Iran's Multibillion-dollar Gas Deals Could Lead to a "Gas OPEC"

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The French energy giant Total just clinched a 50.1% stake in a $4.8 billion deal to develop Iran's South Pars gas field alongside China and Iran's national energy companies. This represents the first major post-sanctions investment by a Western company, and Reuters quoted experts who analyzed that it could also give France a unique opportunity to expand its investments in neighboring Qatar, which shares the world's largest gas field with Iran and calls its South Pars-abutting offshore deposits the North Dome. Qatar, which is already the world's largest LNG exporter, just announced that it wants to increase its gas exports by 30%, so it'll clearly need some more investment to do that and France's Total might be the perfect partner for it.

While all of this is going on, India also offered Iran $11 billion in what it called its "best offer" for the Farzad-B gas field. Although Iran has yet to accept or decline the deal at the time of this recording, it nevertheless sets the benchmark price that Tehran will eventually receive for this, whether from New Delhi right now or someone else who might come in with a higher offer.

Altogether, it can be expected that the LNG price will eventually drop in the future once Iran and Qatar's latest large-scale gas investments hit the market and contribute to a glut. Moreover, Papua New Guinea and Mozambique, both of which have enormous LNG potential, are also supposed to enter the marketplace in the coming years too, as will Russia's own Yamal and Sakhalin LNG projects, all of which will drive down the price for this resource. However, the processing and transport expenses are still unusually high for LNG, so unless the costs fall due to the introduction of some new technology or industrial scaling, then it's almost certain that prices will eventually bottom out at some level or another. The opposite is true for oil, however, because that commodity has a price ceiling which can't be passed without kicking the US' costly shale gas extraction back into operation and forcing the price down again. What's most interesting in all of this is that the prices for oil and gas are indexed with one another, so each resource is affected by the price floor and ceiling of the other, despite the opposite dynamics.

The oil price has relatively stabilized because of OPEC and the deal that its members and most important partners agreed to last year, but no similar organization or coordination exist between the world's largest natural gas players, though the predictable resource glut and price drop that's set to hit the LNG marketplace might compel them to form their own "gas OPEC" and initiate cooperative price-fixing measures with one another. The main takeaway here is that **the multibillion-dollar Iranian gas deals that have been**

reached or are under negotiation stand to completely upset the market fundamentals for this commodity by provoking a glut of LNG which could crash the price and compel the formation of a "gas OPEC" between Russia, Iran, and Qatar to stabilize it.

The post presented is the partial transcript of the CONTEXT COUNTDOWN radio program on Sputnik News, aired on Thursday Jul 13, 2017:

https://video.img.ria.ru/Out/MP3/20170713/2017_07_13_CONTEXTCOUNTDOWN112140717_ddt2uvt1.wib.mp3

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