

Iran-China 25 year's agreement, Energy Implications

Fazel Moridi – Shahid Beheshti University

Seyed Reza Mirnezami – Sharif University of Technology

China

- High energy dependency - oil and coal have still significant portion in energy consumption
- A vacuum cleaner! for downstream products due to big manufacturing sector – manufacturing sector is crucial for the success of belt and roads initiatives
- Developed up-to-date technologies in several companies like Sinopec, PetroChina, CNOOC, Shaanxi Yanchang, and Sinochem
- Have invested more than 150 billion dollars in energy sector of MENA region

Iran

- One of the largest energy reserve
- In need for several investments in upstream
 - China's financial competencies
 - China has limited political but deep technological, logistic, and financial involvement in the region
- US sanction made a long-lasting impact on Iran energy export (both upstream and downstream)
- High energy consumption per-capita
- High energy intensity

Grounds for cooperation

- Finance
 - Iran IPC contracts offer interesting opportunities for upstream investment
 - Some petrochemical and refinery plants are planned to be built in southern Iran
- Technology
 - Different brown and green fields need a variety of technologies for development and renewal
 - Many young knowledge based companies in Iran good for joint ventures
- Market
 - Long term contracts for oil, gas, and petrochemical products

Socio-Political constraints

- JCPOA: Iran learnt that SPECIAL relationship with China should be kept
- Iran's foreign relations before revolution were with western countries and it weakly continued after revolution – this deal is a game changer
 - China-Russia disparity?
- China is the Iran's biggest trade partner
 - Consolidated by the deal?
- Cultural difference and similarities, especially in business conduct
- Legal barrier, especially at superior level to ease the business

Recommendations

- China and Iran should have two-way dependency to each other
 - It implies that all aspects of the deal (finance-legal-technology-market) should be scrutinized
- Trust building – Public opinion matters
- US sanctions on big companies: small and medium companies may play important role
- The role of universities and elites is important