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A Blow to US… China to Invest $280bn in Iran Sectors Targeted by Sanctions

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China is planning to invest $280 billion in Iran's oil, gas, and petrochemical sectors that are being affected by US sanctions, according to Petroleum Economist magazine.

The energy affairs magazine quoted a senior source who was linked to the Iranian Oil Ministry, as stating that this enormous investment represents a key point in a new agreement between the two countries. This was confirmed during Iranian foreign minister Mohammad Javad Zarif's visit to China in late August, to present a roadmap for the strategic comprehensive partnership agreement, which concluded in 2016.

According to the magazine, Beijing also pledged to invest $120 billion in Iran's oil sector and industrial infrastructure.

This vast amount will be disbursed during the first five years of the agreement's entry into implementation, with possible additional investments in subsequent similar periods, if both parties agree.

In return, Iran will grant Chinese companies the priority right to participate in tenders for any new, frozen or incomplete projects to develop oil and gas fields, as well as all petrochemical projects, including the provision of technology and staff to implement these projects.

This comprises the deployment of up to 5,000 Chinese security officers in Iranian territories to secure Chinese projects, as well as the involvement of other staff and resources in securing oil, gas or petrochemical exports from Iran to China, including those across the Gulf, the source explained.

The agreement also permits China to purchase oil, gas and petrochemical products at low prices, with the right to delay the payment of these prices for two years in the Chinese national currency (Yuan) or other "easy currencies" with which Beijing makes profits, through its projects in Africa and the former Soviet republics, without resorting to transactions in USD.

According to the source, this agreement grants China a total discount of around 32 per cent on all oil, gas, and petrochemical products from Iran.

This plan also emerged during the course of China's "One Belt, One Road" initiative, in which Beijing intends to take advantage of the low-cost labour force available in Iran, to establish factories to be supervised by Chinese prominent companies.

In return, the new agreement enables Tehran to strengthen its partnership with Beijing, a permanent member of the UN Security Council, and raise the level of production in three of its largest oil and gas fields, in addition to China's approval to increase the volume of oil imports from Iran.

The source stressed that the main points of the new agreement will not be publicly announced, although they represent a significant shift in the balance of power in the world's oil and gas sectors.

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