

SPECIAL NEWS

Exporters, buyers brace for flows of Iranian LPG, condensate

Iranian exporters aim to increase LPG exports to full capacity, if the Biden administration lifts sanctions that limited shipments from the country's petrochemical plants and gas refineries, industry sources familiar with the sector said.

Assuming the US completely removes sanctions in second-half 2021, Iran can export 3.73 million tons during the period and at least 33 vessels will be needed for transportation, six more than currently, they said, according to spglobal.com.

Removal of sanctions should the US resume the Joint Comprehensive Plan of Action, or JCPOA, after former US president Donald Trump withdrew in May 2018, could also allow Iran to export condensates, an ultra-light crude that yields better product margins, and put pressure on Asia's naphtha market.

South Pars condensate is expected to be competitively priced, allowing petrochemical makers to obtain cheaper feedstock naphtha from cracking this condensate.

"The market is worried the lifting of Iran sanctions would weigh on the naphtha market because condensate will be cheaper, so the Korean splitters will buy more condensate again instead of heavy full range naphtha," a petrochemical producer said.

Iran had previously exported condensates to South Korean end-users, where splitters switch between using condensate and various naphtha grades, depending on economics. If Iranian supply were to return to the market, it would impact other types of naphtha, sources said.

"Once Iran and the US come to an agreement, they [Iran] can export oil products again, and it will definitely affect the naphtha market," a Singapore-based source said.

"Last time, Iran used to export a lot of condensates for splitters like Hyundai, Hanwha, and others in Korea, and if this were to resume, then demand for heavy paraffinic naphtha will definitely go down," the source added.

Restored Iranian LPG exports would add to abundant Middle East supply this year, with major producers regularly accepting lifters' monthly term nominations without cuts or delays, while Kuwait and Qatar consistently sell spot cargoes.

LPG exports peaked in 2018

LPG from petrochemical plants are produced by Bandar Imam Petrochemical Company in Khuzestan Province, which produces one million tons/year of LPG, Petrochemical Commercial Company in Assaluyeh, which produces 1.5 million tons/year and Kharg Petrochemical Company, which produces 200,000 tons/year. Gas refineries export a total of about three million tons/year and are mainly located in South Pars and Assaluyeh.



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"The production is much higher, but due to the political situation, the number of vessels which can be used is limited," another source said. "Hopefully with the new US government, the imposed limitation might be eased and Iran can increase the export volume."

Iranian President Hassan Rouhani said in May the "main agreement" had been reached to reinstate the nuclear deal and the US has broadly committed to ease sanctions on Iran's oil, petrochemical and shipping sectors.

The US expects to have a sixth round of indirect talks on reviving compliance with the 2015 Iran nuclear deal, the US State Department spokesman Ned Price said, while the EU envoy coordinating the talks earlier said he believed a deal would be reached at the next round.

Amid the slow progress in negotiations, some market sources said full resumption of LPG exports would take time, though some shipments have been ongoing. "But it's not soon and the volumes are not much. Still we have a long way to go," a third source said.

Before export limitations took hold, Iran's monthly LPG exports peaked around 568,000 tons in August 2018, propelling whole-year shipments to 5.2 million tons, shipping and trade data showed, the highest since the previous Western sanctions were lifted in January 2016.

Peak export volume in one month can reach 13 Very Large Gas Carriers, sources said.

Between 2018 and 2020, Iran added 3.2 million tons of LPG production capacity mainly from the South Pars Gas Field and by this September, another 2.2 million tons of production capacity is expected to be added, sources said.

In 2018, term customers of Iranian LPG had included Indonesia and Taiwan, either directly, or through trading firms, sources said.

China's Zhuhai Longhua has floating storage in places such as South Asia and distributes cargoes via ship-to-ship operations.

Zhuhai Longhua Petrochemical is a wholly-owned unit of Siam Gas and Petrochemicals, which acquired BP Zhuhai's 200,000 cubic meters underground LPG storage in September 2010.

Iranian LPG in 2018 was also shipped by a trader to Kenya. Removal of sanctions could also be a boon for receivers in South Africa.

China imported 4.94 million tons of Iranian LPG in 2019, 3.85 million tons in 2020, and 1.965 million tons from January to May 2021, according to industry data. Sources said Iranian exports to China are done via STS operations and are not reflected in official customs data.

Currently, 27 VLGCs move Iranian LPG, and in 2019, each ship made an average of 5.4 voyages, before easing to 4.26 voyages/ship in 2020, while the ships changed their names frequently, trade sources said.

Sources said assuming the US continued sanctions in 2021 and that each ship makes five voyages, the 27 vessels can transport 5.94 million tons this year, and if each ship runs four voyages they can move 4.75 million tons.

Iran prepared to ramp up oil output quickly: NIOC



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Iran is planning a speedy increase in its oil output, a senior Oil Ministry official said on Wednesday, as talks continue between Tehran and P4+1 – the remaining signatories to the Iran nuclear deal – to lift US sanctions that have seen it pumping far below capacity since 2018.

Iran and the five powers have been in talks since April to revive a 2015 nuclear deal that former US president Donald Trump exited three years ago, re-imposing sanctions that have hit Iran's oil exports.

"If sanctions are lifted, most of the country's crude production will be restored within a month," Farokh Alikhani, the production manager of the National Iranian Oil Company (NIOC), told Shana.

"Careful planning has been done to restore oil output to pre-sanctions levels in intervals of one week, one month and three months."

Tehran's oil exports increased to two million barrels per day (mbd) in 2016 and reached a peak of 2.8 mbd before sanctions were reimposed in 2018 by Trump.

Iran does not release figures for current exports, but some energy monitoring firms estimated them at around 700,000 bpd in April and 600,000 in May.

Alikhani said Iran hoped to further raise its output "to more than four million barrels per day in the next step".

"The average daily oil production of Iran after the implementation of the 2015 deal was 3.38 mbd and we plan to return to that level if the sanctions are lifted," said Alikhani.

Iran, Nakhichevan discuss expansion of transport, trade ties

Iranian Roads and Urban Development Minister Mohammad Eslami held talks with the Chairman of the Supreme Assembly of the Nakhichevan Autonomous Republic Vasif Talibov to explore avenues for expansion of transport and trade ties.

In the meeting, which was attended by Azerbaijan's Deputy Prime Minister Shahin Mustafayev and transport officials from both sides, the attendees expressed satisfaction with the upward trend of cooperation between the two neighboring countries, according to mrud.ir.

Addressing the meeting, Talibov said Iran and Azerbaijan have always had close friendship and cooperation, and now the ground is paved for the further expansion of bilateral cooperation.

"Nakhichevan has made all the necessary investments in the railway and road sectors, and therefore a window has been opened for the countries in the region to use this opportunity for increasing their relations and trade exchanges," the official noted.

Eslami, for his part, noted that cooperation between Iran and Azerbaijan is in the interest of all countries in the region, adding, "The Islamic Republic of Iran is ready to cooperate with Nakhichevan

and the Republic of Azerbaijan in various fields."

During the meeting, the officials also discussed cooperation in the fields of energy, rail transport and the completion of the Nakhichevan-Mashhad railway, and connecting Nakhichevan with other regions of Azerbaijan through the Islamic Republic of Iran.

The two sides decided to establish specialized working groups to follow up the issues.

The Iranian minister, along with Shahin Mustafayev, also visited Jolfa terminal on border with Azerbaijan and several other industrial areas in the mentioned country.

Eslami stressed the two countries' efforts and interest for expansion of trade and logistics cooperation especially in the International North-South Transit Corridor (INSTC).

According to Eslami, considering the developments in the region and the trilateral agreement among Russia, Azerbaijan and Armenia, the activation of the Tabriz-Nakhichevan railway through Azerbaijan and Russia is on the Iranian Roads and Urban Development Ministry's agenda,

which will expand the trade capacities of Iran and Azerbaijan as well as the countries in the region.

The official further stated that Iran and Azerbaijan have numerous opportunities and great potentials for playing an ef-

fective role in the Black Sea and Persian Gulf corridors, saying, "Both Iran and Azerbaijan are eager to use these capacities."



IRNA

EU is planning to end US tariff battle with Biden

The European Union wants the United States to commit to end their aircraft-related tariffs next week, according to a draft statement seen by CNBC, as both sides look to get the transatlantic relationship back on track.

The EU is also hoping that President Joe Biden, who is due in Brussels for a summit early next week, will vow to end steel and aluminum duties before December this year, according to the document from the EU.

The European Council, the institution hosting the summit, is responsible for preparing the joint statement that the leaders will look to greenlight.

An EU official, who didn't want to be named due to the sensitive nature of the subject, told CNBC that the European Union is looking to "push" the United States to agree on an easing of trade tariffs that emerged during the Donald Trump presidency.

However, so far, there is "no clear sign" that the US will sign up to what the EU wants, the same official added.

The EU-US relationship hit rock bottom during the previous US administration, with Trump often criticizing Europe for being worse than China with its trade practices.

Trump imposed tariffs worth \$7.5 billion on European products after the World Trade Organization ruled that the EU had

given unfair subsidies to Airbus. Shortly after, the EU also imposed duties worth \$4 billion on US products off the back of another WTO ruling that the US had also granted illegal aid to Boeing. The dispute first emerged in 2004.

Separately, the Trump presidency decided in 2018 to impose a 25 percent tariff on European steel and a 10 percent duty on European aluminum on the

grounds of national security — something the EU vehemently opposed and retaliated against.

A first round of tariffs worth 2.8 billion euros (\$3.4 billion) was implemented by the EU and another round worth 3.6 billion euros was due to kick in this month.

However, the EU decided to put these metal-related duties on hold last month in a sign of good faith to boost negotiations.

A 'symbolic' meeting

Next week's summit is the first EU-US high-level meeting since 2014.

"The engagement has a lot of symbolic value," Niclas Frederic Poitiers, a research fellow at the Brussels-based think tank Bruegel, told CNBC last week.

"The summit will have a lot of emphasis on 'this relationship can still work,'" he added.

The tone between EU and US officials changed since the election of Biden in 2020, with European leaders not shying away from expressing their happiness with the election outcome.

However, experts say the jury is still out on how much joint cooperation there will be between the Biden administration and the EU.

"There is little doubt that President Biden is committed to working with America's partners in Europe but not at any price," Leslie Vinjamuri, director of the US and Americas programme at Chatham House, said to CNBC.

"President Biden has a very clear bottom line and that bottom line is that these policies have to work for Americans. It's also pretty clear that any common policies have to fit with the political climate at home, and especially when it comes to trade, technology and China," she added.



REUTERS