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# Iran, Malaysia sign \$16bn gas deal

by [Zahra Hosseinian](#) on Thursday, 27 December 2007



**LANDMARK DEAL:** Iran and Malaysia have inked a \$16bn agreement to develop gas fields and build plants. (Getty Images)

Iran and Malaysian group SKS signed a multi-billion-dollar gas development contract on Wednesday, Iran's oil minister said, sealing the kind of energy deal that has drawn criticism from the US.

The National Iranian Oil Company and SKS, which is owned by Malaysian billionaire Syed Mokhtar Al-Bukhary, reached a preliminary \$16 billion deal in January to develop the Golshan and Ferdows gas fields and build plants to produce liquefied natural gas (LNG).

Oil minister Gholamhossein Nozari described it as one of the biggest investment deals in Iran's energy sector, coming less than three weeks after China's Sinopec agreed to develop the huge Yadavaran oil field.

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"Our main approach is... Asian countries which are the focus of attention because of their future vast energy markets," Nozari said, according to the Oil Ministry's website.

Iranian media said the contract signed on Wednesday had a total value of \$16 billion. But Nozari suggested in remarks broadcast on state television that it concerned only the upstream part, with foreign investment requirements of \$6 billion under a so-called buyback arrangement.

The part of the deal regarding LNG production, with investments estimated at \$9-10 billion, would be ready for signing soon, he added.

Washington, which is leading efforts to isolate Tehran over atomic activities which the West fears may be used to build bombs, has sought to discourage foreign companies from investing in Iran, one of the world's largest oil exporters.

But Malaysia, like Iran a mainly Muslim nation, has said it would not bow to US pressure over its Iranian business links. Its state oil firm Petronas has a 10% stake in the Pars LNG project led by France's Total.

SKS officials could not be reached for comment. However, SKS and the Iranian state oil firm plan to build an oil refinery in the Malaysian town of Bukit Kayu Hitam to process Iranian crude for export.

Nozari said initial production from the LNG project would start in five years' time, the IRNA news agency said. He has earlier said it would take 25 years to complete the project.

He said the two partners would share the LNG, gas which has been cooled into liquid. Nozari said in January the two fields contained 60 trillion cubic feet of gas.

Iran sits atop the world's second largest gas reserves after Russia. But sanctions, politics and construction delays have slowed its gas development, and analysts say the country is unlikely to become a major exporter for a decade.

Economists have said many foreign firms, particularly Western companies, are increasingly wary of investing in the Islamic republic after the UN imposed two rounds of sanctions on the country over its nuclear row since December.

But the country's large oil and gas reserves still make it a magnet for international energy firms. On December 9, Iran said Sinopec would invest around \$2 billion to develop Yadavaran, a deal which drew a swift rebuke from Washington.

The US is pushing for a third set of UN sanctions, even though a US intelligence report said Tehran had halted its nuclear weapons programme in 2003.

Iran says it has never had plans to build nuclear bombs, insisting its nuclear work is peaceful and aimed at generating electricity so that it can export more of its oil and gas.

In January, the head of a key committee in the US Congress called for a halt to trade talks with Malaysia after the preliminary gas development agreement was signed with Iran.

But a US trade official last month said the US and Malaysia planned to resume formal negotiations on a free trade agreement in early 2008. (Reuters)

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