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Iran's return a game changer for OPEC

DUBAI (News agencies) – OPEC is likely to keep oil output steady and defend its market share this year after Tehran's nuclear deal with major powers, since a full return of Iranian crude to the market will not be swift, Gulf Organisation of Petroleum Exporting Countries (OPEC) delegates said.

But, 2016 will be a tough year for the producer group when international sanctions on Iran are expected to ease, allowing it to boost oil production and exports.

Tehran's determination to reclaim its position as OPEC's second largest producer after it clinched the deal on Tuesday will cause new rivalries within the group.

But Saudi Arabia and its Gulf OPEC allies are betting that higher demand next year may help the market absorb extra volume.

They doubt that Iran's return would pose a serious challenge to their market share or force OPEC to address Iran's request for room to be made for it in the market, at least for now.

"If production from non-OPEC slows down as expected and at same time demand continues growing next year, assuming that Iraq doesn't increase big and Libya is not going to come back, then the market will absorb the Iranian oil," a senior Gulf OPEC delegate told **Reuters**.

OPEC sees world oil demand increasing by 1.34 million barrels per day (bpd) in 2016, up from growth of 1.28 million bpd this year.

Western sanctions imposed on Iran in 2012 over its nuclear programme have cost it billions of dollars in oil revenues and market share in OPEC – largely to its main regional political rival Saudi Arabia, and its neighbour Iraq.

Iranian Oil Minister Bijan Zanganeh warned OPEC at its last meeting in June that his country's oil output could rise by as much as 1 million bpd within six or seven months of sanctions being relaxed.

The senior Gulf delegate echoed views of other OPEC officials and analysts in saying that sanctions on Iran are unlikely to be lifted until 2016, and that Tehran's ambition to boost output by 1 million bpd may not materialise soon.

Iran is unlikely to export more than an extra 500,000 bpd in the first half of 2016, and an additional 500,000 bpd in the second half of 2016, Commerzbank senior oil analyst Carsten Fritsch told the Reuters Global Oil Forum.

"One million bpd of additional oil from Iran would cover almost the expected demand increase in 2016 and wipe out the impact of stalling US oil production," he said.

Oil prices tumbled on Tuesday, after Iran's nuclear deal before rising on the realisation that sanctions on Tehran were still in place for now, continuing to limit its crude exports.

Brent crude rose above $58 a barrel yesterday. It was not clear how long it would take for the sanctions to come off. Iran is not likely to receive many of the benefits from the lifting of sanctions until next year because of the need to verify the nuclear deal's implementation.