

Tackling Iran's snowballing energy crisis

Uphill task facing new ministers



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Mohsen Paknejad, the Iranian president's proposed oil minister
● YJC



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PERSPECTIVE

Iran's newly-elected President Masoud Pezeshkian has consistently emphasized the importance of expertise, making it clear that possessing the know-how is a must for any key positions in his upcoming cabinet. As the debates on his designated ministers kicked off in the Parliament on Saturday, a week after their qualifications were scrutinized by the Parliament's specialized commissions, Pezeshkian's emphasis on expertise took center stage. The ministries of oil and energy are among the most critical areas that face significant challenges demanding immediate attention. To navigate the country through these challenges, Mohsen Paknejad and Abbas Aliabadi have been nominated for the roles of Minister of Oil and Minister of Energy, respectively. As the confirmation of their appointments by Parliament is pending, the country is grappling with a severe energy deficit crisis, intensified by the summer heat and missed targets in natural gas and electricity production. Addressing the energy deficit and boosting oil and gas production to reinforce Iran's position in the global market are the foremost challenges that the two ministers must tackle head-on.



Abbas Aliabadi, the Iranian president's proposed energy minister
● INDEPENDENT

Challenges facing Oil Ministry

The Ministry of Oil is one of Iran's most crucial economic ministries, and with oil exports being the country's major source of foreign exchange earnings, it is important to know who will lead the oil sector in the new administration.

Mohsen Paknejad, with a wealth of technical experience but lacking in energy diplomacy expertise, has been selected as the Minister of Oil nominee amid Iran's oil sanctions and significant energy challenges. On the eve of the first formal session on the vote of confidence for the ministerial picks, the Energy Security and Mineral Resources faction of Parliament characterized Paknejad as a specialist and an insider in the oil industry. The head of the faction underscored that tackling the energy shortage and boosting oil and gas production to enhance Iran's global market presence are among Paknejad's top priorities. Paknejad has reportedly reaffirmed his dedication to rectifying the shortfall in energy carriers and enhancing crude oil production capacity.

The Ministry of Oil is grappling with numerous other challenges, including international sanctions, loss of standing within OPEC, currency issues, lack of equipment, and insufficient resources for development.

Despite continued pressure from the US sanctions on its oil exports, figures by the UK-based company Energy Institute (EI) in June indicated that Iran showed the second-largest growth in oil production in the world in 2023. The figures showed that Iran's oil and condensate production reached an average of 3.94 million barrels per day (bpd) last year, up 19% from figures reported in 2022. The country was the world's



The photo shows a solar power plant in Iran, with a wind farm in the background.
● TASNIM

seventh-largest crude producer in 2022, and has the third-largest proven oil reserves behind Venezuela and Saudi Arabia, according to the United States Energy Information Administration. Iran's oil exports have increased despite the apparent continuation of sanctions, thanks to rising Chinese oil demand. According to OPEC crude oil production data, Iran's oil exports reached their highest level since August 2018 in May 2024, with a daily output of 3.2 million barrels of crude oil and condensate. Reports indicate that Iran has exported oil to new destinations such as Bangladesh and Oman, and according to Javad Owji, the outgoing oil minister, Iranian oil has reached 15 countries, including European ones. If confirmed as minister, Paknejad is likely to follow the policies of Ebrahim Raisi's adminis-

tration, prioritizing increased oil and gas production. Tehran aims to reach a daily oil production volume of four million barrels, a goal that requires drilling new wells and establishing production platforms and pipelines, despite logistical and economic hurdles. Paknejad, however, is known to be affiliated with Bijan Zangeneh, a former oil minister during president Rouhani's term. Given that the current conservative-dominated Parliament opposes Zangeneh's Reformist ideologies, Paknejad faces serious obstacles. On August 14, ISNA reported the opposition of Parliament's Energy Commission to the proposed oil minister. According to a member of the commission, Gholamreza Dehqan, Paknejad failed to present the commission's desired comprehensive, co-

hesive, and strategic program during the session, and in the final vote, he only secured 7 positive votes out of 23.

Another chance at transitioning to renewables

Meanwhile, Iran's electricity industry is facing immediate challenges of its own, including working around the government's price controls and removing obstacles in the way of power generation. Moreover, global warming and water scarcity present long-term threats to electricity supply in developing countries like Iran.

Given Iran's talented human resources, robust technical expertise in energy production and exploitation, and capacity to develop and utilize renewable energy sources, the transition to a greener energy landscape has become a priority for the government. The transition can unlock significant opportunities for the expansion of the country's energy sector, catalyzing economic growth and creating much-needed employment avenues.

According to the statistics provided by the Ministry of Energy, Iran's "actual" power generation capacity is about 75,000 MW. The country's hydropower plants have not been generating electricity at their full nominal capacity due to the drought. The shortfall peaks at 14,000 MW or 20% during summer.

Despite boasting ideal conditions for solar energy production, with 300 sunny days annually, Iran has yet to fully harness its renewable potential. Currently, renewables account for only 1% of the country's electricity generation. Last year, the government set a target to launch plants that generate 2,800 MW of solar and wind power but fell short, achieving merely 2% of the intended goal.