



## **A) Contractual Regime of Iran Oil and Gas Industry from Past to Present**

Going back to the contractual regime of Iran throughout the past, Iran oil and gas industry through more than 100 years has experienced various types of international petroleum contracts while working with international oil companies (IOCs) and oil services companies (OSCs).

As the world industry is well acquainted with Iran oil and gas industry, Iran Petroleum industry commenced its petroleum contracts with the concession agreement signed with the Anglo Persian Oil Company – later the Anglo Iranian Oil Company (AIOC), the forerunner to BP – around 100 years ago.

After nationalization of its industry in 1950, Iran oil and gas industry entered a new era with a consortium of major IOCs following a major legal struggle with AIOC. In the 1960s and 1970s, Iran introduced to the wider petroleum industry particularly major IOCs, various production sharing, and profit sharing and service contracts.

Iran was one of the five countries instrumental in the establishment of OPEC in September 1960. Indeed, OPEC's first Secretary General was an Iranian who laid the foundation of the organization during his initial four year term. In the 1970s Iran led the negotiations with the major IOCs, which ultimately led to the full sovereignty and ownership over oil resources by the group's members.

After bringing down the Shah's dynasty regime and establishment of the Islamic republic of Iran in 1979, the oil policy of Iran was shifted towards the full and exclusive sovereignty and ownership of the oil and gas reserves, which were broadcast and stipulated expressly and/or impliedly in the various Articles of the Iran Constitution particularly Article 44.

After the passage of war, imposed against Iran by Iraqis bath regime, Iran oil and gas industry reconstructed its new service contract, so called buy-back, to deal first with the IOCs for the development operations of the commercialized field (First Generation of Buy-Back), and

then to the integrated exploration and development of the hydrocarbon resources in Iran (Second Generation of Buy-Back). When the economic sanctions started to affect Iran petroleum industry, Iran gave experiencing a Third Generation Buy-Back which gives longer presence to IOCs through TSA and PSAC agreements to be concluded between NIOC and IOCs during the production operations of the fields.

However, as in almost a decade investment in Iran's petroleum industry has gradually come to a standstill due in a large part to the various sanctions imposed on the country, IOCs started to show their dislike to the Buy-Back contract regime, whatever would be its generation. Accordingly, the lack of interest in the buyback contractual framework was dramatically increased, while Third Generation of Buy-Back could not have even a chance to visualize its pros and cons implementation.

After the 5+1 negotiations with Iran for the nuclear deal was concluded, the Ministry of Petroleum of Iran entered into the pros and cons of the previous experiences of various contracts concluded in the upstream projects of Iran, before and after the Islamic Revolution, particularly those three Generation of Service Contracts, so called Buy-Back contracts, then came to the new contractual regime of Service Contract, to be inaugurated in Tehran summit, so called the Iran Petroleum Contracts (IPC).

## **B) Ambition and Target of Tehran summit on IPC**

The post-sanction era, resulted from the P5+1 historic deal with Iran, makes way for the biggest opportunity for international oil & gas companies to access low cost petroleum. Iran is aiming to return to the market post-sanction era, with the planned additional capacity of 500 kbd within a few months from the lifting date of the sanctions and a second stage of growth will add around 1 mmb/d of additional production by the end of 2016 or early 2017. Thus, such opportunities for international and local companies will be incomparable. These opportunities will be greater for Iran's traditional oil customers, whose refineries have been designed for Iran's crudes and who will have further opportunities to return to their pre-

sanction production levels.

Given the relief of sanctions in Iran oil and gas industry, the ambition of Tehran summit is to provide a platform for Iranian and foreign oil companies to be the partners of choice and to develop the first bottom-up analysis of the Iranian fields available for foreign investment.

In this Conference, detailed information of Iran's potential upstream projects, including information on Iran's exploration blocks, green and brown field developments and other onshore and offshore oil and gas E&P projects will be introduced to the attendees.

In this Summit, it will be shown to the wider attendees from the world energy market that Iran oil and gas industry in effect has already opened its largest closed market to the world for trade and commerce. As Iran inquires for the capital and technological sources, there are several areas in which the industry could benefit from the introduction of fresh capital, technology and experience by the major IOCs to Iran petroleum industry.

Certainly, Tehran summit will open a window of opportunity for foreign investors to study and develop the first bottom-up analysis of the Iranian fields available for foreign investment

It will be apparent during the talks to be carried out in the Tehran summit that many IOCs and OSCs, who were previously involved in the Iranian oil and gas industry, would like to return and invest in Iran's oil and gas industry. The newly developed IPC of Iran is in fact designed to provide Iran with a new framework for cooperation with IOCs and OSCs joined with Iranian companies, contractors and entities involved in the petroleum industry of Iran.

### **C) Capacity & Opportunities of Iran Oil & Gas**

#### **Industry in Attracting Foreign Investment**

As the world of energy is aware, the Islamic Republic of Iran accounts for around 1% of the world's population and land, but around 10% of the world's oil reserves and 18% of global gas reserves. Having this huge potential of reserves, Iran is targeting to reach to pre-sanction capacity of 4.2 mmb/d in two stages of 500 kbd additional capacity within a few months aftermath of the lifting of economic sanctions and another 900-1000 kbd within a year.

Iran is also targeting another 2 mmb/d from further investment in the development of our new E & P projects. Further, in addition to 1.5 mmb/d of short-term development, Iran is also aiming to create the capacity to increase the production of 2 mmb/d of crude together with 7 bcf/d of natural gas production.

All These ventures in the upstream huge investment in the upstream operations will require the investment of around 120 billion dollars. These, together with mid-stream and downstream projects including LNG plants, export facilities, petrochemical plants, etc. may need over 150 billion dollars to be expended within a period of 5 years or even less. This fact alone means that major IOCs and project financiers cannot, and will not, ignore a country which arguably holds the world's largest combined oil and gas reserves.

All these investments in a country like Iran, possessing some of the best and appealing geology with low cost, low risk E & P projects, especially in the low oil price environment, provides the most competitive opportunities for investors and IOCs to overcome the current problem of low cash flow conditions. In fact, Iran oil and gas industry has the qualification of lower investment, with quicker and higher production outcome compared with any other opportunities elsewhere.

Iran oil and gas industry is rich in terms of reserves, human skills and technical knowledge. In fact, over 100 years of experience, probably more than one million Iranians have passed through the industry at some point, creating a wealth of knowledge, skills and human resource.

Work of the dedicated people within the general industry or Iran as well as the oil and gas industry, and also the increasing involvement of the private sector in all industrial activities of the Country, has made the Islamic Republic of Iran, one of the most powerful countries in the region, in terms of economic infrastructure, technical and operational foundations, human resources with skills, and huge quantity and quality of the local content.

Further, Iran's long term cooperation with IOCs in pre-sanctions era as well as almost a decade of the heavy sanctions imposed against Iran, have created in fact a golden opportunity for the local companies in Iran to grow considerably to the extent that numerous qualified companies are currently active in Iran's oil industry with the capacity to implement E&D projects even on a turn-key basis. Such outstanding improvements in local capacity are not limited only to the upstream developers, but the same trend has happened with engineering, fabricators, drilling and service companies, as well as EPC contractors.

Therefore, with its huge reserves of oil and gas hydrocarbons, low costs, low risk, strong private sector, high efficiency project and mature oil and gas industry, Iran has the capacity to be a major player in the global hydrocarbon industry for many years to come. Certainly, Iran's balanced participation in both regional and world energy markets will be welcomed by most energy importing countries and will be constructive for the world oil and gas industry in the coming decades.

All these capacity and oil and gas qualifications of Iran in

this contemporary petroleum industry, together with other special promising conditions such as the availability of the well-educated experts in all oil related branches, access to the open sea with over 3000 km of shore equipped with modern ports and facilities, makes Iran oil and gas industry a very different case comparing with other countries in the region.

Without any doubt, Iran certainly will be able to proceed to regain the oil and gas markets it lost due to sanctions. Regaining Iran's lost markets is possible, due to the fact that those consuming countries that had to switch away from Iranian oil to other sources would also want to have access to the Iranian market in order to sell their goods after sanctions as well as securing the rich and stable reserves. In additions, Iran has established during past decades that it is one of the most rational, knowledgeable, stable and secure country, which cannot be compared with its regional countries, which any IOCs would be eager to make long-term investments in this secure and stable country.

#### **D) New Contractual Regime of IPC as the Tool of Upstream Petroleum Investment in Iran**

The IPC is designed to attract capital and technology to Iran, to engage the Iranian state and private sectors in future energy participation with the outside world. Since the IPC introduces a new mechanism of JOC and JOA connecting the international energy market to the local market of Iran, it will not only open a path for IOCs to play their roles in the oil and gas industry of Iran, but also it opens a window of opportunity for smaller foreign companies to team up with the Iranian partners of choice to benefit from existing schemes of IPC.

Having locally qualified companies engaged in the oil and gas sector in Iran, one would forecast that there will be very successful and bright future of corporation between Iranian competent companies and the IOCs, not only for

working together in Iran but entering with confidence into the international market for rendering the same services globally.

As IPC mainly concentrates on the increase percentage of oil and gas recovery through implementation of EOR and IOR projects, with the most rapid returns and favorable terms related to the determination of the amount of capital expenditure requires their profit to come from the additional oil produced from the various fields, as well as to develop the oil and gas filed based on MER and maintenance of longer plateau production, the core business of IOCs will be to utilize, transfer and develop the technology and know-how to the Country.

Thus, those IOCs with the new technology and knowhow which that have been absent from Iran for quite some time, would be plenty of opportunities to enter into the green and brown fields of Iran. Thus, introducing new equipment and technology to existing production, refining and transportation operations of oil and gas would lead to reasonable rewards, and thus would be the best policy to gain a good chance to operate in Iran's energy industry for further involvement in the future.

IPC also opens an opportunity for the IOCs to enter into the development of unfinished oil development projects, and/or South Pars gas field phases. The progress on the unfinished oil and gas projects ranges from 10-90%. Collaboration of IOCs joined with the existing Iranian developers of these fields, through the injection of capital or the introduction of better technology, could prove very profitable in a relatively short period.

IPC also grants a golden opportunity for those IOCs and foreign investors joined with Iranian local companies to enter into the gas-based industries in Iran and to be able to get involved in the export of Iran's natural gas. Accordingly, Iran's gas production can easily increase considerably.

As IPC opens an opportunity to the foreign investors, IOCs and OSCs to enter into the three types of the IPC contracts, namely, IPC E&P contracts, IPC D&P contracts, IPC IOR/EOR contract, thus, there would be a wider choice for them to decide in which type of contracts, they suits their objectives best and therefore to establish cooperations or to carry out petroleum operations of oil gas blocks or fields.

Finally, the Tehran summit wishes to achieve its target of being a dynamic forum for both IOCs, OSCs and Iranian local companies and contractors to find each other, to establish partner of choice and enter into the multi billion dollar investment opportunities, and to be the core center for the long term strategic establishment of the JV, JOC and JOA based relationship.