 20 after a report showed the US economy expanded in the third quarter at a faster rate than previously estimated. WTI for February delivery rose 28 cents to US$99.32 (RM326.51) a barrel in New York.

"Do you know why WTI traded near US$100 in the past few days? It's because the market is in fear of a shortage of oil and not in fear of oversupply," Saudi Oil Minister Ali al-Naimi told reporters. "The market reflects the situation."

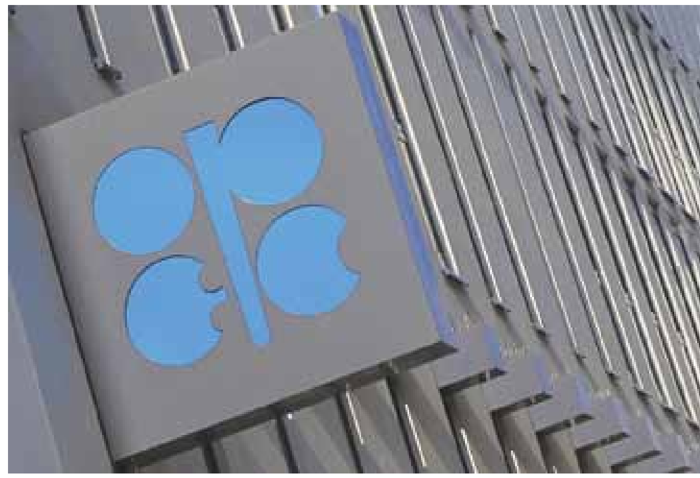
OPEC agreed when it last met on Dec. 4 to keep its output target unchanged at 30 million barrels a day because the market is balanced, said al-Naimi, whose country is the group's largest producer. Commerzbank AG said in a Dec. 10 report that OPEC would need to reduce output should Libyan and Iranian production return to the market.

Forceful action

OPEC "will have to cut or accept lower prices," Robin Mills, head of consulting at Manaar Energy Consulting and Project Management in Dubai, said by telephone today. "Even if Libya and Iran don't come back, OPEC will be under pressure."

Exports from Libya plummeted this year as political strife and labor protests shut oil fields, refineries and ports. The North African nation will resort to force if necessary to reopen the ports, its minister Abdulbari al-Arusi told reporters yesterday. The shutdown has cut Libyan output to 250,000 barrels a day from 1.4 million barrels a day in March.

Iran wants to raise output to 4 million barrels a day, the country's oil minister, Bijan Namdar Zanganeh, said at this month's OPEC meeting, after a Nov. 24 agreement



on the country's nuclear program opened the door to an easing of economic sanctions. Iran pumped 2.65 million barrels a day in November, according to data compiled by Bloomberg.

Kuwaiti Oil Minister Mustafa al-Shemali said the group doesn't need to change its target in the next six months as the market is expected to remain stable, "with no bumps," until OPEC meets next in June.

No competition

"There will be an increase in supply over the coming months, but there will be an increase in demand as well," he told reporters yesterday. "No one is competing with anyone in the market." Kuwait was OPEC's third-largest producer last month, data compiled by Bloomberg show.

Iraq, second-biggest in the group, plans to increase production capacity next year and each year after that until it can pump 9 million barrels a day in 2020, the country's oil minister, Abdul Kareem al-Luaibi, said in an interview in Doha yesterday.

"There is no need for any country among OPEC to cut output next year, as the increase in demand will absorb any increase in supply," he said. "Over the past three years OPEC was successful in stabilising prices by keeping the market in balance, and this will continue "

Seyed Farhad Akhlaghi:

Lack of concentration in private sector's purposes is the major problem in Iran

Seyed Farhad Akhlaghi is among the founders of Petro Chemical Company (PCC) and also is one of the commercial leaders in petrochemical industries. He had an exclusive talk with Energy World to examine privatization's problems in great industries including petrochemical.

Gas is one of the main products of Iran to present to the world markets. Considering the dry and sea borders of Iran, selling crude oil is more economic or using it in petrochemical field?

Iran has the second rank in gas reservoirs. Therefore, in case we have a large investment on gas exploration and extraction of gas from the country's resources (particularly Southern Pars fields), there will be a simultaneous possibility to provide the new petrochemical and export of gas with food. However, one must bear in mind that investing in production of petrochemical products including job creation, science production, higher value added, more exchange production, providing the domestic needs, reduction in initial materials export in proportion to crude gas export are at the top of the priority. Our experiences during the recent years have shown that the export of petrochemical products faced with less international problems and hindrances, compared to the export of crude gas and oil. Also obstructionists have mostly failed in petrochemical products trade. Although the program of gas export to India and Pakistan has been stopped for many years, the value of petrochemical products export has reached 12 billion dollars in recent years.

Aside from two-pillar policy, crude selling and trying for privatization have been at the top of the government's agenda from 1979. How influential these policies were?

Currently, the petrochemical industry has the most non-oil exports in which the most part is controlled by private sector. Despite the qualitative success in the previous administration in regard to privatization it seems that there are some problems in regard to cooperating between different active private sections. Also there are some problems in the lack of concentration and consistency in the general issues of Iran's petrochemical industry. We hope that with applying prudence in the new administration the challenges would be resolved.

Based on the fourth development plan of Islamic Republic of Iran in act 15 of developing expertise markets and stock markets have been considered. How successful the privatization was, and what would be the problems for domestic consumers who are obliged to buy the products with an intermediary?

Supplying petrochemical products in stock market in its controlled way and using financial instrument to discover the price and transparency in supply and demand condition can be useful. But in case that sock market changes to a place for selling the whole petrochemical products, it would be crystal clear that problems including intermediary, false competition, removing retailers with low financial resources, lack of inclinations for long-term programming, smuggling the petrochemical products abroad would occur.

Currently, taking the arrival of the Fourth Development Plan into account, how much of the petrochemical products are private?

Due to Persian Gulf Petrochemical Holding privatization almost the productive sector has been handed over to the private sector.

Let's go back to the Fourth Development Plan and creating expertise stocks, how is the proportion of PCC to petrochemical products stock?

Petrochemical Commercial Company is the first and the most supplying company to present petrochemical products in good stock exchange which has always had a considerable interaction with the organization. However, Petrochemical Commercial Company due to its exclusive experience and facilities has numerous potentials in knowing and managing the domestic market for petrochemical products. In case the officials agree the company can participate as the exchange stock supplement as well as intermediary chain between petrochemical industries and upstreams.

What are the opportunities, damages and threats in regard to production and export of petrochemical products? And how much is it possible to solve the problems through the prudence of senior managers and facilitation of bureaucracy?

Currently, the most important problem in petrochemical industry is inconsistency in active sectors of the industry. The problem led to inconsistency and disturbance in export and production of petrochemical products. The solution to this problem is to develop the relationship between the major factors of the country's petrochemical industry in addition to use the previous experiences and the current potentials in order to have more consistency and development.

During the last 8 years, the country encountered a productive rise in some products. Did we plan to have a big rise to sell them? How the change would be and what are the financial prerequisites for it?

In order to have a rise in petrochemical products, the appropriate embedment in supportive sectors must be done. The parts include a wide range of security issues and equipments as well as logistic and selling. In logistic and selling sector we had a great program for development of marketing and selling capacity before the privatization of petrochemical industry. The following are the options done for development in foreign offices and companies, going through new markets, renting storages in the target markets, purchasing ships, long term contracts for expanding relationships with final users. However, unfortunately, after the privatization in petrochemical sector most productive complexes ignored the developed tools. And due to the lack of equipments and functionalities face with several problems. The problem led to the weakening of the international brand of PCC as well as negative competition among domestic producers. Consequently, the price of selling for petrochemical products has been decreased, compared to the world market. On the other side, the cost of transporting the products to the final markets has been increased. Another instance for the problems is the imposition of so much loss on the country due to the lack of marine fleet for our products in the previous year.

Is it possible to have the petrochemical products in the list for Iran's export instead of oil as a result of macro polices in petrochemical industries?

Undoubtedly, if we have enough financial resources for petrochemical projects, providing food, utilizing the ignored capacities and creating consistency in selling petrochemical products, therefore we have the necessary potentials to have more benefit from non oil economy.

How much would be the need of the international markets for petrochemical products in its 2025 prospect and how do you evaluate Iran's role in supplying the need?

Currently, the demand conditions in the target markets almost returned to pre-crisis period and the process of development would continue in developing countries in southern and eastern parts of Asia, Africa and Latin America. Considering the variety of petrochemical products and the intermediary role of the products in producing other products it would be difficult to predict the amount of consuming markets in 2025. During in the last decade the Middle East region has been known as one of the major providing agents of petrochemical products. In the last few years Iran and Saudi Arabia have been the most important petrochemical actors in the Middle East region. In case the process of the projects underway would be accelerated, Iran can promote its status as one of the most important exporters of petrochemical products ■

Another gas-liquefying plant on Yamal

Prime Minister Dmitry Medvedev approved changes to the complex plan for the development of LNG production on the Yamal peninsula. Accordingly, instead of one LNG plant with the supposed annual capacity of 16.5 million tons of liquefied natural gas and 1 million tons of gas condensate, there will be build two of them. The projects are very similar and will exploit the gas fields in the same region.

The first LNG plant and sea terminal are under construction already. They are built and will be operated by the joint-stock company "Yamal LNG", in which 80% is owned by Novatek and 20% belongs to Total. The plant will be put into operation in three stages, each with capacity of about 5.5 million tons a year. The first phase will be completed in 2018 (earlier it was planned to be done in 2016) and then the second and the third ones in the following years.

The company will exploit South Tambey gas field. It was discovered in 1974 and is located in the northeastern part of the Yamal peninsula. The depth of deposits varies from 900 to 2.850 meters and consists of 5 shallow gas layers and 37 gas condensate layers of deep bedding. The field contains 481.4 billion cubic meters proven reserves of natural gas and 13.4 million tons of liquid hydrocarbons. The potential level of this field production exceeds 27 billion cubic meters of gas per year.

Now it is decided to construct the second LNG plant the same year when the first stage of the LNG-1 will be put into full operation (i.e. in 2018). The second plant will probably belong entirely to Novatek. Rumours had it there could have been established a joint venture between Novatek and Gazprom, but this idea hasn't got further development. At least, there is no mentioning of Gazprom in the document prepared now by the government.

The LNG-2 will exploit the fields on the nearby Gydan peninsula and Ob estuary. They are Salmanovskoe (235 billion cubic meters of natural gas and 8.6 million tons of liquid hydrocarbons reserves; discovered in 1980) and Geophysical (124.9 billion cubic meters of gas and 0.4 million tons of liquid hydrocarbons; discovered in 1976). The licenses for developing both fields were bought by Novatek in September 2011 and are valid until 2031.

It is planned to supply LNG by special tankers to the Asian and Pacific markets (mostly Japan and China) through so-called Summer route with the transshipment in the Bering sea, and also to the European and Atlantic markets by Winter or All-year-round route

Iran Technology Analysts Network (ITAN) issued an investigative report

Low price of gas feedstock and the export of raw petrochemical

Iran Technology Analysts Network (ITAN) issued an investigative report suggesting that low price of gas feedstock and the export of raw petrochemical products are the root cause of caricatural development of the country's petrochemical industry

Introduction

Within the last couple of weeks since the vice-managing director of National Iranian Petrochemical Company (NIPC) made a statement on the necessity to gain and keep a competitive advantage on gas petrochemicals, there has been a wide variety of different statements on the price of gas petrochemicals made by experts and officials. Meanwhile, some other events complicated the issue. On one hand, the Committee on Special Economic Policies released its regulation of July 2012 requiring National Iranian Gas Company and Oil and Petroleum Ministry to increase the price of the feedstocks used to produce gas petrochemicals within recent weeks. On the other hand, their refusal to enforce it complicated the issue more than ever.

Iran Technology Analysts Network intends to consider briefly the history of petrochemical industry in Iran based on its 10-year-history having on our country's policies on energy and petrochemical industry, while to offer an optimal solution to the issue of the price of the feedstocks used to produce gas petrochemicals.

The Petrochemical Industry; the main focus of attention

In general, petrochemical industries can be classified in three following categories; upstream, intermediate, and final industries. Petrochemicals are a category of organic chemicals derived principally from two feedstocks: natural gas liquids (NGL) obtained from natural gas processing plants, and oil refinery streams such as naphtha and light gas oil. There is a consistency in the process of production in petrochemical industry.

Average fixed investment and employment rates for each of upstream, intermediate, and final industries per one million tones are shown in the following table.

Table1

Average fixed investment and employment rates for each of upstream, intermediate, and final industries per one million tones across the world

Items	Employment (persons)	Fixed Investment (million dollars)	Per Employment (man-million dollars)	Return on Investment (ROI)
Upstream industries	500	750	1500	15-20
Intermediate industries	2200	1200	773000	25-30
Downstream industries	200000	4280	21000	40-50

Based on the figures in table 1, it is clear that upstream industries are faced with some issues as high investment, low employment rate, and 15-20 percent ROI. On the other hand, considering the small size of downstream industries, the amount of investment needed is rather low compared to upstream industries. So as shown in the table, the return on investment in downstream industries is twice as similar figure in upstream ones. Although the investment in intermediate industries creates higher employment than upstream ones, nearly the same amount of investment would be required to create an employment opportunity.

Caricatural development of the country's petrochemical industry

The development projects in petrochemicals initiated within recent years are shown in the following figure.

Figure 1

Capacities of production industrials and the development projects in petrochemicals (in tones)

As shown in the figure, the majority of the development projects have been initiated to produce some products as ammonia and methanol being included in upstream products and having the lowest value added among petrochemical products.

The export of raw petrochemical products

As shown in the following figure, investigating the trend of the export of petroleum products shows clearly that over 65 percent of petrochemical product exports have been raw materials. Therefore, current situation of Iran's petrochemical plants and its development projects indicate that Iran's petrochemical industry are rightly recognized as a major exporter of raw materials.

Figure 3

The petrochemical products' share of Iran's export revenues

Whereas some developed countries in the area of petrochemical industries as China, Germany, Hong Kong, and Singapore are using our products as the feedstocks used to produce other final and finished products and then export them to our country at higher prices.

Table 3

The average values of petrochemical products

Items	The average values of export products	The average values of import products
Prices (dollars)	.75	2.15

The export of raw petrochemical products; why?

The huge profits from gas petrochemical; a common root of abnormal development of the country's petrochemical industry

Studying petrochemical plants' financial information clearly indicates that gas petrochemical units have generated huge and unusual profits as compared the other ones. For instance, financial information of a methanol producer unit is shown in the following table.

Table4

Items	Amounts (billion dollars)	items	Amounts(billion dollars)
Sales	2000	Net profit	1000
Cost of good sold	400	Tax rates	Tax free
Gross profit	1600	Capital value	240

As shown in the table, the company has earned an annual net profit of 1000 billion dollars that this amount is four times as much the amount of its original investment reflecting an annual margin of profits of 63 percent. This amount is twice as the profits accruing to similar industries in Saudi Arabia from the sale of similar products.

In general, these huge and unusual profits generated by gas petrochemical units in Iran are the result of the massive reductions on the price of gas feedstocks. A quick and simple calculation shows that the value of methanol product produced by the unit is lower than the value of gas feedstocks used by it. Whereas the return on the export of these gas feedstocks can provide the country with a regular income of 150 billion dollars. Thus, the high feedstock price compared to exportation revenue is not a positive development, and it illustrates the need to adopt a comprehensive approach to the targeted subsidy plan and the efforts to increase the productivity rate of petrochemical plants.

The petrochemical plants' refusal to enforce the regulation by committee on special economic policies

as mentioned before, the Committee on Special Economic Policies released its regulation of July 2012 requiring National Iranian Gas Company and Oil and Petroleum Ministry to increase the price of the feedstocks used to produce gas petrochemicals from 700 rials per cubic meter to 3250 rials per cubic meter and at the same time to keep constant the price of LPG used by these plants at a fixed price of 700 rials. However, as mentioned before, National Iranian Gas Company and Oil and Petroleum Ministry have refused to enforce the regulation. Therefore, a simple calculation shows that an amount of nearly 2 billion dollars has been accrued to the account of these gas petrochemical plants since October 2012.

The arguments against increasing feedstock prices

The main argument advanced by opponents against increasing the price of feedstock used to produce gas petrochemicals is the necessity to gain a competitive advantage over rival countries as Saudi Arabia and Qatar and other rival countries in the region. On this issue, we can offer several points:

Keeping the price of feedstock used to produce gas petrochemicals at a rather low price, upstream units would never try to develop their related production chain to produce the value added products. Instead, they would be inclined to increase their capacities to produce upstream products and to sell their products at a very low price.

On the other hand, new investors will be inclined to invest in these highly profitable projects to get such huge and abnormal profits and thus the caricatural development of petrochemical plants in our country will be continued in the future.

A majority of those who are opposed to the issue of increasing the price of feedstock used to produce gas petrochemicals believe that feedstock prices should be determined as the same method used by some countries as Saudi Arabia and Qatar. However, we will show that our country's situation is not in any way comparable to that found in Saudi Arabia and Qatar in terms of feedstock prices.

1. A cost-benefit analysis of gas resources in Saudi Arabia

As we know, petroleum gas resources are used to produce petrochemical products by petrochemical plants in Saudi Arabia. In other sense, Saudi Arabia government would sell it at a very low price of 750 rials to petrochemical plants with a rather negative value, whereas the high cost of gas energy in our country Iran would be a serious problem for our government. On the other hand, these petrochemical plants in Saudi Arabia should be paid high-rate taxes and thus the government should deduct the taxes for them.

2. A cost-benefit analysis of gas resources in Qatar

Looking at Qatar's program to develop the gas industry, we will realize that establishing GTL producer units is on the agenda. On the other hand, Qatar government has announced that any potential economic project being initiated in the future should be carried out based on a price of 3700 rials for gas feedstock used to produce petrochemical products. Meanwhile, the price of gas feedstock used to produce chemical fertilizers is 2700 rials.

Concluding Remark

Certainly achieving a sustainable industrial development would be one of the primary goals that all countries in the world try to achieve it through suitable and strict regulations to be designed to gain a competitive advantage over competitors in a given area. So far National Iranian Petrochemical Company in our country has offered a huge advantage to upstream industries by lowering the prices of feedstocks in an artificial way. Whereas as mentioned, upstream industries generally have some characteristics as:

1. lower employment rate as compared to downstream industries
2. low added value; and sometimes negative added value
3. Upstream industries are nearly dependent on foreign high tech technology.
4. Nearly all products produced by upstream industries are exported at a rather price.

Therefore, lowering the prices of gas feedstock in an artificial way is not a positive development and it illustrates the need to adopt a comprehensive and suitable policy to the targeted subsidy plan and the efforts to increase the productivity rate of petrochemical plants.

On the other hand, Most of these products are used in the form of fuels burned in cars and pollute the atmosphere. It is estimated that only five percent of hydrocarbon products are delivered to petrochemical companies and transformed to value-added products. Therefore, it is important to note that increasing production in the South Pars gas field without developing the petrochemical industry will not yield the desired results for Iran's economy and will cause more opportunities to be lost.

Based on exact calculations made by a panel of experts on energy hired by Iran Technology Analysts Network, the suggested price of 3250 rials would be a suitable and profitable price for gas feedstock used by petrochemical plants. As a matter of fact, such a reasonable price will completely reverse the trend of unsustainable and caricatural development of petrochemical industry in our country Iran.

Saudi prince says petchems industry at 'crucial juncture'

Beatrice Thomas

The GCC's petrochemicals and chemicals industry is at a crucial juncture and must address four key areas in order to meet future challenges, according to Saudi Arabia's Assistant Minister for Petroleum Affairs.

Giving the plenary address on the opening day of GPCA's 8th Annual Forum in Dubai, Prince Abdulaziz bin Salman Bin Abdulaziz said the industry must invest in innovation to ensure competitiveness and enhance efficiency.He said it must also align itself to international rules and regulations, create local and regional demand for petrochemicals products to counteract the adverse effects of protectionism and develop industrial parks and R&D laboratories and integrate refining and petrochemicals operations."In these dynamic, uncertain times, many opportunities emerge," he said. "This cannot be more true than for the petrochemicals and chemicals industry in the GCC. The GCC has achieved much over the last three decades but we are at a crucial juncture; we must collaborate to meet future challenges and play a bigger role in local economies."

Prince Abdulaziz said technology will continue to be the main driver in shaping the energy sector. The increase of the middle class, urbanisation, industrialization and rapid development have "lifted people from poverty in emerging markets. In the Middle East, the burgeoning middle class is contributing towards the parallel growth in consumption especially in resource-rich countries, he said.

However, the he noted that challenges including global competition, increased protectionism and trade barriers, small local market for petrochemical products and a limited contribution of the industry to GDP.

Mohammed Al Mady, chairman of GPCA and vice-chairman and CEO of SABIC, said 85 percent of Middle East petrochemicals companies were planning to increase investment in innovation which required collaboration from all stakeholders. Governments should not dictate the path of innovation and businesses cannot foster innovation in isolation, Al Mady added. Rather, there was a need to establish a broadly accessible education system and create an environment for people to live and companies to thrive. The GCC petrochemical industry is currently 129.2 mill tonnes, compared to 121.8 mill tonnes in 2011 and 62.4 mill tonnes in 2005, according to Abdulwahab Sadoun, secretary-general of GPCA.

The industry is expected to add a further 54 mill tonnes of capacity by 2017, bringing total capacity to 183.6 mill tonnes in the GCC, according to GPCA estimates. The most notable growth will be fine chemicals and fertilizers.

More than 1,870 delegates attended the annual forum this year, hearing insights from 16 speakers ■

New Market Report:

Qatar Petrochemicals Report Q1 2014

The Qatari petrochemicals industry is witnessing strong growth as capacity expands, even in the face of a global economic slowdown and threats of escalating feedstock costs. Continued growth demonstrates the confidence the Qatari industry has in future prospects, although BMI warns that planned diversification will not be sufficient to ensure the sector can reap the full benefits of expansion. Qatar has managed to achieve solid growth in spite of a slowdown in global markets due to the recession in Europe and a decline in manufacturing growth in Asia. Low density polyethylene (LDPE) was boosted by Qatar Petrochemical Company's new LDPE 3 plant, which increased its polyolefin production capacity to 1.15mn tpa and made the site the world's biggest single producer of polyolefins. Upcoming projects include the development of a large petrochemicals complex in Ras Laffan by Qatar Petroleum and Qatar Petrochemical Company (QAPCO). An olefins project, valued at US$6.4bn, is also in development by QAPCO and Shell. QAPCO plans to expand the production capacity of its cracker, enabling it to produce up to 1mn tpa of ethylene. Other projects include Qapco's US$5.5bn JV with Total at Ras Laffan is set for completion in 2018. Also coming onstream in 2018, the Al-Sejeel Petrochemicals Complex, a joint venture between QP and QAPCO, and the Al-Karaana petrochemicals complex, a JV between Qatar Petroleum (QP) and Shell, which will together lead to a fuller diversification of Qatari petrochemicals production.

BMI notes the following developments in Qatar's petrochemical industry:

BMI forecasts that by 2018, Qatar's ethylene capacity should reach 7.2mntpa, an increase of 177% compared to 2013. This will be accompanied by polyethylene capacity of 4.49mntpa (up 180%) and 540,000tpa of polypropylene (PP).

Amid growth in Chinese and US supply and rising feedstock costs, by the end of our forecast period the Qatari petrochemicals industry may well be facing squeezed margins with the prospect that some plants will operate below capacity.

Qatar is now ranked fourth in our petrochemicals rankings for the Middle East and Africa with an overall score of 60.4, unchanged since the previous quarter. This puts it 0.1 point behind Kuwait, 3.6 points behind the UAE and 1.7 points ahead of Iran ■

Size matters

Despite the turbulence affecting Egypt's economy in 2013, smaller investments have kept on coming

Noha Moustafa

As the country remains politically divided and struggles with slow economic growth rates, a widening budget deficit and a dramatic drop in tourism, it came as no surprise when the latest Central Bank of Egypt (CBE) figures showed that inflows of foreign direct investment (FDI) into Egypt had retreated by $3 billion in the year ending in June 2013, with estimates putting the figure in the first half of the current fiscal year at a mere $301 million.

However, the net FDI figure is arrived at by subtracting outflows from inflows, with the result that of the $11.7 billion in FDI entering the country in fiscal year 2012/2013 only $4 billion is presented as direct investment in reports, as the balance represents outflows. This means that the overall investment picture may be better than it seems.

Minister of Investment Osama Saleh said early this month during the Egypt-GCC Investment Forum held in Cairo that he expected foreign direct investment into Egypt to reach $5 billion in 2013/2014. Last year, inflows were set at $4 billion. Throughout 2013 and despite the turbulent political scene, new investments kept on coming, he said, though not in large enough amounts and not in job-creating sectors.

A week before the 30 June Revolution that toppled ousted former president Mohamed Morsi, Actis, an international private equity firm, said it was injecting $102 million into Egypt to buy a 30 per cent stake in Edita, the Egyptian snack food firm that makes well-known brands like Molto croissants and Todo cakes.

Actis, which focuses on investments in emerging markets in Africa, Asia and Latin America, said that selling cheap snacks in an over-populated country like Egypt was an investment "that can't go wrong".

This perception has apparently been shared by other investors. In October, Nestle revisited a postponed plan to expand its ice cream facility in Egypt and injected LE1 billion of investments into the country. The company, which has three factories and 10 distribution centres in Egypt, said that it was determined to continue local growth.

Samsung, the Korean electronics giant, inaugurated its factory to make computer and television screens in Beni

Sweif last July, with investment of around $100 million and plans to make more to increase manufacturing lines, such as panel assembly lines.

While a lot of fuss was raised when the American Apache Corporation said it wanted to sell part of its stake in Egypt, with rumours that this was happening because of the lack of security, things calmed down when China's Sinopec group stepped in to buy one third of Apache's Egyptian oil and gas business for $3.1 billion. The transaction is Sinopec's first venture into Egypt, according to a group statement.

Minister of Petroleum Sherif Ismail signed nine agreements with companies in the natural gas and oil exploration field earlier in November, which required $470 million in investments and were the first to be signed since 2010. The agreements were signed with Shell, BICO, Greystone, Petzed and the Egyptian General Petroleum Corporation (EGPC) to authorise the exploration for petroleum in Sinai, the Gulf of Suez and the Western and Nubian Deserts.

Shell secured three of the agreements to drill 17 wells, worth $13 million in investments, in new areas in the Western Desert, stated the Ministry of Petroleum. At the same time, General Electric and Carbon Holding signed a $500 million agreement in November to establish the largest petrochemical production facility in Egypt, according to an official statement from the Ministry of In-

dustry and Foreign Trade.
Under this agreement, General Electric will provide technical and financial support to the Naptha Cracker project in Ain Sokhna, which is affiliated with the Tahrir Petrochemicals Company.
During the Egypt-GCC Investment Forum, businessman Naguib Sawiris said he planned to invest $1 billion in Egypt in 2014, immediately after the planned adoption of the new constitution. Hisham Zazou, the minister of tourism, also said during the Investment Forum that the ministry had received offers from Egyptian and foreign investors to construct about 200,000 new hotel rooms over the next five years.
Last June, amid the country's growing unrest, a report issued by the advisory services company Ernst & Young ranked Egypt as Africa's second country in attracting foreign investments. According to the report, Egypt had drawn 10.5 per cent of Africa's foreign investment since 2003.
Ernst & Young declared that 52 new projects had been established in Egypt in 2011. Another 60 new projects were registered in 2012. The company said Egypt also ranked third in Africa for infrastructure projects up to February 2013, as it hosted 82 projects and over $60.2 million of capital investment.
The Muslim Brotherhood-affiliated government at the time announced that it would be setting up 120 new projects with investments of LE150 billion, among them investment opportunities in the Suez Canal area that favoured the Gulf state of Qatar. As sentiments have changed, wealthy Gulf Arab states, minus Qatar, are now encouraging investment in Egypt to support its interim government.
Saudi Arabia, Kuwait and the United Arab Emirates have given more than $12 billion in aid to Egypt after the ousting of the government led by Islamist former president Mohamed Morsi in July following mass protests against his rule.
Despite these items of encouraging news, the political turmoil has nevertheless negatively affected the level of FDI in the MENA region and not just Egypt, as well as its composition, according to a recent report by the World Bank entitled "Middle East and North Africa: Investing in Turbulent Times".
"FDIs are skewed towards activities that create the least jobs or that create jobs in non-tradable goods. At the same time, the political unrest has discouraged the high-quality FDI in labour-intensive manufacturing and services needed for export upgrading and diversification," said Elena Ianchovichina, World Bank MENA lead economist and principal author of the report, during a video conference with members of the press in Cairo.
Egypt, with FDI still below its potential, attracts investments that are sometimes not beneficial to its economy. Like most developing countries in the region, Egypt receives most investments from the GCC countries, especially after investments from the leading technologically-advanced Western countries have retreated.
This was worrying because "countries like Egypt in the region won't be receiving any investments that will add or introduce new technology, research, development or any structural transformation. This is not the kind of FDI that we would have wanted," said Shantayanan Devarajan, World Bank chief economist for the MENA region, during the video conference.
He added that productive FDI was sensitive to political instability. "Political instability discourages good FDIs from coming into the country," he said. After the Arab Spring revolutions that transformed the region in 2011, political unrest has become one of the most cited problems worrying the business milieu, second only to corruption. Nearly 65 per cent of business owners in the MENA region complained about political instability and failing institutions, according to recent World Bank surveys.
Devarajan said that countries like Egypt should be seeking long-term greenfield investments in manufacturing sectors that can be a source of capital, jobs, technology and productivity spillovers. "But political risk hinders this type of investment, although you can still make money despite the risk. Political instability has an impact on the composition of the investments and usually attracts the kind of FDI that doesn't create jobs or boost growth. Investments tend to be choosy; they go where the business environment is the best," he said.
There was an urgent need to review investment priorities in Egypt, which should focus more on attracting investment in labour-intensive sectors, he said, and this should begin by evaluating the reasons behind the country's failure to attract useful investments.
"Developing countries in the region can't afford to continue neglecting long-standing economic impediments," Devarajan said. "The absence of significant economic reforms, combined with political and macroeconomic instability, especially in the transition economies, will keep investment and growth below potential not only in the short run, but also in the years to come, unless there are remedial actions." ■

SuhailAlMazrouei:

U.A.E targeting to prudect3.5millionCrude oil barrels by2017

Suhail Al Mazrouei was appointed U.A.E. oil minister in March. He was previously deputy chief executive and senior vice president for new business development at the oil and gas unit of Abu Dhabi government investment vehicle Mubadala. Here Mr. Al Mazrouei tells Us about the U.A.E.'s oil production capacity and gives his view on the challenges posed by Shale gas.

How much crude oil you are currently producing and **what is your production capacity?**

Our production is around 2.8 million barrels per day. In terms of our production capacity we are very close to 3 million barrels per day and we are targeting 3.5 million barrels by 2017.

Are you concerned that some in the market believe you that your target has been pushed back? Would you be able to up capacity to 3.5 million barrels a day by 2017, especially if Adnoc fails to renew its main offshore concession on time?

That's not true because our projects are not dependent on awarding or finishing on time, but even if there is a delay, that is not going to impact us reaching the production capacity target.

You previously mentioned the Shale boom is posing a challenge. What do you mean by this and how are you facing this challenge?

Mr. Al Mazrouei: First of all, I think shale is an opportunity and complimentary to conventional hydrocarbon production. Definitely it is impacting the United States' imports and certain countries will be impacted much more like countries in West Africa for example where United States is the conventional market. Those will have to go to other markets and Asian market could be a potential so we could face competition. But I don't think it will impact us in the United Arab Emirates and the reason is we are actively engaging with our conventional partners like the Koreans, the Japanese, Thailand and India and most of our crude goes to those markets. One third of our crude goes to Japan and we are now investing in Japan to have even strategic reserves there and we have a similar reserve in Korea. So I think we are just more than just a supplier of crude. I'm not worried when it comes to our market share or future market share.

When are we going to see a huge volume of crude passing through the Fujairah Pipeline?

The pipeline is gradually picking up and when we have our full capacity of 3.5 million barrels, it can be utilized. But the pipeline is an option and it is up to Adnoc how to use it. They have their production and they can decide how to use it and it is another route to export… I don't think there is going to be one day when we are going to utilize both our routes 100%, it is built as an emergency and a swap option.

Are you worried about deteriorating demand in Asia for crude?

The growth may vary from one year to another. It is not going to always be double digits and it is not even healthy to always have a double digit growth because then you will have a spike in the market. We believe that the growth we see, the level of 5% to 8% in certain countries is reasonable and will accommodate the growth we will have in our production.

Are you planning to discuss further investments in conventional energy, or nuclear, and look at further cooperation between the two countries?

In the U.A.E., we always look at who has the technology and who is benefiting us the most, we don't just look for a certain technology because it is with a friend. We like to weigh the options and the benefits before we make investment decisions ■

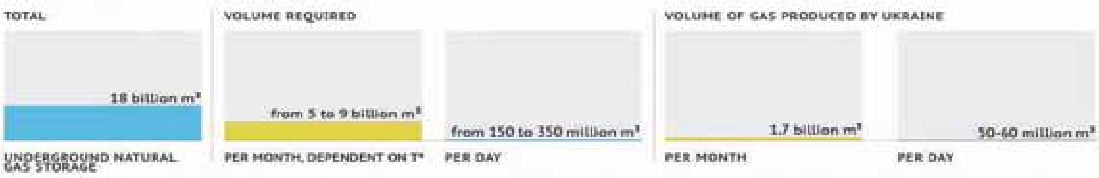
The gas dispute between Russia and Ukraine

Ukraine insists on reducing the price it pays for Russian gas, while Russia seeks to establish control over the Ukrainian gas transport system

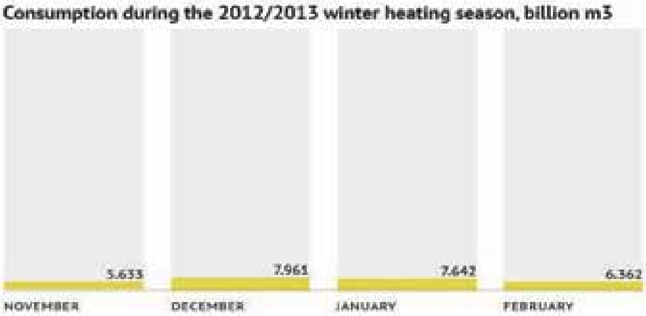
How much gas Ukraine needs

As of November 9, Ukraine's underground natural gas storage facilities contained 18 billion cubic meters of gas

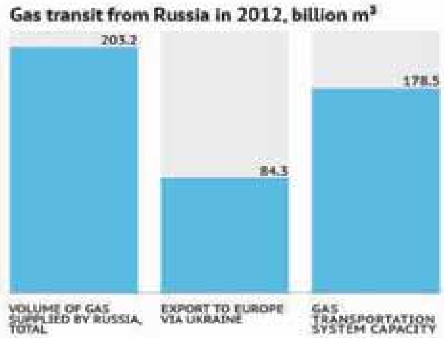
The volume of gas produced by Ukraine is 1.7 billion cubic meters per month



Consumption during the 2012/2013 winter heating season, billion m3



Gas transit from Russia in 2012, billion m³



History of Russian and Ukraine gas disputes

1. March 1994. Gas supplies reduced from 114 million m³ to 40 million, gas debt reaches $600 million
2. January 16 2001, Supplies are cut, Ukraine's debt amounts to $64.2 million
3. January 1 2006. Gazprom suspends gas supplies to Ukraine due to the absence of a contract, prompting Ukraine to syphon off gas intended for export to Europe
4. October 2007. Gazprom warns Ukraine of the impending cut in the gas supply if its $1.3 billion debt is not paid. Ukraine sets out terms for repayment, supply remains constant
5. March 2008. Gas supply is cut by 25 percent. As of 8 February, Ukraine's total debt stands at $1.5 billion. Ukraine responds by threatening to divert the export gas to Europe, but both countries manage to reach an agreement
6. December 2008. Russia accuses Ukraine of syphoning off gas destined for Europe. Kiev denies the accusations and breaks off the negotiations unilaterally on December 31
7. January 1. Russia cuts off gas supplies due to the lack of an agreement. On January 7, the pipelines transporting gas to Europe are turned off. The dispute is resolved on January 19 after gas contracts are signed giving Ukraine a 20 percent discount on the average European prize, while Russia retains the 2008 rates on transit tariffs. Both the supply and the tariff contracts are in effect until 2019
8. 2010, After becoming President of Ukraine, Viktor Yanukovich calls for the gas prices to be renegotiated. Yanukovich and the then President of Russia Dmitry Medvedev sign additional agreements that increase the volume of gas purchased by Ukraine and raise the discount on gas transport tariffs. The final tariff figure stands at a 30 percent discount from the one stipulated in the contract
9. 2012. Ukraine declares its intention to reduce the volume of the gas it purchases from 52 billion m3 , stipulated in the contract, to 27 billion. Russia, however, responds by claiming that the annual purchase volume may be changed no later than half a year before supply

The contract between Russia's Gazprom and Ukraine's Naftogaz has a take-or-pay clause which applies to 80 percent of the purchased gas. The agreed-on purchase ceiling for 2012 is 52 billion m³, and Ukraine is obliged to pay for at least 41.6 billion m³. However, Gazprom says it only sold 32.9 billion m³ of gas to Ukraine in 2012

10. October 29, 2013. Gazprom's head says Ukraine owes $882 million for August supplies, adding that Russia will move to prepayment for deliveries if the debt is not settled
11. November 9, 2013. Ukraine completely halts supplies from Russia, while tripling its import from Europe

A report of choosing the best exemplary exporters

The Top National exporter in 2013

The union for oil, gas and petrochemical product exporters

The union of oil, gas and petrochemical products exporters has been selected as the union for the best exporter in the celebration of choosing the best seller in 2013. In the last year, the members of the union could have the major part of Iran's export despite the oil and bank sanctions against Iran and the changing decision against our exporters. Therefore, choosing the union as the best sample of exporter in 2013 has been expected.

The list of prominent exporters

In addition to Iran's union for exporting oil, gas and petrochemical products the association of Exporting Technical and Engineering services, the Union for Producers and Exporters of Iran's Furniture, Iran's Pistachio Association and Iran's Electronics Syndicate were also celebrated as the top exporting unions and organizations in 2013. The prominent exporters are those who could be honored as the top national exporters for five years. Therefore, commercial companies of Akbar Hajj Kazemian, Zar Makaron industrial group, Saipa, the Middle East Exporting Companies and Kayson have been introduced as the top exporters in 2013.

The following list include 45 national top exporters in 2013: Tak Arta Naghsh, Kasra ara Molbeden, Anata- industrial section, Iran Transfo, Iran Yasa Tire and Rubber, Kaveh Glass industry, Behdad Chemical, Kar Plastic, Supporting and Renovating Iran's Helicoopters, Iran Tractor Manufacturing, Qaem Zaferan, Pipe producton and Pipe Profilie, Morvarid Industry, Daroupakhsh Production of raw materials, Dana Gam, Dena Rahsaz, Isfahan steel, Rak Chemical, Razitan, Zarbaf Far, Delijan's Tissue Polysters, Sepehr Electric, Samran Salamat, the West Siman Industries, Sinagen research center, Shokuhe bonab, Shams Alhodai, Sanatie Dadash baradar, Shirin Daru, Shima Kafsh, Equipments Exports and the Servces for Iran's Water and Electronics, Sina Chemical Industries, Faravari Roode Iran Zamin, Mojtame Nassaji Asayesh Kashan, Iran frosilis, Bazarganii Qaem Tejarat Amin, Karkhanejate Kasshie Aghigh, Kaleh Diaries, Kooshesh Radiator, Kish Chips, Gasht Tour, Golnoor, GOhar Zaferan, Machine Role and Pasargard Oil. Also companies of aerial

and tourist travel including iran Dosstan, Barfab, Pooyandegan Rahe sa'adat, Khaneye Farshe Azim, Bazarganie Ghazal Aras Baran, Golsar fars, Sanaye Roshanaie Mazinoor, Yazd Rubber ndustries, Novin Zaferan and Production and Export of Rishmak were also awarded as the top exporters in 2013.

Foreigner's will to cooperate with Iran

The president's first deputy mentioned that the resource for development is 32 billon dollars and we have give 20 billion dollars for facilities and told that foreign companies like to cooperate with Iran. Isaq Jahangiri told: "the Export National Day is an opportunity to criticize some part of the government's policies and have strategies to benefit from better policies." He added that during the sanctions the issue of export is very hard and those who were able to do so must be awarded and appreciated. He also explained that Iran must continue the process of development more seriously. It is unlikely to have an Iranians who is not interested in his country's fate.

He said: Iran's status in the region and international atmosphere is to develop and remove the barriers to reach the development. He added, Iran must not lag behind the world's development and the reason behind non industrialization of Iran must be examined. He also continued the government of prudence and hope plans to have development-leading programs, without insulting and destroying the last officials. This is not a slogan, but also shows the president's and the administration's seriousness to place the private sector as the pillar of the country's development and there is no other way except investing, creating a secure atmosphere in private sector for development.

The president's words mentioning that the centrifuge and the economy must work at the same time is indicative of the point that the people's lives are of high significance for the government.

He also added that the government would not withdraw in regard to nuclear right of people and would remove the obstacles through rationality, prudence and collective wisdom and finally create and appropriate space for having presence in global markets and exports.

The government's diplomacy is not about trivial matters; rather it seeks to find opportunities to interact with the world. For the present moment, several European countries called and showed their will to have more cooperation with Iran.

Solving the export problems

Minister of Industry, Mine and Trade informed us about solving two problems of obtaining foreign exchange obligations and removing the financial exemption for exporters. Mohammad Reza Nemat Zadeh told in the national day of export: in 2012 the value of Iran's export was 86 billion dollars or in other words, 0.55 percent of the world's export while non-oil exports of Iran was 0.2 percent. He added that in the first half of the year the amount of non-oil exports and imports of the country were 17 and 19 billon dollars, respectively. Last year Iran descended to the rank of 82 in competitiveness rank among 148 countries.

Awarding export winners

The head of the president's office mentioned that our economy has been damaged due to temporary decisions; therefore, the government must create stability in the regulations to provide an opportunity for agency's managers to have long-term planning.

Mohammad Nahavandian told the National Export Day is an opportunity to celebrate those who took great steps for Iran's economy. The day is also to evaluate our procedures in the past as well as our future musts.

“He told that exports are the fields for international competition among economies. There it would be clear that whether our economy and our micro management were successful or not. Our export level must be high, since exports are the economies’ Olympics and there it would be clear that whether our attempts led us to a considerable rank in export fields or not. The head of the commercial office also told that: the point which indicates that our researches reached to the power of competition and can ascend technical-engineering service shows that our research papers have scientific improvement. In the day, some of our economic activists would not been individually awarded which means our economy as a whole entity. Previously we just applauded the exporters without any criticism while our responsibility is to have a realistic evaluation. The National Export Day is the day for the private sector and economic activists to have talks with the economic official.

The government of prudence and hope plans to have economic growth through private sector. The reason is that the government is policymaker and not responsible for economy, the government’s responsibility is to remove the barriers. Although our non-oil export is important but the point is that must we compare ourselves with ourselves? Or ask about other’s development and potentials? One of the significant indices was that how much non-oil export could cover imports or how much of the export products is dependent on oil and how much is dependent on value added? What is the proportion of our industrial exports to our industrial imports?

Compared to 2000 our industrial exports increased from 2 billion dollars to 15 billion dollars in 2011 which is a great achievement, but at the same year Turkey and Saud Arabia earned 104 and 65 billion dollars respectively. The proportion of industrial exports to industrial imports is 37%, 73%, 67%, +100% and 177% for Iran, Turkey, Saudi Arabia, Thailand, Malaysia and Korea, respectively ■

Saudi plastics sector investment over $50b

Saudi Arabia has emerged as one of the most attractive investment destinations for petrochemicals and plastics in the Middle East, even during the global economic slowdown. Recent studies reveal that total investments in the plastics sector have reached $50 billion, affirming the strength of the market. Furthermore, the petrochemical industry is determined to achieve a production capacity of over 100 million tons per annum by 2015 to maintain Saudi Arabia’s position as one of the largest producers of petrochemical products. Saudi Plastics & Petrochem 2014, the 11th International Plastics & Petrochemicals Trade Exhibition, is set to take place from 17 to 20 February at the Riyadh International Convention and Exhibition Center, highlighting the growing demand for the latest plastics and petrochemical products in the Kingdom. Over the past decade, the trade event has established itself as the largest marketplace for plastic and petrochemical products, machinery and services in the Middle East. The upcoming show will be an ideal gateway to know more about the latest technologies in machinery, equipment, raw materials, semi-finished products, spare parts and services in the plastics and petrochemical sectors. Zeyad Al Rukban, Deputy General Manager at the Riyadh Exhibitions Company, said: “The industrial sectors in Saudi Arabia are witnessing a robust growth with several large-scale developments and infrastructure projects underway. To sustain this expansion, a wide range of business opportunities has emerged in the plastics and petrochemical industries. Saudi Plastics & Petrochem 2014 will serve as an ideal platform for engineering firms, manufacturers and suppliers to display their latest products, high-tech services and state-of-the-art technologies. We expect the footfall at the forthcoming edition to surpass previous records.” With more than 20,000 square meters of exhibition space and exhibitors from over 27 countries across 10 national pavilions, Saudi Plastics & Petrochem 2014 is the largest industrial trade gathering for local, regional and international industrialists and professionals. Some of the biggest plastics and petrochemical companies from Saudi Arabia and the region are expected to participate in the event, along with a number of government industrial commissions from the Gulf Cooperation Council ■

8th annual Iranian

Oil, Gas & Petrochemical Products Exports Union

The union shall be run and managed by a board of directors composed of seven principal persons and two substitutes who are elected by ordinary general meeting from among qualified representatives of member companies for period of two years. Upon termination of period of assignment of board of directors, all responsibilities shall be borne by previous members of board of directors till election and nomination of new board of directors. Re-election of any of board of directors members for prospective periods of management of the union is permissible. The volunteers for membership in board of directors shall submit their nomination or candidacy application enclosed with above documents to the union secretariat at the time the agenda of the ordinary assembly is published. In case of resignation from membership, expulsion and or dissolution of the member company whose agent holds a position in the union, the mission of that representative ,too, following their respective company shall be null and void. in case the representative introduced by any of member companies, following election in the union, leaves the membership in their respective company due to any reason, upon announcement by the company he/she will be dismissed of the position they hold in the union and shall not have any position in the union. The new representative of the said company shall not hold the same position in the union. The aforesaid's position shall be delegated to the substitute and or for prospective in-charge elections shall be held as per regulations. In case of resignation or demise or dismissal of half plus one of the board of directors members, board of directors elections shall be renewed.

The general assembly is the highest decision making authority in the union and is composed of members or its official representatives. The call for any of general meetings by board of directors will occur through insertion of notice in the widely circulated papers once . the date of notice publication shall be at least 15 days before holding the general assembly meeting. The agenda and the hour and day and place of general assembly meeting shall be mentioned in the notice. Further, a separate invitation letter will be dispatched with the signature of one of board of directors members or secretary or inspector and or accumulation of at least half plus one of members to the members at the address announced by them and or through facsimile.

Any of member companies shall introduce one person in written to the union as plenipotentiary agent of the company to take part in general assembly meetings. The introduction letter shall be valid with signatures of persons entitled to sign negotiable documents with seal of the company. The introduction letter shall be presented to board of directors or union inspector and or selected members of half plus one and upon its confirmation, the representative of the company shall be entitled to attend the meetings and be selected or elect. Obtainment of vote in general assemblies is open unless regarding election of board of directors and inspector and or in case of approval of presiding board of the assembly which will be in written ■

New report of customs about 5 month trade

16.3 export by help of selling raw materials neighbors are at top

The newest report from Iran Customs indicates that nonpetroleum exports have reached to $15.1 billion and imports to $16.3 billion.

Iran Customs reported that nonpetroleum exports have decreased 7.99% and nonpetroleum imports have decreased 26.36% in first 5 months of this year in comparison with the similar time at last year.

In this period, 35 million and 10,000 ton goods were exported, including oil, gas, and lot goods, and 11 million and 190,000 ton goods were imported.

Main exported goods are iron core and its concentrates by value of $552 million, methanol by value of $500 million, and oil tar by value of $457 million.

For gas liquids, petrochemical products, and other goods, this report adds: "From total nonpetroleum export in the first 5 months of this year, $3.105 billion was for gas liquids, $3.914 billion for petrochemical products, and $8.173 billion for other goods.

Also, study of composition of exported goods show that exports of gas liquids has decreased 14.3%, petrochemical products 14.4%, and other goods 1.7% in this period. Among exported goods, iron core methanol, tar, and Portland cement have increased 95%, 34%, 7.9%, and 15%, respectively. Most exports were to China by value of $2.540 billion, to Iraq by value of $2.365 billion, to United Arab Emirates by value of $1.436 billion, to Afghanistan by value of $1.188 billion, and to India by value of $915 million.

Imports

Also, in the first 5 months of this year, 11 million and 190,000 ton goods by value of $16.307 billion were imported, which this has decreased 26.36$ by value and 27.89 by weight. The main imported goods include white rice by value of $1.092 billion, meal and other solid cakes by value of $705 million, livestock corn by value of $496 million, hard wheat by value of $415 million, and iron and steel ingots by value of $280 million.

Five main exporting countries to Iran were United Arab Emirates, China, India, Korea, and Turkey, respectively. In this period, $3.214 billion goods were imported from UAE, $3.002 billion from China, $1.614 billion from India, $1.484 billion from Korea, and $1.388 billion from Turkey (table below).

China, Iraq, UAE, Afghanistan, and India were the five main buyer countries of Iranian goods in the first 4 months of this year.

According to Iran Customs, China was the first buyers of Iranian exports by value of $2.119 billion. Next countries are Iraq with $1.939 billion, UAE with $1.146 billion, Afghanistan with $889 million, and India with $796 million, respectively.

In this period, about 80% by weight and 70% by value of exports of our country were dedicated to the five above mentioned countries.

Meanwhile, 86% of total exports of our country in the first 4 months of 2013 were from productions of 10 provinces. In the first 4 months of this year, $2.324 billion of total exports was from Tehran, $2.129 billion for Bushehr, and $1.230 billion for Khuzestan.

After the above mentioned provinces, exports were from productions of Isfahan, Khorasan, East Azerbaijan, Fars, Central, and West Azerbaijan provinces, respectively. Totally, 80% by weith and 86% by value of exports of our country were dedicated to the 10 provinces ■

Imports and exports in 2013

Non-petroleum exports (million dollar)	first 5 months of 2012	first 5 months of 2011	Changes
Gas condensates	3.1	4.8	34%
Petrochemical products	4.6	6.6	30%
Other products	8.0	6.5	23%
Total	15.7	17.8	12%

Exporting thick and impermeable tar

Dariush Gorgvand

Since one year ago, along with managerial developments in Iran tar industry, the news of dramatic reduction in the exportation of this oil product went on the air.

Contradictory news, specially while speaking of the statistics, is common; however, the considering issue which does not change through real or unreal statistics is the management of tar industry in terms of exportation and the influencial domestic and international matters in this field.

Tar exportation, in Iran, has always been affected by some factors with long history. The domestic use and its influence over the amount of tar exportation is in some extends higher than the need of industry to tar.

The use mehtod of the energy suscribers and the domestic users are included among important domestic factors that illustrate its effect on the second half of the year. Oil is still the only available fule in some regions of Iran, and its usage is multiplied at the beginning of cold. Additionally, neglecting efficient use of energy in other regions having facile access to power supply leads to the increase in domestic use of oil effect exportation of numerous petrolium products including tar. The other side of domestic use coin refers to the industries. Tar used in this field is largely a mixture and solution of tar that, according to the type of usage, it has different levels of adherence. The most eminent use of tar is its mixture to sand to asphalt streets and roads. Another type known as “tar wad” is applied for insulation.

Nevertheless, despite managerial instability during last year, Iran still possesses the first rank as the producer and exporter both in the Middle East and Asia, and this caused, despite the international attempt in limiting and sanctioning Iran’s oil activities, tar industry to stay safe from such threats. One must remember that, along with the high volume of production within country, another factor also influenced escaping tar from sanctions: developement of Iran’s projects in different countries. Most of the countries which were under construction and developement programs aimed at Iran, had to use Iranian tar.

But, the exportation of tar in Iran does not finish in such points. Pricing issue for domestic customers also affects exportation rate. Since the Iranian user must make a choice between the exchange market and black market, pricing and the sales of tar through exchange has always been a sensitive issue. Accordingly, tar has always been released in a lower price than the global price; however, this price difference stayes at a level that lowers the smuggling attaction to the least point for the misusers.

Of course, in accordance with the permanent shift in global prices and discordance of the interior market in some occasions, it is expected that opportunists, through hoarding larg amounts of tar in time, smuggle this oil product. Nevertheless, a part of market demand in neighboring countries is answered through smuggling, and it directly affects our tar exportation rate. Since in 2002, unification of tar sale rate act in Iran was passed by parliment, and tar smuggle is reduced dramatically, currently, the best way to zero illegal exportation of this oil product is to perform this act completely and flawlessly, and also proper floatation of interior sale rate.

Another part of tar exportation in Iran refers to the sale of natural tar. This product is made in nature through gradual alteration of petroleum and evaporation of its volatile substances during many years. This type or tar is more resistant than oil made ones. Natural tar is either available in the form of natural tar lakes, such as that in Behbahan, Khuzistan province, or it is extracted from mines known as mineral tar. Natural mines of tar in iran also appear in Ilam and Kermanshah. If the required facilites are available for benefiting this natural source, there will be a greate potential in terms of customers for Iran natural tar.

With all mentioned issues, in the three opening months of 1392, the main exporting goods from Iran has been oil tar worthing $235 million. After tar, Methanol that worth $205 million, and uncompressed iron ore worthing $185 million, possess the second and the third grade.

Such rates are released considering that the total amount of Iran exportation in the very time span was 6 billion 137 million dollars. According to statistics, the exportation rate of this oil product in the current year experienced 46% growth in value and 41% growth in weight. Such statistics reveals the tar exportation to over 50 countries.

With all such statements, based on the report of the Administration of Fuel Products of customer support organization, the increase in interior use according to what the reduction of tar exportation in 1391 due to the raise in tar cost and taking margin from export shipment has mentioned, it is said that 3,644,737 tons of tar were produced in 1391, from which 2285890 tons was produced by Pasargad Oil Company, and 1359147 tons by Jay Oil Refining Company. Also in this year, Pasargar Oil Company distributed 1222555 tons of tar among Iranian users, and this amounts 550414 tons for Jay Oil Refinement Company. Of all interior dispersion in 1391, The amount taken by the Ministry of Urban Development and Ministry of Interior (municipals) is in sequence 390053 tons equivalent to 22% and 336864 tons equivalent to 19% of the total dispersed tar. The rest was sent to other units such as asphalt construction, manufacturing insulation, condensation, and utensil makers.

It is included at the following part of this report: in the very year, 1657310 tons of tar was exported from which 1016068 tons was produced by Paargad Oil Company, and 641242 tons by Jay Oil Refinement Company. Customer Support Organization added: the growth (or decrease) in production, interior dispersion, and tar exportation in 1391 has been sequencially equal to 15%, 24% and 10%; briefly, increase in the production cost due to increase in tar price, increase in usage and demand from domestic users' side due to the growth in the volume of civil projects and inability to save and accumulate tar are the reasons for the increase in production and domestic use demand.

According to the report by Customer Support Organization, the growth in domestic use during the first half of current year, the increase in the price of exporting tar are among the reasons for reduction in exportation. On the other hand, the increase in domestic use, increase in the exporting tar price, taking margin of exporting tar shipment by Oil Refinement and Distribution Company are some causes for the lack of affordability ■

Current circumstances of bitumen production in Iran

Seyed Morteza Miri

Two Iranian companies, affiliated to the country's Social Security Organization, currently hold the lion's share of bitumen production in Iran. At present, quasi-governmental companies hold up to 99 percent share in production and export of bitumen, and the rest belongs to numerous small-sized firms.

The Neolithic Age human explored natural bitumen. They lived mainly in the vicinity of seas and used natural bitumen to cover pots and containers, as well as roofs and floors of their living places. Bitumen was the turned to one of the most favorite derivatives of crude oil. Natural bitumen, which was extracted from lakes and mines, was highly used, so that it led to oil condensation process. Bitumen is divided into natural bitumen and heavy oil (bitumen).

Natural bitumen is formed as a result of gradual evaporation of crude oil during a long period of time. It is found in natural form in lakes in the environment. Heavy oil bitumen is produced through condensation of crude oil in refineries. It is available in two forms of polymer bitumen and emulsion bitumen. Basically, natural bitumen is more durable than heavy oil bitumen.

Although Iran is not the sole country in the world which produces heavy oil bitumen, but it plays is key role in production and export of bitumen because it holds large amounts of reserves. Industrial bitumen production started in Iran concurrent with the exploration of oil and establishment of refineries.

Challenges facing provinces holding natural bitumen and heavy oil bitumen

Kermanshah, Lorestan, Ilam, and Khuzestan hold deposits of natural bitumen. Other provinces, which hold oil wells, have reserves of heavy oil bitumen. Non-implementation of environment protection law is among the main challenges facing provinces which hold natural bitumen deposits.

According to environment protection law, each province which holds certain kinds of natural resources, should spent a portion of the money it earns through harnessing natural resources in construction, development, and job creation projects in the same province. But, conditions are not favorable for spending a portion of bitumen selling incomes.

Another challenge for this downstream industry is related to problems for selling in international markets. Iran has long wished to be key players in the regional markets. Having the power of setting prices gives Iran the power of competition. Over 107 million tons of bitumen was sold across the globe last year, 90 percent of which were used in road building. Iran held a four percent share in the global bitumen trade in the past Iranian calendar year 1390 (March 2011-March 2012), selling four million tons of bitumen.

Shares of companies in bitumen production

Pasargad Oil Company and Jey Oil Refining Company are the first and second largest bitumen production complexes respectively in the Middle East. These two companies held about 99 percent of the bitumen market in Iran by the end of the last Iranian calendar year (March 20).

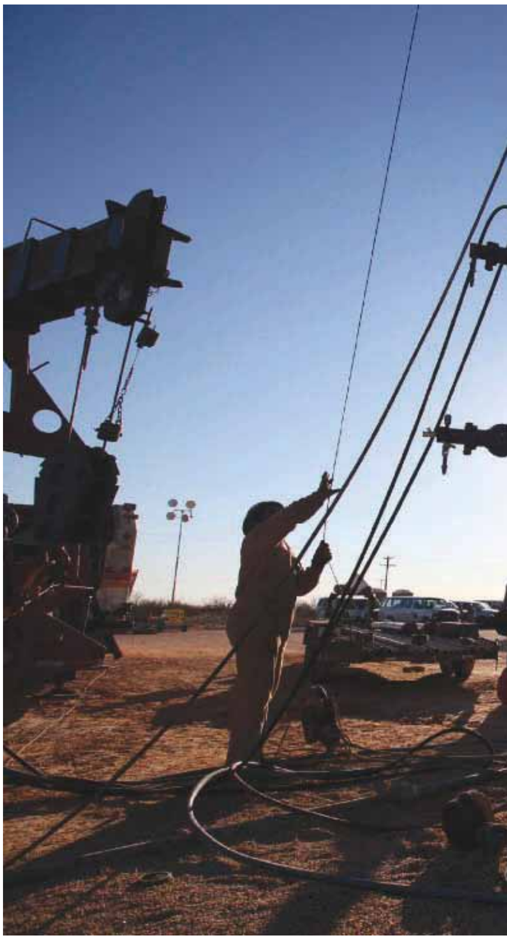
Iranian producers have sold 15 trillion rials worth of different kinds of bitumen in the commodity market over the first half of this year.

In addition to these two large companies, there are many small companies that accounted for one percent of the bitumen production in the last year. Given the problems in bitumen production and sales in Jey Oil Refining Company in the first half of the last year, the company's sales amount fell by 40 percent compared to the same time in the previous year.

Jey Oil Company's production drop was covered by Pasargad Oil Company and the small production companies and given the statistics released by the commodity market of Iran, the small companies accounted for over 8 percent of the deals in bitumen market of the country which is noticeable compared to the figures of last years.

Under the normal condition, Pasargad Oil Company (with 5 bitumen production factories) holds 60 percent of Iran bitumen market and Jey Oil Refining Company holds 40 percent of it.

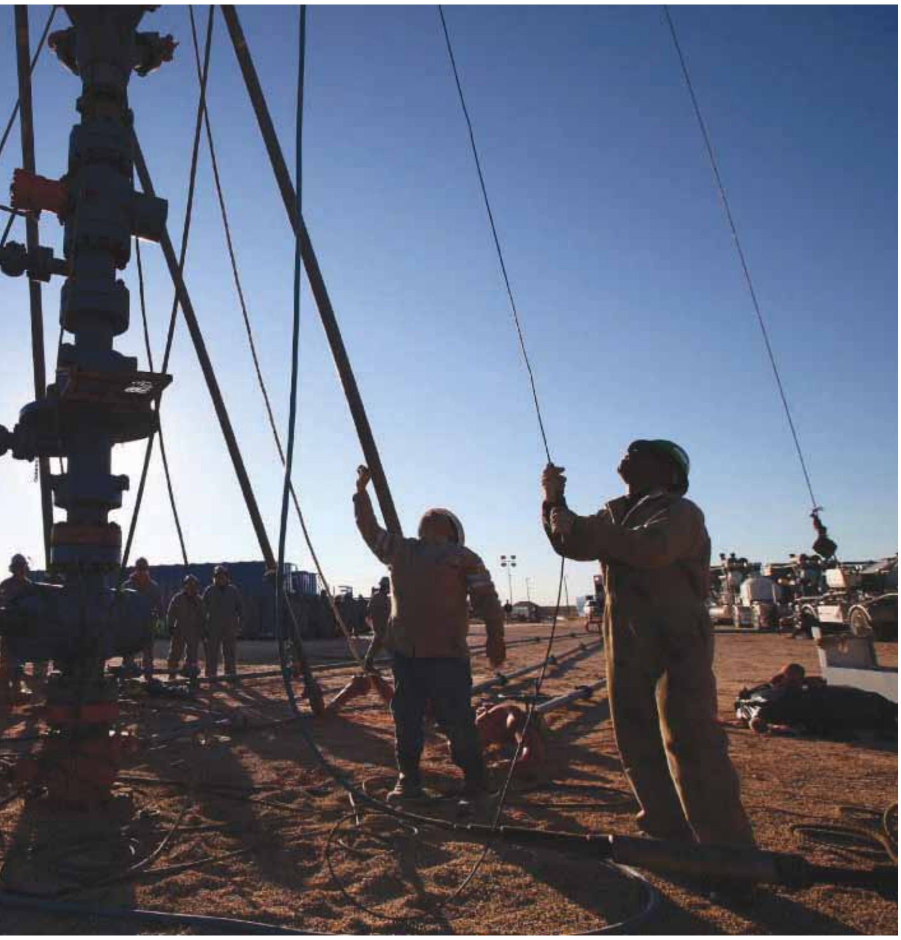
In order to have a share in this profit-making market, the small production companies have embarked on making



investment and establishing factories in different parts of the country. These companies are mainly active in two fields. Some of them buy different types of bitumen from the main producers (Pasargad Oil Company and Jey Oil Refining Company) and condense or package it.
These companies are not considered the competitors of the main producers. But the other small companies produce bitumen directly by purchasing vacuum bottom from the oil refineries and they are severely seeking more share of the bitumen production market in Iran.
As mentioned before, these companies held one percent of the bitumen production market in Iran in the last year. It is while the figure reached 8 percent in the first half of this year as the result of drop in the production of Jey Oil Refining Company. Of course, these companies face some limitations in developing their activity in the bitumen market that their most important ones are as follows.

Providing vacuum bottom (raw material for bitumen production)
Vacuum bottom is the main feedstock of bitumen production units and is produced in most of refineries in the country. As Pasargad Oil Company and Jey Oil Refining Company have been once some part of the oil refineries, they face the least problems in providing their required vacuum bottom. They receive their required feedstock with proper temperature through pipeline in the bitumen production factories. One of the main problems of the new bitumen production units is providing their required vacuum bottom.

Oil refineries have a completely specified and limited capacity in producing vacuum bottom and the vacuum bottom produced by Pasargad Oil Company and Jey Oil Refining Company is used internally or is changed to fuel oil.
So, there are many barriers for the new production companies in terms of providing their required vacuum bottom. But, they are putting more pressure on the refineries to allocate more amount of vacuum bottom to them. The vacuum bottom required by the new production units is mainly offered through commodity market of the country.
The big difference between demand and supply of vacuum bottom especially in the last year shows the new producers' determination for taking more share of the bitumen production market.



Side costs
As the factories of Pasargad Oil Company and Jey Oil Refining Company neighbor the refineries, they receive their required feedstock hot and continually through the pipeline, so these companies pay no cost for carrying their feedstock or heating it and the end price of their produced bitumen is low.
But in terms of the new production companies, in addition to facing problems for providing their required feedstock, they should pay the costs of carrying and heating vacuum bottom which leads to increasing the end price of produced bitumen.
Increase in vacuum bottom demand in current year
Vacuum bottom was offered in the commodity market of Iran first in January 2011. Before that, it was known as a byproduct in the refineries and as it was available in the market, the small producers produced bitumen through mixing fuel oil and mineral bitumen or condensed and packaged the bitumen produced by Pasargad Oil Company and Jey Oil Refining Company. Offering vacuum bottom in the commodity market led to the activity of new bitumen production companies.
Demand for vacuum bottom increased by the new producers since the last quarter of Iranian calendar year of 1390 (December 22, 2011-March 20, 2012) in a way that demand for 729,000 tons of vacuum bottom has been registered in July while 95,000 tons of this feedstock has been supplied. The registered amount does not show the real demand because as there could be no competition over the price,

the applicant companies compete over the amount of demand, but the figure shows that there is high demand for this feedstock.

Increase in difference between the US dollar reference exchange rate - which the price of oil products, such as vacuum bottom - is set based on it, and the US dollar free market exchange rate during the mentioned time has led to noticeable rise in the profit margin of the export-bound bitumen production. And also new production units that buy vacuum bottom at competitive price and pay transportation cost in addition to the other side costs and as the result produce bitumen at a higher end price will enjoy acceptable profit margin in case of exporting their product.

Over 60 percent of the total bitumen dealt in the commodity market of Iran has been dealt with the worth of 9.422 trillion rials in the exports section during the first half of this year. The figure shows about 54 percent growth compared to the figure of the last year.

The new bitumen producers have sold over 163,000 tons of different kinds of bitumen valued at 1.279 trillion rials in the first half of this year and more than 98 percent of it has been exported. It should be mentioned that if the price of oil products is set based on the US dollar free market exchange rate instead of the US dollar reference exchange rate, the current profit margin of the export-bound bitumen production will fall sharply and probably reduce interest in entering bitumen production market.

Future of Iran's bitumen production market

Growth in the global demand for bitumen especially in the Middle East, Caucasus and China has provided some exceptional opportunity for the producers of this product. Also, foreign currency fluctuations in the recent months have helped growth of the profit margin of export-bound bitumen production.

Entering bitumen production industry is almost easy. Technology used for building bitumen production factories is completely domestic and related cost is rather low. The other reasons for easy entrance to the bitumen production market are that this industry does not require exported raw materials and the process of bitumen production is simple.

Small bitumen producers will not be a serious threat for the main producers in the short time, but they will want more share of the market in the long term and will request more vacuum bottom from the oil refineries as the first step in this due.

It is clear that the small producers will become some noticeable competitors of the large producers in the near future, through producing different types of bitumen required by the market according to the common standards and the main competition between bitumen producers will be on supplying required feedstock.

In this regard, Pasargad Oil Company and Jey Oil Refining Company, that are the main bitumen producers in Iran, should specify new strategies and produce new types of bitumen, because by its special attractions this industry will become gradually a competitive industry and its main pivot of competition will be supplying vacuum bottom ■

Oil, gas markets nervously brace for a murkier world as EIA shuts

When the US Energy Information Administration turned off the lights on Friday due to the government shutdown, energy traders' view of the world's biggest oil market suddenly dimmed significantly - but it won't fade to black.

For the first time since it was started in 1979, the EIA's weekly report on the production, use and inventory of fuel and crude - the single most closely watched set of data in the global oil market - will not be published. After operating on rainy day funds since the Oct. 1 2013 partial government closure, the agency has finally run out of money, forcing it to shut. The EIA's US natural gas inventory data, typically released a day later, will also be absent. If the shutdown drags on, there will be none of the more exhaustive monthly data that usually underpins many an analyst's spreadsheet.]In an official sense, the world's biggest and most transparent oil market will become more opaque than China, the country that has just overtaken the United States as the biggest net importer of oil. From Beijing, only broad monthly data on refinery production and trade is available. "It is unconscionable that we are making this market less transparent, it is already opaque," said Jan Stuart, head of Global Energy Research of Credit Suisse. "It's crazy." But as with other financial markets that have already muddled through two weeks of data darkness, oil traders will find a host of private enterprises eager to help fill the information void, highlighting the rapid growth of proprietary intelligence providers seeking to get a jump on official data. These firms are on a marketing spree to fill the gap, offering products temporarily to entice new clients. Data such as gasoline imports and stockpiles in Cushing, Oklahoma - normally available ahead of the official figures for a sizeable fee - will be released for free in the weeks ahead. But none of them offer a suite of products that match the exhaustive set of data distributed by the EIA, based on information that oil and gas companies are required to provide the US government. Analysts say speculators, fearing that they may put on positions that could be proved horribly mistaken when the EIA data is released again, will reduce positions in the market

Iran-Sweden Petrochemical Plant to Become Operational

The construction of the second phase of Karoon Petrochemical Plant, a joint project by the Iranian and Swedish engineering companies, has been completed by 90% and will start operation by the end of the current Iranian year (ends on March 20, 2014).

The first phase of the joint project started in 2002 in Imam Khomeini Port's Special Economic Zone and was officially inaugurated in the winter of 2008.

The main product of the plant is Toluene diisocyanate (TDI), with the capacity of 40,000 tons per year. Karoon also produces Hydrochloric Acid and Sodium Hypochlorite in form of by-products. The company's products and services are designed to provide domestic downstream industries with high quality raw material. Also, the company is entering the global competition in the field of Isocyanates market.

The second phase of the complex which is now in the final stages of construction will produce 40,000 tons per year of methylene diphenyl diisocyanate (MDI) in addition to nitrobenzene and ethylene.

The value of Iran's annual petrochemical output may double to $40 billion, Oil Minister Bijan Namdar Zanganeh said last week. For the time being, the value of domestic petrochemical products per year is about $20 billion, he said, hoping that the figure would increase to $40 billion.

In June, the ex-managing director of the National Iranian Petrochemical Company Abdolhossein Bayat said the intensification of US sanctions on Iran's petrochemical industry will not impede exports.

"Despite the sanctions, petrochemical products are being exported to over 65 countries. Iran started diversifying its petrochemical products and finding new markets two years ago," Bayat added.

In May, Bayat said that over the past eight years, the country's annual petrochemical output has increased by 38 million tons.

The output will surpass 75 million tons by the end of the current Iranian calendar year, which ends on March 20, 2014, he noted.

Iran exported about $12 billion worth of petrochemical products in the previous Iranian calendar year (March 2012-March 2013), he added.

East Asia, Central Asia, Southeast Asia, and Africa were the main destinations of Iran's petrochemical products.

In March, Bayat said the country's petrochemical output is projected to hit 100 million tons by 2015.

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History of Polymer Pars Hormozan Company

پلیمر پارس هرمزان

Chemical Condensate Refining and Distribution Company (Polymer Pars Hormozan) Has started working in the late of 2007 , in the field of establishment of private refineries and investment in manufacturing petroleum products, and import and export of oil derivatives . This company has started working with an investment over 100.000.000(Rials) , with the registration number : 432801.Over the past three years has increased thecapital up to 30.000.000.000 (Rials).in the late of 2010 was successful in obtaining credit. The company's manufacturing unit has opened in the second semester of 2012.The company's major investments have been successful in various sectors in 2009s.The company has exported approximately 5,000 tons of organic solvent to Afghanistan and approximately 5500 tons of base oil to Turkey, India , the United Arabic Emirates ,Vietnam ,Azerbaijan and since 2013 , 23,000 tons of organic solvent and 4000 tons of Heat oil from April to November ,Approximately 35,000 tons of organic solvent to Afghanistan. Polymer Pars Hormozan Company has high potential in the field of marketing , import and export of goods from different countries. We have a significant amount of oil products from Turkmenistan, Uzbekistan and the United Arabic Emirates and Iraq entered to Iran on a temporary basis and then recycled and processed into another materials and exported to different countries.This company is ready to cooperate with various foreign and domestic companies in the sales, production and export of oil products

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