

Domestic consumption makes up 70% of gas supplied to grid: *NIGC*

The spokesperson for the National Iranian Gas Company (NIGC) announced that 70% of the gas delivered to the national grid on Sunday was consumed by the residential, commercial, and small industrial sectors, marking a 25% increase compared to the same period last year. Talking to Shana on Monday, Hassan Mousavi stated that on December 8, a total of 859 million cubic meters of sweet gas was injected into the national network, adding that of this amount, 600 million cubic meters were consumed by the residential, commercial, and small industrial sectors, accounting for 70% of the total gas delivered to the network.

Iran is one of the largest natural gas producers in the world, and its domestic consumption of natural gas is equally significant. The country heavily relies on gas for a variety of purposes, including residential heating, electricity generation, and industrial use.

A large portion of the gas is consumed in the residential sector, particularly during the colder months, as heating is a major energy need for Iranian households.

Meanwhile, the CEO of NIGC announced on Sunday that the residential sector's gas consumption on Saturday increased by 130 million cubic meters compared to the same period last year, matching the daily consumption levels recorded in February, 2023.

Saeid Tavakoli made the statement during the 13th Winter Fuel Supply Coordination Meeting, held via videoconference with senior officials and provincial gas company managers.

Addressing the nation's gas production and consumption, he emphasized the critical need for a national approach to managing gas usage while prioritizing essential needs.

"As we have repeatedly stressed, maintaining a stable gas supply for households remains the top priority principle for the NIGC during the cold season," Tavakoli said.

The deputy minister of oil for gas affairs compared current consumption levels with last year, noting a significant rise in residential, commercial, and small industrial gas usage due to recent temperature drops.

Tavakoli also highlighted the supply of gas to power plants, stating that ensuring adequate supply for this sector is the company's second priority after households.

Anti-Iran sanctions a challenge for interrelations: *ECO chief*

Asad Majeed Khan, the secretary-general of the Economic Cooperation Organization (ECO), commented on unilateral sanctions against Iran and their impact on ECO cooperation, saying, "This is a challenge that exists and will have an impact. We are working on it."

Majeed Khan made the comment on Monday in a press conference held at the ECO secretariat in the Iranian capital of Tehran, IRNA reported.

We want to provide guidelines to chambers of commerce to improve trade relations, he said, adding that his organization aims to advance regional transportation economy and sustainable development in 2025.

He told reporters that ECO now has 10 members after five central Asian countries and the Republic of Azerbaijan and Afghanistan joined the organization.

Azerbaijan has announced its intention to host the

ECO Summit in 2025, he added.

Responding to an IRNA correspondent's question regarding how ECO cooperates with BRICS and the Shanghai Cooperation Organization (SCO) as well as international institutions, Majeed Khan said there is active cooperation as some countries are official members or observer members at ECO, BRICS or SCO.

As to ECO intra-cooperation, Majeed Khan explained that the organization has several affiliations active in cultural, educational and banking fields, with all of them connected to each other and enjoying mutual cooperation.

He also said ECO accounts for \$82 billion of the total world trade that stands at \$1.60 trillion. He added that ECO's share is not at a proper level, and "we are looking to use mechanisms to facilitate trade."

The 28th Meeting of the Economic Cooperation Organization (ECO) Council of Ministers (COM) convened



on December 3 in Mashhad, Iran, gathering foreign ministers and deputy foreign ministers from the ECO countries.

Also, ECO specialized agencies and subsidiary bodies, including the ECO Trade and Development

Bank, ECO Science Foundation, ECO Cultural Institute and ECO Educational Institute, as well as observers and partner international organizations, including the Turkish Cypriot State, Organization of Turkic States, the D-8 Organiza-

tion for Economic Cooperation, Asia Cooperation Dialogue, and CICA have attended the event.

The council adopted the Mashhad Communiqué, a pivotal outcome document that sets strategic directions for ECO's ac-

tivities, reinforcing cooperation among member states. The meeting also reviewed progress on key initiatives and projects, emphasizing the importance of collective action to address shared challenges and opportunities.

Iran, Russia launch two transport projects to boost trade



Iran and Russia initiated two major transit-logistics projects to enhance connectivity and trade

efficiency.

The projects include the "Ulyanovsk-Astara" rail route and the "Volga-Caspian Sea" river corridor, expected to slash transit times from 21 days to just seven, IRNA reported.

The launch ceremony in Ulyanovsk was attended by the region's governor, Iran's consul general in Kazan, and officials

from India, Azerbaijan, Turkmenistan, and Iraq, alongside representatives from transport companies such as the Iranian-Russian Salianka port.

Speaking at the ceremony, Ulyanovsk Governor Alexey Russskikh highlighted the projects' potential to facilitate faster and more cost-effective trade between the two

nations.

He noted a 76% increase in trade volume between Iran and Ulyanovsk in the first nine months of 2024, reaching \$15 million compared to \$8.5 million in the same period of 2023.

Iran's Consul General Davoud Mirzakhani underscored the economic significance of the Volga region, which accounts

for substantial shares of Russia's agricultural, industrial, and mineral production.

This corridor, one of the most significant joint ventures in the Volga region, is set to play a key role in strengthening Iran-Russia trade ties, particularly leveraging Ulyanovsk's strategic position and its 13 ports along the Volga River.

Iran's shortages crisis rooted in mandatory price setting



By Davoud Danesh-Jafari
Iran's former economy minister

OPINION

Shortages in the Iranian economy are tied to its deep dependence on oil revenues. Approximately 80% of Iran's GDP is directly linked to oil income, making fluctuations in global oil prices a key catalyst for economic crises.

For instance, between 2010 and 2014, the average oil price was \$100 per barrel, but it dropped to \$50 in 2015-2017 and has hovered around \$70 in recent years. For oil-dependent economies like Iran, such drastic changes in revenue create significant challenges. Compounding this issue are international sanctions, which have cut Iran's oil revenues by half or even two-thirds, exacerbating the economic deficits.

Despite awareness of oil revenue volatility, Iran's economic planning has failed to provide sustainable solutions. Mechanisms like the National Development Fund and Foreign Exchange Reserve Account were introduced to stabilize the economy by saving oil revenues during boom periods to cushion shortfalls during lean times.

However, these efforts have largely failed because these funds

were often depleted even during periods of high oil income. Rather than serving as a safety net, these reserves became an auxiliary budget, leaving the country unprepared for economic crises and perpetuating the imbalance. The COVID-19 pandemic further deepened Iran's economic shortages. The combination of reduced oil revenues and pandemic-related disruptions led to a 9% contraction in GDP.

Socially oriented businesses shut down, and countless households lost income. The government, already grappling with falling revenues, was forced to increase spending to support vulnerable populations and fund vaccination efforts, which added pressure due to their foreign currency costs. This scenario exacerbated the budget deficit and worsened the economic imbalance.

One of the primary causes of Iran's persistent economic shortages is government intervention in price-setting. According to basic economic principles, equilibrium prices emerge when supply equals demand, maximizing producer profits and consumer welfare.

However, when governments artificially lower prices, demand surges while supply diminishes, creating a gap that leads to

shortages. This interference often stems from systemic decision-making beyond the executive branch, further worsening structural economic problems.

The costs of these shortages are enormous. For example, the government purchases wheat from farmers at high prices but sells flour at heavily subsidized rates, resulting in significant fiscal burdens.

Similarly, mandating exporters to return foreign exchange earnings at below-market rates diminishes their incentives. These policies not only deepen shortages but also strain financial resources and increase the budget deficit.

Electricity is an evident example of this imbalance. The government provides free gas to power plants, buys electricity at 500 toman (approximately 0.8 dollar cent) per unit, and sells it at a mere 75-150 toman.

This mismatch has led to a 100 trillion toman (\$1.6 billion) debt to power plants, half of which are privately owned, discouraging further production. Policymakers, wary of burdening citizens with higher costs, maintain artificially low prices.

However, experience shows that such approaches are unsustainable and ultimately lead to higher prices. Instead, boosting



household incomes is a more sustainable solution than price manipulation.

While price controls may seem appealing initially, as they offer consumers temporary relief, they ultimately lead to supply shortages and reduced production, culminating in price hikes and economic shocks.

For instance, in foreign exchange markets, excess demand over supply causes price surges. The solution lies in increasing supply, not artificially controlling prices. When price adjustments adversely affect consumer welfare, the additional revenues generated should be redistributed to consumers to maintain their stan-

dard of living. Ultimately, prices should reflect economic realities, not short-term political strategies. The root cause of economic imbalance lies in supply shortages. This issue spans sectors, from fuel to electricity and water. When the government steps in to cover costs, it often resorts to borrowing from the central bank or other financial institutions, leading to budget deficits and inflation.

Unless this vicious cycle is broken, the economic imbalance will persist. Addressing the core issue of supply shortages and reducing reliance on artificial price controls are crucial steps toward achieving economic stability.