

## IRAN

# Development terms and opportunities

**Dr Mohammad Ali Emadi, Senior Advisor to the Deputy for Development and Engineering at the National Iranian Oil Company (NIOC), recently spoke to *Petroleum Review* about development opportunities in Iran's oil and gas sector, some of which will be highlighted as part of the extensive programme at IP Week on 20–22 February.\***

*Given reports that Iran is looking to secure more than \$20bn of foreign investment in oil and gas projects, what are your main conditions for development?*

Many Iranian oil and gas fields, be they greenfield or brownfield, have higher reserves and production capacity than we previously estimated and present good investment opportunities for international oil companies (IOCs). Even though we are still experiencing some problems regarding sanctions and the US, we are receiving a lot of interest from European, Russian and Chinese companies, and also from countries such as South Korea, Japan, Singapore, India, Malaysia and Indonesia.

There is no ambiguity for foreign companies willing to enter the market. We provide them with all relevant information through confidentiality agreements. They have time to review information relating to the reservoir, service facilities, etc and we let them visit the sites as part of the Memorandum of Understanding (MoU) process. IOCs are required to form consortiums with an Iranian partner in order to develop projects. Each Iranian Petroleum Contract (IPC) contract must be signed by one Iranian company and two or more IOCs.

Every IPC will be 100% financed by the consortium members. For example, on the South Pars project, Total, CNPC and Petro Pars will invest based on their respective shares. Total and CNPC will finance the project partly with their own funds and partly through credit loans.

NIOC has also proposed another new contract model, EPC+F, for

smaller upstream and midstream EPC projects. Under this model, the consortium of EPC contractors – not the oil companies – will finance about 20% of the project with its own assets and budget, 40% is funded by NIOC directly and the remaining 40% has to be financed by the contractors through an NIOC guarantee. They can obtain financing from the National Development Fund, local banks or even foreign investors and funds.

*Are you satisfied with the pace of development since most sanctions were removed?*

Negotiations on the Azadegan, Yadavaran, West Paydar, Azar, Aran, Cheshmeh-Khosh, Sumar, Changouleh, Yaran, Dehloran, Sohrab and Arvand fields, as well as the South Pars oil layer and some other important fields have already started.

Azadegan is a major project that has gone to tender. Oil reserves are put at 34bn barrels and we expect, within a 20-year development plan, to increase the recovery factor of the reservoir. However, the most attractive development in terms of reserves quantity and quality is Yadavaran. While similar in size, holding 31bn barrels in reserves, the reservoir is of better quality and we expect higher productivity. Production from each of these fields is expected to reach 600,000 b/d, producing a combined output of 1.2mn b/d.

There are also the Farzad-A and Farzad-B projects, which are both greenfields. We are negotiating with an Indian company for Farzad-B. Some companies, such as Gazprom Neft, have already made discoveries on these fields. Another

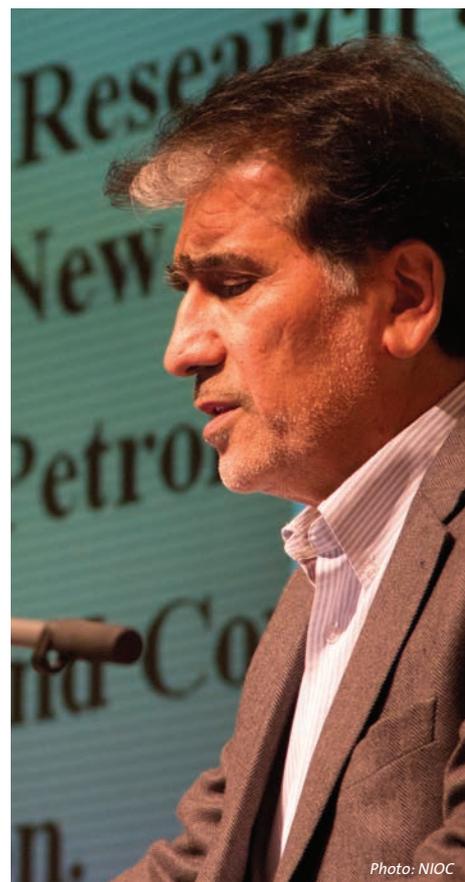


Photo: NIOC

greenfield with huge potential is Kish. Many companies have expressed interest in its development as it is bigger than three South Pars phases combined and has good-quality gas. We have another greenfield reservoir, Belal, but it is not that big.

*What are Iran's plans in terms of the midstream and downstream sectors?*

Iran has excess gas, which can be directed towards the downstream sector. As a result, any investor in upstream gas will also have to finance downstream developments. We will sign contracts based on the IPC model for upstream developments, while the downstream sector will be open to direct investment from IOCs.

In addition, we are also aiming to encourage investment in LNG plants in order to export gas. As a result, we will require that any investment in upstream projects such as Kish, Farzad and others, will have to be supported by LNG production in the midstream. ●

\*See opposite for more information on how to register for IP Week 2018