

11th International Energy Conference in Iran

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On May 30 and 31, the 11th International Energy Conference took place in the Iranian capital of Tehran. The National Energy Committee of I.R. Iran under the World Energy Council sponsored the conference along with Iran's energy and oil ministries. Under the theme of "Energy Dynamics in the Changing World," senior Iranian government officials and business leaders and speakers from Europe, North America and Asia were invited to discuss various problems including Iranian problems in the changing international energy market. The number of participants in the conference was left unavailable but it is estimated at around 500.

The conference takes place every two years. The latest one following the previous one held in 2014 came after a major change for Iran, which is the lifting of Western economic sanctions. Based on discussions at the conference and my talks with local energy experts, I would like to summarize my view on the energy situation involving Iran.

The first point that impressed me at the conference is that Iran is greatly interested in improving and upgrading its energy supply and demand structure through the promotion of energy conservation and renewable energy, based on the lessons learned from the ongoing global trends. The conference included special sessions on both renewable energy and energy conservation respectively, where overseas experts made keynote presentations followed by discussions among six to seven Iranian panelists including government officials. The panel discussions indicated Iran's strong interests in the present situation, expectations and challenges regarding the promotion of energy conservation and renewable energy. It may be needless to say that Iran is one of the leading oil and gas producers in the world with abundant oil and gas resources and is coming back to the international oil and gas market after the lifting of the economic sanctions. As described in the latter half of this bulletin, I think that the most important matter in discussions at the conference was the improvement of Iran's energy supply and demand structure, although discussions at the conference naturally included those on oil and gas.

Particularly, energy conservation or energy efficiency improvement seems to be a very important challenge for Iran. Iran has taken advantage of efforts mainly by its industry and corporations to overcome difficulties including the Iranian Revolution, the Iran-Iraq War, U.S. sanctions and Western sanctions over the nuclear development problem. It has tried to overcome various energy supply and demand problems with domestic measures. In a sense, Iran has made some achievements in that endeavor. At present, however, Iran has lagged behind in introducing the

latest technologies and equipment, having no choice but to use old-fashioned, obsolete or less efficient equipment or systems. It seems that Iran is greatly interested in improving its domestic energy supply and demand structure from a long-term viewpoint at a time when it is to reconstruct its economy in a full-blown manner following the lifting of the Western economic sanctions.

Another interesting point in this respect was that Germany's presence at the conference was great with many German presenters participating. Particularly, German presenters emphasized the importance of renewable energy, based on their country's experiences. As environmental protection initiatives were to be enhanced under the Paris Agreement in which Iran participates, German presenters noted that renewable energy is free from carbon dioxide and has become the most competitive electricity source with renewable energy power generation costs lowered sharply under policy support. They also pointed out that renewable energy would be the most important energy source in improving the energy supply and demand structure in the future.

German presenters thus emphasized advantages of renewable energy while limiting discussions about problems such as the intermittency of wind and solar energy supply. There is some concerns if their presentations were not well-balanced or based on a one-sided view. I am uncertain about how such German presentations moved Iran for which how to exploit its abundant oil and gas resources is an important challenge. Impressively, however, German presenters stressed the innovativeness of German technologies, systems and institutional initiatives for renewable energy and energy conservation, indicating Germany's proactive approach toward Iran for exploring business opportunity. As a matter of course, Iran is greatly interested in cooperation and business deals with Japan regarding energy conservation that is a matter of great concern to Iran. It may be important for Japan to enhance its approach toward Iran under government-private cooperation.

Second, regarding oil and gas, I was very much interested in challenges for Iran in a special situation where the county was coming back to the international oil market on the lifting of the sanctions amid low oil prices. Major topics in discussions at the conference included a long-term outlook on oil and gas demand under the influence of climate change policies, the fate of the U.S. shale revolution bringing about the current oversupply, and the present and future situations for the Asian market as a major sales outlet for Iran. Indications were that these topics are major matters of concern to Iran. Oil market players believe that Iranian crude oil sales and production since April have recovered the level which is slightly lower than before the economic sanctions. Iran is seeking to restore pre-sanction levels with additional efforts. In this sense, it seems that Iran managed to succeed in addressing problem or challenge regarding its comeback to the international oil market.

As global oil demand continues to increase with non-OPEC oil production falling, the market is going in the direction of rebalancing. As crude oil prices have rebounded to around \$50 per barrel, still far below levels in the \$100/bbl period, the market is in a temporary lull. In this situation, Iran will seek to restore the pre-sanction oil production level, expand oil and gas production through the introduction of foreign investment and increase its presence in the international market. In this respect, Iran has delayed the official announcement of the so-called Iran Petroleum Contract as a framework for the introduction of foreign investment. Interestingly, Iranian officials frankly noted

that domestic discussions and coordination on the matter had been prolonged.

Meanwhile, some observers speculate that Iran is increasingly frustrated with slower efforts than expected at the time of the lifting of the sanctions for oil, gas and other investment deals as Iran had placed great expectations on foreign investment. In addition to the abovementioned domestic and external conditions, Iran has various challenges regarding relations with neighboring Middle Eastern countries including Saudi Arabia. The situation involving Iran's oil and gas development and exports is at a temporary lull now. However, various turbulences may arise. Future developments including those related to Japan will be worthy of attention.

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