

Gas Development Dreams Come True Despite Sanctions

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Iran's petroleum industry has been under sanctions and associated restrictions for years. More precisely, immediately after the victory of the Islamic Revolution in 1979, major international companies stopped cooperating with Iran's industries. Even those who had chosen to rest faced numerous challenges in providing services and supplying commodities. Nonetheless, thanks to Iranian experts, the petroleum industry has reached a stage where we no longer consider cooperating with developed nations. We are now at a point to rival them in terms of engineering and technical services. Iran Gas Engineering and Development Company (IGEDC) has been assigned a mission to generate revenue by exporting specialized technical and engineering services in engineering, design, and manufacturing of gas equipment.

Mehdi Yousefi, IGEDC's director of technical and engineering services export, in an interview with "Iran Petroleum", has highlighted the necessity of exporting technical and engineering services.

"As you know, ever since oil was discovered in our country, just like in many oil-rich nations, there was no strong impetus for becoming a proprietor of technology or obtaining a permit for exporting oil and gas services," he said. "Petrostates turned to selling raw materials; and they used to even import basic products like gasoline. That is for oil, but it applies to gas, too. In our country, converting raw materials has not been

taken seriously which could have generated value for us. We had similar conditions in the technology sector. I mean, we could not be able to possess technology to export technical services or technology instead of raw materials."

Yousefi referred to South Korea, saying: "We know that Korea is not an oil-rich state, but it is making significant revenue from oil and gas by manufacturing and exporting equipment and developing technology and know-how, as well as through implementing oil and gas projects. But we are a leading oil-rich state and we had ignored this issue for one century."

Restrictions Give Impetus

Following the Islamic Revolution, many big powers sought to deprive Iran of the technology or equipment needed for its petroleum industry. However, it marked a turning point in awakening national willpower.

Yousefi, who also advises the CEO of IGEDC, touched on the path towards self-sufficiency, saying: "After restrictions were imposed upon all industries, particularly the petroleum industry, there was a will for breaking dependence on foreign countries to reach self-sufficiency. Therefore, we moved in this direction to reduce our dependence on other nations."

Noting that the sanctions were not limited to the past couple of years, rather having started since the early months following the Islamic Revolution, he said: "The sanctions imposed over recent years, might have been the most

crippling in the eyes of those who imposed them, but we were restricted following the Revolution as many experts of equipment and technical savvy refused to cooperate with us. I mean that sanctions began in different sectors after the Revolution. But we were determined to become self-sufficient in the late 1990s, I can say that we did not have foreign companies involved in at least construction work."

Boastful Progress

Yousefi, who has already served as a director at Pars Oil and Gas Company (POGC), is well familiar with the process of local sourcing for some projects. Referring to local manufacturing and engineering potential, he said: "At POGC, all refinery phases had been handled by Iranian companies, but in terms of equipment, we were still dependent on some countries and we had to import some of them, which was costly for us or even impossible due to sanctions. In all these cases, our impetus increased for undermining restrictions. The Supreme Leader's emphasis on scientific development, expansion of knowledge-based companies, and production in general also stimulated motivation for local companies to take steps towards domestic manufacturing of even sophisticated equipment. For instance, domestic companies are manufacturing pumps, compressors, pipe sheets, or turbines. I would like to go further and point to control systems that we used to import from overseas and we even depended on foreign companies for their launch, but today we have gas compressor stations with

fully Iranian control systems, which are close to coming online. To sum up, I have to say that IGEDC is sourcing fully Iranian pipes. About 92% of engineering, commodity, and construction at gas compressor stations is local. The percentage is at 76 in refinery construction. These figures are source of honor and pride for us, particularly when we compare ourselves with oil-rich nations like Saudi Arabia or Venezuela. In Venezuela for example, after US engineers left refineries, all their activities came to a halt. They could not do anything without foreigners. But over the past 20 years, we have not had even a single foreigner in our own operations and reparation and we have even manufactured our equipment domestically." Yousefi also said that a young and knowledge-based private sector has emerged in the country.

Mandatory Export

It is easy to conclude that we have reached an acceptable point in the manufacturing of equipment and provision of services and technical and engineering knowhow. That is why we have brought valuable projects to fruition. Asked if one day Iran would no longer have any project to operate, Yousefi said: "If one day we reach that point why should not, we export our services? At the National Iranian Gas Company (NIGC), we are faced with the question of why

we have supplied gas to the villages with even 10 inhabitants. I mean that there are a lot of projects that one may wonder what equipment manufacturers would have to do then. Or what would happen to so many qualified contractor companies after gas trunklines would be sufficient for the entire country.

Or what would our engineering companies that were handling our design work do? Logic necessitates that we market for them from now onwards.

We have to support private companies on the one hand and find a solution to generate hard currency revenue while our gas consumption is high and our exports are low. We can do so by exporting equipment or engineering services. More importantly, when we intend to have a share of the global energy market, we can get involved in the know-how and equipment sector. Therefore, we should move towards exporting technical and engineering services. Hopefully, there will be decisions requiring exporting technical and engineering services. Furthermore, some incentives have been completed and expanded in recent years. The only thing for these companies would be to take action under the aegis of political support from other government organs so that we can export to friendly and preferably neighboring nations despite sanctions. The next point is financing, for which banks have to facilitate the process of investment in projects." Yousefi said since the 13th administration took office in 2021, the NIGC Board adopted a decision requiring IGEDC to take action for exporting technical and engineering services. "Following this instruction,

negotiations were held with target nations. Technical and financial talks with one country are over and we are currently following up on its legal aspect. We are getting ready for finalization to start a \$300 million project. In parallel, we have had talks in neighboring countries on different issues. Based on the terms of the contract we were supposed to implement projects on the condition that we export commodities from

Iran. That would empower contractor companies to be active." Touching on challenges, he said: "There have been problems like sanctions. The banking system may not easily work abroad. However, we managed to convince several major banks in the country to join us. We are moving in this direction and we are hopeful to reach favorable results under the aegis of support from various bodies."

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Economy Going Its Way

One key issue in recent years, particularly with the toughening of sanctions, has been the lack of foreign investors and this untapped opportunity in Iran. On the one hand, sanctions were targeting our banking transactions, while on the other, due to negative propaganda by powerful countries against Iran, investors were reluctant to come to Iran. Yousefi said: "As far as foreign investors are concerned, I should say that some countries with which we have talked about cooperation have no capital to start and they suggest that we provide the initial capital which we would recoup through revenue. One of the programs we have been following up on has been to require foreign investment to be accompanied by partnership and then we can make gains in construction. Regarding concerns about the lack of willingness by investors to cooperate with Iran, I should say that the main issue is that the colonialist work is unwilling to see our country do anything within its borders, rather than outside its borders. However, the economy is going its own way. It does not mean that we can work easily under such conditions, but it is not impossible either. Other countries would welcome an industry that is higher than normal standards and offered at affordable prices. In a bid to defeat negative propaganda, some measures like holding exhibitions have been taken so that foreign delegates would see the fallacy of negative propaganda against Iran. We have also energy interaction with neighboring nations and no country can cut them." Yousefi divided the history of the petroleum industry into four parts: "A significant chapter in this history pertains to exploration and the start of oil production. Another key part happened about 70 years ago when the petroleum industry was nationalized. The third period was related to domestic implementation of projects while the fourth period is taking steps towards exporting technical services, which was once a dream."

