INTERVIEW

Iran's Oil Exports Might Amount to No More Than 1 Million B/D in the First Half of 2013

An interview with Daniel Gerber, Director of **Petro-Logistics SA**

- Iranian oil exports are already down by around 1 million b/d as compared to 2011
- The oil market should remain broadly in balance in 2013

(Following is the text of an interview with Mr. Daniel Gerber, a director of the Geneva-based consulting firm **Petro-Logistics SA**. His replies reached **AOG** on 11 January. See following page for Mr. Gerber's biography).

AOG : *What is **Petro-Logistics**' most recent estimate of **Iran's oil exports**? What was the evolution of these exports between the beginning of 2011 and the end of 2012?*

■ **Daniel Gerber**: Petro-Logistics' most recent estimate of Iranian oil exports shows exports hovering around **1.2 million barrels per day**. This is down by around 1 million b/d as compared to 2011. However, it is materially higher than the low levels seen in the third quarter of 2012.

AOG: *Could you present Petro-Logistics' methodology? How do you estimate oil exports in general and Iranian oil exports in particular?*

■ **D.G.**: Petro-Logistics combines intelligence from our large network of sources along with tanker tracking to provide detailed analysis of oil supply and trade flows. Petro-Logistics has sources in both importing and exporting countries.

AOG: *What are the main factors explaining the strong fall of Iran's oil exports?*

■ **D.G.**: The combination of sanctions from the **United States** and the **European Union** has created difficulties for Iran and its ability to export oil. However, it is our view that the sanctions imposed by the European Union have, thus far, had the more significant impact. The ban on imports of Iranian crude oil into Europe has created a drop of more than 500,000 b/d in

Iran's oil sales. In addition, the ban against the provision of P&I insurance to tankers carrying Iranian crude oil (or fuel oil for ship bunkers) has forced buyers to seek alternative insurance cover which is not widely available outside the EU. This forced certain importers (notably South Korea) to temporarily cease buying Iranian crude. However, South Korean companies have since negotiated a deal with **National Iranian Tanker Company** (NITC) to use Iranian vessels to import crude. Other importing countries such as China and India are also using NITC vessels to import Iranian crude. And as a result, the vast majority of Iran's exports are being transported by its own fleet.

Sanctions by the United States have hampered US dollar payments for Iranian oil but, to date, their impact has been tempered by the 180-day waivers which have been granted to all major importers of Iranian crude. However, the US is continuing to tighten sanctions and the further restrictions that come into force next month will make it hard for Iran to repatriate the proceeds from its oil sales. This will increase economic pressure on Iran and might also prompt Iran to reduce exports if it cannot make use of the proceeds. Iranian exports could also fall if the current waivers for key Asian importers are not renewed next June.

AOG: *Do you think that Iranian oil exports will go on falling in 2013?*

■ **D.G.**: Yes. The U.S. will only renew the waiver for Japan (due in March) and for other Asian importers (next June) if they continue to reduce the value of their oil imports from Iran. Thus many of the key importers are already positioning themselves to ensure that the waivers are renewed, indicating that they will be reducing their imports by around 15%. It seems possible therefore that Iran will struggle to sell more than about 1 million b/d in the first half of this year, i.e. less than current volumes albeit slightly more than in the third quarter of 2012 when exports were most affected by the lack of vessel insurance cover.

> Daniel Gerber

Director, Petro-Logistics SA

Daniel Gerber is a Director of **Petro-Logistics SA**, the Geneva-based oil & intelligence consultancy.

Daniel was born in Nyon, Switzerland and has lived in Geneva for ten years. In addition, Daniel had the good fortune of living in Southern Africa and the United States for similar periods of time.

Daniel studied international business at **Georgetown University** in Washington, DC. However, his interest in oil and gas goes back to when he first started working with his father, Conrad Gerber, as an intern at Petro-Logistics at the age of 16. After university, Daniel moved to Houston to work on the **LyondellBasell** trading floor. Only four months later, Conrad Gerber passed away and Daniel, along with his brother Mark, who studied mechanical engineering at **Southern Methodist University**, decided to move to Geneva to continue running the company.

Despite facing many challenges, the brothers have successfully rebuilt and modernized the company. Petro-Logistics produces reports on a wider variety of countries for a more global clientele.

Daniel Gerber specializes in **OPEC** supply issues as well as business development and planning.

Source : Petro-Logistics.

AOG: *Could sanctions against Iran and the resulting fall in its oil production and exports help create tensions in the oil market and push up* ***oil prices****?*

■ **D.G.**: The U.S. Administration is clearly conscious of the potential threat to oil prices, and the recent renewal of waivers undoubtedly reflected *inter alia* its preference to avoid a further sharp reduction in Iranian exports lest it trigger a price rise that would benefit Iran and undermine other economies. It is our view that the market has so far remained broadly balanced despite the losses of Iranian crude, owing in part to the willingness of Saudi Arabia to raise production as well as increases from Iraq and other Gulf states. This broad balance seems likely to continue this year unless Iranian exports take another substantial hit.

However, the sanctions on Iran have already created a geopolitical premium in the price of oil and this could rise if tensions are heightened by Iran's nuclear programme or the possibility of war between Israel and Iran.

AOG: *What are your forecasts regarding the* ***world oil demand and supply balance*** *and oil prices in 2013?*

■ **D.G.**: Petro-Logistics does not claim to have unique insight into global supply/demand balances, and price forecasting has long been only for the brave. However, it would appear that (short of a major dislocation to Arabian Gulf exports) the market will remain broadly in balance this year, as it has for the past 12 months. According to the IEA, global oil demand growth in 2013 is expected to remain relatively sluggish at about 1%, despite continuing strong growth in countries such as China, Russia, Saudi Arabia and Brazil. At the same time, non-OPEC supply should increase healthily, with strong growth in the United States, Canada and Brazil. As a result, we see the call on OPEC crude being little changed this year compared with 2012.

The fundamentals thus point towards stable prices, although such a trend could easily be distorted by political tensions and market perceptions.