

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

14:22:55 Scott Lucas bham.ac.uk <http://eaworldview.com/2015/08/iran-daily-supreme-leader-lectures-his-president/>

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 Cizuk energimyndigheten.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?

14:25:18	Richard Nephew	columbia.edu	...such a problem can be managed.
14:25:25	Richard Nephew	columbia.edu	@Samuel: Oh no...
14:25:33	Richard Nephew	columbia.eduthey will DEFINITELY come under attack
14:25:42	Richard Nephew	columbia.edu	...just like Congress has voted to kill Obamacare...
14:25:48	Richard Nephew	columbia.edu	Every week since it was passed.
14:25:58	Richard Nephew	columbia.edu	But, the upshot is that unless voting blocs really change in Congress...
14:26:05	Richard Nephew	columbia.edu	They don't have the ability to make it stick...
14:26:10	Richard Nephew	columbia.edu	...since Obama can veto...
14:26:19	Richard Nephew	columbia.edu	...and if they do it with President Bush or Trump...
14:26:26	Richard Nephew	columbia.edu	...then they will own the problem they create...
14:26:33	Richard Nephew	columbia.edu	...which means I doubt they will do it then.
14:26:40	Richard Nephew	columbia.edu	All should remember...
14:26:50	Richard Nephew	columbia.edu	That President Bush also declined to enforce vigorously...
14:26:56	Richard Nephew	columbia.edu	Iran oil investment sanctions for his entire term...
14:27:01	Richard Nephew	columbia.edu	...because of impact on oil markets, etc.
14:27:12	Richard Nephew	columbia.edu	So, they'll be more conscious of risks...
14:27:18	Richard Nephew	columbia.edu	...if they were in the White House too.
14:27:21	Samuel Ciszuk	energimyndigheten.se	...so how "safe" are they? For people planning investments? Still fairly safe, you would say (unless Trump of course - guess all bets off then in many other ways than Iran)
14:27:25	Richard Nephew	columbia.edu	Right now, it's just an easy "no" vote to stick on posters.
14:27:46	Samuel Ciszuk	energimyndigheten.se	...they being the waivers
14:28:03	Richard Nephew	columbia.edu	It is a tough call.
14:28:06	Richard Nephew	columbia.edu	I would say...
14:28:15	Richard Nephew	columbia.edu	That you would be safe making investments of a long-term duration...
14:28:21	Richard Nephew	columbia.edu	after you know who is president in Jan 2017
14:28:33	Richard Nephew	columbia.edu	If I were a big oil company...
14:28:43	Richard Nephew	columbia.edu	I would wait until then, to see what the new POTUS will do...
14:28:48	Richard Nephew	columbia.edu	...see if Iran has complied thus far...
14:28:54	Richard Nephew	columbia.edu	...see what the international oil market looks like...
14:29:07	Richard Nephew	columbia.edu	But I would not be doing that right now, because there remains risk of snapback...
14:29:15	Richard Nephew	columbia.edu	Political issues in Washington...and similar.
14:29:31	Richard Nephew	columbia.edu	Until then, I'd keep my business something of shorter duration.
14:29:39	Richard Nephew	columbia.edu	And something I could walk away from if it all went to hell.
14:29:42	Matthew Robinson	columbia.edu	What can we read from all these trade delegations?
14:29:51	Samuel Ciszuk	energimyndigheten.se	@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.
14:30:14	Richard Nephew	columbia.edu	@Samuel: yeah, this is why I think the gold rush into Iran...
14:30:19	Richard Nephew	columbia.edu	...will wait until 2017.
14:30:27	Richard Nephew	columbia.edu	@Matthew: which takes me to the delegations ...
14:30:41	Richard Nephew	columbia.edu	I would not make much of it, other than that people are trying to position themselves for when Iran is really open again.
14:30:48	Richard Nephew	columbia.edu	And scoping out what opportunities exist.
14:30:58	Richard Nephew	columbia.edu	But, as Scott can testify I think, Iran remains a tough place to do business.
14:31:01	Richard Nephew	columbia.edu	Even without sanctions.
14:31:08	Richard Nephew	columbia.edu	And so I think that the delegations are going to remain...
14:31:16	Richard Nephew	columbia.edu	...testing trips until sanctions relief is clarified...
14:31:23	Richard Nephew	columbia.edu	...and Iranian bureaucracy has been handled.
14:31:38	Scott Lucas	bham.ac.uk	@Matthew @Richard --- The delegations are going out now, jockeying for position....
14:31:50	Scott Lucas	bham.ac.uk	Precisely because it is a long road from intention to completion of deal
14:32:03	Scott Lucas	bham.ac.uk	Both politicians and businessmen are scoping out what is possible
14:32:08	Scott Lucas	bham.ac.uk	And assessing the factions inside Iran
14:32:18	Scott Lucas	bham.ac.uk	Just as the factions inside Iran are using the delegations
14:32:22	Scott Lucas	bham.ac.uk	In their political contest
14:32:42	Scott Lucas	bham.ac.uk	The British feel like they got a big boost this week from Foreign Secretary's visit
14:33:00	Scott Lucas	bham.ac.uk	Over to you, Germany, for FM Steinmeier's journey in October
14:33:15	Scott Lucas	bham.ac.uk	And apparently some of the big Euro oil companies will be in Tehran soon

14:33:19	Scott Lucas	bham.ac.uk	Including Total
14:34:03	Richard Nephew	columbia.edu	@Scott -- I think you're right about factions inside of Iran.
14:34:26	Richard Nephew	columbia.edu	...and that will also manifest itself...
14:34:43	Richard Nephew	columbia.edu	...in how the oil contract is rewritten.
14:34:53	Richard Nephew	columbia.edu	...which i think oil companies still want to see improved.
14:35:21	Scott Lucas	bham.ac.uk	To what extent can Revolutionary Guards get a stake in rewriting of that contract?
14:35:35	Scott Lucas	bham.ac.uk	Since I think they are chief opponent to Oil Minister Zanganeh
14:35:40	Scott Lucas	bham.ac.uk	as well as some hardline MPs
14:35:57	Richard Nephew	columbia.edu	@Scott -- my bet is that they will ensure that they get a specific cut of the action.
14:36:03	Richard Nephew	columbia.edu	And that Rouhani will agree to it...
14:36:12	Richard Nephew	columbia.edu	Much as he agreed to raise their budget despite austerity this year...
14:36:20	Richard Nephew	columbia.edu	...in order to buy support for his larger agenda...
14:36:30	Richard Nephew	columbia.edu	...which he still wants to implement.
14:36:38	Richard Nephew	columbia.edu	Things like more cultural and economic reform.
14:36:45	Richard Nephew	columbia.edu	Carefully orchestrated openness...
14:36:51	Richard Nephew	columbia.edu	...and a more positive foreign policy.
14:36:56	Richard Nephew	columbia.edu	He may fail in all of that of course.
14:37:09	Richard Nephew	columbia.edu	But I think he's going to leverage IRGC avarice (personal and institutional) as much as he can.
14:37:20	Scott Lucas	bham.ac.uk	@Richard --- That's a shrewd reading
14:37:34	Scott Lucas	bham.ac.uk	May be complicated by political fight before key elections in February 2016
14:37:42	Christopher Johnson	thomsonreuters.com	Re contracts ... won't there be pressure on U.S. companies not to miss out on deals?
14:37:57	Richard Nephew	columbia.edu	@Christopher: well, not from the companies thus far.
14:38:05	Richard Nephew	columbia.edu	I've yet to see a company make a stink about being left out.
14:38:14	Richard Nephew	columbia.edu	Because they all see the reputational risks to themselves.
14:38:21	Richard Nephew	columbia.edu	The nasty environment here around Iran...
14:38:26	Richard Nephew	columbia.edu	...is not going to change any time soon.
14:38:32	Scott Lucas	bham.ac.uk	@Christopher --- I think Supreme Leader has drawn a red line on talks
14:38:36	Scott Lucas	bham.ac.uk	With US companies
14:38:49	Scott Lucas	bham.ac.uk	So the environment is not good in either Washington or Tehran
14:38:49	Richard Nephew	columbia.edu	@Scott: that's a really good point.
14:39:09	Richard Nephew	columbia.edu	@Scott -- what do you think of Rouhani's affiliates chances in the parliamentary elections?
14:39:17	Richard Nephew	columbia.edu	Have they gotten the desired boost from the deal?
14:39:30	Scott Lucas	bham.ac.uk	@Richard --- They're feeling confident
14:39:47	Scott Lucas	bham.ac.uk	Rouhani's challenge to the powerful Guardian Council over the elections
14:39:49	Scott Lucas	bham.ac.uk	And to the Guards
14:40:06	Scott Lucas	bham.ac.uk	Ex-President Rafsanjani lining up political and big-money support from Ayatollahs
14:40:13	Scott Lucas	bham.ac.uk	Pro-Rouhani press taking on hardliners
14:40:29	Scott Lucas	bham.ac.uk	Big question for me: Can they put together a slate of people
14:40:38	Scott Lucas	bham.ac.uk	Who will get elected as MPs?
14:40:48	Scott Lucas	bham.ac.uk	Rafsanjani-Rouhani don't have a natural political bloc
14:40:54	Scott Lucas	bham.ac.uk	Like the conservatives or hardliners
14:41:01	Scott Lucas	bham.ac.uk	2nd big question....
14:41:12	Scott Lucas	bham.ac.uk	Can Rouhani use his trump card on economic competence
14:41:29	Scott Lucas	bham.ac.uk	To push back the Supreme Leader from blocking his political moves?
14:42:02	Richard Nephew	columbia.edu	@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.
14:42:21	Richard Nephew	columbia.edu	On your second question, I am more confident. The comparison between Ahmadinejad and Rouhani years could not be more stark
14:42:39	Richard Nephew	columbia.edu	And Khamenei's comments today, praising economic steps by Rouhani, speaks to his pleasure at the turns made.
14:42:50	Richard Nephew	columbia.edu	...but to me, a real question is, if sanctions relief is slow to manifest...
14:42:59	Richard Nephew	columbia.edu	...or if mismanagement undermines its success...
14:43:12	Richard Nephew	columbia.edu	...how much space does Rouhani have to keep his agenda on track?
14:43:25	Richard Nephew	columbia.edu	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
14:46:57	Richard Nephew	columbia.edu	I agree.
14:47:26	Christopher Johnson	thomsonreuters.com	Can I ask about another aspect to this deal: compliance?
14:47:39	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.
14:49:19	Richard Nephew	columbia.edu	I'm still betting April 2016.
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

14:52:30 Richard Nephew columbia.edu (which will basically describe its conclusions on whether there was a nuclear weapons program or not)

14:52:38 Richard Nephew columbia.edu Iran will still be removing centrifuges etc.

14:52:46 Richard Nephew columbia.edu Sometime 4-6 months after "Adoption Day"

14:52:51 Richard Nephew columbia.edu Iran will complete these steps.

14:52:56 Richard Nephew columbia.edu That is "Implementation Day"

14:53:09 Scott Lucas bham.ac.uk @Richard --- Thanks so much.

14:53:11 Richard Nephew columbia.edu So, maybe as soon as February. Could take longer.

14:53:16 Christopher Johnson thomsonreuters.com So sanctions relief might still not come until May 2016?

14:53:21 Richard Nephew columbia.edu Yep.

14:53:27 Scott Lucas bham.ac.uk My understanding was that Iranian regime was declaring lifting of sanctions in December

14:53:28 Christopher Johnson thomsonreuters.com Crickey

14:53:36 Richard Nephew columbia.edu @Scott: Yep!

14:53:43 Richard Nephew columbia.edu And who knows, they may be able to do it.

14:53:48 Richard Nephew columbia.edu The timeline is entirely in their control.

14:53:52 Scott Lucas bham.ac.uk But if it is "Day 1" of Implementation, then they have to change the line.....

14:54:02 Scott Lucas bham.ac.uk Or accelerate re centrifuges

14:54:07 Richard Nephew columbia.edu If they remove centrifuges in a ridiculous, way, then they can get it done waaaaayyyyyyy faster.

14:54:08 Christopher Johnson thomsonreuters.com Is there a risk that Iran will get fed up waiting?

14:54:19 Richard Nephew columbia.edu @Christopher: Maybe. But it is entirely in their control.

14:54:26 Richard Nephew columbia.edu If they get fed up, it's with their own guys work.

14:54:36 Richard Nephew columbia.edu That's the nice thing about the structure of the deal.

14:54:43 Richard Nephew columbia.edu Iran gets it all relieved at once...

14:54:43 Scott Lucas bham.ac.uk @Christopher --- They have to keep their message straight with their own public

14:54:52 Richard Nephew columbia.edu So no incentive to game the West.

14:54:55 Scott Lucas bham.ac.uk They nearly screwed up the deal with Supreme Leader's implication

14:55:08 Scott Lucas bham.ac.uk that sanctions would be lifted as soon as agreement signed ...

14:55:19 Scott Lucas bham.ac.uk Rather that as soon as it was implemented

14:55:29 Scott Lucas bham.ac.uk *than as soon

14:56:15 Richard Nephew columbia.edu @Scott: that's exactly right. To be honest, this -- i think -- may also be part of an Atomic Energy Organization of Iran (AEOI) -- Foreign Ministry feud. But, either way, they own this problem now. They have to fix it either by going fast or changing their message.

14:56:35 Richard Nephew columbia.edu If they do things the smart technical way...

14:56:41 Richard Nephew columbia.edu Then we're talking mid spring 2016.

14:56:48 Richard Nephew columbia.edu But from a US perspective, it really doesn't matter...

14:57:01 Richard Nephew columbia.edu Other than that's another four months of compliance under the belt of the deal...

14:57:15 Richard Nephew columbia.edu ...to help people who supported it with their re-election campaigns.

14:57:22 Scott Lucas bham.ac.uk Except for the fallout --- e.g. fate of Rouhani Government and regional effects --- if deal collapses

14:57:31 Scott Lucas bham.ac.uk Over Iran screw-up with implementation

14:58:03 Richard Nephew columbia.edu @Scott -- sure, but I think they'll just change their message first. They're really good at saying, "what said all along was... INSERT THING THEY NEVER SAID BEFORE"

15:00:21 Scott Lucas bham.ac.uk @Richard --- Accepted. I just worry about the knock-on effects in Iraq and Syria

15:01:06 Richard Nephew columbia.edu Very fair concerns. We're definitely in high stakes poker still.

15:01:19 Christopher Johnson thomsonreuters.com Many thanks Richard and Scott

15:01:25 Christopher Johnson thomsonreuters.com Very interesting indeed

15:01:36 lisa barrington thomsonreuters.com Yes, thanks for the insights.

15:01:46 Richard Nephew columbia.edu Thanks to all of you, especially Scott and Christopher.

15:02:11 Scott Lucas bham.ac.uk Thanks, everybody, we didn't solve everything....

15:02:12 Christopher Johnson thomsonreuters.com I will make a pdf of this discussion
If anyone would like a copy, please contact me:
christopher.johnson@thomsonreuters.com
or
@chris1reuters

15:02:15 Scott Lucas bham.ac.uk But it was a good effort.

15:02:28 Christopher Johnson thomsonreuters.com Well let's resume the discussion next month ...

