



Businesses are plunged into darkness after a power outage in downtown Tehran.  
● MEHR



A worker talks on a walkie-talkie in a gas refinery in Iran's north-eastern city of Sarakhs on December 19, 2024, amid a cold snap.  
● SHANA

Development Plan. However, I think the first step to tackling the shortages is lifting the sanctions. We need to push toward an agreement. To address the current power deficit, there needs to be roughly \$80 billion; for oil and gas, around \$180 billion; totaling about \$250 billion in investment, which can only be pulled in through attracting foreign investment. Additionally, an 8% economic growth target has been set in the four-year development plan. If we want to hit this growth, the key driver of economic growth—namely the electricity, gas, and energy sectors—must be revived.

Given that lifting sanctions depends on various factors beyond Iran's control, even if they stay in place, I believe we could still aim for a lower economic growth rate of around 3%. However, this would require all branches of power in the Islamic Republic to come together and take the matter seriously.

#### How can we achieve economic growth even in the face of sanctions?

**KAFSHKANAN:** Absolutely, one of the most crucial factors that can help Iran in this area is resolving the energy economy equation. We need to first tackle the energy shortages and bridge the gap between selling prices and the actual cost of energy production. When we talk about the need to adjust fuel prices, it doesn't mean we should suddenly hike them, as society may not be able to handle such increases and the government will likely steer clear of such moves for security reasons. Another approach would be for the government to sort gas and power consumers into two groups: those who follow appropriate consumption patterns could be exempt from any changes and even incentivized, while tariffs for industries and heavy consumers could be increased.

In this area, we need to tweak tariffs, which has already been done in the residential electricity and gas sectors. Essentially, the energy costs for those who exceed fitting usage

levels should be several times higher than for those who stick to consumption guidelines.

In the industrial sector, the government should aim to bring energy prices closer to actual costs, thereby lowering usage. As you know, during peak consumption times and cold seasons, Iran's energy exports of electricity and gas to neighboring countries, including Iraq, are halted. The gas Iran ships to Iraq generates much-needed foreign revenue and excessive domestic usage can deprive the country of this income.

So, when we have the chance to rake in income from power and gas exports, why should we provide energy to any industry at subsidized prices? Moreover, the benefits of that industry's production don't directly flow to the public. Thus, giving subsidized fuel to industries doesn't seem reasonable and the government has no choice but to adjust fuel prices.

This approach has already been addressed in a law called Removing Barriers to Electricity Industry Development, which stipulates that 1% of the electricity consumption of industries will be transitioned to renewable energy or provided at free market prices over the next five years.

#### What is the current status of the country regarding the development of solar and wind farms and boosting power generation through renewables?

**KAFSHKANAN:** As I mentioned earlier, the Removing Barriers to Electricity Industry Development Act plans for 1% of industrial electricity consumption to switch over to renewable energy each year. We are hopeful that, per this law and the revenue generated from this sector, new solar and wind power plants will be set up across the country. On the other side, during the previous administration, the goal was to produce 10,000 MW of green energy over a four-year span, but only about 250 MW were actually generated during three years of that government's term. Overall, we merely crank

out around 1,300 MW of power from renewable energy resources. The aim remains to bring in another 10,000 MW of clean energy each year, which I think is a bit wishful thinking.

That said, I need to stress that optimizing energy consumption is more crucial than just building renewable and thermal power plants to tackle the existing deficits. For every unit we invest in energy optimization, estimates suggest we could see returns up to seven times the cost of constructing thermal power plants. Therefore, optimizing energy use is vital, especially since it helps cut down on carbon emissions, which is a social responsibility for all governments. More importantly, we could even make revenue by helping reduce carbon emissions through global carbon credits and the Paris Climate Agreement.

#### What is your forecast for oil prices next year and how would a slide in oil prices impact our economy?

**NOORBAKHSH:** In my view, a sharp drop in oil prices is unlikely. Forecasts by 20 economic research institutes indicate that oil prices for next year will hover \$60 to \$75 per barrel. I think it's improbable that oil prices will dip below \$60 unless we encounter another global crisis like COVID-19.

#### What strategies can Iran pursue to boost gas revenues and stabilize its standing as a natural gas exporter?

**NOORBAKHSH:** Given the shifts in the global landscape over the past two decades, we need to change our approach to energy trade, especially gas, which is not just an economic tool but also carries political and security implications. On one hand, we rank third in gas production and second in gas reserves worldwide. On the other, we're geographically positioned among major gas-producing countries like Russia and Turkmenistan, both of which are facing export challenges. Turkmenistan is landlocked and Russia is struggling with serious

issues in gas exports following the Ukraine conflict, with exports down by around 100 billion cubic meters annually.

In light of this, we can step up our role in regional energy trade through both domestic production and trade with these countries. We need to seize the opportunity to first purchase surplus gas from Russia and then from Turkmenistan, thereby solidifying our role in gas trade. However, I believe the gas we acquire should not be used domestically to cover shortages. This gas should be directed toward generating foreign revenue through exports.

The objectives laid out in the Seventh Development Plan indicate that we need to import 20 billion cubic meters of gas annually while exporting a total of 40 billion cubic meters, which I see as a minimal target. Our country's capacity for gas exports far exceeds these figures.

We can sell our gas by developing infrastructure to countries where export conditions are favorable, such as Pakistan and Oman. Gas is less vulnerable to sanctions compared to oil and can politically and strengthen Iran's position in the region. For instance, look at Israel—it produces only one-tenth of Iran's



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gas, yet its gas exports in 2023 were about 10% less than ours. Israel has leveraged gas as a tool to break its isolation, exporting to countries like Egypt and Jordan. This is one of the chief reasons these two countries have softened their stance toward Israel. I believe the window of opportunity for gas trading in the region is closing fast and we need to take advantage of it. The Seventh Development Plan represents a crucial moment for rolling out this strategy, especially as Israel and Turkey are eager to capitalize on the current energy situation in the region, particularly after the Ukraine crisis. We must not overlook the fact that the US is determined to prevent this from happening. This approach isn't new; the US has been aiming to undermine Iranian and Russian power in the global gas market for nearly two decades. To achieve this, it has two main strategies: one is to back the gas pipeline projects of competitors to create alternatives for our gas buyers and the other is to destroy the regional gas market via dumping LNG into the global market.

**There are currently talks about agreements to purchase gas from Russia,**

**including the transfer of a specified amount of gas through a yet to be laid undersea pipeline in the Caspian Sea to Iran. What's your take on this and how should we make the most of this opportunity?**

**NOORBAKHSH:** Yes, agreements regarding the pipeline you mentioned have been discussed and we need to see how the details play out. From an economic standpoint, it would be more cost-effective for this pipeline to come into the country over land, as both Turkmenistan and Azerbaijan have the necessary infrastructure. Recent discussions suggest that this gas will be transported via Azerbaijan. The key point is that this gas transfer should happen under a win-win scenario.

Iran can export the gas it imports from Russia primarily to Iraq and Turkey and secondarily to Oman and Pakistan. I believe that Iraq will be our market for at least the next decade and how well we utilize this market's capacity will depend on our own performance. Last but not least, we must prevent any disruptions in our natural gas exports in order to be internationally recognized as a reliable supplier of energy.

