



April-May 2011 / No.137- 138

Published by:

IRANIAN ASSOCIATION FOR ENERGY ECONOMICS  
(IRAAE)

ISSN 15631133-

Director and Editor-in - Chief:

Seyed Gholamhossein Hassantash

Editorial Manager:

Saed Dabestani

Editorial Board:

Majid Abbaspour, Reza Farmand, Ali Moshtaghian,  
Mohammad-reza Omidkhan, Ebrahim Bagherzadeh,  
Fereidoun Barkeshly, Hassan Khosravizadeh, Mohammad-ali  
Movahhed, Behroz Beik Alizadeh, Ali Emami Meibodi, Seyed  
Mohammad-ali Tabatabaei, Afshin Javan, Hamid Abrishami,  
Mohammad-bagher Heshmatzadeh, Mehdi Nematollahi,  
Mozafar Jarrahi, Ali Shams Ardakani, Mohammad Mazreati

Advertisement Dept :

Adamiyat Advertising Agency

Tel: 021 - 88 96 12 15 - 16

Translators: Mahyar Emami, Hamid Barimani

Subscription: Hamideh Noori



In The Name of God

Articles on Oil & Gas in the English section,  
in cooperation with IranOilGas.com

**EDITORIAL**

**Daiichi Nuclear Power Plant and Western  
Policies of Energy Security / 2**

**VIEWS  
ON NEWS**

**Turkish Government and the Question of  
Unfeasible Nature of Baku-Tbilisi-Ceyhan  
(BTC) Pipeline / 4**

**ENERGY  
HIGHLIGHTS**

**/ 6**

**REPORT**

**South Pars Gas Production:  
Right from the Start / 10**



## Daiichi Nuclear Power Plant and Western Policies of Energy Security

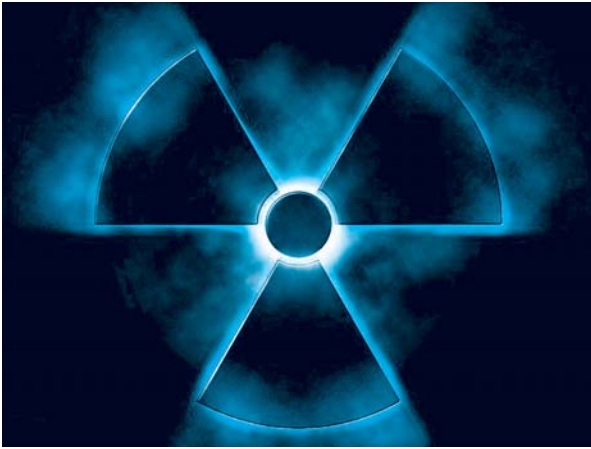
The horrifying and deadly Earthquake/Tsunami of March 2011 in Japan, which caused a gigantic crisis in the Daiichi nuclear power plant of Fukushima, greatly shocked the world and especially the people living near the power plant.

The horrendous consequences of that calamity have given rise to the following points:

1) It is true that fossil fuels contaminate. However, carbon contaminants left behind by such fuels pollute the environment gradually, allowing enough time for studies to find remedies to contain the harmful carbon cycle in nature. Nuclear emissions, however, are abrupt and can threaten the lives of great many people or even the entire

- human society, plus those of the generations to come.
- 2) If Japan, an example of the state-of-the-art technology with the highest possible standards of discipline and safety, has to suffer such a catastrophe because of an uncontrollable natural calamity, what will be the faith of the rest of the world in similar situations?
- 3) What are the actual costs as well as opportunity costs of such disasters? Are they calculable at all?

The aforesaid points have provoked many in the industrialized countries to reassess the plans to build new nuclear power plants. The real issue is, however, far more important than that. If the citizens of the industrial states are really interested in digging deep enough, they will have to go



back to 1975 when the policies of the International Energy Agency (IEA) were put into effect. They will then find out that those strategic policies of IEA, entitled the 'Security of Supply of Energy', were fundamentally self-contradictory. For they endanger the security of the whole world for securing the supply of energy!

Following the first 'oil shock' of 1973, the Western industrial countries founded their strategic policies of



security of supply of energy. A pillar of those policies was to reduce their dependence on crude oil of the Middle East and called for building many more nuclear power plants.

Why did they want to reduce their dependency on oil from the Middle East when close to 70% of the oil reserves of the world are located in the Middle East? After all, the industrial countries are the theorists of concepts such as 'Mutual Dependency', 'Global Village' and 'Globalization'! Was that oil policy of IEA compatible with these notions?

If we accept the argument of the West that; those policies were adopted in response to the first 'oil shock', caused by the oil embargo of the Arab countries against the West, which was itself a reaction to the outcome of the Arab-Israeli war of 1973 (Western support of Israel), the natural inference of the policy of bypassing oil coming from the Middle East is that; 'let the war and tension continue in the Middle East'! Couldn't some other worldview be adopted instead?

In a safe and secure world, where the root and cause for war and bloodshed are eliminated and the entire world becomes generally a more secure place, the security of everything including supply of energy would surely be better safeguarded. Does the development of nuclear energy, with the purpose of bypassing the Middle Eastern oil, boost the level of security of the world or aggravate its challenges?

From 1973 to 1985, share of nuclear-produced energy in the energy basket of the world increased from less than 0.5% to over 5%, setting the whole world on a widespread nuclear rivalry. And though nuclear-produced energy never went beyond 6.5% of the energy needs of the world, it has created enormous challenges for mankind and has given rise to a catastrophe like Chernobyl. Couldn't a different approach be adopted to avert the oil shock? Could the security of supply of energy be ensured in an insecure world? Why did Arab-Israeli war break out in the first place which gave rise to the oil shock? Couldn't supporters of Israel find a better way out and avoid spending huge sums to continue the war?

Will the waves of Tsunami in Japan help wash the eyes of the self-appointed managers of the world to see the issue of security differently this time? ◆

**Director**

# Turkish Government and the Question of Unfeasible Nature of Baku-Tbilisi-Ceyhan (BTC) Pipeline



In the course of his tour of Ceyhan port oil terminal on 12th of April, 2011, Managing Director of Turkey's state run oil company (Botash) attended a press conference where he reported of the non-viable nature of BTC pipeline.

The BTC has proved unfeasible due to a host of reasons.

Immediately after the collapse of the former Soviet Union, international oil companies stormed Central Asian states particularly the three republics of Azerbaijan, Turkmenistan and Kazakhstan, set up many consortiums and concluded numerous contracts with these states for the exploration and production of oil and natural gas. At that stage, these companies presented astronomical statistics and figures concerning oil and natural gas reserves available in the above countries. Some even went further and compared this region with the Persian Gulf. These international oil companies made huge fortunes out of such contracts and of course illusive pictures that they had portrayed of these reserves. The illusive nature of such campaigns was revealed as soon as exploration operations were completed. The

international oil and gas companies had in fact exaggerated about the size and capacity of these reserves.

Transfer of oil and natural gas from the above three states to the international market was a question raised by many experts in the stages that followed. Since the very onset, the Americans insisted on a land lock transfer route and ruled out construction of any pipeline that would cross Russia or Iran. Instead, the Americans did insist and still insist that the oil and natural gas produced in the three Central Asian states should be transferred to a Mediterranean market through Turkey independent from the Persian Gulf. Transfer of oil and natural gas from Azerbaijan Republic to Turkey would entail not many impediments, however, in the case of Turkmenistan and Kazakhstan things would be far more complicated, since transfer of oil and natural gas from the Caspian Sea bed would entail opposition from the side of Iran and Russia which insist that violation of the legal regime of this sea should be avoided by all the states that share borders with it. Another option would be transfer of oil and natural gas

from Turkmenistan and Kazakhstan via Iran or Russia, an option that was associated with certain restraints and uncertainties. The Americans, however, viewed this route as an entirely strategic one.

And finally, the Americans and the then government of Turkey came up with the idea of constructing BTC pipeline for the transfer of the Caspian Sea region oil to

project, however, majority of shares of this project i.e. 30.01 percent belong to BP Company which leads the project. From Turkey, TPAO Company holds a meager 6.53 percent of shares while Botash Company holds no shares of the project and has just been assigned as operator of the Turkey-based portion of this pipeline.

Eight pumping stations facilitate transfer of oil through



Turkey's Mediterranean Sea-based Ceyhan port. Of the major impediments in the way of implementation of this proposed project were Azerbaijan's insufficient crude output associated with the question of Caspian Sea's legal regime insofar as Turkmenistan and Kazakhstan were concerned and therefore, ambiguities and uncertainties about the non-viable nature of this project were escalating day by day. For over ten years, international oil companies showed reluctance to invest in the construction of BTC pipeline project but ultimately, the contract for the construction of this pipeline was signed in 2002 under pressure from the side of Americans and possibly grant of certain concessions to the government of Turkey and oil companies alike. The project went into operation in 2003 and was commissioned in 2005.

BTC oil pipeline is 1768 kilometers in length of which 443 kilometers is the share of Azerbaijan, Georgia 249 kilometers and Turkey 1076 kilometers. A consortium comprising eleven investing oil companies has invested some US\$3.9 billion in the construction of this pipeline

this pipeline which has partly been built in the regional heights. According to the managing director of Botash Company the pipeline's transit revenues have failed to cover operation costs. The pipeline's transfer capacity is about one million liters per day, however, to this date, it has failed to operate at full capacity.

As was stated earlier, this pipeline project has never proved to be economically feasible and relevantly, in his press conference Ibrahim Palaz complains that the then government of Turkey has signed a contract in 2002 that is inefficient in nature. Viability or non-viability of a pipeline is not subject to the pipeline's length alone. BTC is the world's second longest crude oil pipeline. Geographical situation, cost structure, capacity, interest rate and a host of other factors need to be stipulated in a feasibility study before a project is launched. Change in any one of the above parameters can impact the economy of the pipeline. The investors' concern is that they have failed to provide sufficient volumes of oil for this pipeline project. ♦

**Director**

**Bill on merged ministries ready to go to parliament: Government**

Lotfollah Forouzandeh- Iran vice president for Development Management and Human Resources- revealed that at a meeting on Wednesday, the government has approved the responsibilities and liabilities of the newly merged ministries so as to be submitted to the parliament.

According to the Fars news agency, Forouzandeh said: "At present, the merged ministries are running their entire office. We will present the details of the responsibilities and liabilities of the new ministries to the parliament to be decided over and apply any changes imposed afterwards,"

Pointing out that there would be no need for the new ministers to get vote

of confidence at the parliament, he continued: "The ministers have already won the parliament's vote of confidence, and the merging of the ministries has been also given green light by the parliament; thus, we will submit bill of the new ministries to the parliament."

Yet, by the time the parliament approves the organizational structure of new ministries, the MPs argue that the relevant ministers of each ministry being merged should still have attended in there, and not let their functions slip through the gaps."

The MPs believe that merging ministries and replacing some ministers have no legal leg to stand on and that the government cannot start a new ministry all by itself.

**NIOC hikes Asia OSPs**



National Iranian Oil Co. has posted its crude oil official selling price for Iranian Light at \$2.43 a barrel above the average of Oman and Dubai price assessments for June term supply to Asia, an increase of 50 cents from the previous month, a company official said Thursday. NIOC also raised its

OSP for Iranian Heavy and Forozan Blend for supply to Asia, but reduced the differentials of Soroush and Norouz.

National Iranian Oil Co.'s crude oil official selling prices, in U.S. dollars a barrel, follow:

**To Asia, as a differential to the Oman-Dubai average:**

Crude	June	May
Iranian Light	+2.43	+1.93
Iranian Heavy	-0.73	-0.98
Forouzand Blend	-0.64	-0.89

**To Asia, as differential to Iranian Heavy:**

Crude	June	May
Soroush	-4.65	-4.35
Norouz	-4.65	-4.35

## Iran plans to launch new petchem contracts on bourse



Iran plans to launch new petrochemical contracts on the Iranian Oil Bourse on Kish Island and is trying to promote existing and planned contracts, market sources told Platts Tuesday.

A forum to explain the contracts and the procedures for carrying out transactions on the exchange has been scheduled for May 28 at the Shangri La Hotel in Dubai.

“We plan to launch aromatics and polymers contracts. Plans for more contracts will be disclosed at the forum on May 28,” a source familiar with the matter said. Iran already has several petrochemicals contracts ranging from polymers like HDPE and LDPE, and aromatics like orthoxylene and paraxylene on the Iran Mercantile Exchange in Tehran.

Prominent traders based in Dubai said that the exchange authorities will first need to define clearly the means of financial transaction on the bourse to be able to attract interest. “We have hardly dealt in the already

existing petrochemicals contracts at the Iran Mercantile Exchange in Tehran. This is because the banks refuse to finance such deals. So unless there are new means for ensuring a safe financial transaction, we will not be able to trade at the exchange,” one of the largest traders of Iranian petrochemical products, who is based in Dubai said.

“If it’s physically backed contracts that the exchange plans to launch then there are several issues to be looked into. Like which vessels will take delivery as Iranian-flagged vessels make financing difficult,” another Dubai based trader said.

“There are solutions to these problems and they will be discussed on May 28,” a source close to the forum’s organizing committee said. The forum will be organized under the banner of the Iran Business Council in Dubai.

Iranian Oil Bourse was launched on February 17, 2008 with a trade of 2,200 mt of LDPE.

## Iran 4th National Convention on Offshore Industries next week

Iran’s Fourth National Convention on Offshore Industries’ will be held at Sharif University of Technology in Tehran on 16th and 17th of May ’11. This biennial conference will focus on the current issues and setbacks of offshore industry of Iran and put forward the relevant way out to advance the projects.

The other objectives this convention follows include:

- Introducing new technologies and

researches related to offshore projects,

- Enhancing technical knowledge of Iranian design and engineering companies in offshore projects,

- Inspecting and ranking in offshore industries

- Shedding light on the role of management and human resources to boost engineering potentials in offshore industries.

For more information you may check out the following site: [www.oic2011.ir](http://www.oic2011.ir)

## South Pars phase 13 made about 18% headway



According to the website of National Iranian Oil Co. (NIOC), South Pars phase 13 has made about 18% overall headway. Its engineering sector, drilling operations, site preparation, offshore structures and offshore pipe laying have made about 48%, 13.05%, 93.3%, 25.13% and 8.06% progress in order.

SP phase 13 development project -the production of which is equal to 2 of SP standard phases- was awarded

to a consortium of Iranian companies including Petro Paydar Iranian, MAPNA and SADRA on June 16th 2010.

The project should take 35 months to complete. In order to realize this goal, basic engineering and FEED of new phases are supposed to be omitted and basic engineering and FEED of previous phases like phases 9&10 or 15&16 are used instead. The project is worth \$ 5.180 Bln.

## Phase 1 of Sirri NGL plan to be on stream in June



Mahmoud Zirakchian Zadeh - managing director of Iranian Offshore Oil Co. (IOOC) - talked of the 97% physical headway of Sirri NGL plan and said: "Pre-commissioning of this project has also made 80% progress," reported the news agency of Iran oil ministry.

Disclosing that the first phase of Sirri NGL plan would be commissioned early next month, Zirakchian Zadeh added: "The second phase of this project will also get on stream in July."

The contract for construction of Sirri NGL plant was signed between IOOC and OIEC in January 2004. The project was foreseen to be completed in 40 months from the contract effective date. Once completed, the plant will treat the

associated gases of the Sirri region and produce 140 mcf/d of sweet gas, 6,900 bpd of Propane, 3,750 bpd of Butane, and 3,180 bpd of NGL and also dispatch 50 mcf/d of gas to Kish and Qeshm Islands.

This project was supposed to get operational in September 2010.

However, due to various reasons such as unavailability of fund in the due course, difficulty in providing goods and foreign services caused by the western sanctions imposed against Iran, this project could not become operational in time.

The gas feed of Sirri NGL plant will be supplied partly by Nasr Platform (covering Alvand, Civand, Dena and Nosrat fields) and partly by Ilam Platform of Esfand field.

## Rial-based L/C in oil industry gets operational

National Iranian Oil Co. (NIOC) and Bank Mellat reached an agreement over opening a system for domestic letters of credit (Rial-based L/Cs), reported the news agency of Iran oil ministry.

This program - which is going to be

implemented in Iran oil industry for the first time - will facilitate the procurement of oil industry goods and equipment; conceding to the agreement, Bank Mellat will open domestic L/Cs for the local manufacturers of oil industry goods and equipment.

## Iraq to rehabilitate oil & gas export pipelines



Iraq's Ministry of Oil is planning to hold a tender for the rehabilitation project of oil & gas export pipelines on Build-Operate-Transfer (BOT) basis.

The project will be tendered in three phases. The engineering consultancy contract for first phase of the development is expected to be signed soon. BOT contracts will be tendered in 2012. Phase 1 will include a 1.75 million barrel-a-day (b/d) pipeline from Basra in south of Iraq to Haditha, in the western Anbar governorate, about 240 kilometres northwest of Baghdad.

The network will then split, with one line going westwards to the Syrian border and the other joining the

northern export pipeline from Kirkuk to Ceyhan in Turkey.

It will also include a natural gas pipeline to supply the pumping stations and a storage terminal and tanks in Basra, Haditha and Baiji, 200 kilometres from Baghdad.

Client is also planning to rehabilitate the 1.6 million b/d northern Kirkuk-Ceyhan pipeline, replacing the corroded sections of the 30-inch line. Sizes of the pipelines will vary as the engineering has not been done yet, but it is expected that more than 7,000 kilometres of pipelines will be required.

Long-term plans for the pipeline revamp have yet to be determined.

## India revives Iran's Farsi plan

In a visible attempt to re-engage with Iran's energy sector, India has submitted a reworked master development plan for Iran's Farsi natural gas block.

A consortium led by ONGC Videsh Ltd (OVL), the overseas arm of state-owned Oil and Natural Gas Corp. Ltd, won the bid in 2002, but is yet to develop the gas block.

While OVL is the operator of the Farsi block, in which it holds a 40% stake, Indian Oil Corp. Ltd has an equal stake and the balance 20% is held by Oil India Ltd. The block cannot be developed without a master plan.

The plan, submitted last month, could reduce the country's energy risks by diversifying its supplies, but could also cause tension in India-US ties.

The development plan was prepared with the help of Sydney-headquartered WorleyParsons Ltd. The consortium had earlier submitted a feasibility report to National Iranian Oil Co. (NIOC) in November 2008. The Iranian firm then accepted the commercial viability of gas production at Farsi block, after which the first plan was submitted in April 2009.

"We submitted the (revised) MDP (master development plan) last month. We had earlier submitted it but the Iranians had sought some modifications to it," said the chief executive of one of the consortium partners, who did not want to be named. "We haven't given up on Iran."

The Farsi block is estimated to have reserves of up to 21.68 trillion cu. ft (tcf), with recoverable reserves of around 12.8 tcf.

# South Pars Gas Production: Right from the Start

Presently, the refineries of 10 phases of South Pars gas field are active. This report will cover the actual as well as the planned production rate of the refineries of each phase of South Pars gas field-right from the start till March 2011.

1. South Pars phase 1 refinery, with a sour gas input capacity of 28.3 mcm/d and 25 mcm/d capacity of sweet gas output, got operational in October 2004. The production capacity for gas condensate and sulfur of this refinery has been planned to be 40,000 bpd and 140 tons/d respectively. By March 2011, an average of about 18 mcm/d of sour gas from phase 1 offshore platform was used as the input, and about 20 mcm/d of sweet gas were produced (the reason for

the volume of sweet gas topping the sour one is that some extra volume of sour gas comes from South Pars phases 6 to 8 to this refinery).

The average volume of gas condensate produced at this refinery - since 2004- has been 25,600 bpd, its sulfur production rate has been about 96 tons/d.

Hence, over its long period of activities till March 2011, this phase has totally produced about 69% of its planned capacity.

2. South Pars phases 2 and 3 refinery has been estimated to have an input capacity of 57.2 mcm/d plus 6 mcm/d of gas from phases 6-8, sweet gas output capacity of 57.6 mcm/d, gas condensate production capacity of 81,000 bpd and sulfur



production capacity of 400 tons/d.

In July 2002, the refinery of these two phases got on stream and –till March 2011- the average of input sour gas was about 54.5 mcm/d and about 49 mcm/d of sweet gas were produced. Meanwhile, about 80,000 bpd of gas condensate and 320 tons/d of sulfur have been also produced from this refinery in the same period.

Therefore, the refinery of these phases has produced a total of 90% of its capacity during their active period till March 2011.

3. South Pars phases 4 & 5 refinery has been planned to treat 56.5 mcm/d of sour gas and produce 51.5 mcm/d of sweet gas, 82,000 bpd of gas condensate, 290 tons/d of sulfur, 2,600 tons/d of ethane, 2,000 tons/d of propane and 1,200 tons/d of butane.

The refinery of these two phases became operational in February 2005, and since then has been treating about 55 mcm/d of sour gas and producing about 49 mcm/d of sweet gas, 81,000 bpd of gas condensate and 200 tons/d of sulfur. Furthermore, its ethane, propane and butane production rate has so far been 769 tons/d, 1,204 tons/d and 808 tons/d consecutively.

Thus, the gas and gas condensate production of these phases have been totally about 97% of the planned capacity and their by-products have been about 57% of their capacity since the start of their activities.

Presently, the refineries of 10 phases of South Pars gas field are active. This report will cover the actual as well as the planned production rate of the refineries of each phase of South Pars gas field-right from the start till March 2011.

IranOilGas Network covered the first part of this report yesterday and its 2nd part is as follows:

4. Refinery of South Pars phases 6-8: There are no sweetening units in this refinery. This refinery enjoys 110 mcm/d of input sour gas capacity and a production of 104 mcm/d of dry sour gas - which is planned to be injected into Aghajari oilfield - 150,000 bpd of gas condensate, and 5,000 tons/d of LPG.



This refinery got on stream in October 2008, and till March 2011, it received an average of about 61 mcm/d of sour gas, and produced an average of about 10 mcm/d of dry sour gas. The volume of gas condensate and LPG produced at this refinery in this period was about 81,000 bpd and 313 tons/d in order.

5. Refinery of South Pars phases 9& 10: This refinery has an input sour gas capacity of 56.5 mcm/d and a production capacity of 50 mcm/d of sweet gas, 80,000 bpd of gas condensate, 400 tons/d of sulfur, 2,600 tons/d of ethane and 3,200 tons/d of LPG.

The refinery got operational in March 2009, and till March 2011, it received about 2.6 mcm/d of sour gas from SP phases 9&10 platforms on average. The volume of sweet gas produced at this refinery, considering the sour gas input from SP phases 6-8, had been about 45 mcm/d. It also produced about 9,000 bpd of gas condensate, 180 tons/d of sulfur, about 600 tons/d of ethane and about 136 tons/d of LPG in the said period.

On the whole, since the commissioning of South Pars first refinery till March 2011, a volume of 391,360 mcm of sour gas was used as the refinery feed, and 343,686 mcm of sweet gas was produced. The volume of condensate gas, sulfur, ethane and LPG the refinery produced was about 563 Mln barrels, 181,000 tons, 2.1 Mln tons and over 4.8 Mln tons respectively. ♠