$30–40B investment can raise oil output to 5.3mb/d

By Hamid Hosseini
Energy expert

OPINION

MEED

You won't find any industry in Iran's economy that generates as much added value as oil sector investments. This very fact puts greater responsibility on the Oil Ministry as it must draw up and carry out attractive contracts to speed up and facilitate domestic and foreign investment, even from institutions and organizations.

Sometimes, very high figures are mentioned for required investments in this sector. For instance, some officials talk about the need for $200–300 billion in investment, while our current oil and gas industry lacks the absorption capacity for such sums — unless there's a breakthrough in Iran's foreign relations, allowing capital, technology, and technical know-how to flow in, and major oil companies step in to operate in Iran.

If we want to ramp up oil production capacity to 5.3 million barrels per day, for every additional barrel in onshore fields, at least $10,000–15,000 is needed, while offshore fields require $25,000–35,000 per barrel.

Iran's current oil production capacity stands at around 3.6 million barrels per day. If we aim to push up production by about 1.5 million barrels, we'll need roughly $30–40 billion in investment. Attracting around $10 billion annually in sanctions-hit conditions would be a major achievement — whereas, in recent years, oil sector investments have been drying up. In past years, apart from the National Iranian Oil Company's 14.5% share of oil revenues, a few IPC contracts, and minimal bank investments, no other funding has come into the oil and gas sector.

We have to engage with the global economy. The JCPOA brought 16% economic growth, while Trump's withdrawal cut back growth by 14%.

While upstream investments are highly valuable, Iran has poured most resources into downstream projects to curb crude sales. For example, under Mr. Zanganeh, the former Oil Minister, we focused on gas refineries — yet due to low domestic gas prices, added value in this sector remains limited.

Unfortunately, oil bonds were not allowed to go through. Some feared that selling these bonds would spin off part of the NIOC. This excuse snuffed out even the faint hope of private sector involvement. By issuing oil bonds, we could have easily brought in public funds, channeled them into oil investments, and paid back investors in dollars. This would not only have secured funding but also kept liquidity away from unproductive markets, curbing inflation. If we want the private sector to step into oil and gas investments, we must bring about major policy shifts. With outdated, government-dominated approaches, no real progress will happen.

How much can oil production grow?

Increasing output to 4.3 million barrels is essentially bringing back lost capacity. But pushing it further to 5.3 million is far tougher. My question is: If we struggle to secure funds just to restore production, how will we come up with resources for expansion?

If we invest $15,000 per additional barrel and sell oil at $60, the investment pays for itself in 250 days. Can you find any other industry with a sub-one-year return?

Saudi Arabia reached its status by boosting production from 4 to 10 million barrels. Russia grew powerful by scaling up from 3.5 to over 10 million barrels. The US cut its reliance on the Persian Gulf by ramping up output from 4 to 14 million barrels — even with costly shale oil, which still paved the way for economic growth.

The article first appeared in Persian on Tahlil Bazaar.

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ECONOMIST

Future of Iran's oil industry hinges on Oman talks

SERGEYCO/SHUTTERSTOCK

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OPINION

Sanctions pose a serious obstacle to oil and gas exports and production. Currently, to optimize our oil wells, we need foreign technology and investment — which we lack access to. We are forced to procure goods and parts by circumventing sanctions or through countries that don't meet quality standards.

The structure of our oil wells is highly complex because American and European companies previously invested in and developed them. Naturally, this has created a degree of dependency on their advanced technology. If other companies step in, the entire foundation must be overhauled, requiring significant time and cost. Thus, our situation has become extremely difficult.

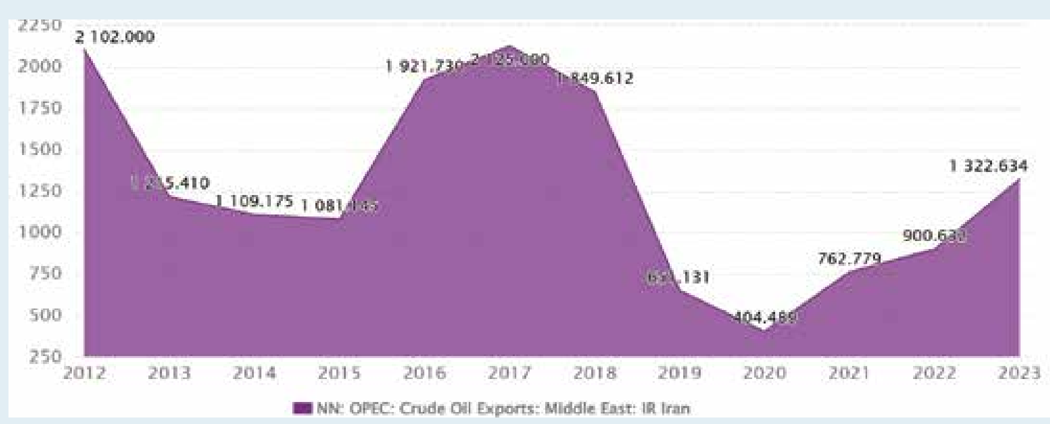
Following Donald Trump's recent plan to zero out Iran's oil exports, it appears even small Chinese refineries are proceeding more cautiously — or may end up halting — oil imports from Iran. Some ports may also be pressured to reconsider accepting sanctioned tankers.

Under these sanctions and given Trump's policies to tighten restrictions, our export challenges have doubled. The push to eliminate our oil exports extends to technology and oil industries as well. If we can't export oil, foreign currency earnings will suffer. Since oil exports are tied to the national budget, livelihoods, and governance, Trump is leveraging this as a bargaining chip to extract concessions from Iran.

The question now is how much progress will be made in negotiations regarding Trump's preconditions and the Islamic Republic's demands. We must see how seriously both sides are about reaching an agreement. Regardless, continued sanctions do not benefit us — our economy has already been weakened by decades of sanctions. If we can't export oil, securing essential imports will become difficult, and non-oil industries will also face instability and crisis.

Due to FATF and SWIFT issues, we're also struggling to access blocked funds. So, as long as sanctions persist, even the minimal oil exports achieved by circumventing restrictions won't resolve our problems.

The article first appeared in Persian on ILNA.



The chart shows Iran's yearly crude oil exports between 2012 and 2023.
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