

Iran: Despite Uncertainty, Energy Development Progresses

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(Stratfor)

Iran has prequalified ۲۹ international oil companies, including supermajors Total and Shell, for bidding on the development of its oil and natural gas fields. Small and mid-level companies Wintershall, Eni, Lukoil, Petronas, Sinopec and China National Offshore Oil Corporation were also included. Tehran is preparing for what it hopes will be the first tender for development of its oil and natural gas fields, to be held in the first quarter of ۲۰۱۷. The move comes amid doubts about whether the [nuclear deal](#) struck in ۲۰۱۵ with Western powers will hold and demonstrates Tehran's desire to move forward with development as long as U.S. sanctions remain suspended. The prequalification follows several non-binding deals with foreign oil companies to study various oil and natural gas fields.

The U.S. election of Donald Trump has added uncertainty to investment in Iran. Unlike the EU sanctions on Iran, U.S. sanctions were not removed after the nuclear deal was struck, but only suspended. The U.S. legal structure supporting sanctions against Iran and secondary sanctions against non-U.S. companies doing business with Iran remain in place. Through executive action, Trump could begin reinforcing those sanctions.

That would be detrimental for Iran, which critically needs the energy deals it is courting. Iranian President Hassan Rouhani has focused much of his time in office on revamping the country's oil and natural gas sector; completing the deals before presidential elections on May ۱۹ will help him convince voters his presidential term has been a success. Rouhani's more hard-line and conservative political opponents argue that the deals with the West cede too much control of Iranian energy resources. However, Iran cannot meet its eventual goal of producing ۶ million barrels per day — what it produced before the Iranian Revolution — without Western technology and investment. Moreover, Tehran wants to more tightly integrate with the European economy before Trump takes office. Once European companies have signed deals with Iran, it would make it more difficult for Trump to reinstate sanctions that would hurt U.S. allies.

Notably, British Petroleum did not apply for prequalification. BP had been exploring the possibility of investing in the country's oil sector and had even opened an office in Tehran but ultimately decided not to risk investing in Iran. Many of BP's executives are U.S. citizens, who are still subject to U.S. sanctions, so the company would have had to set up a completely independent unit to do business with Iran. BP did not cite any concerns about contractual terms or Iran's business environment when discussing its decision. Those things will of course be challenging for the ۲۹ companies still actively pursuing investment in Iran, but Iran has clearly made some strides in compiling a decent enough contractual framework to retain interest, though none of the details have been finalized.