

*A Joint Study of
the James A. Baker III Institute for Public Policy of Rice University and
the Petroleum Energy Center of Japan*

Upstream Development Strategy of the National Iranian Oil Company (NIOC)

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Upstream Development Strategy of Iran and NIOC

1. Top Priorities imposed on NIOC

- **Maximization of foreign currency earnings** through proper development, production and export of crude oil and natural gas as well as its value-added products
- **Optimization of domestic energy consumption** conducive to maximization of hydrocarbon exports

2. Frameworks for Upstream Development

- 20-Year Long Term Perspective (**“Iran 1400”**)
- Successive 5-Year Development Plans
- Annual Budget Law

3. A Major Tool for Implementing the Frameworks

- Attraction of FDI under the revised **Buyback Scheme**

Long-term Upstream&Downstream Projections

(1,000 b/d)

	2005	2010	2015	2020	2025
Average Crude Oil Production	4,021	4,379	5,316	5,085	4,233
Feed for Refineries	1,598	1,620	2,482	2,524	2,682
Export (including Buyback Scheme)	2,424	2,759	2,833	2,561	1,551

Source: NIOC.

And what's behind the initiative of forming a so-called Gas OPEC, GOPEC or GPEC?

Challenges for Iran to Remain as a Major Crude Oil Producer & Exporter

1. Physical Reality

- Expansion of oil production is sluggish because of insufficient investment, depletion of aging oil fields and growing domestic consumption aggravated further by the **need to secure feed for refineries**

2. Financial Restrictions

- Lack of domestic capital to finance mega projects
- Pressure spearheaded by the West in order to suppress financial instruments

3. Political Impediments

- Xenophobia within the regime and society that create unfriendly environments for IOCs to invest and operate
- Never-ending debate over the possible role of IOCs in Iran's oil and gas sector development

Buyback Schemes: Its Future Role and Implications for the Industry

- Likelihood of acquiring a broader recognition as a “necessary evil” since there is no alternative to attract FDI to the hydrocarbon sector
- Requirement to improve the conditions in favor of IOCs and compete with other development projects in the region and the world
- Progress would be in parallel with issues related to privatization of state-owned entities, especially the downstream industry, in conjunction with the directives of the Supreme Leader on the swift implementation of **Article 44**



Thank you for your attention