Global Oil Forum discussion, Aug 27, 2015: Iran

14:15:14 Christopher Johnson thomsonreuters.com Oil Forum Discussion: Iran Nuclear Deal Ratification
Welcome to an oil forum discussion on the Iran nuclear deal and its ratification - or otherwise

14:15:49 Christopher Johnson thomsonreuters.com We have been joined by several experts on the Iran deal

14:16:24 Christopher Johnson thomsonreuters.com Including:

- Richard Nephew, Program Director for economic statecraft, sanctions and energy markets at the Center on Global Energy Policy at Columbia University, New York, and
- Scott Lucas, professor of International Politics at the University of Birmingham, England, and founding editor of EA WorldView

14:16:29 Christopher Johnson thomsonreuters.com And others...

14:16:32 Christopher Johnson thomsonreuters.com Hello everyone

14:16:41 Richard Nephew columbia.edu Hello

14:16:57 Scott Lucas bham.ac.uk Good afternoon....

14:17:08 Christopher Johnson thomsonreuters.com So, how is the Iran deal getting along?

14:17:20 Christopher Johnson thomsonreuters.com Will it be approved by Congress?

14:17:34 Richard Nephew columbia.edu @Christopher: I don't think it will be approved by Congress...

14:17:43 Richard Nephew columbia.edu ...but I also don't think the votes are there to defeat it.

14:17:54 Richard Nephew columbia.edu The number of Democratic senators who are supportive is 29 at last count.

14:18:09 Richard Nephew columbia.edu And they only need 5 more (of the remaining 14 or so) to sustain Obama's veto...

14:18:15 Richard Nephew columbia.edu ...of any resolution of disapproval.

14:18:20 Richard Nephew columbia.edu And the House Democrats are aligned too.

14:18:29 Richard Nephew columbia.edu So, really, the issue is how much drama will be involved in votes

14:18:33 Richard Nephew columbia.edu So people can sell it to donors...

14:18:40 Richard Nephew columbia.edu And the few constituents who really care.

14:19:03 Scott Lucas bham.ac.uk @Christopher --- I agree with Richard

14:19:23 Scott Lucas bham.ac.uk Important that top Democrat Harry Reid came out last weekend for deal

14:19:47 Scott Lucas bham.ac.uk And I don't see the anti-deal people hiving off many more than the 2 or 3 Democrats that they have now

14:20:14 Scott Lucas bham.ac.uk Some bullish pro-deal people think they can even defeat the "vote of disapproval" with 41 of the 44 Democrats

14:20:36 Scott Lucas bham.ac.uk Inside Iran....

14:20:50 Scott Lucas bham.ac.uk Deal will go through this autumn

14:20:59 Scott Lucas bham.ac.uk What's interesting is the political battle that is escalating beyond it

14:21:18 Scott Lucas bham.ac.uk With increasingly forthright President Rouhani taking on other elements within the regime

14:21:29 Scott Lucas bham.ac.uk Over economy and foreign policy

14:21:36 Scott Lucas bham.ac.uk Including approach to oil

14:22:05 Richard Nephew columbia.edu @Scott -- I agree, Rouhani is definitely feeling his oats right now.

14:22:54 Scott Lucas bham.ac.uk Supreme Leader had to knock him back yesterday


14:23:13 Scott Lucas bham.ac.uk @Richard --- Is there any way that House of Representatives can spoil deal

14:23:26 Scott Lucas bham.ac.uk By refusing to lift Congressionally-mandated sanctions?

14:23:45 Richard Nephew columbia.edu @Scott -- Not today. The structure of the deal...

14:23:55 Richard Nephew columbia.edu Uses waivers and so forth to avoid that problem explicitly.

14:24:03 Richard Nephew columbia.edu But maybe in 10 years, it could be a problem...

14:24:11 Richard Nephew columbia.edu ...But that will be a much different world...

14:24:19 Richard Nephew columbia.edu ...With a different Administration...

14:24:20 Scott Lucas bham.ac.uk @Richard --- Right. Pro-deal folks will take the 10 years

14:24:31 Richard Nephew columbia.edu ...And maybe a few new members of Congress.

14:24:36 Scott Lucas bham.ac.uk And count on a decade of compliance to change the environment

14:24:42 Richard Nephew columbia.edu @Scott -- precisely

14:24:51 Richard Nephew columbia.edu And if that doesn't happen, well, then we'll go from there.

14:24:59 Richard Nephew columbia.edu Part of the focus of the Obama Admin...

14:25:09 Richard Nephew columbia.edu ...has been to get the timeline pushed off far enough that...

14:25:10 Samuel Ciszuk energymyndigheten.se @Richard: Hi, so you do not see that waivers could come under attack now or in a few years' time, before the 10-year mark, that is?
And apparently some of the big Euro oil companies will be in Tehran soon.

The British feel like they got a big boost this week from Foreign Secretary’s visit.

Just as the factions inside Iran are using the delegations, and assessing the factions inside Iran. And so I think that the delegations are going to remain... Even without sanctions.

But, as Scott can testify I when Iran is really open again. I would not make much of it, other than that people are trying to position themselves for... see what the international oil market looks like...

Until then, I’d keep my business something of shorter duration.

I would not make much of it, other than that people are trying to position themselves for when Iran is really open again.

And scoping out what opportunities exist.

But, as Scott can testify I think, Iran remains a tough place to do business. Even without sanctions.

And so I think that the delegations are going to remain...

...testing trips until sanctions relief is clarified...

...and Iranian bureaucracy has been handled.

...such a problem can be managed.

@Samuel: Oh no...

....they will DEFINITELY come under attack

...just like Congress has voted to kill Obamacare...

Every week since it was passed.

But, the upshot is that unless voting blocs really change in Congress...

They don’t have the ability to make it stick...

...since Obama can veto...

...and if they do it with President Bush or Trump...

...then they will own the problem they create...

...which means I doubt they will do it then.

All should remember...

That President Bush also declined to enforce vigorously...

Iran oil investment sanctions for his entire term...

...because of impact on oil markets, etc.

So, they’ll be more conscious of risks...

...if they were in the White House too.

@Matthew: which takes me to the delegations...

...will wait until 2017.

@Samuel: yeah, this is why I think the gold rush into Iran... would keep my business something of shorter duration.

Then, I'd wait until then, to see what the new POTUS will do...

...see if Iran has complied thus far...

...see what the international oil market looks like...

But I would not be doing that right now, because there remains risk of snapback...

Political issues in Washington...and similar.

Until then, I'd keep my business something of shorter duration.

And something I could walk away from if it all went to hell.

What can we read from all these trade delegations?

@Richard: thanks! That was very interesting and illuminating, I must say. Adds a bit of extra dimension to oil business the lifting-of-sanctions aftermath, to say the least.

@Samuel: yeah, this is why I think the gold rush into Iran... will wait until 2017.

@Matthew: which takes me to the delegations ...-

I would not make much of it, other than that people are trying to position themselves for when Iran is really open again.

And apparently some of the big Euro oil companies will be in Tehran soon.
It won't take much to get a backlash in Tehran's environment. ...how much space does Rouhani have to keep his or if mismanagement undermines its success... but to me, a real question is, if pleasure at the turns made. And Khamenei's comments today, praising economic steps by Rouhani, speaks to his and Rouhani years could not be more stark. On your second question, I...middle... @Scott -- I think you're right about factions inside of Iran. ...and that will also manifest itself... in how the oil contract is rewritten. ...which i think oil companies still want to see improved. To what extent can Revolutionary Guards get a stake in rewriting of that contract? Since I think they are chief opponent to Oil Minister Zanganeh as well as some hardline MPs @Scott -- my bet is that they will ensure that they get a specific cut of the action. And that Rouhani will agree to it... Much as he agreed to raise their budget despite austerity this year... in order to buy support for his larger agenda... ...which he still wants to implement. Things like more cultural and economic reform. Carefully orchestrated openness... ...and a more positive foreign policy. He may fail in all of that of course. But I think he's going to leverage IRGC avarice (personal and institutional) as much as he can. May be complicated by political fight before key elections in February 2016 Re contracts ... won't there be pressure on U.S. companies not to miss out on deals? @Christopher: well, not from the companies thus far. I've yet to see a company make a stink about being left out. Because they all see the reputational risks to themselves. The nasty environment here around Iran... ...is not going to change any time soon. @Christopher --- I think Supreme Leader has drawn a red line on talks With US companies So the environment is not good in either Washington or Tehran @Scott: that's a really good point. @Scott -- what do you think of Rouhani's affiliates chances in the parliamentary elections? Have they gotten the desired boost from the deal? @Richard --- They're feeling confident Rouhani's challenge to the powerful Guardian Council over the elections And to the Guards Ex-President Rafsanjani lining up political and big-money support from Ayatollahs Pro-Rouhani press taking on hardliners Big question for me: Can they put to Ex-President Rafsanjani lining up political and big-money support from Ayatollahs 2nd big question.... Can Rouhani use his trump card on economic competence To push back the Supreme Leader from blocking his political moves? @Scott -- your question on the slate of people makes a ton of sense. It is hard playing the middle effectively over time. Too many opportunities to get fly-bitten. On your second question, I am more confident. The comparison between Ahmadinejad and Rouhani years could not be more stark And Khamenei's comments today, praising economic steps by Rouhani, speaks to his pleasure at the turns made. ...but to me, a real question is, if sanctions relief is slow to manifest... ...or if mismanagement undermines its success... ...how much space does Rouhani have to keep his agenda on track? It won't take much to get a backlash in Tehran's environment.
14:43:33 Richard Nephew columbia.edu And that could be a long term danger to the deal...
14:43:36 Richard Nephew columbia.edu ...and Iranian politics.
14:43:51 Scott Lucas bham.ac.uk @Richard --- There’s a big warning in Supreme Leader's comments yesterday
14:43:54 Scott Lucas bham.ac.uk "Economic woes won’t cause anxiety, but cultural problems agitate one to lose sleep over them”
14:44:22 Scott Lucas bham.ac.uk A threat that he won’t let Rouhani hold up the economic portfolio
14:44:35 Scott Lucas bham.ac.uk To get his way on political or social matters
14:44:50 Richard Nephew columbia.edu I agree...
14:44:56 Scott Lucas bham.ac.uk So Rouhani-Rafsanjani-Zarif have to calculate and move carefully
14:44:57 Richard Nephew columbia.edu ...he also made a threat on the economy
14:44:58 Scott Lucas bham.ac.uk But....
14:45:04 Richard Nephew columbia.edu "lowering inflation and bringing relative stability to the economy and controlling the volatility of the market were among the government’s successful efforts which should go on...But the double-digit inflation is not still satisfactory and it has to be cut below 10%”
14:45:26 Scott Lucas bham.ac.uk If Rouhani can show further progress on inflation
14:45:31 Scott Lucas bham.ac.uk Boost investment and employment
14:45:38 Scott Lucas bham.ac.uk Maintain a stable currency
14:45:41 Scott Lucas bham.ac.uk And reduce corruption
14:45:50 Scott Lucas bham.ac.uk Then his political hand has to be strengthened
14:46:06 Scott Lucas bham.ac.uk Also worthy to note that some political rivals are not in good position.....
14:46:17 Scott Lucas bham.ac.uk Tehran Mayor Qalibaf is in some trouble
14:46:25 Scott Lucas bham.ac.uk and I can’t see an Ahmadinejad revival
14:46:56 Christopher Johnson thomsonreuters.com Can I ask about another aspect to this deal: compliance?
14:47:26 Christopher Johnson thomsonreuters.com Is Iran complying with the terms of the Vienna deal?
14:47:51 Christopher Johnson thomsonreuters.com And when will we know?
14:47:55 Christopher Johnson thomsonreuters.com Officially?
14:48:04 Richard Nephew columbia.edu @Christopher -- Thus far, yes. They provided the IAEA with required documents and answers...
14:48:13 Richard Nephew columbia.edu ...on past military dimensions by 15 August...
14:48:18 Richard Nephew columbia.edu ...and the IAEA is reviewing them now.
14:48:22 Richard Nephew columbia.edu The rest of the required steps....
14:48:30 Richard Nephew columbia.edu ...won’t start until October 15 or thereabouts....
14:48:39 Richard Nephew columbia.edu ...so we won’t know how the rest is going until after that...
14:48:49 Richard Nephew columbia.edu ...when the IAEA issues its quarterly reports on Iran's nuclear program.
14:48:58 Richard Nephew columbia.edu So you’ll see a new indication of compliance...
14:49:05 Richard Nephew columbia.edu ...by the mid-November IAEA report.
14:49:14 Richard Nephew columbia.edu And it won’t all be settled until the Spring.
14:49:41 Scott Lucas bham.ac.uk @Christopher --- Re compliance: yes so far
14:49:58 Scott Lucas bham.ac.uk Despite the disinformation attempts by some "experts" and media, especially in US
14:50:10 Scott Lucas bham.ac.uk My understanding is that target date is mid-December
14:50:16 Scott Lucas bham.ac.uk For IAEA to declare compliance
14:50:35 Scott Lucas bham.ac.uk And thus fire the starter's pistol for lifting of sanctions
14:50:40 Richard Nephew columbia.edu @Scott -- that's basically right, with respect to the past military dimensions piece.
14:50:46 Richard Nephew columbia.edu ...but sanctions relief won’t start then...
14:50:55 Richard Nephew columbia.edu Here is the sequence:
14:50:58 Richard Nephew columbia.edu (approximately)
14:51:11 Richard Nephew columbia.edu 15 September: IAEA asks Iran for clarifications of the PMD information.
14:51:21 Richard Nephew columbia.edu 15 October: Iran answers all remaining IAEA questions satisfactorily on PMD
14:51:33 Richard Nephew columbia.edu 17 or so October: "Adoption Day”
14:51:43 Richard Nephew columbia.edu Which is when the U.S. and EU issue their documents on sanctions relief ...
14:51:55 Richard Nephew columbia.edu That doesn’t start until after Iran completes the long list of steps...
14:52:03 Richard Nephew columbia.edu ...which Iran will start on Adoption day ...
14:52:08 Richard Nephew columbia.edu Stuff like removing centrifuges, etc.)
14:52:17 Richard Nephew columbia.edu 15 December: IAEA issues report on PMD
Well let's resume the discussion next month.

But it was a good effort.

If anyone would like a copy, please contact me:

I will make a pdf of this discussion.

If anyone would like a copy, please contact me:

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