

Iran May Stop Exporting Oil to Europe

Since the European Union (EU) has enacted sanctions against Iran, Iran may preempt the EU phased in plan and cut off oil exports to the EU.

Deputy head of the Majlis National Security and Foreign Policy Committee Hossein Ebrahimi said on Friday that Iranian lawmakers would debate a “double-urgency” bill on Sunday which calls for the ban of oil exports to Europe as early as next week.

The move comes after EU foreign ministers reached an agreement in Brussels on Monday to impose sanctions on oil imports from Iran as of July 1. The sanctions involve an immediate ban on all new oil contracts with the Islamic Republic and freezing the assets of the Central Bank of Iran (CBI) within the EU.

The Majlis motion would deny Europe the six-month phase-in period that the bloc has considered to adjust and find alternative sources to Iran's crude.

The recent EU sanctions on Iranian oil are merely a “psychological warfare,” as the 27-member bloc is delaying the implementation of the embargoes under various pretexts, Ebrahimi added.

“Europe is uncertain about enforcing these sanctions and seeks to project [its own woes] and manipulate public opinion,” the lawmaker said.

The EU accounted for 18 percent of Iranian crude oil sales in the first half of 2011, according to the US Energy Information Administration (EIA), making it Iran's second biggest customer after China. (<http://www.presstv.ir/detail/223395.html>)

An Iranian lawmaker says entering into oil war with Iran will bring European Union member states to their knees as Tehran will prevent the export of even one drop of oil.

“The Islamic Republic of Iran has the world's third biggest oil reserves and cannot be eliminated from global energy equations,” Seyyed Emad Hosseini, spokesman for the Majlis (parliament) Energy Commission, said on Friday.

The lawmaker said playing with the world's third biggest oil power will certainly affect international oil and gas transactions and Europe will not be immune from oil price fluctuations.

He stated that the Iranian Majlis is considering a plan to completely stop oil exports to EU members which will initially paralyze the economies of Italy, Spain and Greece.

“Iran is powerful [as a country] and oil sanctions imposed by European countries will only harm the European Union because Iran can easily prove its oil supremacy in the Middle East region,” he said.

Hosseini added that Europe will definitely lose its oil war with Iran because European countries are grappling with numerous domestic challenges and disruption of Iran oil flow will lead to the escalation of domestic pressure and crisis in EU member states. (<http://www.presstv.ir/detail/223382.html>)

While this doesn't exactly talk about oil exports, it will give you an idea of how fragile Greece is right

now.

The European Union and IMF want Greece to push through more budget cuts and implement a series of long-agreed austerity reforms before they sign off on a new bailout the country needs to avert bankruptcy, a report obtained by Reuters shows.

All eyes have been on Athens' tortuous debt exchange talks with its private creditors in recent weeks. EU economic and monetary affairs chief Olli Rehn injected some optimism on Friday, saying an agreement was "very close" and might be clinched as soon as this weekend.

The head of a panel of German government economic advisers joined a growing chorus of voices calling for the European Central Bank to facilitate a bond swap to lower Athens' debts by forgoing profits on its Greek bonds.

With or without a deal with private creditors, Greece must convince its eurozone partners and the International Monetary Fund that it is doing enough to implement reforms they require in return for a 130bn euro bailout package it needs to avert a chaotic default.

To do so, Greece will have to make extra spending cuts worth 1 percent of GDP - or just above 2bn euros, this year, according to a preliminary estimate drawn up by the EU and the IMF in the document outlining the reforms the government should enact.

"Greece has not only to commit itself, Greece has to deliver. Not all of the commitments have been fulfilled. That is one of the critical issues to confidence," German Finance Minister Wolfgang Schaeuble said at the annual World Economic Forum in Davos.

<http://www.athensnews.gr/portal/11/52708>

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Analysis. Greece currently buys 25% of its oil from Iran on credit terms that it could not get from other oil brokers. The reason for that is simple. Greece is broke. They have 14.5 billion Euros in bonds coming due for redemption on March 20. (Coincidentally Secretary of Defense Leon Panetta announced from the USS Enterprise that CVN-65 would transit the Straits of Hormuz on the same day.) If Greece were to lose access to Iranian oil immediately, it would cripple what passes for an economy these days. Italy and Spain aren't in much better, if not worse, shape.

A ban on the selling of oil to Europe is not as frivolous as it sounds. Iran's oil will continue to be sold to somebody. The People's Republic of China (PRC), India, Korea and Japan are all buyers. Although the PRC recently cut its daily intake of Iranian oil approximately in half, this is seen as a move to do some customer repricing and not as any kind of a boycott. When the price dispute is settled, the PRC will return to its normal daily take of about 550,000 barrels.

In the short run a cut off of Iranian oil to Europe will cause some severe pain. However, given the high probability of war between Iran, its neighbors, Israel and the United States, the NATO nations will do well to now set up their oil imports from other sources. An Iranian boycott will make such moves more urgent.

Here we encounter a problem that is as old as war. The enemy gets a vote. Iran has not remained static and simply absorbed the costs of prior sanctions. They continue to find ways around the financial

sanctions. A recent report said that Iran would sell oil to India and India would pay with rupees and gold. The PRC will not abide by any sanctions. They do a lot of their trade with Iran via barter anyway. The United States is not likely to try and sanction the People's Bank of China.

Presuming that Iran does pass their oil cut off law Sunday, we will have to see exactly what the terms are. If it is a total and immediate cut off of all of European Union members, Greece is toast. Their economy continues to be in negative numbers thanks to the austerity measures they have enacted to get the first set of loans from the other Euro zone countries, especially Germany. The size of Greece's petroleum reserve is unknown. I suspect that it is rather small if it exists at all. Same for Spain and Italy.

While Euro zone loans could probably keep Greece going, both Spain and Italy are rated too big for the Euro zone to handle. A failure of either country may possibly cause the Euro zone to split with all of the social and economic dislocation that would accompany such a split. The NATO countries that are also Euro zone members would most likely be rendered impotent as contributors to a NATO force to deal with Iran. NATO proved how marginal it actually is without US logistics and intelligence support during the operations in Libya. Iran is even farther away and more foreboding.

We are rapidly running out of options for dealing with Iran's nuclear program. We are also running out of countries we can intimidate with economic sanctions. Many countries are already settling trade in their local currencies instead of the US dollar. Such arrangements greatly lessen the clout we have when asking third parties to adhere to US sanctions of another country. The mullahs may be a bit on the religiously insane side but they are not stupid. They will adapt. And, they have partners that will help them bypass US sanctions for their own purposes.

As of this writing (29 Jan 2010:2020Z), it appears that action on the oil export bill has been postponed. This may well be due to the IAEA team being in Iran for the next three days. We should know by next Friday whether or not Iran will cut off the EU.