

Iran Perspectives 2016

Presented by Werner Karlsson
Regional Director, Europe and Middle East

Input: Nasrollah Gharesifard

Norway, Kristiansund April 21st 2016

Agenda

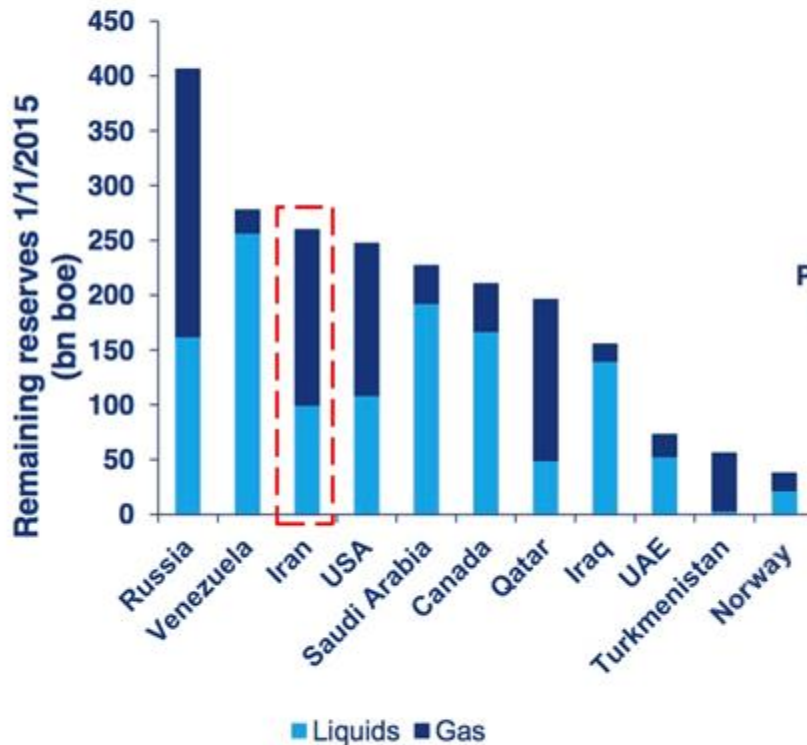
- Iran reserves
- Iran open for business
- New terms and conditions i.e. IPC (Iran Petroleum Contract)
- Who are the clients
- Norwegian capabilities
- Banking system
- INTSOK visits to Iran 2015 / 2016
- How to do business in Iran / conclusion

IRAN reserves

Iran has the third largest reserves in the world

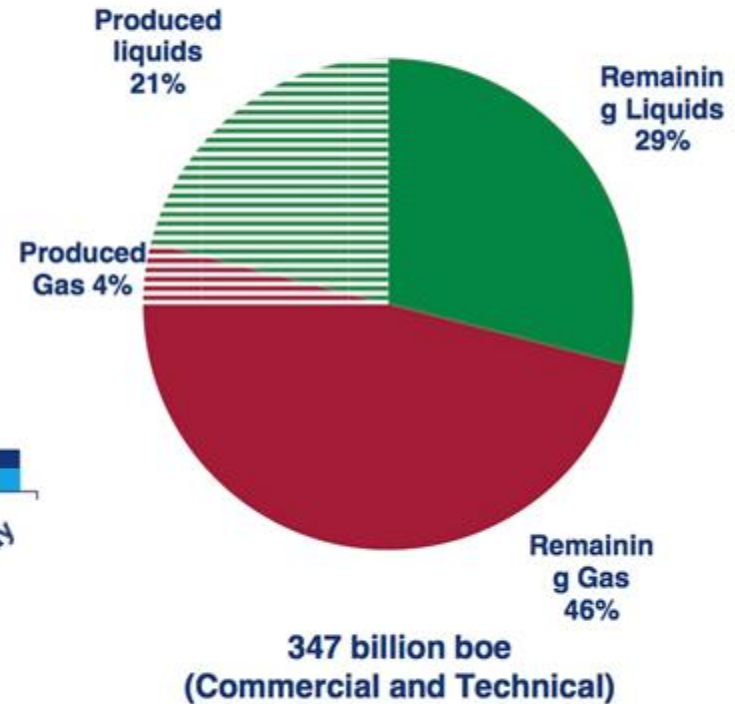
Potential is huge: three quarters of total recoverable reserves yet to be produced

Top 10 countries by remaining reserves



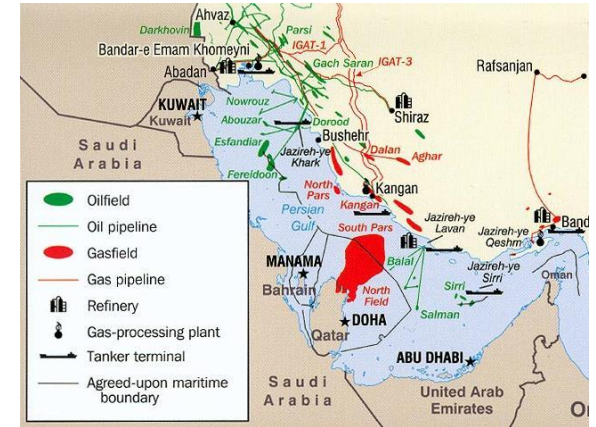
Source: Wood Mackenzie

Breakdown of Iran's total reserves



IRAN open for business

- Iran is the second largest economy and most populous state in the Middle East
- The opening of the Iranian market will positively effect the economy of Central Asia, Russia, North Africa and Europe
- Aiming to sign deals worth \$200 billion by 2020 with presenting new projects
- Iran is working with Russia and Asian countries very closely but would like to have European and American more involved
- An estimate of 500,000 to 750,000 barrels of oil per day (bpd) will be added to production by the end of 2016



IRAN open for business

- NIOC and Wintershall signed a memorandum of understanding (MoU) over 4 oil fields located in the west of Iran
- On April 12th 2016 India and Iran signed agreements on crude oil imports and gas field development worth \$20 billion
- French, Spanish and Russian companies are purchasers of Iranian oil. The 1st and 2nd shipment of one million barrels on the 14th and 17th of Feb went to Spain
- Tehran supplied almost 600,000 b/d of crude to the European Union before the sanctions, oil production capacity is around 3.6 million b/d



IRAN open for business

Deals reached after Rouhani's trip to France & Italy, others to follow

The Iranian president headed a 120-strong delegation of business leaders and ministers to Italy and France,

France

- USD 33 billion signed
- From energy to aircrafts and from automobile to airport infrastructure
- COFACE: to increase insurance coverage
- Airbus: to buy 118 jets
- Total: 160,000 bpd oil buy
- Bouygues, ADP, Vinci: IKIA and Mashad airport
- Peugeot: JV with Iran Khodro for 200,000 vehicles/year. USD 500 million investment



IRAN open for business

Italy

- Over USD 18 billion MOU signed
- SACE: to increase insurance coverage
- Danieli: up to USD 5.7 billion including JV for trade
- From energy to infrastructure and from steel to shipbuilding
- Saipen: pipeline for USD 4-5 billion
- Condotte d'Acqua: infrastructure for USD 4.4 billion



Japan

USD 10 billion finance facility framework signed with Iran (petroleum, natural gas resource developments, refinery upgrades, petrochemical plants and distribution systems)



Germany's BASF

Negotiating over USD 4 billion investment for petchem projects



New terms and conditions i.e. IPC (Iran Petroleum Contract)

1. New terms and conditions were prepared and presented in Tehran in November 2015
2. Reservoir ownership remains solely and totally under the title of the government
3. Partnership with an Iranian company
4. Technology transfer from IOC's to NIOC
5. Local Content Law:
IPC requires that 51% is locally made. Material can be imported and assembled in Iran and counted as locally made
6. The IPC is the most important element for Iran right now. Iranians will award the new contract before the American election
7. In the current atmosphere it looks like it will be finalized and some major NOC's will sign by the 2nd half of 2016. Eni, Total, Shell, Maersk are among the frontrunners
8. Participation by American majors still very uncertain



Who are the clients

European majors may be at a slight advantage

NIOC would like to attract investment and technology

The buyers

- ✓ Iranian National Oil Company – NIOC
- ✓ Western IOC's – Shell, Total, Wintershall, BP, ENI, Maersk, DNO
- ✓ Other majors – Lukoil, CNPC, Sinopec
- ✓ Service companies – Schlumberger, Weatherford,
- ✓ Contractors – Petrofac, Saipem
- ✓ Revolutionary Guard and the Bonyads
- ✓ Private or semi private owned local companies



Source: Wood Mackenzie
14 Trusted commercial intelligence
www.woodmac.com

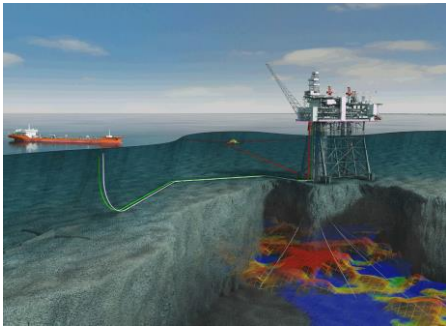
Wood Mackenzie
A Verisk Analytics Business

Examples :

- ✓ IOEC - (Iranian Offshore Engineering & Construction Company)
- ✓ Dana
- ✓ North Drilling 2nd biggest drilling company after IOEC

Norwegian capabilities

- IOR technologies including drilling and well construction
- Cleaner production technologies
- Offshore equipment and services
- Gas value chain
- Refurbishment of old equipment



Major historical fields

Field	STOIP (bn bbbls)	Production start year	Estimated recovery rate (%)
Ahvaz	65	1959	23.9
Gachsaran	55	1934	25
Marun	49.7	1958	25
Agha Jari	32	1939	36.8

Key questions:

- Is your product already manufactured locally or supplied from companies from Asia?
- Is your price competitive?
- Are you established locally? Have you done due diligence on local and individuals companies?
- Have you established a banking system?
- What are your customer relations with 1) NIOC 2) IOC 3) EPC Houses?

- A 1% recovery rate increase for Ahvaz, Gachsaran and Marun would add 1.8 billion barrels of commercial reserves.

Banking system

- ❑ The infrastructure for financial messaging between Iranian banks and financial institutions in EU is still more or less non-existent
My guess for basic infrastructure set up with major banks: Q3 at earliest

Products requiring credit risk on Iranian financial institutions may be difficult

Transactions should not have any US connection (e.g., involve US dollars or US persons) since the primary US sanctions remain in effect

Meaning no USD nominated transactions allowed

Transfer of Funds - Currently

- ❑ The previous amount limitations on transfers without prior approval from MFA or other relevant EU authority (NOK 8,000,000/EUR 1,000,000) is lifted. This applies to goods/services not currently sanctioned. However, most banks have strict policies on handling such transactions regardless of local law, so talk to your bank before entering into new contracts!

Going forward: what products might be offered from international banks

- ❑ Payments in/out of Iran
- ❑ Issuance of local guarantees in Iran
- ❑ Issuance of LC's to Iran
- ❑ LC advising

INTSOK visits to Iran

- ❑ Conducted a fact finding mission to Iran October 2015 with the Norwegian embassy
- ❑ Conducted several high level meetings in January 2016 with the Norwegian embassy
- ❑ Conducted several high level meetings in February 2016 with the Norwegian embassy
- ❑ Conducted several high level meetings in March 2016
- ❑ GIEK will visit Iran 25th to 27th of April
- ❑ INTSOK will be present in Iran oil and gas show 5th to 8th May 2016

Met with,

- CEO of NIOC
 - ❖ NIOC is invited to send a technical delegation to Norway,
 - ❖ NIOC is invited to ONS 2016 in Stavanger,
 - ❖ The CEO of NIOC has been invited by ONS to attend the summit during ONS 2016,
- ✓ Pars Oil and Gas Company (POGC), National Iranian Tanker Company (NITC)
- ✓ Iranian Environment Agency, National Iranian Gas Company (NIGC)
- ✓ Iran Offshore Oil Company (IOOC), IOEC (Iranian Offshore Engineering and Construction Company)
- ✓ North Drilling – 2nd biggest drilling company after IOOC
- ✓ KEPCO (Caspian oil and gas, a subsidiary of NIOC)

How to do business in Iran

Conclusion

- Iran has changed a lot. When the European companies left Iran due to sanctions, other companies from China, India, Korea, Russia, filled in the gap in addition to Iranians themselves making "homemade" products.
- The Iranian market is very political. In order to succeed, INTSOK and the partners' engagements should stay on the technical level. Different power blocks divide the society, including oil and gas. Staying neutral and not appearing to take sides in these power blocks is an important element to success.
- The banks are gate keepers. Afraid of dealing with black listed companies. BNP Paribas was fined 8.9 bill USD
- Conduct carefully due diligence local partners or agents
- One of INTSOK's roles as an organisation, facilitating knowledge sharing between partners is **extremely** crucial.
- Iranian markets need commercial minded senior managers on the ground, far more than the other locations in the ME. It is easy to get involved in too many meetings which will lead to a lot of work long before signing a commercially attractive contract.

Two-way approach

1. Sell to major IOC's and major service companies who will enter Iran. "They know you, you know them"
2. Sell to NIOC and the subsidiaries → it may take a longer time than the above and needs first class negotiation skills and patience.

NO QUICK FIX



PROMOTING NORWEGIAN OIL AND GAS CAPABILITIES IN INTERNATIONAL MARKETS