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Iran: With a Smiling President, Are Iranians' Hopes Justified?

Iran and its financial markets are abuzz with hopeful questions following the unexpected victory of moderate cleric Hassan Rohani in last Friday's presidential election. Could the sanctions that have wiped out more than 1 million barrels per day of Iran's crude exports ease or even end? Will the nuclear standoff be resolved? And most importantly for many, will a more diplomatic Iranian President be able to revitalize their beleaguered economy? "It is great that [uranium enrichment] centrifuges keep spinning," Rohani famously stated, "provided that the economy keeps turning as well."

"My first priority will be the economy," Rohani told reporters in his first press conference in Tehran Monday. Somebody thinks it just might work: since his election, the rial has regained nearly 5% against the dollar and Tehran's stock market is up 7% ([EC Oct.5'12](#)).

Outgoing President Mahmoud Ahmadinejad's eight years in office saw many trained technocrats, economists and experts leave Iran or be pushed aside to make room for the president's allies. The oil industry was no exception. Current Oil Minister Rostam Ghasemi is better known for his close ties to powerful domestic contracting firm Khatam al Anbia than for his energy expertise. "In the oil industry, management was horrible," said one Tehran-based energy analyst. "But I think the situation will get better." Although the oil industry has obviously been hit by sanctions, mismanagement is the reason most often cited for uncompleted projects and missed output goals.

Two of Rohani's top campaign managers, Akbar Torkan and Mohammad Reza Nematzadeh, have extensive experience in Iran's oil industry. Nematzadeh was vice chairman of the National Petrochemical Co. and then president of National Iranian Oil Refining & Distribution Co. during Akbar Hashemi Rafsanjani's presidency. Torkan was deputy oil minister for planning from 2005-09, after serving as minister of both defense and transportation. Torkan, in an Iranian news agency interview, recently vowed to allocate resources to the industry "as indicated by the Five-Year Economic Development Plan, not based on unrealistic assessments or dreams." He also welcomed the re-entry of foreign technology, effectively countering official claims that sanctions have helped the oil and gas sector achieve self-sufficiency ([EC Apr.26'13](#)).

Nuclear Hopes

Years of negotiation over Iran's nuclear program have so far yielded little, allowing the West to intensify sanctions pressure, even as Iran increases its uranium enrichment. Does the friendlier new face of Iran matter, if the ultimate arbiter is Supreme Leader Ali Khamenei? "Of course the president matters," says Francois Nicoulaud, a former French ambassador to Iran who had direct experience with Rohani. "It's ridiculous to say that the change doesn't make a difference. If that were the case, then there would have been no difference between Ahmadinejad and Rafsanjani" ([EC May17'13](#)). Khamenei trusts Rohani, which will help him, Nicoulaud continued. "Rohani convinced the Supreme Leader to stop the clandestine military aspect of the [Iranian nuclear] program," he recalls.

Seyed Hossein Mousavian, who was spokesman for the Iranian nuclear negotiating team headed by Rohani, tells *Energy Compass* that the international community should be hopeful for a breakthrough -- provided the US is "serious for a real constructive talk and distracts itself from a policy of regime change" ([EC Oct.19'12](#)). One good way for the US to signal good intentions would be to avoid putting further sanctions in place. During his press conference Monday, Rohani called for "no new sanctions" and mutual respect from Western parties, saying Iran

would offer "further transparency within international law," implying more extensive international inspections of Iran's nuclear facilities if the US and Europe accept its right to reprocess uranium under the Nuclear Non-Proliferation Treaty. However, to get to the point of even beginning genuine discussions "one needs goodwill," says Mousavian, which is undermined by Washington's constant dialing up of sanctions pressure ([EC Jun.7'13](#)).

The onus now falls on the Obama administration to prevent a ramp-up of sanctions that could push Iran back into its defiant stance. In a bipartisan *Washington Post* op-ed a day before elections, US political heavyweights Stephen Hadley, Joseph Lieberman and Jim Steinberg called for one last diplomatic push. Should the diplomatic approach not work, they advocate the administration prepare to take military action and place more multilateral sanctions against Iran's energy and financial sector.

Almost simultaneously, a UN panel of experts released a 45-page report detailing ways in which Iran dodges sanctions. "This can be seen as paving the way to more multilateral sanctions, such as expanding the oil embargo," said one non-proliferation analyst in Washington. Should this be the case, it would realize Iran's fear that the US's ultimate goal is to completely remove Iranian oil from international markets ([p4](#)).

Michelle Moghtader, Dubai

Compass Points

- **SIGNIFICANCE:** The Iranian presidential election was a referendum on the mishandling of the economy and the Iranian nuclear file. Current chief nuclear negotiator Saeed Jalili received only 11.35% of the vote. The question is whether a new face will lead to changes on both sides.
- **CONTEXT:** Rohani seems to be injecting a feeling of unity into a sharply divided country. The Islamic Revolutionary Guard Corps congratulated him and announced its "readiness to cooperate with the next administration fully in the frame of its legal obligations." Rohani also met -- separately -- with Iran's bitter rivals speaker of the Parliament Ali Larijani and Ahmadinejad. Both promised to hand over power in a "proper way," according to Iranian reports. This stands in sharp contrast to the violence that followed the contested 2009 elections ([EC Jun.12'09](#)).
- **NEXT:** Multilateral nuclear negotiations are slated to resume in August, but will likely be delayed, as Rohani doesn't take office until early that month and will need some time to assemble his team. Regarding the economy, subsidy reform is likely, but probably not until 18 months into the term, says a Tehran-based economic analyst, who suggests that Rohani may shift cash handouts away from the 90% of the population now receiving them to the manufacturing and private sectors ([EC Feb.8'13](#)).