

Iran's Strategy for Export of Natural Gas

Statement by:
M.A. Sarmadi-Rad
Director of Regional Economic Cooperation
MFA of Islamic Republic of Iran

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In the Name of God,
The Compassionate, the Merciful

**Mr. Chairman,
Ladies and Gentlemen,**

First of all I would like to express my sincere gratitude to the organizers of this meeting for inviting me to make this presentation. It is indeed a pleasure for me to be here and share with you my point of view regarding Iran's strategy for exporting natural gas.

As for natural gas we all know that demand for natural gas has been growing much faster than the demand for other primary energy resources. It is also expected that the share of natural gas in the primary energy basket to increase rapidly. The growth rate of world demand for natural gas will average 3.1%.

It is also no secret that European countries will be even more dependent on natural gas in the coming decades. Projected natural gas supply and demand for 2020 and 2030 reveal that European countries will have to find new sources of supply to satisfy their additional demand. Russia, currently the main supplier of natural gas to Europe, may not be able to meet this increasing demand. Because Russia, as is widely expected, will have to meet the growing demand for natural gas in FSU countries and in its domestic market.

Iran, located strategically in the vicinity of Russia, the CIS countries and the Caucasus, as well as on the eastern border of Europe, has the potential to export large quantities of natural gas both to EU markets in the west and to the growing energy markets of South Asia and beyond.

Indeed, Iran endowed with the second largest natural gas reserve of the world, should have already been the main exporter of natural gas to the global markets. This has yet to happen. The reasons for not yet achieving such a status in the world markets are many. They include insufficient investment resources, strong demand at the domestic market for fuel, rapid repressurizing of some oil reservoirs, domestic environmental policies pertaining to substitution of fuel oil and gasoil with natural gas and the inability of some potential buyers in separating politics from business or resolving long festering disputes such as the

India-Pakistan dispute over the status of Kashmir. As for the expanse of the domestic natural gas market and the gas injection requirements it is sufficient to say that the average daily demand for the aforementioned demands in the domestic market tops 400 million cubic meters per day.

Iran's unique geo-economic features distinguish it from other gas-rich countries in the region. It is centrally located among the world's major oil and gas producers of the world. It shares land and sea borders with 15 countries. It has a vibrant economy with a major pool of skilled manpower and a well-developed infrastructure. It has 70 million people within its national borders, and as such it has the largest population in the region. It is endowed with the second largest natural gas reserves of the world. Thus, given its manpower and natural wealth as well as its location advantages, Iran is rapidly emerging as a major supplier of natural gas to the regional world markets. Our policy of peaceful engagement with our neighbors and trade partners is an added advantage.

Endowed with 28.2 trillion cubic meters of proven natural gas reserves of the world, Iran is planning to become a major natural gas producer and exporter for the world market within the next decade. Accordingly, Iran will increase her gas production capacity from current 260 bcm/y to 400 bcm/y in the next ten years and to, at least, 600 bcm/y in the next 20 years. This will elevate Iran's position to the second or third largest natural gas producer in the world. In this case, Iran interested to have 10% of gas trade of the world in form of export through pipeline, LNG or others.

As for the location of gas deposits it should be noted that Iran's major gas deposits are located in the southern part of the country. The major recognized natural gas deposit of the offshore portion is the South Pars field in Persian Gulf. The reserve of this gas field is estimated to be 500tcf, or 8% of the entire world's or 40% of Iran's total natural gas reserves. This field also includes 18 billion barrels of condensates (liquids).

The number of projects for export of natural gas from Iran is many. They include piped gas projects, LNG projects and even two gas to liquid plants.

Presently, Iran is exporting gas to Turkey. Export of natural gas to Armenia and Nakhjavan is imminent. There are other pipelines projects for exporting Iranian natural gas to neighboring countries and beyond .

The natural gas pipeline to Pakistan and India, “Peace Project” is being seriously followed up. For this project the techno-economic study of an 1883-km pipeline to carry 45 mcm/day of Iranian gas to Pishin in Pakistan via the Port of Asaluyeh in Iran has been completed. The feasibility and commercial viability of this pipeline is no longer in question.

At the same time, Iran is planning to develop its natural gas pipeline network by extending it to its eastern and western borders to become a major hub for natural gas transactions. Expansion of cross border piped gas trade volume to a net of about 40 bcm/y by next 10 years is one of the main strategic goals of Iran. The existing pipeline network plus the ones under construction or study in Iran will eventually link Central Asia, the Persian Gulf states, Azarbaijan, and Turkish gas pipelines through Iran to everyones’ benefit. Further extension of this loop to the East could supply Pakistan and India, and in the West a new line from Turkey to Europe would complete the link between Asia and Europe. Such a network will allow unprecedented major swaps with remarkable advantages for seasonal adjustments.

For instance a viable swap arrangement can be reached between Iran and Russia to the benefit both countries as well as to the benefit of Europe and our northern neighbors. Iran’s neighbors in the north receive around 10 bcm/y gas from Gasproom through a very long delivery system. Iran can deliver same amount of natural gas to these countries, providing Gasproom agrees to deliver equal amount of natural gas on behalf of Iran to Europe. Given Iran’s potentials many other multilaterally viable proposals can be developed.

In pursuance of the policy to become a major exporter of natural gas, Iran is planning to construct two separate GTL facilities as well as four LNG plants on the Persian Gulf coast with a total capacity of nearly

37mt/y. These projects are now in the different phases of design or EPC tendering .

The LNG projects are:

- 1- *Persian LNG* with a capacity of 10.6 mt/y targeting European countries,**
- 2- *Iran LNG* with a capacity of 8.8 mt/y targeting European and Indian markets,**
- 3- *Pars LNG* with a capacity of 8.8 mt/y targeting Far East market, and**
- 4- *NIOC LNG* with a capacity of 10 mt/y targeting variety of world markets.**

It should be noted that the required natural gas for the LNG plants will be supplied from South Pars gas field.

And finally, I would like to emphasize that Iran's natural gas development policies and plans seek constructive partnership in trade and in joint development of this valuable energy source that is rightfully recognized as the choice fuel for the next twenty to thirty years ahead of the world. As such we believe that the next wave of European partnership in the Iranian energy sector could focus on exporting natural gas to Europe and LNG and GTL to other world markets.

Thank you for your kind attention.