
IRAN GAS EXPORTS TO IRAQ MAY FREE UP IRAQI CRUDE

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Iran will begin exporting gas to the southern Iraqi city of Basra within six months, according to Iran's state gas company NIGC, under a gas supply contract signed between Tehran and Baghdad in 2015.

If deliveries under this contract and under a supply deal for Baghdad that became operational a few days ago reach their maximum volumes – a total of 70mn m³/d – Iranian gas could more than replace Iraq's current crude burn for power generation and consumption of fuel oil, most of which is burnt for electricity. The crude burn is around 170,000 b/d and fuel oil consumption some 190,000 b/d.

"A six-year contract to export natural gas to Basra was signed * to send up to 35mn m³/d of gas to the region," NIGC's director for international affairs Behzad Babazadeh said.

Under the terms of this contract, Babazadeh said volumes supplied by Iran will vary between 20mn m³/d in the colder months, and around 35mn m³/d in the warmer months when power demand for air conditioning rises.

"Because we do not want to encounter any particular problems during the implementation of the contract, we will tighten all the nuts and bolts from now," Babazadeh said. "We expect to begin gas exports to Basra within six-months."

Babazadeh's comments come just days after Iran belatedly began supplying gas to the Iraqi capital Baghdad under a similar deal signed between the two countries in 2013.

Iran's deputy oil minister Amir Hossein Zamaninia said gas exports to Baghdad began on 21 June at a rate of 7mn m³/d, which would gradually ramp up to "a final volume" of 35mn m³/d.

The 2013 six-year agreement to send Iranian gas to Baghdad was originally scheduled for a mid-2014 start-up, but faced repeated delays over the volatile security situation in Iraq.

Babazadeh said gas exports to Baghdad were "progressing well," and that he expects volumes to rise to 16-18mn m³/d in the second of the contracted six years, before reaching plateau volumes of up to 35mn m³/d in the third year.

The Iranian gas being sent to Baghdad will be paid for by Iraq on a monthly basis by letter of credit direct to NIGC.

With the start-up of gas exports to Baghdad last week, Iraq has now become Iran's second largest

gas customer behind Turkey, which imported around 21mn m³/d in 2016 according to the latest BP Statistical Review of World Energy. Iran's third and fourth largest gas customers are Armenia and Azerbaijan.

Kaynak/Source: