

Promising steps toward new records in oil exports

Western sanctions on Iran's oil industry lost steam

Economy Desk

PERSPECTIVE

Iran's oil barrels are poised to regain their former glory, as the Oil Ministry under the current government takes steps to revive the country's energy exports. Gone are the days when sanctions posed a menacing threat to the growth of oil production, exports, and development activities. Iran is now steadily and resolutely moving forward on a path that has become a model for sanctioned countries to maximize their opportunities, particularly in the oil industry, as exemplified by Russia, which immediately followed in Iran's footsteps after being sanctioned.

One can confidently say that the sting of oil sanctions has lost its bite, and the 14th government is determined to leverage Iran's vast hydrocarbon reserves to achieve better records for the oil industry and tap into the full potential of its oil barrels. In today's global and regional context, Iran's robust return to the world markets and its regained position in the oil market is an economic, political, and security imperative. This seems to be a top priority for the Oil Ministry.

Ups and downs of oil sales

Looking back at the onset of the latest sanctions and the new era of restrictions on Iran's oil industry, the dominant narrative was the use of oil as a political tool to pressure the country. The ruthless and unilateral sanctions introduced a new wave of restrictions, making the situation even more dire for the Iranian oil industry. The primary goal of these sanctions was to cripple the industry entirely.

We still remember the words of US officials who fantasized about reducing Iran's oil exports to zero - a dream that never came true. During the second round of US sanctions, Iran's oil industry, banking transactions, shipping, insurance services, and energy sector were all targeted. Although the US granted waivers to major buyers of Iranian oil at various intervals, its ultimate goal was to eventually revoke all waivers, forcing buyers to find new suppliers, and ultimately bringing Iran's oil exports to zero. This goal remains unfulfilled, and the repeated failures have led to the imposition of new sanctions.

It is undeniable that the US's dream of completely zeroing out Iran's oil exports did not materialize. However, it is clear that effective management in this sector involves making the right decisions in tough times. The Oil Ministry plans to adopt a more transparent approach to oil sales, refining, and other activities, aiming to turn this into a win-win situation that benefits the economy. As the First Vice President Mohammad-Reza Aref said, "In the past, there have been fluctuations in oil and gas revenues. Now, the country can choose its strategic customers. Perhaps in the past,



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we used non-transparent channels to sell oil, which we need to clarify. On the other hand, the ministry should review and operationalize the sale of petroleum products to stable customers who can be relied upon." There is no doubt that the current state of oil sales requires repair."

According to Oil Minister Mohsen Paknejad, the need to improve exports and prioritize them in the ministry's programs is more pressing than ever."

Oil Ministry's plans

As outlined by Paknejad, the ministry's program, which is based on the country's upstream documents, including the permanent provisions of the country's development plans, the general policies of the system in the oil and gas sector, the policies of the Resistance Economy, and the enacted laws and regulations, including the Seventh Development Plan and the laws and regulations governing the Oil Ministry's duties and authorities, has allocated a significant portion to the production and export of crude oil, with the aim of restoring the power of Iranian oil barrels.

Defying threats

Iran possesses 159 billion barrels of oil reserves and 182 billion barrels of gas reserves, making it the country with the largest hydrocarbon reserves in the world, with a total of 431 billion barrels of oil equivalent. The Oil Ministry is determined to break through the intensified restrictions and limitations imposed on the oil industry following the unilateral withdrawal of the United States from the JCPOA.

The ministry's program addresses the international limitations and intensification of these restrictions, citing the

country's upstream documents and the general policies of the Resistance Economy, which highlight the need to counter the vulnerability of oil and gas export revenues by selecting strategic customers, diversifying sales methods, and involving the private sector in sales. The program also emphasizes the importance of maintaining and developing oil and gas production capacities, particularly in joint fields. The program also recalls the oil industry's vision outlined in the country's development plan, which aims to restore Iran's position as the second-largest oil producer in OPEC. Based on these principles, the ministry's program emphasizes the need to increase oil exports through cooperation with target countries, including neighboring countries. The National Iranian Oil Company (NIOC) is tasked with pursuing this goal, in addition to expanding diplomacy and cooperation with target countries, attracting investment for the development of oil and gas fields, and increasing oil and petroleum product exports.

To achieve this, the NIOC plans to continue and expand cooperation with traditional and current customers of oil and petroleum products, including negotiating with countries that possess refineries, offering diverse packages to them, and utilizing the capacities of private companies and other government agencies to increase exports.

Minister's speech

In a speech in the Iranian Parliament, Paknejad emphasized the importance of increasing production, exports, and diplomacy. He noted that Iran, as one of the largest holders of oil and gas reserves in the world, can become a hub for many of its eastern, western, and southern neighbors, and therefore, it is essential for the country to regain its position in OPEC. Despite the fluctuations in Iran's oil exports in recent decades due to the sanctions and infrastructure problems, the country has not been able to fully utilize its potential in the global oil market.

Upgrade in oil ranking

Iran is currently the third-largest oil producer in OPEC. According to the latest report published by OPEC in August, after Saudi Arabia, which produced 8.983 million barrels per day, and Iraq, which produced 4.228 million barrels per day, Iran maintained its position as the third-largest producer with a daily production of 3.277 million barrels. According to this report, the production of seven member countries of OPEC has increased during the period under review, with the largest increase in production being 57,000 barrels

per day, belonging to Nigeria. Iran, Venezuela, and Libya are exempt from the agreement to reduce production by the OPEC+ coalition. The important point is that Iran has increased its exports in recent years, despite the ongoing US sanctions, and this figure has reached its highest level since 2018, which can be hoped to upgrade its ranking.

Role of private sector

The Oil Ministry's program emphasizes the need to increase the participation of the private sector in the oil industry, particularly in the sale of oil. The program highlights the importance of diversifying sales methods and involving the private sector in the sale of oil.

Major opportunity for Iran

The global oil market is expected to grow in the coming years, with OPEC predicting that the world will need 18 million barrels of oil per day by 2050. This presents a major opportunity for Iran to increase its oil production and exports, and to regain its position as a major player in the global oil market.

From development plans to exports

Oil exports are a crucial source of revenue for Iran, and the Oil Ministry's plan to increase oil production and exports is expected to have a significant impact on the country's economy. The plan also aims to reduce the country's dependence on oil exports and to diversify its economy. The oil minister has emphasized the importance of increasing oil production and exports, and has outlined several strategies to achieve this goal. He has also highlighted the need to involve the private sector in the oil industry and to diversify sales methods. The ministry's plan to increase oil production and exports is a major opportunity for Iran to regain its position as a major player in the global oil market. The plan aims to increase oil production to over 4 million barrels per day by 2029 and to reduce the country's dependence on oil exports. The involvement of the private sector in the oil industry and the diversification of sales methods are also key components of the plan.

In his program, the minister has announced that the growth of sales and exports requires the revival of Iran's crude oil production, which averaged 3 million and 826 thousand barrels per day after the JCPOA and before the re-imposition of international sanctions in 2018. Currently, despite the gradual removal of export barriers and the possibility of maximum production from oil fields, the trend is still declining.

The full article was initially published by SHANA, the Persian-language news agency of the Iranian Oil Ministry.

