

# The Tehran Oil Bourse: What the Iran ‘nuclear issue’ is really about

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It is said that there is the reason they give; and then there is the real reason. Nowhere is this more true, perhaps, than in Iran.

My experience with Iran began four and a half years ago in June 2001 when, through my Iranian business partner, I wrote to the then governor of the Iranian central bank, Dr Mohsen Nourbakhsh. This letter was written on the basis of my experience as a former director of the International Petroleum Exchange and in the aftermath of allegations I made in relation to market manipulation on the IPE the previous year, which were dismissed by a commissioner appointed by the exchange. I still regret that I used the description “systematic” rather than “systemic” of this alleged manipulation, but that is another story.

In this letter I pointed out that the structure of global oil markets massively favors intermediary traders and particularly investment banks, and that both consumers and producers such as Iran are adversely affected by this. I recommended that Iran consider as a matter of urgency the creation of a Middle Eastern energy exchange, and particularly a new Persian Gulf benchmark oil price.

It is therefore with wry amusement that I have seen a myth being widely propagated on the Internet that the genesis of this “Iran bourse” project is a wish to subvert the US dollar by denominating oil pricing in euros.

As anyone familiar with the Organization of Petroleum Exporting Countries will know, the denomination of oil sales in currencies other than the dollar is not a new subject, and as anyone familiar with economics will tell you, the denomination of oil sales is merely a transactional issue: what matters is in what assets (or, in the case of the United States, liabilities ) these proceeds are then invested.

After a couple of years of apparent inaction, my colleague and I were invited to put together a consortium to tender for a project to create such an exchange and, after a presentation at the central bank in Tehran in May 2004, we were successful, as reported in The Guardian at the time. We subsequently learned that the delay had been due to initial opposition from the Saudis and this opposition was withdrawn after the attacks of September 11, 2001, and the subsequent US-led invasion of Iraq.

A major feasibility study was carried out in the summer of 2004 – for which we still have not been paid by the Iranian Oil Ministry – and after this, the process became bogged down in turf battles between the Oil Ministry and the Ministry for the Economy.

We met president Mohammad Khatami in December 2004 to resolve this problem and then spent considerable time with his close advisers, from whom we received powerful backing. Progress was made, to the extent that an exchange entity was incorporated and premises purchased on Kish Island in the Persian Gulf.

In the second quarter of 2005 the real opposition from within the Oil Ministry – from factions opposed to shedding any light on the sales regime – was becoming apparent. However, as the battle was about to be joined, Khatami’s period in office came to an end and the presidential election in August intervened.

Neither we, nor anyone we knew, expected the result of the election, still less the events after it. Three times over a period of three months an oil minister was nominated by the new president, Mahmud Ahmadinejad, from among his trusted colleagues and three times they were turned down by the majlis (Iranian parliament), until finally an experienced insider was appointed in early December. Only now are further levels of appointments being made by the new minister.

Ahmadinejad is on record as saying that he favors transparency in the Iranian oil market. As anyone familiar with the City of London and Wall Street will know, transparency is the enemy of private profit, and it is this factor that was behind the delays in developing the bourse project.

However, we remain hopeful that the strategy we recommended, which is based upon (a) gradual and organic introduction of pricing built upon the neutral function of transaction registration and (b) a simple (and Islamically sound) partnership-based “clearing union” synthesis of bilateral trading and a multilateral guarantee, will in due course be taken forward.

One of the most interesting aspects of the process was that during our brief spell of contacts with decision-makers, some insight into current Iranian policy was possible – in particular, the nuclear question. In our conversations we were left in no doubt that it suits both the US and Iran for the issue to be seen to be that of the Iranian “threat” from nuclear weapons.

In fact the issue is a proxy for Iraq: try looking in the media prior to the events in Fallujah, Iraq, for anything more than desultory mention of this “issue”. But once factions in Iran funded Muqtada al-Sadr to the tune of \$50 million and the US body count started to rise, then the issue began to attain its current level of importance.

Now that pro-Iranian Shi’ite elements are taking a primary role in the emerging government in Iraq, we see the nuclear temperature rising further.

The realpolitik is of course that those in power in the US and Iran have the reason they give – and the real reason – for what they do: and for the US, the real reason is and has been for many years energy security above any other consideration.

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