The Sixth Development Plan
And the Significance of Oil and Gas in the Economic Development

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Sixth Development plan and the significance of Oil and Gas

- Challenges and bottlenecks of the national Energy sector
- Opportunities and strength of Oil and Gas sector
- Upper-hand Documents and Laws
  - General policies of Resilient Economy decreed by the supreme leader
  - General policies of the sixth development plan
- The significance of Oil and Gas and the sixth development plan development
- Oil objectives of the sixth Development plan
- Prerequisites to 9.4% oil growth rate
Challenges and bottlenecks of the Energy Sector

- High Energy intensity in Iran as compared with other countries
- Failure in meeting the goals of the plan for gas injection into Oil Reservoirs
- Aging in reservoirs and a decline of the natural production amount
- Decline in the light crude oil production and an increase in the heavy and extra heavy crude oil production share in the crude oil production basket
- Failure in the implementation of a proper refinery model in the country and consequently unqualified products
Challenges and bottlenecks of the Energy Sector

- Restricted access to external financial resources due to several reasons
- Restricted access to modern technologies
- Insufficient involvement of the nongovernmental sector in investment in the downstream oil and gas industries
- High rate of gas and oil losses in production, conversion and energy supply
- Improper application of competitive market mechanisms in energy product supply
Opportunities and strengths in the oil and gas sector

- Benefiting from 9.3% of the oil proved reserves and 18.2% of world gas proved reserve
- Global markets’ and specially global economy poles’ continuous dependency on crude oil and natural gas
- Potential application of oil as the driving force of the national economy
- Utilization of main land facilities for swapping and crude oil and oil products transition
- Benefiting from maritime boundaries and connection to international shipping routs and capacity to build harbors and export ports
- The national advantage in low cost of crude oil production
Upper hand regulations and documents

- General policies on resilient economy as decreed by the supreme leader
- Sixth development plan as decreed by the supreme leader
General Policies of resilient Economy

- In February 2015 general policies regarding “resilient Economy” were compiled in 24 paragraphs
- 4 out of 24 paragraphs deal with Gas and oil sector

Paragraphs 13- overcoming the income effect on revenues earned by oil and gas export

- Choosing strategic customers
- Diversification of selling methods
- Private partnership in the private sector
- Increasing gas export
- Increasing electricity export
- Increasing petrochemical Products export
- Increasing Oil products export
General policies of resilient economy

- Paragraph 14- increasing strategic gas and oil reserves, aiming at influencing the global oil and gas market and emphasizing the keeping and development of gas and oil production capacity, especially in shared fields.

- Paragraph 15- increasing value added by completing the chain value, production development of goods with premium return (based on energy consumption intensity rate) and increasing electricity, petrochemical and oil products by emphasizing optimum utilization of resources.

- Paragraph 18- annual increase in the national development fund share by resorting to resources supplied by oil and gas export up to budget independency from oil revenues.
The sixth development plan objectives

- At the end of June 2015 the general policies of the sixth development plan was dictated to President Rohani in 80 Paragraphs.

- In 8 paragraphs, there has been a direct hint at oil.

  - Paragraph 10- changing perspectives on Oil and Gas and the income thereof, from considering it as a public funding source to resources and capitals of economic flourishing nature and creating a permanent statute for the national development fund by validating the current statute and a 30% annual deposit from the resources provided by the oil export and condensate and net gas export revenue to the national development fund and adding %2 point annually thereto.
The significance of Oil in the sixth Development plan

- Paragraph 11- completion of Oil and Gas value chain and a decrease in the energy intensity

- Paragraph 12- supporting establishment of non-governmental organizations to invest in exploration activities (not possession), production and development of gas and oil fields specifically shared fields in line with Article 44 policies.

- Paragraph 15- assignment of gathering, controlling and production associated gas in all gas fields and facilities to the public

- Paragraph 16- increasing the value added by completing the value chain in oil and gas industry and development of products with optimum productivity
The significance of Oil in the sixth Development plan

- Paragraph 17- developing knowledge based upstream and downstream industries by establishment and reinforcement of knowledge-based companies specialized in designing, engineering, constructing and installing the facilities and transferring the technology in order to enhance self-sufficiency.

- Paragraph 18- permanent increase in the reservoirs production and recovery factor

- Paragraph 28- prioritizing the strategic industrial sectors (such as oil industries, petrochemical, transportation, advances materials, building, IT, ICT, aeronautics, marine, water and agriculture) and an increase in the modern technology penetration factor in these sectors
The significance of oil and gas in the sixth Development plan

- Gross national production and the oil share therein
- Energy intensity: energy productivity
- Provision of country’s basic energy
- Economy growth rate and oil share in the sixth development plan
- Energy intensity in the sixth development plan
Gross national product and oil

- Gross national product rate in 2013 underwent a -1.9% in comparison with the previous year.
- The growth rate in the oil sector in 2013 declined to minus 8.9 percent and reached +4.8 in 2014.
- Gross national product rate in 2014 rose to 3% in comparison with the previous year.
Country’s primary Energy supply

- In the sixth development plan, there has been an emphasis on productivity as a significant factor in economic growth.

- Based on the sixth development plan at least 35% of the economy growth rate will be realized by an increased in the productivity rate.

- In the literature relevant to energy sector, a decrease in energy intensity can be taken as equal to an increase in the productivity:
  - Intensity of primary energy supply from 2004-2013, demonstrates an average annual growth rate of 1.66%.
  - Energy productivity has witnessed a declining trend in the last 10 years.
Energy sector is of significance on two aspects

- Revenue Resource
- Increasing productivity

Share of various energy carriers in primary energy supply of the country

- Crude oil, gas liquids and condensate: %54.1
- Gas: %44.5
- Other energy carriers: %1.4
Economic growth rate and oil share in the sixth development plan

- %8 economic growth rate in the sixth development plan as a target
- Considering the gas and oil share in the economy, oil’s annual growth rate would be %9.4
Energy intensity in the 6th National Development Plan

- At least 35 percent of outlined economic growth in the 6th Development Plan is expected to be achieved by means of increased productivity.

- Energy intensity is expected to drop by 15 percent in the course of the 6th Five-year Development Plan.
Oil related objectives in the 6th development plan

- Increasing crude oil production capacity
- Increasing crude oil export
- Observing priorities regarding development and operation of shared oil fields
- Quantity-quality improvement of petroleum products
- Decreasing the volume of associated gas flaring
- Decreasing the capacity of gas refining
- Increasing gas export
Capacity of Crude Oil Production and Export

- Iran's crude oil production capacity in 2014 was on average 3.7 million barrels per day. The amount is expected to reach more than 4.6 million barrels per day by 2020.

- The condensate gas production was on average 444 thousand barrels per day in 2014. It is expected to rise to around one million barrels per day by 2020.

- According to the set planning, the goals of the Development plan can be achieved if the amount of crude oil production exceeds 4 million barrels per day within the 6th Five-year Development Plan.

- The crude oil and gas export was 1.3 million barrels per day last year. It is expected to reach an estimated 2.4 million barrels per day at the end of the 6th Development Plan.
Priorities to Be Observed in Relation to Development and Operation (Shared Oil Fields)

- Over the past few years the development process of shared oil fields has been done slowly for various reasons. On the other hand, the neighboring countries were not committed to fair oil production. Consequently, the production balance has been gradually inclined towards the neighbors, to the detriment of the Iranian side.

- Focusing on shared oil reservoirs constitutes one of the high priorities when it comes to the development of oil and gas fields alongside the 6th Development Plan.
In this respect, 3 measures are needed to be taken:

- Increasing the capacity of refinery products by building of new refineries
- Increasing the production rate of valuable petroleum products
- Offering products of high quality in accordance with global standards
At present, the total volume of petroleum products amount to 1.8 million barrels per day.

According to the arranged schedule plan, the portion is expected is expected to touch 2.7 million barrels per day by the end of the 6th Development Plan.
Decreasing the Volume of Associated Gases

- Associated gases flared have always been one of the key challenges of oil industry during previous years. Apart from wasting energy, which leads to the loss of national resources, they cause pollution and, as a result, damage to the environment. In order to address the issue, 3 major points should be taken into consideration:
  - Maximum gathering of flaring associated gases
  - Converting associated gases into products with a higher added value
  - Encouraging Investment in order to generate power with the use of associated gases
Requirements for the Fulfillment of Oil Production Growth by 9.4 Percent

- Implementation of plans and projects according to schedule plan
- Preservation of producing of oil and productivity in oil production (increase in recovery factor)
- Marketing for oil selling
- Promotion of technical knowledge together with the application of advanced technology to oil production and refining
- Increasing high value oil products
- Decrease in selling crude oil and increase in creating higher added value products
- Full capacity production of shared oil and gas fields