

News Release, 2 July 2015

Iran's Re-integration To The Energy Market In The Post Sanction Era



Highlights:

- Iran's current "crude oil" production is about 2.9 million bb/d and its "condensate and NGL" production is about 692,000 to 710,000 thousand b/d.
- SVBEI's field-by-field study indicates that Iran would probably be capable of adding up to 800,000 b/d of oil and liquids to its production in the next 6 to 12 months, if it reached to a nuclear deal with P5+1.
- 400,000 to 600,000 b/d of this production boost will be "crude oil" and 200,000 b/d of it will be "condensate".
- SVBEI expects that by 2020, and upon completion of development projects in the West Karun oilfields, an additional 650,000-700,000 b/d will be added to Iran's crude oil production volume.
- Iran's total condensate production capacity from South Pars could rise to about 700,000-800,000 by 2018, and to 1 million b/d by 2020.

- To reach to its mid-term production capacity goal by` 2020, Iran would need at least \$70 billion of investment.

Background

The effect of possible nuclear deal on Iran's oil supplies has generated numerous estimates and wild speculation in the market, particularly at a time when energy markets face huge volatilities. Not having a clear answer for the 'golden question' on Iran's reservoir and technical capacity to increase its oil production after the deal has left many confused. This absence of knowledge and understanding seems to create more of psychological impact on the market and the prices rather than an actual effect.

There is no doubt that any positive outcome of the deal will have an immediate downward effect on the prices even before any actual Iranian production rises. This is not only because of the psychological impact on the market due to an anticipated production boost, but also because of Iran's 36-37 million barrels of stored liquids (oil and condensate) in Iranian floating storages that could be released immediately. Nevertheless, an Iran oil production boost, pending a deal, should not have an actual sharp impact on oil prices if we consider a combination of factors together.

Crude Oil and Condensate Production

SVBEI's field-by-field study suggests that Iran's current "crude oil" production is about 2.9 million b/d and its "condensate and NGL" production is about 692,000 to 710,000 thousand b/d. The total liquid production reached to about 3.6 - 3.7 mb/d.

Production boost after a possible nuclear deal and sanction removal

- Iran would probably be technically capable of adding up to 800,000 b/d of oil and liquids to its production in the next 6 to 12 months. Any Production boost will depend on the removal of "oil export related sanctions" and NIOC's ability for marketing and sale of the extra liquid production.
- About 400,000 to 600,000 b/d of this production boost will be "crude oil" and NIOC can also add additional 200,000 b/d of "condensation" to its liquid production in the same period of time.

Iran's oil production boost scenario if it reaches to a nuclear deal by July 2015

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Product	Immediately after a nuclear deal	By last quarter of 2015 (Upon the removal of oil export limitations)	Production boost in 2016
Crude Oil	-	150,000 to 200,000 b/d	300,000- 400,000 b/d (200,000- 300,000 b/d by EOR plans from current mature fields and 100,000-200,000 b/d of new crude oil production).
Condensate	20,000 – 50,000 b/d	50,000 b/d	80,000- 100,000 b/d
Floating Storage	36 - 37 m/b of liquid.	The remaining crude oil, condensate and fuel oil, depending on NIOC's ability to market and sale these products.	Some condensate will remain in the storages; due to the production rise and also high Mercaptan and Sulfur content of this product that creates challenge for its marketing and sale.

Source: 'Iran Upstream Oil and Gas Report', SVB Energy International, June 2015

Future oil production scenarios

- We expect that by 2020, and upon completion of development projects in the West Karun oilfields (particularly North and South Azadegan, Yaran and Yadavaran), an additional 650,000-700,000 b/d will be added to Iran's overall production volume.
- Iran's total condensate production capacity from South Pars could rise to about 700,000- 800,000 by 2018 and to 1 million b/d by the year 2020.
- It will take at least 3 to 4 years for Iran (from the time that it gets access to international investment and technology) to regain its pre-sanctions "crude oil" production capacity.

Investment; Only \$70 Billion for Reaching to Mid-Term Production Goals

Iranian petroleum minister, Bijan Zangeneh, has recently announced an urgent demand for approximately \$40 billion for South Pars development plans and at least \$20 billion to increase its production capacity to develop West Karun. Iran's National Development Fund approved allocation of \$20 billion for investment in West Karun.