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Oman deal shows Tehran sees gas as foreign policy tool

By ROSHANAK TAGHAVI

During Iranian president Hassan Rouhani's first trip to an Arab country Oman -- last week, Tehran and Muscat solidified a 25--year agreement to export natural gas from Iran to the Sultanate.

Analysts say the deal, worth an estimated \$60 billion, could mark the start of a new diplomatic approach by the Islamic Republic predicated on using gas policy to re--integrate itself into the region in the run--up to a potential nuclear detente with the United States.

"Iran sees the opportunity to forge better relations with one of its Gulf neighbors," says Robin Mills, head of consulting at Dubai--based [Manaar Energy](#). "Either that's a window towards opening up the GCC [Gulf Cooperation Council] and having better relations generally, or it's a way to spread a crack in the GCC and split off one of the members," he says, referring to Oman's opposition to Saudi Arabia's proposal in December to elevate the GCC to a formal union implicitly meant to serve as a counterweight to Iran. "Either way, it improves Iran's standing in the region."

The deal would also have significant economic benefits. "Oman is short of gas and they've been talking for years about getting Iranian gas. For Iran, it's even more important," says Mr. Mills. "Building stronger relations with [its] neighbors will give Iran more of a strategic role, and makes it harder to isolate them in the region. "However, absent a comprehensive nuclear accord that will lead to significant sanctions relief, the immediate gains of the gas agreement will be more political than economic.

The timeline for the project is still unclear. Iran's oil minister has [set a deadline](#) of 2017, but Mr. Mills tells Monitor Global Outlook such a project and pipeline, while not very complicated, would realistically take around five years to complete.

US Treasury sanctions [blocking Iran from much of the global banking system](#) must also be relaxed in order to facilitate financial transactions, help with financing, and allow international contractors to get involved with the project, Mills says.

As part of the accord, 10 billion cubic meters of gas would be transported annually from Iran's South Pars gas field through a new undersea pipeline beneath the Gulf of Oman. The \$1 billion pipeline -- to be financed by Muscat -- will run from Roodan, in Iran's Hormozgan province, to [Oman's Sohar Port](#) before connecting to the Sultanate's national grid, according to a [statement](#) by the National Iranian Gas Exporting Company (NIGEC).

The two countries are to form a joint marketing company to handle operations, including future sales of Iranian gas to regional neighbors. Oman would be repaid with revenues from gas sales resulting from the project, NIGEC said.

Prior to his departure from Muscat, the Iranian president reportedly said Tehran has extended "a hand of fraternity to all the countries of the region, especially those south of the Persian Gulf."