
Analysis : Russia, others eye Iran ties

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LONDON, March 1 (IranMania) - While it has been a cornerstone of US foreign policy since the 1979 Iranian Islamic revolution to contain and isolate Iran, Washington's increasingly factious relations with Moscow and record-high oil prices are beginning to ripple through the relations of the five Caspian nations, producing several developments that all point to the increasing failure of Washington's containment policy against Tehran, UPI reported.

The Bush administration's rising hostility against former "Evil Empire" Russia and charter "Axis of Evil" member Iran has infuriated both nations and driven them closer together.

In perhaps the most striking recent development, on Feb. 20 Gazprom Chairman Alexei Miller held talks in Tehran with Iranian Oil Minister Gholam-Hossein Nozari. While little was released about the meeting, the pair agreed on increased Russian involvement in developing Iran's massive South Pars and North Kish offshore gas fields in the Persian Gulf as well as laying oil and natural gas pipelines. Further agreement was apparently reached on mutual cooperation in the oil and gas sectors in the Caspian Sea. Gazprom also agreed to build a gas reservoir in Iran as well as constructing a refinery in Armenia. Moving swiftly ahead, the two sides agreed to hold expert-level meetings and sign agreements within the next two months.

Since 1997 Russia's state-owned Gazprom has been participating in a joint venture, working on the development of South Pars field's second and third (out of 18) blocks with France's TotalElf and Malaysia's Petronas. Gazprom and Petronas hold 30% shares in the project and Petronas the remaining 40%. When development is complete, the complex will produce and process 20 bln cubic meters of natural gas annually. Four years ago the complex was sold to National Iranian Oil Co. for \$2 bln.

Gazprom is now poised to begin development of two to three additional blocks of South Pars, the world's largest gas condensate deposit, estimated to hold 450 tcf in reserves. The massive South Pars project consists of 24 phases of development and by 2014 is projected to produce 751 mln cubic meters per day. Gazprom's agreement with Iran reportedly includes exploration, development, transportation, processing and marketing.

The natural gas deposit on the island of Kish is equally impressive, as it has estimated reserves of 10 trln cubic meters. Part of the allure of the project for Gazprom is that production costs in the Persian Gulf are a fraction of the expenses incurred in developing gas fields in West Siberia or on Russia's Arctic coastal shelf.

The resources that Gazprom can devote to its Iranian projects are not inconsiderable; besides being awash in cash, the world's largest natural gas company employs nearly a half-mln people. Gazprom's increased involvement in the project is a blessing for Tehran. Decades of US-sponsored sanctions have left Iran largely unable to exploit its valuable resource, due to a lack of access to sophisticated equipment. In 2006, Iran produced 105 bln cubic meters, but as indigenous consumption totaled 105.1 bcm, the country was forced to import natural gas from Turkmenistan, which in early January suspended exports due to inclement weather.

In yet another striking piece of news that will have American producers weeping into their martinis, the director of the Iran Contemporary Studies

Center in Russia, Rajab Safarov, said that in the coming months, Iran wants to privatize its oil companies, a development, which if it occurs, will see American companies effectively locked out from the bidding by Washington's sanctions regime against Iran. Rubbing salt in the wound, Safarov added that some European middlemen are considering forming conglomerate companies with the Iranian ones to prepare the ground for participating in the Iranian Oil Exchange market scheduled to open later this month, a not inconsiderable effort, seeing as Iran sells \$70 bln worth of crude annually.

The final disconcerting piece of news for Washington is that Gazprom is considering repricing its crude and gas production in rubles rather than dollars. Last November Gazprom Deputy Chief Executive Officer Alexander Medvedev said in New York, "We are seriously thinking about selling our resources in rubles."

There is a faint silver lining for Washington in this otherwise jet-black cloud. While both Gazprom and Iran are apparently willing to thumb their nose at Washington's economic sanctions, some thoughtful Russian analysts believe they could still have a detrimental effect, if not on production then on European customers. Moscow-based Troika Dialogue analyst Valerii Nesterov believes the threat of punitive fines resulting from the sanctions may well give potential EU customers pause. But the recent Gazprom-Iran agreements are proof, if any is needed, that the State Department's belated appointment of a special envoy on Caspian and Central Asian energy issues is a classic inside-the-Beltway case of "too little too late."
