

DAILY ENERGY MARKETS FORUM

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Dr. Sara Vakhshouri
Founder & President
SVB Energy International



How does the Iranian election result impact energy markets?

The result was expected. In terms of the negotiations with the US on sanctions, as long as there are no serious pressures on Iran's missile program or expectations that it should backtrack from supporting its proxies, they should continue under the new leadership. But obviously the hard liners have less incentive than President Rouhani had, to negotiate. They are the ones who formed the massive 25-year investment agreement with China and part of that is China's commitment to purchase Iranian oil. Even if the negotiations with the US move forward, China will have a stronger presence in the country going forward.

Iranian oil exports seem to have plateaued recently?

Global demand is continuing to increase. The market has been in a deficit since February and inventories are now back at five-year averages. By the end of this year, the market will have 1 to 1.5 million barrels per day of deficit so Iranian oil can be absorbed during the second half of 2021.

How do you assess the reaction of Gulf Arab states to the new government?

While the UAE does have issues with Iran, it was quick to congratulate the President. On the other hand, there's a significant lack of trust between Iran and Saudi Arabia and this won't change unless there are strong gestures of trust building from both. There have been direct talks and negotiations between the two, but we would not expect them to go beyond national security issues over the conflict in Yemen and preventing another tanker war in the Gulf. Even under the Rouhani administration, there was a serious lack of trust by other countries in the region on the intention of Iran's missile program and support for its proxies. ■

**Paraphrased comments*

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