So, the argument just doesn't hold. Before and after sanctions since Iran has been supporting terrorism, but no one has shown how no deal makes terrorism an easier problem to solve. The idea that the deal will contribute to terrorism is pretty weak. Take for example the problem is that they have to shoot at the deal with arguments or arguments that do. I don't. At least not yet. But, many more are seeing the underlying logic. And see the risk of no deal, or shutting down this deal are more favorable than they were before. Are more favorable than they were before. And see the risk of no deal, or shutting down this deal. And people will have to weigh strategy and politics. Last point.

I also think that the idea that Dem Senators will stay with the president is not crazy. I hear that a number of them are considering opposing a joint resolution of disapproval. And that’s something we won’t know until September. Which means that we don’t even have to look at veto. Are there any developments there that could obstruct the nuclear deal between Iran and the West?

There are a number of critical voices out there. Are more favorable than they were before. And see the risk of no deal, or shutting down this deal. Are there any developments there that could obstruct the nuclear deal between Iran and the West?

I wonder if we could start today by talking about the domestic environments in the United States and Iran? Sounds good.

Hello Richard and Scott. Good afternoon everyone. What does the balance of views look like now?

Hello Richard and Scott. Good afternoon everyone. What does the balance of views look like now?

Hello Richard and Scott. Afternoon everyone. Welcome to an oil forum discussion on Iran and its re-engagement with the West. We have been joined today by two people who have been watching the Iran nuclear talks very closely.


I wonder if we could start today by talking about the domestic environments in the West?

Some analysts are citing an unprecedented lobbying effort. Some analysts are citing an unprecedented lobbying effort. Through AIPAC and pro-Israel outlets. Linked to media like Wall Street Journal (and some at Washington Post)

I don’t. At least not yet. The problem is that they have to shoot at the deal with arguments that aren't holding a lot of water. Or arguments that don't address the underlying problem. Take for example the idea that the deal will contribute to terrorism. But no one has shown how no deal makes terrorism an easier problem to solve. So, the argument just doesn't hold.

What is the mood music?
Richard Nephew
columbia.edu
But i think.
Richard Nephew
columbia.edu
that august is going to be a time to regroup
Richard Nephew
columbia.edu
for opponents.
Scott Lucas
bham.ac.uk
So if Iran shows compliance over next two months ...
Scott Lucas
bham.ac.uk
So September is going to be a busy, political, tense time
Richard Nephew
columbia.edu
... that gives no opportunity to overturn the deal?
Richard Nephew
columbia.edu
Yes, if Iran cooperates then it will be much, much harder to reverse the deal
Richard Nephew
columbia.edu
But that said
Richard Nephew
columbia.edu
the main issue Iran will work on
Richard Nephew
columbia.edu
is the past warhead work with the IAEA
Richard Nephew
columbia.edu
and final results on that
Richard Nephew
columbia.edu
will not be until October
Richard Nephew
columbia.edu
So, ultimately...
Richard Nephew
columbia.edu
People will have to vote on expectations rather than confirmed compliance.
Richard Nephew
columbia.edu
I have heard reports that Iran is on a very active charm campaign, to try to isolate it's opponents
Scott Lucas
bham.ac.uk
Has the "secret" protocol to resolve past work been agreed between IAEA and Iran?
Richard Nephew
columbia.edu
@Scott: My understanding is that, yes, it has been agreed.
Richard Nephew
columbia.edu
But it is not secret per se.
Richard Nephew
columbia.edu
It is standard practice that countries have confidential conversations
Richard Nephew
columbia.edu
with the IAEA
Richard Nephew
columbia.edu
its written into the IAEA statute
Richard Nephew
columbia.edu
Which by the way was agreed to by President Eisenhower
Richard Nephew
columbia.edu
Not exactly a wip
Scott Lucas
bham.ac.uk
@Richard --- Noted. Deal opponents are using that term "secret" to denigrate
Richar@Richard --- Charm campaign is not just reported
Christopher Johnson
thomsonreuters.com
There have even been rumours of Tehran distancing itself from some allies in the Middle East, presumably to minimise opposition to the nuclear deal
Christopher Johnson
thomsonreuters.com
Is that right?
Scott Lucas
bham.ac.uk
Zarif’s tour to Kuwait-Oman-Iraq was in part to show engagement
Scott Lucas
bham.ac.uk
And in part to drive Iran effort for influence in region
Scott Lucas
bham.ac.uk
But I don’t see distancing from Hezbollah
Scott Lucas
bham.ac.uk
Or Iraq militias
Scott Lucas
bham.ac.uk
I would just add that we can probably read too much into things on Iran and its allies.
Richard Nephew
columbia.edu
Iran has been closer to Islamic Jihad in Palestine
Scott Lucas
bham.ac.uk
@Richard --- Very much agreed.
Scott Lucas
bham.ac.uk
Re domestic environment in Iran....
Scott Lucas
bham.ac.uk
I think it is more positive re deal than in US
Scott Lucas
bham.ac.uk
The Ahmadinejad camp are sniping at the agreement
Scott Lucas
bham.ac.uk
(Which caused a black comedy moment in Parliament this week)
Scott Lucas
bham.ac.uk
but President-Foreign Minister-Speaker of Parliament are holding line
Scott Lucas
bham.ac.uk
And Revolutionary Guards are not showing signs of challenging
Scott Lucas
bham.ac.uk
(Though, on an interesting side point, they are sniping at French FM Fabius visit to Tehran...
Scott Lucas
bham.ac.uk
For political and possibly economic reasons)
Richard Nephew
columbia.edu
@Scott: agreed. My view has been that the IRGC are in a decent place because they benefit either way. They own enough industry to profit from deal and, without a deal,
they have a political upper hand vis-a-vis Rouhani. What do you think?

@Richard --- Without deal, Rouhani is dead politically. So yes on that point.

Supreme Leader has blocked their opposition to a deal so that option is not really open right now

They will be wary of any post-deal effects cutting into their economic interests

Which may account for the shot at Fabius this week

But they can't take on the deal directly or block its implementation at this point

My sense is that many in regime are already looking to post-deal contests for power

But within the regime

And within the region v. others

*Both within the regime

That's fair and makes sense.

@Richard --- What is your sense of the German and French visits to Iran re oil and other sectors?

Have we moved to competition between European interests for contracts already?

I think that it is similar to post-JPOA visits in 2014

People are looking to see what their options are...

And certainly yes trying to see what the competition will be.

But, I would be really surprised if there were any solid contracts...

Agreed to right now.

Both because it could prompt sanctions if they go too far.

And because the Iranians still haven't worked out.

@Richard --- What timetable are you projecting for contracts ...

What terms they're going to ask for.

Providing deal is not undermined?

My sense is that really long term contracts still won't be in place until maybe mid 2016

The nuclear steps will take probably until March-April-May

And there is enough political...

complication with the US presidential race

to give really big companies pause before jumping in.

I would think it would take sweetheart deals

So no change to forecasts for oil markets for some time?

For them to jump in really long term contracts without pretty sterling force majeure clauses.

And Iran doesn't want that.

@Scott: no, not from me...

Can you discuss how the deal is being tied in with the issue of US oil exports by some domestically, and what that could mean

I'm still at: 300-500K after deal starts in 2016

And much more after substantial investment.

@Matthew: Sure...

There are people here...

saying that "if Iran can export oil"

so should US producers

So...

it would be reasonable to expect a tie in to future legislation on the Iran deal.

The problem is that most of the people ...

Supporting dropping the restrictions in Congress ...

also don't like the Iran deal ...

so you don't have a good tie-in until the votes happen in September

But, I think that we could see a cluster of bills ...

in September associated with the deal

Like on regional security assistance

Oil export restrictions dropping...
14:52:35 Richard Nephew columbia.edu other things to make the pain of the deal easier for some folks
14:52:40 Richard Nephew columbia.edu And to take advantage of the deal from others.
14:53:06 Scott Lucas bham.ac.uk @Richard --- Surely there are numerous complications ...
14:53:07 Christopher Johnson thomsonreuters.com That could be something of a perfect storm for oil prices
14:53:14 Christopher Johnson thomsonreuters.com Extra volumes from two ends
14:53:18 Scott Lucas bham.ac.uk From easing restrictions on US oil exports?
14:53:31 Scott Lucas bham.ac.uk Shock to oil market, as Christopher notes
14:53:41 Scott Lucas bham.ac.uk Unsettling of US Arab allies like Saudi
14:53:42 Christopher Johnson thomsonreuters.com Sure, opening the gates into international markets
14:53:56 Scott Lucas bham.ac.uk Undermining the national security/energy security strategy....
14:53:57 Richard Nephew columbia.edu @Scott: Well, yes and no.
14:54:05 Richard Nephew columbia.edu I mean: ultimately, US oil is getting to the market anyway, right?
14:54:09 Christopher Johnson thomsonreuters.com (typical journalist here, already writing the headlines ...)
14:54:11 Richard Nephew columbia.edu So it’s not like new production like from Iran
14:54:18 Richard Nephew columbia.edu It’s just easing market distortions.
14:54:19 Christopher Johnson thomsonreuters.com Um, well, not exactly
14:54:37 Christopher Johnson thomsonreuters.com It’s only getting to international markets indirectly
14:54:42 Richard Nephew columbia.edu That’s right.
14:54:51 Christopher Johnson thomsonreuters.com via products or via backing out Canadian crudes
14:55:12 Richard Nephew columbia.edu Which is why I would describe it as a market distortion problem rather than some massive amount of new production.
14:55:21 Richard Nephew columbia.edu Better economists than I ought to opine, but ...
14:55:31 Richard Nephew columbia.edu I would argue that the price impact of eliminating the market distortion would be less ...
14:55:42 Christopher Johnson thomsonreuters.com You are right, but I think in terms of the psychology of the markets
14:55:42 Richard Nephew columbia.edu than with all of the sudden 300-500K emerging from a black hole
14:55:53 Richard Nephew columbia.edu @Christopher: Absolutely, no disagreement on that point
14:56:00 Richard Nephew columbia.edu But, if you want my snarky view ...
14:56:08 Richard Nephew columbia.edu the psychology of the market is always a bit weird
14:56:17 Christopher Johnson thomsonreuters.com Of course!
14:56:18 Richard Nephew columbia.edu I mean, people were screaming about new Iranian oil six months ago and saying ...
14:56:24 Richard Nephew columbia.edu prices were already changing because of it ...
14:56:34 Richard Nephew columbia.edu and then hyper-ventilating because the deal might fall through
14:56:45 Richard Nephew columbia.edu But, as I look at pure, real terms, I don’t see US export restrictions changing ...
14:57:01 Richard Nephew columbia.edu having a major, disproportionate or sustaining impact on prices per se
14:57:09 Richard Nephew columbia.edu And at least not like with major new production.
14:57:58 Scott Lucas bham.ac.uk @Christopher @Richard --- I think regional security pacts
14:58:09 Scott Lucas bham.ac.uk May be more significant in the politics for September
14:58:17 Scott Lucas bham.ac.uk Israel has already gotten an arms sweetener
14:58:32 Scott Lucas bham.ac.uk And I suspect more will follow to Israel and to "friendly" Arab States
14:58:49 Christopher Johnson thomsonreuters.com To "balance" things out?
14:59:07 Scott Lucas bham.ac.uk As Richard says, to blunt opponents of the deal
14:59:23 Scott Lucas bham.ac.uk More than any idea of a strategic balancing
14:59:37 Scott Lucas bham.ac.uk Israel and the Arab States could already take out Iran
14:59:40 Scott Lucas bham.ac.uk In a direct conflict
15:00:07 Richard Nephew columbia.edu @Scott: Exactly right! Rather than "balancing" there is going to be "over-killing" in terms of support and assistance
15:00:13 Richard Nephew columbia.edu this myth that Iran is somehow ...
15:00:21 Richard Nephew columbia.edu going to be the top dog in the Middle east ...
15:00:29 Richard Nephew columbia.edu is forgetting that there are fundamental realities ...
15:00:32 Richard Nephew columbia.edu that already exist there ...
15:00:37 Richard Nephew columbia.edu with regard to military spending ...
15:00:40 Richard Nephew columbia.edu and U.S. support
15:00:52 Christopher Johnson thomsonreuters.com @Richard/Scott: just looking at the oversight process in Washington and Tehran, what’s your take now on the odds of the deal being approved?
Is that likely? That Iran cheats?

But that is my biggest fear now for the deal. I doubt that this happens.

That would be a really bad sign.

A weapon...

@Matthew: I think if the IAEA reports in September that Iran...

But I doubt that.

It could be...

@Scott: I don't think so, mostly because so many republicans have said...

… that the deal is under a real threat?

S

@Richard: Maybe, but I don’t think so. Frankly, that fear is what may motivate enough Senate Democrats to oppose the joint resolution ...

Is seen to have the upper hand.....

And no attempt to override...

It would be different if the expectation was that...

Presidential veto...

So we really won't know until early September.

@Christopher --- It will be approved in Iran by the Supreme National Security Council by September

@Christopher -- In Washington, I think the safe bet is still ...

Supreme Leader and elite are just watching to see any sign of wobbles from Obama Administration

Before moving

a joint resolution of disapproval ...

passed on partisan lines with a few senate defections of Democrats ...

with political problems at home

Presidential veto...

since the political point has been made ...

But, people are going to spend August ...

with their constituents and their fundraising apparatus ...

So we really won't know until early September.

You are saying the opponents simply don’t have the numbers?

Correct.

And I think it will proceed to be implemented.

@Richard --- I generally agree.

Just don't know how nasty the process will get.

My question is whether the initial passage of joint resolution of disapproval ...

Is seen as Obama weakness

And it snowballs into a possible movement to override any veto

There will be at least a few weeks where anti-deal faction

Is seen to have the upper hand.....

@Scott: Maybe, but I don’t think so. Frankly, that fear is what may motivate enough Senate Democrats to oppose the joint resolution ...

(But perhaps I’m suffering a "Fox Shock" after visiting the United States this month)

(You may be)

The momentum point ...

only makes sense to me ...

if it weren't already assumed ...

that a joint resolution of disapproval is coming ...

I think the reaction to one will be a yawn ...

Politically ...

even though the media will go haywire ...

it would be different if the expectation was that ...

Senate Democrats would stay with the President no matter what ...

but that's not the expectation, which helps here on the override

@Richard --- Is there any possibility of politics for the Presidential Election 2016

So if the media is going to go haywire, are there any signs that you would look out for that the deal is under a real threat?

... altering this scenario?

@Scott: I don’t think so, mostly because so many republicans have said they oppose already and Clinton says she supports.

It could be a factor if Iran cheats in the first six months of the deal.

But I doubt that.

@Matthew: I think if the IAEA reports in September that Iran is stalling on past weaponisation ...

Answers ...

that would be a really bad sign

I doubt that this happens.

But that is my biggest fear now for the deal.

Is that likely? That Iran cheats?
@Richard --- Agreed in full.

@Christopher: nah, i don't think so. They won't have gotten any real relief yet.

So it would be really cutting their nose off to spite their face...

@Christopher --- Well, they didn't cheat on the interim deal for its 18 months

*cheat

@Scott: yep, agreed.

And indeed went well beyond its terms to try to get final agreement

Cheating before IAEA verification (and thus sanctions relief) would be economic suicide

@Christopher @Richard --- I don't see many signs of loud hostility from Arab States

To the deal

In contrast to Israel response....

Is that a fair assessment?

@Scott: yes, i think so. And in keeping with standard Arab practice on this issue. They prefer to keep conversations and conflicts private.

But, here, there are positive statements about the deal.

I think that at least some see it as a decent enough deal...

and one that they can use to make some money ...

while also getting increased support from the US ...

post to deal with residual challenges

@Richard --- My reading is that they are looking to regional effects post-deal

So, really, win-win-win for them.

So priority is Syria/Yemen/Iraq rather than the deal itself

And since Assad is in danger of falling in Syria ...

It's Iran that faces the immediate difficult choice

I agree with that.

@Richard --- Am I right that we are now waiting for IAEA verification in December...

To sound the starting gun for sanctions relief?

@Scott: Actually, I think that we're still looking at late Spring for relief. Iran won't have done its part probably until then.

December is when the IAEA will issue its report on "PMD" -- past weapons work.

That's not linked per se to relief...

In terms of reducing the centrifuges to 5,000?

which instead is linked to centrifuge dismantlement, etc.

Reducing in-country stock of uranium?

@Scott: yep, all of that. And modifications to the Arak reactor and other techie steps.

@Richard --- Any foreseeable problems with Arak modification?

(Of course, if PMD is not resolved by October, then this whole thing will not happen.)

@Scott: nope, at least not insofar as the important part, which is the removal of the 'calandria'

Am I right that we are now waiting for IAEA verification in December...

To sound the starting gun for sanctions relief?

Well, they didn't cheated on the interim deal for its 18 months

What is biggest potential problem re PMD resolution?

Withholding by Iran of information?

Yes. If they don't do their part on the deal they signed with Amano two weeks ago...

Or arrangements for inspections, e.g. of non-nuclear sites?

then this thing dies

Definitely one to watch.

Could be either of those things.

Yes, absolutely. This is a real test of Iranian compliance with the deal.

And that's why I think they'll overcome internal ...

opposition to make it work

This is their one shot to get out from under this cloud.
15:18:50 Richard Nephew columbia.edu I’d be really, really surprised that they not take it.
15:19:24 Scott Lucas bham.ac.uk @Richard --- My sense is that the US anti-deal coalition hasn’t figured this out...
15:19:41 Scott Lucas bham.ac.uk As the public objections have not really dwelt on this but on peripheral issues.
15:19:46 Scott Lucas bham.ac.uk Is that right?
15:19:58 Richard Nephew columbia.edu @Scott -- generally, yes...
15:20:06 Richard Nephew columbia.edu Though some have fixated on this actually overly much...
15:20:16 Richard Nephew columbia.edu Being concerned that without essentially a confession...
15:20:20 Richard Nephew columbia.edu PMD cannot really be resolved.
15:20:25 Richard Nephew columbia.edu But, ultimately, these guys have...
15:20:32 Richard Nephew columbia.edu Inflated views of what Iran would do and could do...
15:20:42 Christopher Johnson thomsonreuters.com One more question on oil...re sales from floating storage...
15:20:42 Richard Nephew columbia.edu And, anyway, no one would believe that their confession would be full and total anyway...
15:20:44 Richard Nephew columbia.edu Even if it was given
15:21:02 Christopher Johnson thomsonreuters.com There have been reports that Iran may be shipping crude oil from floating storage...
15:21:10 Richard Nephew columbia.edu One tanker sailed east, we know
15:21:16 Richard Nephew columbia.edu Would this break existing sanctions rules in any way?
15:21:26 Richard Nephew columbia.edu @Christopher -- Maybe. Maybe not.
15:21:32 Richard Nephew columbia.edu The sanctions cover exports...
15:21:36 Scott Lucas bham.ac.uk @Christopher --- Who is insuring the tanker?
15:21:40 Richard Nephew columbia.edu Not what container the exports are in.
15:21:52 Richard Nephew columbia.edu So, if it is part of an existing, approved import level in say China or Japan...
15:21:55 Richard Nephew columbia.edu Then no sanctions
15:22:03 Richard Nephew columbia.edu So, can't really say based on just that amount of data.
15:22:16 Richard Nephew columbia.edu But a major increase in exports to any country would be a violation of the sanctions...
15:22:16 Scott Lucas bham.ac.uk If it is European insurer, then that violates sanctions....
15:22:21 Scott Lucas bham.ac.uk If non-European, then no violation
15:22:24 Richard Nephew columbia.edu And I’m certain that the U.S. government is telling that to importers now
15:22:45 Richard Nephew columbia.edu @Scott: basically, yes, I agree, but if it is non-European and also in support of unauthorized imports...
15:22:49 Richard Nephew columbia.edu Could also be sanctioned by the USG
15:22:59 Christopher Johnson thomsonreuters.com No one is saying this oil/condensate is going to Europe or the U.S.
15:23:05 Scott Lucas bham.ac.uk @All --- What are the latest oil export figures for Iran?
15:23:13 Christopher Johnson thomsonreuters.com But there's a lot available in storage
15:23:25 Christopher Johnson thomsonreuters.com About 1.4 million bpd in July we think
15:23:35 Christopher Johnson thomsonreuters.com Up from YTD 1.3 million bpd
15:23:48 Scott Lucas bham.ac.uk @Christopher --- In practice, they have been allowed to go to 1.4 million
15:24:01 Scott Lucas bham.ac.uk Despite a November 2013 level set at 1.1 million
15:24:16 Scott Lucas bham.ac.uk So I presume that 1.4 million will be tolerated now?
15:24:28 Richard Nephew columbia.edu Well...
15:24:31 Richard Nephew columbia.edu I wouldn't say that.
15:24:35 Richard Nephew columbia.edu It's not been tolerated.
15:24:47 Richard Nephew columbia.edu Part of the problem is that some of their exports...
15:24:50 Richard Nephew columbia.edu Could be going to Syria...
15:24:56 Richard Nephew columbia.edu Other exports are potential sanctions violations...
15:25:03 Richard Nephew columbia.edu For which sanctions are yet to be imposed...
15:25:08 Richard Nephew columbia.edu Which could be for a variety of reasons...
15:25:13 Richard Nephew columbia.edu Including active investigations
15:25:58 Christopher Johnson thomsonreuters.com We have to wind up this discussion fairly soon
15:25:59 Scott Lucas bham.ac.uk @Richard --- Thx. That’s a far better reading.
15:26:05 Christopher Johnson thomsonreuters.com Weekly EIA data is due at 10:30 EDT (1430 GMT)
15:26:26 Christopher Johnson thomsonreuters.com Many thanks for a really interesting discussion
15:26:38 Scott Lucas bham.ac.uk Thanks to everyone. Enjoyed it.

Thanks to everyone. Enjoyed it.

Many thanks for a really interesting discussion

Weekly EIA data is due at 10:30 EDT (1430 GMT)

We have to wind up this discussion fairly soon

@Richard --- My sense is that the US anti-deal coalition hasn’t figured this out...

As the public objections have not really dwelt on this but on peripheral issues.

Is that right?

@Scott -- generally, yes...

Though some have fixated on this actually overly much...

Being concerned that without essentially a confession...

PMD cannot really be resolved.

But, ultimately, these guys have...

Inflated views of what Iran would do and could do...

One more question on oil... re sales from floating storage...

And, anyway, no one would believe that their confession would be full and total anyway...

Even if it was given

There have been reports that Iran may be shipping crude oil from floating storage...

One tanker sailed east, we know

Would this break existing sanctions rules in any way?

@Christopher -- Maybe. Maybe not.

The sanctions cover exports...

@Christopher --- Who is insuring the tanker?

Not what container the exports are in.

So, if it is part of an existing, approved import level in say China or Japan...

Then no sanctions

So, can't really say based on just that amount of data.

But a major increase in exports to any country would be a violation of the sanctions...

If it is European insurer, then that violates sanctions....

If non-European, then no violation

And I’m certain that the U.S. government is telling that to importers now

@Scott: basically, yes, I agree, but if it is non-European and also in support of unauthorized imports...

could also be sanctioned by the USG

But, yes, if a European insurer, problem regardless.

No one is saying this oil/condensate is going to Europe or the U.S.

@All --- What are the latest oil export figures for Iran?

But there's a lot available in storage

About 1.4 million bpd in July we think

Up from YTD 1.3 million bpd

@Christopher --- In practice, they have been allowed to go to 1.4 million

Despite a November 2013 level set at 1.1 million

So I presume that 1.4 million will be tolerated now?

Well...

I wouldn't say that.

It's not been tolerated.

Part of the problem is that some of their exports...

Could be going to Syria...

Other exports are potential sanctions violations...

For which sanctions are yet to be imposed...

Which could be for a variety of reasons...

Including active investigations

We have to wind up this discussion fairly soon

@Richard --- Thx. That’s a far better reading.

Weekly EIA data is due at 10:30 EDT (1430 GMT)

Many thanks for a really interesting discussion

Thanks to everyone. Enjoyed it.
OK, thanks for having us. Enjoyed it as well.

I will make a pdf
If anyone would like a copy, please contact me:
christopher.johnson@thomsonreuters.com
or
@chris1reuters