

Dr. Hojjatollah Ghanimifard, Senior Executive, National Iranian Oil Company, Iran
“Iran’s Role in Oil Security in Asia”

Asia, whose population accounts for 60% of the whole world, holds more than 70% of its gas reserves and more than 35% of its coal reserves, and consumes 32% of its oil, 25% of its gas, and 52% of its coal. Iran has the second-largest share of the world’s reserves of oil (11.4%) of gas (15.2%), and has played a major role in the Asian oil market. As for demand for crude oil, the average growth rate per year from 2000 to 2020 is estimated to be 5.3% in South Asia, 2.9% in Southeast Asia, 4.5% in China, and 1.75% in the whole world. Iran’s oil exports to Japan doubled compared to 15 years ago, and exports to other Asian countries increased 2.5-fold. At present, more than 60% of Iran’s oil exports are to Asia. Asia’s dependence on the Middle East for crude oil is estimated to increase to 78% in 2010 from 72% in 2001.

Iran’s oil price formula for Asia is amended quarterly based on the monthly average price of Oman crude oil and Dubai crude oil. However, many Asian refining companies claim changes of the marker, saying that the price of Gulf countries’ crude oil contains a premium for Asia. Iran can change the marker. However, it would like to do so on the condition that a common understanding is formulated between oil-producing Gulf countries and oil-consuming countries. This is because we think that the Asia premium rather than the marker arises from the structure of the Asian oil market. As of September 2004, Iran is offering discounts to Asia, and this shows that the market is functioning appropriately. It makes no sense to change the marker. The current escalating price of crude oil has been caused by the fact that an excessive supply of sour crude is reserved in the West and in Asia. It is not because of the amount of production but because of the influence of hedge funds, etc. Soaring oil prices slow the world economy and causes minus damage also to oil-producing countries in the Middle East.

Future cooperation in the oil industry between Iran and Asia can be expected in the fields such as tank stocking of crude oil and construction of ships to transport crude oil and oil products. Furthermore, if crude oil pipelines are constructed in the southern Caspian Sea and Teheran, the supply of crude oil to Asia could be increased through swapping Caspian Sea crude oil and Iran crude oil. In the cooperative relationship with Asia, we attach great importance to cooperation in the upstream sector. Through continuous negotiations between Japan and the Azadegan Oilfield since 2000, a contract was finally formed several months ago, which has strengthened bilateral cooperation between Iran and Japan.

The current concern for Iran is that there is a possibility that our crude oil production

may be put under the control of the UN Security Council due to the nuclear development problem. At the beginning of the Iran-Iraq War in 1980, Iran's claims were not believed, but in 1987 the United Nations accepted them and made a sincere apology. Iran was also criticized concerning the Lockerbie aircraft bombing, but several years later it was revealed that it had been perpetrated by Libya. Also, before the terrorist attacks in the United States on September 11, 2001, when the Taliban murdered a diplomat in the Iranian consulate, nobody listened when Iran protested its innocence. Now, Iran insists that it is not producing nuclear bombs. We are criticized even though we have repeatedly insisted this for the past 25 years. We do not know how long we will have to endure such treatment. Even if the international community does not accept what we say, we at least hope that our voice is heard.