FORESEEING FOUR SEAS ENERGY COOPERATION
(CASPIAN SEA, PERSIAN GULF, BLACK SEA, MEDITERRANEAN SEA)
ECO, OPEC, GECF, ECT, IEF, EU

Energy Diplomacy

Cyprus: 24-26 Sept. 2012

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Euros Med E&P
The European Mediterranean Oil & Gas Exploration & Production Summit 2012

Energy Diplomacy

Chinese border: 2000 km
Chinese coast: 6000 km

Black sea
1300 km

CPC

BTC

Mediterranean
2300 km

Neka: 1500 km
Kharg: 2800 km
**Through the Golden Gates - Gas is the New Oil**

Q: Should Euro Med worry about the Iran Petroleum Sanctions?
A: Nervous tension in the market is reflected in a 'risk premium' in crude-oil contracts exacerbated by financialisation.

Let’s focus on Geo-Energy Cooperation (oil and gas) in the key **Golden Gates** region between the 4 Seas: Cyprus & Greece - the Mediterranean energy gateway to Europe; and Iran - the ECO-Caspian Sea and Persian Gulf energy gateway to Central Asia, and beyond.

If Energy Diplomacy is given a Chance.......

...military Conflict in the Caspian Sea and the Persian Gulf Becomes unnecessary.
May 26, 1908: 1st Mideast Oil Discovered

Price stability and security of supply are as important for energy consumer nations as price stability and security of demand are for producers.

Price uncertainty makes financing and funding difficult and expensive at best, and impossible at worst.

“Isolating Iran From the Global Energy Equation by Imposing Political Sanctions & calling it Economic Sanctions Is Not Possible”

EuroMed Summit - Cyprus
Local media reported in Tehran on 8th Sept. 2012 that Iran’s Deputy Petroleum Minister & Managing Director of National Iranian Gas Company (NIGC) told reporters that Iran and Turkey the two founder member of ECO are negotiating with Turkmenistan another member of ECO for Turkmen natural gas export via Iran to European market.

Iran with Pakistan, another founder member of ECO, is also pursuing the construction of what is known as the Peace Pipeline or Iran, Pakistan to India Gas Pipeline.
ECO Favorable Logistics to Major Markets

1.3 Billion People
1.0 Billion People
454 Million People
400+ Million People

Source: Franz B. Ehrhardt, CEO, CASCA Consulting, L.L.C. U.S.A.
24-26/09/2012 6EuroMed Summit - Cyprus
The Caspian Sea, the Persian Gulf, the Black Sea, the Mediterranean Sea.

4 Seas Energy Cooperation is possible Via Iran.

Energy Diplomacy will prevent military conflict in the Caspian Sea and regionally through Persian Gulf and beyond....

TO ENSURE EURASIAN NATURAL GAS SUPPLY TO EU, REQUIRES ANCIENT GREEK DIPLOMACY TO BE UPDATED FOR THE 21ST CENTURY

24-26/09/2012 EuroMed Summit - Cyprus
26 July 2011
Iran, Iraq, Syria signed $10B gas pipeline deal.

Construction of the Middle East’s largest gas pipeline, to carry gas from Iran’s South Pars gas field to Europe via Iraq, Syria, and Lebanon and beneath the Mediterranean Sea.

Projected pipeline capacity 110 million cubic meters of natural gas per day.

Construction to take 3–5 years once funding secured.

Syrian energy economists believe once the economic space between Syria, Turkey, Iraq and Iran is integrated, then Syria links Mediterranean, Caspian, Black Sea, and Persian Gulf.

Through linking these four seas, Syria becomes an energy, transport and investment hub. To this end, Syria needs to take steps to expand the Arab Gas Pipeline (AGP) to pipe gas from Egypt and Iraq via Syria, and connect with Nabucco pipelines to Turkey onto Europe.
The Levant Basin allows the quickest route to growth for Cyprus, offering access to trillion cubic meters of natural gas within the country’s Exclusive Economic Zone. The Industry and Tourism Minister has suggested Cyprus would be able to meet domestic needs with local natural gas by 2017 and earn export revenue by 2019.

Moreover, Cyprus’ new energy role in the region may extend beyond its own exploration efforts, including partnerships with potential partners interested at exporting natural gas to the European market by way of Liquefied Natural Gas (LNG) projects or pipelines.

Iran is a key geographical bridge/partner from Caspian Sea, Central Asia, Caucasus and Persian Gulf to Europe. The logic of cooperation is so compelling that isolating Iran is simply not an option. Creating Gas Golden Gates through a 4 Seas oil and gas partnership can resolve current economic issues.

EuroMed Summit - Cyprus
The Regional (ECO) & Global Market in Gas

Good news for Natural Gas industry and Gas Exporting Countries.

In 2010, Japan had 54 nuclear power plants connected to the grid, accounting for almost 30% of electricity production. Japan has now decided to phase out its nuclear power sector by 2040.
Germany is also in its second phase-out.
- Germany’s 17 nuclear power plants account for 23% electricity production.

US, UK and even France may follow Japan and Germany.
- this is a shocking blow for the global nuclear energy industry which can no longer rely on a stable investment climate.

But - benefits not only oil but particularly the gas industry.

Japan's recent decision paves the way for 4 Seas energy cooperation in some form....particularly financial

Apart from political sanctions and possible military confrontation in the Persian Gulf our gas industry is facing uncertainties in attracting investment it needs.
The European Union's drive to remove oil indexation concerns many current exporters to the EU market.
Global spread of shale gas technology affects investment decisions in the ECO-Caspian & Euro-Med (4Seas) regions

How should the 4 Seas gas producers & exporters respond?
EXISTING/POSSIBLE SUPPLY ROUTES - EU Southern Gas Corridors.....how will these be financed and funded?

**Uzbekistan**

**Nabucco: Turkey (Erzurum) – Austria (Baumgarten)**
- Capacity: 31 bcm/yr

**ITGI:** Interconnector: Turkey – Greece – Italy
- Capacity: 10 bcm/yr to the EU

**TAP: Turkey – Greece – Albania – Italy:**
- Capacity: 20 bcm/yr
Gas needs literally trillions of dollars in investment...but where will this come from?

Regional market → a global market
21st Century problems cannot be solved with 20th Century solutions

The 20th century investment solution is the Energy Charter framework

But systemic shortage of capital now prevents dollar-based investment and lending

Complementary framework agreement enables energy market instruments priced in dollars

An Economic Co-operation Organisation (ECO) “Energy Accord”

ECO and EU co-operation creates a “4 Seas Accord”
ECO Energy Accord

ECO Energy Principles – Values underpinning policy
- Accessibility, Equity, Neutrality, Resilience, Security, Stability, Sustainability, Transparency

ECO Energy Doctrine – basis for policy
- Energy Economics – least energy cost
- Energy Co-operation – funding from shared surplus
- Energy Resilience – distributed production and risk
- Energy Savings – saving energy is saving money
- Energy Standard – price dollars and oil in gas
4 Seas - Transition through Gas Co-operation

4 Seas  Gas Clearing Union
4 Seas 'balancing point' physical market price
4 Seas benchmark gas price
4 Seas gas stock investment instrument
4 Seas private sector service providers need minimal capital

Other 4 Seas energy may be priced against gas
4 Seas energy swaps: oil vs gas; gas vs electricity
Gas Stock – What it is & How it Works

**Stock** - predates the banking system, and is simply an undated credit issued at a discount and returnable in payment for value supplied.

**Gas stock** - issued by gas producers and sold priced in $ at a discount. eg $1.00's worth of gas sold for 80c gives **absolute** return of 25%

**Rate of Return** is the rate over time at which Stock may be returned to the issuer in payment for gas supplied.

Rate is not fixed – it depends on existence & amount of gas flow.

**Benefits**

Investment – optimal financing and funding through energy loans offering a return in energy

Subsidies – may be massively reduced as subsidies may be paid in valuable gas stock, and populations are then incentivised to save.
Through the Golden Gates, the member nations of the 4 Seas are central to the development of a new wave of global energy co-operation.

4 Seas members must closely examine how such physical connections may be built upon with economic connections through an Energy Clearing Union-ECU. Such an energy clearing union – through physical connections via the Golden Gates – could then link to other regional energy networks and point the way to a new and resilient global energy market based upon a new approach to financing and funding the transition to a low carbon regional economy.
Promoters of Energy Diplomacy in the ECO region are of the view that oil, gas and energy industry in general must be depoliticized.

ECO region with its vast population can play a major role for dialogue between oil and gas producers and consumers.
Conclusion

Iran can and should be an energy partner for Euro Med countries

• Euro Med oil and gas companies (IOC’S eg Total, ENI, Repsol, OMV) have long been experience of partnership with N.I.O.C, N.I.G.C and other Iranian public and private companies
• Increase of gas demand in Euro Med as well as Asian countries.
• Diversification of energy providers, geographical proximity.
• 1970: First Iranian gas export towards Europe (swap with ex-USSR).

• Turkmenistan wishes to sell gas to Pakistan, Turkey and EU.
• Iran could be an attractive transit route from the ECO - Caspian basin to world markets.
• Iran's geography is convenient to reach potential markets for Turkmen gas.
• Via Iran ECO-Caspian energy exports are economically viable and environmentally safe.
• Routes that avoid Iran are complicated by political problems.
Conclusion

The current regime of sanctions even prevents Iran from acquiring renewable energy and carbon energy saving technology which could make nuclear energy – which is uneconomic and on the retreat everywhere - redundant.

There has probably never been a more counter-productive policy.

I hope that common sense may now prevail in the talks between the 5+1 and Iran with a view to taking politics out of energy by beginning a new era of constructive energy co-operation between the West and Iran.

Finally, EU support of US sanctions is proving extremely costly.

In Greece – where Iran came to be virtually the only supplier of energy on credit terms – the US is essentially fighting an economic war to the last drop of EU blood.

As the € crisis continues to deepen – as it must with a currency without a fiscal base – energy co-operation offers a diplomatic solution.
The Name of the Game is New Dimensions of Energy Dialogue & Co-operation – the 4 Seas Energy Diplomacy

THANK YOU
Acknowledgements

The author would like to thank all colleagues for their valuable assistance and comments. However, any errors or eccentric views related to this presentation remain the sole responsibility of the author. Moreover, the author would like to express his deepest thanks and appreciation to Mr. Chris Cook (http://wimpole-international.com) for his kind permission extended to the author for using parts of his recent presentations at the Institute for International Energy Studies –IIES (www.iies.org).

The Impossible
by North Drilling Company (NDCO)
24-26/09/2012 Euromed Summit -Cyprus
www.ndco.ir
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