



The British-Iranian Chamber of Commerce

Economic Headlines

15 February – 13 March 2008

Oil & Gas exploration and production. New oil reserves continue to be found: a new layer in the Azadegan field with 2.2 billion barrels of reserves. Production from new fields comes on stream: Azadegan at 20,000b/d in the first instance. However, gas pressure in existing fields continues to fall and is not replenished sufficiently to avoid the decline in production, according to OPEC and the CBI. The Majlis Energy Commission forecasts a loss of 2 million barrels' production in 10 years because of reduced gas pressure. Existing LNG foreign partners, such as Shell, Total and Repsol, are pressed to commit to future development by June whilst new partners, including Gazprom, are lined up to assist with South Pars.

Oil & Gas sales. The Oil Bourse opened in Kish Island, but for oil product (not crude) transactions only at first. The average price of Iran's crude in January was US\$86.3/b, 44% more than a year earlier. Crude sales to China have been agreed to increase from 60,000b/d to 160,000b/d starting in 2009.

Regional energy relationships. Iran has decided to import 1 million cubic metres of gas per day from Azerbaijan to diversify supplies: the effect will be to reduce dependency on supplies from Turkmenistan. Iran has agreed to sell 200MW of electricity to Turkey and will shortly commence supplies from Abadan to Basra. An Iran-Russia working party is considering joint ventures including: refineries in Armenia and northern Iran, the Neka-Jask pipeline and the construction of an LNG complex.

Trade. Non-oil exports increased 15.9% to US\$18.8 billion in the first 11 months of this year. Imports rose 11.6% to US\$41.4 billion. The Cabinet approved a €150 million loan to Nicaragua for a dam and power plant project.

Sanctions. India has been substituted as a diesel fuel supplier to Iran by Singapore: the difficulty of obtaining L/Cs for Indian contracts is blamed.

Economy. Forex reserves are expected to reach US\$80 billion by the end of March. Liquidity was 33.9% in December.

Government budgeting and spending. The coming year's budget was approved by the Majlis after taking alterations required by the Expediency Council and the Council of Guardians.

Inflation and price increases. Inflation (CPI) in February was 20.2%, but many continue to believe that official statistics under-report inflation.

Rationing. It is announced that excess fuel will be made available at market prices around Norouz.

Privatisation. In the six months to October 2007, US\$8.4 billion of government assets were privatised: 20.2% through the TSE, 40.5% through Shares for Justice and 39.3% in settlement of government debts to other entities. Another 531 enterprises are to be privatised, the Cabinet has announced. Four future cedings will offer the 20% "management shares" for sale. The first complete privatisation to be purchased by a foreign investor has occurred: 95% of Razi Petrochemical Co was sold to a Turkish consortium for US\$650 million. Blocks of Mobarakeh Steel shares continue to be sold through TSE. An airport in Ramsar, Mazandaran province is to be privatised. Nahavandian, President of the Iran Chamber of Commerce, has criticised the privatisation process for its inefficiency and the inability to measure its effectiveness.

Finance, banking and TSE. CBI assets have been blocked by a French bank following a court ruling in favour of compensating victims of terrorist activities by Hamas in the 1990s. The CBI has been selling gold in the Tehran market to bring prices down to international levels.

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