

European Company to Develop Lavan Gas Field

Head of Iranian Offshore Oil Company (IOOC) said a European company is to invest in Iran's Lavan gas field in the Persian Gulf. "The technical and investment details of the development plan of Lavan gas field have been agreed between Iran and the European firm," Mahmoud Zirakchianzadeh told Shana news agency on Monday.

He said a delegation from the European firm is to come to Tehran within the next two weeks to finalize the deal.

Zirakchianzadeh added that the two sides are seriously interested in signing the contract which facilitates the production and export of 4 million tons of liquefied natural gas (LNG) per year to Europe.

He had announced earlier that the IOOC was holding talks with a European company that is interested in investing over \$4 billion to produce LNG at Iran's Lavan gas field.

Then Iranian Oil Minister Gholam-Hossein Nozari announced in June that in the past four years, the total investment in Iran's oil projects stood at \$66 billion.

"Many people, [in the beginning], did not believe this high investment could be made, but the investment has now turned into real operational projects."

In total, Iran's five-year energy sector investment plan requires around \$30 billion of investments per year.

Lavan gas field located in the southern part of Iran in the Persian Gulf, has gas reserves of around 12 trillion cubic feet.

Meanwhile, the deputy head of the National Iranian Oil Company (NIOC) said on Tuesday the company is studying 22 oil and gas development contracts with foreign companies.

"Negotiations over four of the contracts are [almost] concluded," Hojatollah Ghanimifard told Fars news agency.

"By finalizing these contracts, the Oil Ministry will accomplish all its contractual commitments under the country's fourth development plan."

He noted that Iran will break off discussions with any company delaying negotiations over oil and gas development contracts.

The remarks come as the US is stepping up efforts to punish companies involving in Iran's energy sector.

Former Iranian Oil Minister Gholam-Hossein Nozari said in June that total investment in the oil sector had reached \$66 billion in the past four years.

According to its five-year energy sector investment plan, Iran has expected a total of \$30 billion worth of investment per year.



Bank Mellat to Arrange €1b Bond

Iran will launch on Wednesday the first installment of a one billion euro bond offering to help fund development of its South Pars gas field, the head of Bank Mellat's international department was quoted as saying on Tuesday.

Saeed Ghafari said the bonds would be released in four phases over a 120-day period, the Oil Ministry's website Shana news agency wrote.

"These bonds will be distributed at Iranian banks abroad in four phases, 250 million euros each," he said.

Meanwhile vice president for investment at the National Iranian Oil Company (NIOC) told Shana the company guarantees the bonds noting that international reputation of NIOC supports the move.

Hojatollah Ghanimifard pointed out there are different ways to provide resources for oil industry projects including buy-back and finance but none of these methods are confined yet.

He added offering bonds is one of the ways to finance oil and gas projects and to diversify financing oil and gas projects.

The bonds, designed to help finance development of phases 15-18 of Iran's South Pars natural gas field, will have a maturity of three years and an profit rate of eight percent.

South Pars contains about half of the estimated 28 trillion cubic meters of the country's gas reserves.

Iran has the second biggest gas reserves in the world after Russia. It has increasingly shifted to Asian countries to develop its oil and gas fields.



UK Firm in Red After Losing Iran Deal

More than 120 jobs are in jeopardy at a Leicester firm after its government scuppered its biggest contract.

H Beesley Company of Leicester which is the 10th most populous settlement in the United Kingdom, lost more than £1m after the government stopped it from completing a contract to supply engineering parts to Iran, Thisisleicestershire.co.uk wrote.

Now, the company is set to go into administration after ministers refused to give it time to pay a £900,000 tax bill it ran up while trying to find other buyers for the goods.

The wrangle began three years ago after the firm won a contract to supply Parto Manufacturing with air guide tubes for gas-powered power plants being built in Iran by German engineering group Siemens.

The company was told there had been a change in stance on exporting to Iran and it could not continue the contract.

"I think originally they got it wrong about the equipment and they didn't want to back down and reverse their decision" he added.

The company, in Freeman's Common, Leicester, has not paid most of its tax since losing the Iranian contract, a practice widely followed by businesses battling to stay afloat after financial crisis. But the company was unable to sell the parts to other businesses because they were designed for a specific project.



Gov't Debt Low

Parliament Approves Budget Bill

> Compiled by Ghanbar Naderi

Parliament on Monday approved the budget bill for the year ending March 20, 2011, allocating \$347 billion to the government based on an oil price of \$65 a barrel.

President Mahmoud Ahmadinejad had put forward a \$368.4-billion bill in January, based on an oil price of \$60 a barrel. According to IRNA, lawmakers approved the general outlines of the budget, with 151 of the 225 representatives present on Monday voting for and 62 against the bill.

Based on the budget, the government plans to start a major plan to scrap costly subsidies on energy and goods, reducing government expenditure.

President Ahmadinejad had asked for \$40 billion in the budget from scrapping the subsidies. However, lawmakers seem to have cut that estimation in half. The government had submitted a letter to the parliament outlining its reasons for proposing a \$40b-budget to implement the Subsidy Reform Law. Majlis Joint Commission, however, said the parliament had only approved \$20 billion for the purpose.

Under the scheme, the incomes earned from the subsidy reform plan will be distributed among people.

Moreover, the prices of utility bills will go up within a period of five years, and at the same time the government will devise policies to prevent fuel smuggling, cut fuel consumption, reduce fuel imports, and adjust general prices. The plan will be implemented within a period of five years.

> Government Debt

Capital Intelligence, the international credit rating agency, announced that it has revised the outlook on Iran's 'BB+' long-term local currency rating to 'Negative' from 'Stable', with government debt low at about 14 percent of GDP.

At the same time the agency has affirmed Iran's long-term foreign currency rating of 'BB-' with a 'Stable' outlook. The change in the outlook on the local currency rating reflects the slow pace of fiscal reform, limited progress towards developing an effective market-based monetary policy, and increased political and policy risks following contested presidential elections last year.



The government budget has been close to balance for most of the past decade and the fiscal position is expected to remain manageable over the next three years provided oil prices remain above \$65 a barrel.

These factors suggest that the default risk on Iran's local and foreign currency debt may become more closely connected over the medium term.

Iran's ratings continue to be supported by the considerable hard currency it earns as the second largest oil producer within OPEC as well as by comparatively low levels of government debt in relation to fiscal revenues and GDP.

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> Foreign Currency Assets

Helped by reasonably high oil prices over most of the past five years, Iran has accumulated substantial foreign currency assets, which are projected at \$73 billion (21 percent of GDP) in the current fiscal year.

Official reserves dwarf annual payments on the country's declining external debt stock and consequently provide a buffer against external economic shocks.

The central government budget has been in surplus or close to balance for most of the past decade and the fiscal position is expected to remain manageable over the next three years provided oil prices remain above \$65 a barrel.

Government debt is low at about 14 percent of GDP or 65 percent of budget revenue in 2009/10 and is approximately matched in size by government financial assets.

Iran's ratings are nevertheless constrained by limited fiscal flexibility and financial disclosure, various structural and institutional weaknesses, and a comparatively high level of political risk.

The government's revenue base is narrow and volatile as oil accounts for about 70 percent of total income.

The expansionary fiscal policy pursued in recent years has increased the rigidity of public expenditure and made the budget more sensitive to downturns in oil prices--a vulnerability that is compounded by the lack of sustainable financing options available to the government.

In addition, government contingent liabilities from state-owned banks and enterprises are potentially large, although they will decrease if appropriate reforms are carried out over the medium term.

Non-Oil Exports To China Up 47%

Iran has exported non-oil products worth \$2.669 billion to China during the first 11 months of the current Iranian fiscal year (started March 20, 2009), said the head of Trade Promotion Organization for Asia and Pacific Affairs.

"Iran's non-oil exports to china during this period valued at \$2.669 billion showing \$1.819 billion (47%) growth over the same period last year, Amir Talebi said, Moj News Agency wrote.

Liquid propane, iron ore, polyethylene, liquid butane, methanol, paraxylene, marble, aluminum and copper are among the major products exported to China, he added.

Talebi said currently China is the second top trade partner of Iran, adding that the country accounts for 14.37 percent of Iran's non-oil export.

While, according to a new analysis of Iran commercial ties, China has overtaken the European Union to become Iran's largest trading partner. The growing business links between Beijing and Tehran underline China's reluctance to agree to any further economic sanctions on Iran.

Deputy head of the Iran-China Chamber of Commerce, Majid-Reza Hariri, said transshipments to China accounted for more than half of Tehran's \$15 billion trade with the UAE.

When this is taken into account, China's trade with Iran totals at least \$36.5 billion, which could be more than with the entire EU bloc. No definite conclusion is possible because it is unclear how much of Iran's trade with Europe is channeled via the UAE.

Today, China depends on Iran for 11 percent of its energy needs, according to the chamber.

Iran, for its part, imports tractors, steel profile, and electric locomotives from china, Talebi said.



First Announcement



Tender No.: AL 88-2250

Iran Alumina Co. (IAC) announces a Tender to Purchase 10,000m/t of Caustic Soda 50% solution from main producers, sources of supply or their agents in Iran or overseas.

Applicants can contact IAC for further details.

Interested applicants must submit Bid Bond of Euro 10,000 to take part in the Tender.

Contact Details: 98-21-88104495. Fax: 021-88104493. trd@iranalumina.ir

First Announcement



Tender No.: AL 88-2214

Iran Alumina Co. (IAC) announces Tender for 120.000m/t of Alumina (Aluminum Oxide) for one year contract commencing from April 2010 to March 2011.

Interested applicants can contact us for bidding documents from March 13th to April 07th.

Participants must submit Bid Bond of Euro 120.000 from a reputed Banking System.

Tel: 98-21-88104495 Fax: 98-21-88104493 trd@iranalumina.ir