



Tech Talk - Iran As an Exporter of Natural Gas

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There has been much talk in the current presidential debates about possible changes in US energy policy, with [Governor Romney suggesting](#) that more federal land be opened for prospecting for oil. Historically, one of the regions included in such lists is the National Petroleum Reserve in Alaska. And, perhaps anticipating the debate, the current administration has already recently moved toward [opening those territories up](#) for development.** However, those fields have been determined to contain [more natural gas than oil](#), and so hopes for finding more oil reserves has shifted into moves offshore, where Shell has continued optimism as it [begins to sink](#) new wells in the Chukchi sea – although well completions have now [moved into next year](#). However, suggestions in the past should be noted that more of the hydrocarbons under the Arctic are gas deposits than oil, and this argument has been strengthened by the recent discovery in the Barents Sea of more gas, when [oil had been anticipated](#).

The large volumes of natural gas that are currently being developed and marketed, whether in the United States or from Turkmenistan, are making considerable change in the [economies of many countries](#). Russia, who lost the sales battle to supply natural gas to China, [can no longer justify](#) the expense of opening the Shtockman field because alternate supplies are coming to the market at lower costs. This in turn, will cascade on to prices in Europe, where the [advent of more gas in the UK](#) is making it difficult to justify a switch into a greater reliance on renewable sources such as wind and solar.

This scenario means that it is not a good time to have a huge reserve of natural gas, or to go to the market with this resource to generate income. This is particularly true if the [country in question is Iran](#).

Iranian Oil Minister Rostam Qasemi has announced that Iran's exploitation of the South Pars gas field will equal Qatar's exploitation of the gas field by the end of Iranian calendar year 1392 (ends March 20, 2014) if \$54 billion is invested in gas projects.

Iran and Qatar share the largest natural gas field in the world, a reserve that is known as South Pars in Iran and as the North Field in Qatar.



*Figure 1: The South Pars field which lies between Qatar and Iran in the Persian Gulf
([PetroPars Annual Report](#))*

Qatar has been exporting Liquefied Natural Gas for a number of years, and has been well able to manage a steady growth in market penetration, as noted in [a previous post](#), and this [quote from two years ago](#):

Ras Laffan 3 Train 7 is the fourth 7.8 million tons per year LNG plant brought online by Qatar Petroleum and ExxonMobil joint ventures within the past 12 months. It matches the capacity of Ras Laffan 3 Train 6, one of the largest operating LNG production facilities in the world, inaugurated in October 2009. These mega facilities have sufficient scale to competitively reach markets around the globe. Qatar's giant North Field, which is estimated to contain in excess of 900 trillion cubic feet of natural gas, will supply both trains.

For Iran to anticipate that they can generate the infrastructure to compete with Qatar in the short term, given the time taken to invest, not only in the surface plant, but also in the tankers dedicated to the customers and the routes that must be followed, is more than naïve. That they can expect to do this at this time, more than in any time in the recent past, when there is an adequacy of supply unseen in a generation, suggests a message meant for local consumption only.

But Iran has other problems. At present, as [noted last time](#), natural gas supplies are barely keeping pace with an acceleration in the volumes required to meet internal demand. Any move to increase production will face competition not only from Russia and Qatar (with available natural gas supplies once anticipated to be sold to the USA, and when that fell through, to China) but also potentially from the United States itself, since as The OGJ recently noted:

“U.S. LNG export potential is a major issue in Asia, particularly in Seoul and Tokyo,” said Mikkal E. Herberg, research director at the National Bureau of Asian Research (NBR)’s Energy Security Program and the report’s editor, “That’s especially true for the next 5 years until major Australian and other export projects come on line.”

With China getting [more of its supply through pipelines](#), this may also weaken the LNG market even as Iran moves to step into these waters.

So can Iran also move its natural gas by pipeline? It is, after all, connected by land to potential customers. Well, apart from the relatively obvious problems of trying to do this at a time when the nations concerned with Iranian nuclear policy are tightening their sanctions on Iran, and as these are having more effect, the question comes back to who might be a potential customer? At present, Turkey buys the [bulk of Iranian natural gas exports](#) but the European Union is expected to include natural gas in the list of banned exports at the meeting on October 15. (Armenia and Azerbaijan buy the remainder of the current export volumes). There was [a recent explosion](#) in a gas pipeline carrying natural gas from Iran into Turkey, stopping the flow. But while that initially imposed a supply problem for Turkey, this has been met through increased [purchases from Russia](#), which currently has plenty. Thus it would appear that while Iran has more than sufficient supplies to move into an increased export position, the current political situation will likely preclude this happening in the short term, and the global over supply may well restrict Iranian penetration into that market in the longer term.

** September Alaskan pipeline flows were at 517 kbdm against the average for this year of 537 kbd, however as winter gets established [the latest volume reported](#) for 10/09/12 was 580 kbd, moving the pipeline away for the critical numbers.



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