“Now, more than hundred years later, great empires once again position themselves to control the heart of the Eurasian landmass, left in a post-Soviet power vacuum. Today there are different actors and the rules of the new neocolonial game are far more complex than those of a century ago: The United States has taken over the leading role from the British. Along with the ever-present Russians, new regional powers such as China, Iran, Turkey and Pakistan have entered the new arena… the New Great Game focuses on Caspian energy reserves, principally oil and gas.”

Kleveman 2003. 420

“… our country has certain competitive and natural advantages as well as the technical opportunities to occupy a more significant position in the energy market. We should use these advantages in the interests of the whole international community, but also keeping in mind our own national interests.”

Vladimir Putin, December 22, 2005. 421

420 Kleveman (2003), The New Great Game : Blood and Oil in Central Asia, p. 3.
421 A statement that is also true and applicable for the case of Iran. Available at: http://www.rusembassy.ca/ru/node/318 (Accessed: 04.11.2010).
4. Chapter Four: Infrastructure

The purpose of this chapter is to carve out the Iranian policy towards natural gas. This includes the institutional decision making structure and a detailed discussion of Iranian infrastructure projects related to the natural gas grid.

4.1 Iran’s energy policy and Institutions influence on Energy decisions

Looking at the major characteristics of the Iranian natural gas sector over time, it can be stated that, in general, the IRI was not able to change its oil policy after 1979, due to the dependency on revenues and the central role of the industry for the economy. Consequently, the policy regarding natural gas was adapted to these circumstances and to the international and domestic conditions. Ultimately, it can be stated that dependency is a major determinant of Iran’s energy policy. The natural gas sector policies can be divided into different phases:

- The early phase, where Iran had no market and thus no use for gas, so that until the mid-1960s natural gas was flared.
- This period was followed by the early development phase of associated gas.
- Then, an export strategy was developed, as Russia had a market for gas. This resulted in a barter deal for gas versus technology and Know-how.
- Following the early development of associated gas, Iran explored possibilities for further export markets, including the triangular swap agreement (‘Dreiecks-Geschäft’) with Germany-Russia and Iran for natural gas swaps to Europe.
- However this export market expansion phase was disrupted by the Islamic Revolution and the following war with Iraq, which meant the cancellation of all projects, thus resulting in no further development.
- Since the mid-1980s, the former natural gas policy was resumed with a special focus on domestic development to increase living standards by replacing oil with gas, thereby freeing up more oil for possible exports.
- With the second five-year development plan, this policy was reinforced. New investments were focused on freeing up additional oil volumes for exports, and since the 1990s the domestic policy imperative was accompanied by considerations regarding gas exports markets.
- Since the mid-1990s Iran has had big plans for its energy sector and gas market development, but these were impeded by sanctions, bad policy and mismanagement, along with unfavorable contract terms toward investors, which prevented further development.