The Geopolitical Opportunities and Challenges of the Islamic Republic of IRAN in the Markets of Natural Gas

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Introduction
In order to reduce the country’s dependence on oil revenues and develop new sources of foreign exchange earnings, using its great potential of natural gas resources and preserve and broaden its geo-economic role in the region and the world, the Islamic Republic of Iran should implement a high-profit, low-risk, and reliable trading strategy for macro scale selling of its natural gas. The main question of this paper is that, among the five major trading markets, namely the Persian Gulf, Indian Subcontinent, East Asia, China, and Europe, which one has the above said strategic features and criteria.

The following four concerns restrict Iran’s ability to reach/participate in the natural gas market:
1- ever-tightening intentional sanctions, especially by North America and the European Union, and most recently by East Asia;
2- The slow production cycle of natural gas, especially in marine fields, including in the South Pars Gas Condensate Field;
3- Iran’s major flaws in the LGN production technology and great lags from Qatar; and
4- Lack of the required investment for operating production cycle, in comparison with other competitors in the market.

This article studies the target markets of the Islamic Republic of Iran by considering these limitations.

Research Methodology
This article by implementing analytical – descriptive method and by referring to library, documentary and first hand reports specifies the Islamic Republic’s challenges for entering in to natural gas markets and seeks appropriate answers to this fundamental question of the article. This article is largely influenced by the methods and outcomes of Mert Bilgin’s research methodology, which is published in the paper named “Geopolitics of European dependence on natural gas and Energy politics magazine (spring 2009).

Discussion and Results
The researcher, based on the documents and statistical analysis approves that the subcontinent market (pipe line of peace) in not considered strategic for Iran due to the political tensions between...
India and Pakistan, insecure pipeline routes, poverty of original countries from the view point of foreign currency payments, and seemingly insoluble India-Pakistan disputes over trade rules. Also from this view, the markets of southern countries of Persian Gulf is not a strategic market for Iran due to the smallness of markets, dependency of the domestic industry of these countries on the state subsides, complicated and various discrepancies between Iran and these countries, and also the existence of Qatar as the holder of the third largest natural gas resources in the world. Furthermore, LNG market of the East Asia, which includes Japan and Korea, seems unattainable for Iran up to a foreseeable future, because of great lag of Iran from Qatar, widespread sanctions, seclusion of the Islamic Republic of Iran. Also the China market cannot be a substantial market for the natural gas of Iran due to some reasons including great distance from Iran, time lag of Iran in comparing with the other exporter countries.

Meanwhile, at the present time, Iran for entering in to the world markets as the second holder of natural gas reserves in the world and selecting a proper market, must overcome to its most fundamental problem i.e. low production. Among all of the countries with natural gas reserves, Iran has the lowest reserves-to-production ratio. Also the Islamic Republic, in its shared fields in the Persian Gulf with Qatar, Kuwait, and in the Caspian Sea with Azerbaijan and Turkmenistan has a weak place from the view point of investment, technology and advancement of logistics.

Conclusion
From the view point of this research, the European Union market for natural gas market is the most strategic and lucrative one for Iran, since:

1- Europe seeks to diversify its sources of natural gas imports in order to reduce its reliance on Russia;
2- Iran-Europe pipeline is shorter and has fewer geopolitical complications in comparison;
3- the European market is an advanced market with growing demand for imported energy; and
4- Europe is the safest pipeline route.

Consequently, the Islamic Republic of Iran should recognize the undeniable importance of European Union among its natural gas markets.

Keywords: Geopolitical chances, Geopolitical challenges, Natural gas market, Geo economy, Nabokov, Peace pipeline, Iran embargo

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