

Austria's OMV Stands by Iran Projects Despite U.S. Sanctions



Austria's oil and gas company 'OMV' has announced that it will continue its cooperation with Iran despite the U.S.' exit from the Joint Comprehensive Plan of Action (JCPOA).

VIENNA (Dispatches) - Austrian energy group OMV is continuing with planned Iranian energy projects despite the United States' withdrawal from a nuclear pact with Tehran.

European firms doing business in Iran face U.S. sanctions after President Donald Trump withdrew from a deal between the U.S., France, Germany, Britain, Russia,

China and Iran, which lifted sanctions.

The other signatories have indicated that they hope to salvage the deal. French finance minister Bruno Le Maire brought up the idea that the European Union could compensate European companies that might face U.S. sanctions.

Last week, French energy giant Total joined other European

companies in signaling a possible exit from Iran in light of Trump's decision.

OMV was monitoring political developments in the U.S. and the European Union very closely, OMV's upstream chief Johann Pleininger told its annual shareholder meeting in Vienna.

"The project has not come to a standstill, it is continuing,"

Pleininger said with regard to Iran, adding that "no investments have been made yet".

The Austrian group, which generates the bulk of its profit in Europe, started operations in Iran in 2001 as the operator of the Mehr exploration block in the west of the country.

OMV halted operations in 2006 due to sanctions, but following sanctions relief it signed in May 2016 a memorandum with the National Iranian Oil Company (NIOC) for projects located in the Zagros area in the west and the Fars field in the south, where foreign firms often need a local partner.

In June 2017, OMV and Russia's Gazprom Neft announced a memorandum of understanding to work in Iran's oil sector.

At last year's shareholders meeting, Pleininger said the NIOC still owed OMV \$48 million. OMV bought Iranian crude oil in April, a spokesman said this month but did not give any more detail.

OMV is Austria's former state petroleum company and the government still holds a 31.5 percent stake. Its second-biggest investor is Abu Dhabi industrial group Mubadala Investment with 24.9 percent.

Iran's Market Indifferent to Pompeo's Threats



Tehran Stock Exchange

TEHRAN (Dispatches) - The Iranian market didn't show any tangible reaction to the remarks by U.S. Secretary of State Mike Pompeo and his threats to impose more sanctions against Tehran.

The price of dollar increased to 63,000 rials in the first hours of Tuesday, one day after Pompeo's comments, and experienced a 200-rial decline at the end of the day, almost the same price as Monday, a report by the pro-reformist Persian-language economic daily, Donyaye Eghtesad said.

Pompeo said on Monday that he wanted a new deal with Iran, but his 12 demands on what he called as ending Iran's regional interventions and missile program are considered a non-starter by the government and people, particularly in the way they were presented.

While some U.S. officials hope their increasingly aggressive measures could trigger some kind of unrests in Iran, they are unlikely to get much take-up by the Iranian people.

The Iranian people didn't see much difference between Pompeo's remarks and the past threats by other Washington officials.

Also, Tehran's Stock Exchange showed no specific reaction to Pompeo's remarks on Tuesday with various indices and prices almost stable on Monday and Tuesday.

Russia: Iran Electrification Project Not Subject to U.S. Sanctions



TEHRAN (Dispatches) - State monopoly Russian Railways says it does not expect its development projects in Iran, including a 1.2 billion euro electrification plan, to be impacted by planned U.S. sanctions on the Islamic Republic.

The company signed a deal in November 2015 to electrify the 500 km Garmsar-Ince Burun line in northeast Iran, which stretches to Turkmenistan and Kazakhstan, linking Central Asia to the Persian Gulf and beyond.

"In Iran, we will be engaged in electrification which is related

directly to railway transport. We believe that this is a completely civilian project that does not fall under the sanctions, but we are clarifying it," Russian Railways CEO Oleg Belozeroz told domestic media.

The work is scheduled to begin in July and the Russian government to provide funds as part of a \$5 billion credit line which Moscow has undertaken to extend for infrastructure projects in Iran.

The contract covers design, sourcing of materials and

equipment and construction of stations and tunnels, traction substations, section pillars, duty posts of the contact station and the power supply administration building.

In 2012, Russian Railways completed the electrification of the Tabriz-Azarshahr railway line in northwest Iran.

The Russians have also announced readiness to carry out the 600 km Tehran-Tabriz rail electrification project, which is also eyed by the Germans and Italians.

In July 2017, Russia's largest manufacturer of locomotives and rail equipment, CJSC Transmashholding, signed a 2.5 billion euro deal with IDRO Group in Tehran for joint production of rolling stock in Iran.

Belozeroz said his company had also held preliminary talks on possible participation in the reconstruction of Syria's railroads but that no decisions had been made yet.

Oil Falls Amid Concern Over OPEC Supply Rise

LONDON (Reuters) - Oil eased on Wednesday, under pressure from a potential increase in OPEC crude output to cool the market's recent rally and cover any shortfalls in supply from Iran and Venezuela.

Across the broader financial markets, investors dumped equities and other industrial commodities in favor of the Japanese yen, U.S. and German government bonds and gold, as concern mounted that setbacks to U.S.-China trade talks would undermine increasingly fragile-looking world growth.

Brent crude LCOc1 futures were last down 53 cents at \$79.04 a barrel by 1354 GMT, while U.S. crude CLc1 slipped 24 cents to \$71.96 a barrel.

Oil prices have gained nearly 20 percent this year, with Brent briefly rising above \$80, driven primarily by coordinated supply cuts by the Organization of the Petroleum Exporting Countries and partners including Russia.

The price has also been affected by rising geopolitical tensions that could dent global

output just as demand is set to hit 100 million barrels per day in the final quarter of this year, according to the International Energy Agency.

In addition, the United States plans to reimpose sanctions on major oil producer Iran, while an economic crisis has decimated Venezuela's crude output.

Based on the prospect of a shortfall in supply relative to demand, investors had driven their bets on a sustained rise in the price of oil to record highs earlier this year.

But with so much uncertainty over how sanctions might affect Iranian supply, fund managers have cut their holdings of crude futures and options by more than 10 percent in the last seven weeks to the lowest level this year.

OPEC may decide to raise oil output as soon as June due to worries over Iranian and Venezuelan supply and after Washington raised concerns the oil rally was going too far, OPEC and oil industry sources familiar with the discussions told Reuters.

MP Sees Iran Oil Exports Steady

TEHRAN (Dispatches) - Iran would continue exporting oil at current levels in the future, a member of the Iranian parliament said.

Elaborating on the highlights of a meeting of the parliament's energy committee with the CEO of the National Iranian Oil Company (NIOC), Hossein Amiri Khamkani said Iran-EU scenarios for preserving the Joint Comprehensive Plan of Action (JCPOA) were considered during the meeting.

"Iran will continue exporting oil at the current levels which are roughly 2.2 million barrels per day," the MP said.

Meanwhile, National Iranian Oil Company (NIOC) announced Iran's crude oil and gas condensate exports reached 2.75 million barrels per day in the period between April 21 and May 21.

The company said export cargoes were headed to Asian and European markets during the period.

The country exported 2.45 mbd of crude oil and 300,000 b/d of gas condensate during the month.

One third of the exports (over 800,000 b/d) were destined to Europe during the period, NIOC said.

China and India, as usual, were Iran's biggest buyers.

ZTE Revenues Fall \$2bn as U.S. Sanctions Bite



LONDON (Financial Times) - ZTE, the Chinese telecoms equipment maker, is estimated to have lost more than \$2bn in revenue since the imposition of a ban on the supply of U.S. components by Washington last month, according to calculations based on last year's figures.

Although Beijing and Washington are said to be close to a deal to grant a reprieve from U.S. sanctions that nearly destroyed ZTE, the damage to the Chinese telecoms group's prospects could linger as suppliers and clients take long-

term decisions on their supply lines.

ZTE reported full-year revenues of Rmb108.8bn (\$17bn) in 2017, or an average of \$1.4bn a month. The U.S. ban on supplying parts to ZTE — after the group was found to have violated sanctions against North Korea and Iran — was imposed roughly six weeks ago, implying lost revenues of more than \$2bn.

While customers are unlikely to opt to switch suppliers, American carriers buying ZTE handsets — the fourth most popular in the U.S. — could start making back-

up plans given the lead times involved, according to Edison Lee, a Hong Kong-based analyst at Jefferies, the investment bank.

However, he added that if sanctions were lifted soon, the telecoms supplier should be able to regain its previous trading relationships.

The telecoms group, which has become a bargaining chip in a game of trade brinkmanship between the U.S. and China, on Wednesday refused to comment on potential losses or on whether any production had restarted at its plant in Shenzhen.