

# Strategic Analysis of the Iran Petroleum Contract (IPC) Framework: Enhancing Foreign Investment and Advancing Iran's Foreign Policy Objectives

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## **Abstract**

The Iran Petroleum Contract (IPC) framework represents a significant shift in Iran's approach to attracting foreign investment in its oil sector while advancing its foreign policy interests. Drawing upon resource nationalism theory, foreign direct investment theory, and economic statecraft theory, this study addresses the central research question: How does the IPC framework aim to balance attracting foreign investment in Iran's oil sector with advancing its foreign policy objectives? Employing a descriptive-analytical approach, the research utilizes qualitative analysis, comparative analysis, and scenario planning to assess the IPC's implications. The findings highlight the IPC's potential to enhance technology transfer, boost oil production capacity, and foster regional cooperation. However, challenges arising from political risks, international sanctions, and domestic opposition must be addressed with targeted policy measures. The study offers recommendations to enhance the IPC's effectiveness, including streamlining bureaucratic processes, offering competitive fiscal terms, strengthening legal frameworks, enhancing transparency, and developing local capabilities. Moreover, aligning the IPC with Iran's foreign policy goals requires diversifying investment partnerships, leveraging the framework for regional cooperation, and integrating it with national development objectives. The insights provided contribute to understanding the complex interplay between contractual frameworks, foreign investment, and strategic interests in Iran's oil sector, informing policymakers, industry stakeholders, and researchers in their decision-making processes. The IPC's successful implementation will be crucial in shaping Iran's economic development and foreign policy trajectory in the years to come.

**Keywords:** Iran Petroleum Contract (IPC), Foreign investment, Resource nationalism, Economic statecraft, Energy diplomacy.

## Introduction

Iran's oil industry has long been the backbone of its economy, shaping its strategic position in the global energy landscape. The evolution of contractual frameworks in Iran's oil sector reflects the nation's efforts to balance its sovereign rights over natural resources with the need to attract foreign investment and technology. The Iran Petroleum Contract (IPC), introduced in 2015, represents a significant shift in Iran's approach to engaging international oil companies (IOCs) while advancing its foreign policy objectives.

Iran's vast oil and gas reserves have been subject to international sanctions, political uncertainties, and regulatory hurdles, leading to the underutilization of its hydrocarbon potential. The need for a revised approach to address the limitations of previous models, such as the buyback contracts, set the stage for the introduction of the IPC. This new model aims to offer more attractive terms to foreign investors, including longer contract durations, flexible fiscal terms, and enhanced risk allocation, while prioritizing technology transfer and the development of local capabilities. The literature on Iran's petroleum contracts, particularly the Iran Petroleum Contract (IPC) framework, provides a comprehensive basis for understanding its strategic implications. Key studies, such as those by Ghorbani (2020), Tavakkoli Mohammadi et al. (2024), and Kashanei et al. (2023), trace the evolution of Iran's petroleum contracts, identifying limitations in previous models and the need for updated approaches. Research by Shiravi and Ebrahimi (2006), Farimani et al. (2020), and others examines the IPC's contract structure, fiscal terms, risk allocation, and technology transfer provisions. Various studies, including those by Ashwarya (2016) and Sahebbonar et al. (2016), assess barriers to foreign investment and the IPC's potential impact. Analysis by Tavakkoli Mohammadi et al. (2024) and Keshavarz et al. (2021) evaluates the IPC's effectiveness under different market conditions. Additionally, Ghorbani (2020) and Behdadnia and Ziyadeh (2022) explore the IPC's intersection with energy and foreign policy, highlighting its impact on resource security and diplomatic strategies. Further insights are provided by Amin Zadeh and Aghababaei Dehkordi (2014) on comparative efficiency, Mahdavi Sabet et al. (2020) on sanctions challenges, and Pornouri (2020) on the IPC's alignment with Iran's strategic priorities.

To analyze the complex relationship between Iran's national interests, foreign investment in the oil sector, and the strategic implications of the IPC framework, this study employs three key theories: Resource Nationalism Theory, Foreign Direct Investment

Theory, and Economic Statecraft Theory. Resource Nationalism Theory emphasizes a nation's sovereign right to control and benefit from its resources, often prioritizing national interests over foreign investments (Ganbold & Ali, 2017; Young, 2017). This theory is essential for understanding the IPC's balance between maintaining state control and attracting foreign investment. The IPC framework seeks to reconcile these interests by preserving state ownership while offering favorable terms to investors, although it poses risks of renegotiation if national priorities shift.

This article presents a strategic analysis of the IPC framework, examining its potential to enhance foreign investment in Iran's oil sector while advancing the nation's foreign policy goals. The central research question explores how the IPC aims to balance these objectives, with sub-questions addressing the key features and advantages of the IPC compared to previous models, its ability to address investor concerns, and the potential geopolitical implications of attracting foreign investment through this framework.

To provide a comprehensive analysis, the research employs a descriptive-analytical approach, drawing on diverse data sources, including official documents, academic literature, industry reports, and news articles. The research methodology incorporates qualitative analysis, comparative analysis, and scenario planning to examine the collected data and derive meaningful insights. Additionally, the study utilizes case studies of landmark IPC projects to provide concrete examples of the framework's implementation and outcomes.

The significance of this study lies in its contribution to understanding the complex interplay between contractual frameworks, foreign investment, and strategic interests in Iran's oil sector. By shedding light on the IPC's economic impact and strategic value, this article aims to inform policymakers, industry stakeholders, and researchers, facilitating evidence-based decision-making and fostering a deeper understanding of the IPC's potential to shape Iran's economic and geopolitical landscape.

As Iran navigates the challenges posed by international sanctions and the global energy transition, the effective implementation of the IPC framework could play a crucial role in revitalizing its oil industry and strengthening its position in the global energy market. This article seeks to provide valuable insights to support Iran in its pursuit of sustainable economic growth and strategic influence through the optimization of its hydrocarbon resources.

The structure of this article is as follows: First, a comprehensive

literature review provides the context for understanding the IPC and its implications. Next, the theoretical framework underpinning the analysis is presented, drawing on resource nationalism, foreign direct investment, and economic statecraft theories. The historical context and evolution of Iran's petroleum contracts are then examined, followed by a detailed analysis of the IPC's key features and mechanisms. The subsequent sections assess the foreign investment prospects under the IPC framework, explore how the IPC can be leveraged for advancing Iran's strategic interests, and analyze landmark IPC projects. The article concludes with a discussion of the findings and their implications for Iran's oil sector and foreign policy objectives.

### **1. Historical Context and Evolution of Iran's Petroleum Contracts**

Iran's petroleum industry has a long and complex history shaped by foreign involvement, resource nationalism, and evolving contractual frameworks. The country's first oil concession, the D'Arcy Concession, was granted to a British national in 1901, marking the beginning of foreign dominance over Iran's hydrocarbon resources (Ala & Sorkhabi, 2024, p. 102). This concession, which covered a vast area and extended for 60 years, set the stage for decades of unequal agreements that favored foreign interests at the expense of Iran's sovereignty and economic development.

The establishment of the Anglo-Persian Oil Company (later British Petroleum) in 1909 further entrenched British control over Iran's oil industry. Frustration with the inequitable terms of the concessions and the lack of benefits accruing to Iran led to growing calls for nationalization in the mid-20th century. The movement culminated in the 1951 nationalization of the oil industry under Prime Minister Mohammad Mosaddegh, a pivotal event that asserted Iran's right to control its natural resources (Pashayi & Kodaman, 2023, p. 227).

However, the 1953 coup d'état, orchestrated by the United States and the United Kingdom, overthrew Mosaddegh's government and paved the way for the return of foreign oil companies under the 1954 Consortium Agreement. This agreement, while an improvement over previous concessions, still provided favorable terms to foreign entities and limited Iran's control over its oil industry (Heiss, 1994, pp. 511-529).

The 1979 Islamic Revolution marked a turning point in Iran's approach to petroleum contracts. The new government canceled all existing agreements with foreign companies and asserted full national

ownership over hydrocarbon resources, enshrining these principles in the Constitution (Brumberg & Ahram, 2007, p. 17). In the post-revolutionary period, Iran introduced buyback contracts as a means to attract foreign investment while maintaining sovereignty.

Under buyback contracts, foreign companies provided capital and expertise for oil field development but were required to hand over operations to the National Iranian Oil Company (NIOC) upon completion of the project. These contracts had limitations, including short durations, inflexible terms, and inadequate incentives for technology transfer and reservoir management (Farimani et al., 2020, p. 1451). Despite undergoing several rounds of revisions, buyback contracts failed to attract sufficient foreign investment to revitalize Iran's oil industry.

Recognizing the need for a more attractive framework, Iran introduced the Iran Petroleum Contract (IPC) in 2015. The IPC aimed to address the shortcomings of buyback contracts by offering longer contract durations, more flexible fiscal terms, and greater emphasis on joint venture partnerships and technology transfer (Afshari et al., 2022, p. 62). This shift represented an effort to balance the principles of resource nationalism with the pragmatic need for foreign capital and expertise.

As Iran seeks to revitalize its oil sector and strengthen its position in the global energy market, the historical evolution of its petroleum contracts provides valuable lessons. Striking the right balance between national control and foreign participation, ensuring mutually beneficial terms, and promoting technology transfer and capacity building will be crucial for the success of the IPC framework. By learning from its past experiences and adapting to the changing realities of the international oil industry, Iran can harness its vast hydrocarbon resources to drive economic development and advance its strategic interests in the 21st century.

## **2. Key Features and Mechanisms**

The Iran Petroleum Contract (IPC) framework, introduced in 2015, represents a significant shift in Iran's approach to engaging foreign investors in its oil and gas sector (Afshar & Bahmaei, 2023, p. 1). The IPC aims to address the limitations of previous contractual models, such as the buyback contracts, and create a more attractive environment for international oil companies (IOCs) while safeguarding Iran's national interests.

One of the most notable changes in the IPC is the extended contract duration compared to previous models. The IPC allows for

a contract term of up to 20 years for exploration, development, and production phases, with the possibility of a five-year extension for enhanced oil recovery (EOR) projects (Tavakkoli Mohammadi et al., 2024, p. 74). This longer duration provides foreign investors with greater certainty and increases the prospects for cost recovery and return on investment.

The IPC also introduces a more flexible fiscal system. Rather than setting a fixed cost recovery ceiling, the IPC allows for costs to be determined through an annual work program and budget approved by a joint committee. This approach provides room for adjustments based on project requirements and changing market conditions. The IPC offers a variable remuneration fee linked to production rates, oil prices, and field complexity, incentivizing IOCs to deploy efficient methods and advanced technologies (Shiravi & Vafaei, 2020, p. 280; Al Yahyai, 2023, p. 253).

Under the IPC, the contractor is entitled to recover costs and receive remuneration from a maximum of 50% of the revenue generated from oil and gas production. If the contractor is unable to recover costs within the contract term, the term may be extended with the approval of the NIOC (Keshavarz et al., 2021, p. 1890). This provision addresses a key concern of IOCs regarding the inflexibility of cost recovery under the buyback contracts.

The IPC places a strong emphasis on technology transfer and the development of local capabilities in Iran's oil and gas sector. The framework requires IOCs to submit comprehensive plans for technology transfer as part of their annual operational and financial plans (Kashanei et al., 2023, pp. 115-117). Additionally, the IPC mandates the establishment of joint venture partnerships between IOCs and Iranian entities, facilitating the transfer of knowledge, expertise, and managerial skills to the local workforce (Ashwarya, 2016, p. 41).

Compared to the buyback contracts, the IPC offers several advantages. The buyback model faced criticism for its short contract terms, inflexible cost recovery mechanisms, and limited incentives for technology transfer and long-term reservoir management. The IPC addresses these shortcomings by offering longer contract durations, more flexible fiscal terms, and a greater emphasis on joint venture partnerships and knowledge sharing.

The IPC framework presents significant opportunities for both Iran and foreign investors. By attracting foreign investment and advanced technologies through the IPC, Iran aims to boost its oil production capacity, revitalize aging fields, and drive the modernization of its oil



and gas sector (Pornouri, 2020, p. 17). The influx of capital and expertise can stimulate job creation, infrastructure development, and technological advancements, contributing to Iran's long-term economic growth and energy security.

In conclusion, the IPC framework introduces several key features and mechanisms designed to enhance the attractiveness of Iran's oil and gas sector to foreign investors while safeguarding national interests. The extended contract duration, flexible fiscal terms, cost recovery provisions, and emphasis on technology transfer and joint venture partnerships represent significant improvements over previous contractual models. As Iran seeks to revitalize its hydrocarbon resources and strengthen its position in the global energy market, the successful implementation of the IPC will be crucial in shaping the future of its oil and gas industry.

### **3. Strategic Assessment of Foreign Investment Prospects under the IPC Framework**

The Iran Petroleum Contract (IPC) framework represents a significant shift in Iran's approach to attracting foreign investment in its oil and gas sector. By offering more favorable terms to international oil companies (IOCs) compared to previous contractual models, the IPC aims to revitalize Iran's upstream petroleum industry and strengthen its position in the global energy market.

The fiscal terms and incentives offered by the IPC framework play a crucial role in determining the attractiveness of Iran's oil and gas sector to foreign investors. The analysis of remuneration rates reveals that the variable fee structure of the IPC allows for a more equitable distribution of project risks and rewards between the NIOC and IOCs compared to the fixed remuneration fee in buyback contracts (Tavakkoli Mohammadi et al., 2024, p. 71). However, the overall level of remuneration may still be lower than what IOCs can secure in other jurisdictions with more favorable fiscal terms, necessitating a careful balance between competitiveness and safeguarding Iran's national interests.

The examination of tax provisions highlights potential concerns for foreign investors, as the IPC may be perceived as less favorable compared to production sharing contracts (PSCs) in other countries that often include tax exemptions or stabilization clauses (Nikbakht Fini et al., 2018, p. 566). Streamlining the tax payment and recovery process and providing greater clarity on tax obligations could help mitigate perceived risks for IOCs.

The evaluation of revenue sharing mechanisms under the IPC reveals that while the cost recovery mechanism provides IOCs with a degree of certainty, it also places a cap on their potential returns compared to PSCs in other countries (Ghorbani, 2020, p. 41; Pornouri, 2020, p. 23). Increasing the cost recovery ceiling or offering more favorable profit-sharing terms in line with international standards could enhance the IPC's competitiveness.

The level of foreign investment attracted by the IPC framework will depend on various factors, including global oil price fluctuations, shifts in market demand, and the specific terms offered by Iran to IOCs. Scenario analysis of expected investments under the IPC, considering the impact of market conditions and political contexts, provides valuable insights for policymakers and industry stakeholders.

To illustrate the potential outcomes under different scenarios, we present a hypothetical analysis based on a typical medium-sized oil field development project under the IPC framework. Table 1 summarizes the key assumptions and potential outcomes under three scenarios: base case, high oil price, and low oil price.

**Table (1): Scenario Analysis for a Hypothetical IPC Project**

Parameter	Base Case	High Oil Price	Low Oil Price
Oil Price (USD/barrel)	60	80	40
Project Duration (years)	20	20	20
Peak Production (bpd)	100,000	100,000	100,000
Total Investment (USD bn)	5	5.5	4.5
IRR for IOC (%)	15	22	8
Government Take (%)	65	70	60
Technology Transfer Index*	Medium	High	Low

Source: (Research Findings)

\*Technology Transfer Index is a qualitative measure of the level of technology and knowledge transfer expected under each scenario.

\*\*The figures presented in this table are hypothetical and for illustrative purposes only. Actual project outcomes may vary significantly based on specific field characteristics, market conditions, and geopolitical factors.

In the base case scenario, with an oil price of \$60 per barrel, the project is economically viable for both the IOC and the Iranian government. The IOC achieves a 15% Internal Rate of Return (IRR), while the government secures a 65% share of the project's revenues.

In a high oil price scenario (\$80 per barrel), the IPC's fiscal terms become more favorable for IOCs, potentially incentivizing investment in Iran's oil and gas sector (Lingard et al., 2020, p. 8). The IOC's IRR increases to 22%, while the government's rises to



70%. This scenario also facilitates higher investment in advanced technologies and more extensive knowledge transfer programs.

Conversely, in a low oil price scenario (\$40 per barrel), the IPC's fiscal terms may become less attractive, leading to a reduction in foreign investment as IOCs prioritize projects with lower break-even costs and higher profitability. The IOC's IRR drops to 8%, which may be below the threshold for investment, while the government's take decreases to 60%. In this scenario, there may be pressure to renegotiate contract terms or implement additional incentives to maintain project viability.

It is important to note that these scenarios are simplifications, and actual outcomes would depend on numerous factors, including specific field characteristics, cost structures, and geopolitical considerations. However, they illustrate the potential impact of oil price fluctuations on project economics and investment decisions.

Shifts in global energy demand driven by factors such as economic growth, energy efficiency measures, and the adoption of renewable energy sources can also significantly impact the investment decisions of IOCs. For instance, if global oil demand growth rates decline from the historical average of 1.5% annually to 0.5% due to accelerated adoption of electric vehicles and renewable energy, it could reduce the attractiveness of long-term investments in oil production projects.

To address these challenges and maintain the attractiveness of the IPC framework across various scenarios, Iran could consider implementing the following measures:

- Flexible fiscal terms that adjust based on project profitability and oil prices.
- Incentives for enhanced oil recovery (EOR) and technology transfer to improve project economics in challenging price environments.
- Integration of natural gas and petrochemical projects to diversify revenue streams and reduce exposure to oil price volatility.
- Provisions for periodic review and adjustment of contract terms to ensure mutual benefits under changing market conditions.

By conducting thorough scenario analyses and implementing adaptive strategies, Iran can enhance the resilience and attractiveness of the IPC framework across various market conditions. This approach can help policymakers and industry stakeholders make informed decisions and develop contingency plans to address potential challenges, ensuring the long-term success of Iran's efforts to attract foreign investment in its oil and

gas sector.

Political risks and international sanctions have been significant barriers to foreign investment in Iran's oil and gas sector. Despite the lifting of nuclear-related sanctions under the Joint Comprehensive Plan of Action (JCPOA) in 2016, the re-imposition of US sanctions and ongoing geopolitical tensions in the region continue to pose challenges for IOCs considering investments in Iran.

The unilateral US sanctions imposed on Iran's energy sector, financial system, and key individuals and entities have created significant obstacles for IOCs seeking to invest in the country. The threat of secondary sanctions, which can result in penalties for companies doing business with Iran, has deterred many IOCs from engaging in Iranian projects, even in the absence of UN or EU sanctions (Jalilvand, 2017, p. 2). Moreover, the lack of access to the US financial system and restrictions on transactions in US dollars have complicated the financing and payment processes for Iranian oil and gas projects (Rome, 2021).

The uncertainty surrounding the future of the JCPOA and the possibility of snapback sanctions also creates a challenging environment for long-term investments in Iran's oil and gas sector. IOCs may be hesitant to commit substantial capital to projects that could be jeopardized by changes in the political landscape or a re-imposition of sanctions (Mahdavi Sabet & et al., 2020, pp. 444 & 445).

To address the constraints posed by political risks and sanctions, Iran and IOCs can explore various risk mitigation strategies to create a more stable and predictable investment environment. Engaging in international diplomacy, providing robust legal and regulatory frameworks, diversifying investment partnerships, and focusing on long-term strategic partnerships can help create a more favorable climate for foreign investment.

While these risk mitigation strategies can help create a more attractive environment for foreign investment under the IPC framework, political risks and sanctions will likely remain a significant factor in the decision-making processes of IOCs. Iran will need to demonstrate a strong commitment to international norms, transparency, and the rule of law to build confidence among foreign investors and counterbalance the perceived risks associated with investing in the country.

Ultimately, the success of the IPC framework in attracting foreign investment will depend on Iran's ability to navigate the complex geopolitical landscape, address the concerns of IOCs, and create a stable and mutually beneficial partnership model that can

withstand the challenges posed by political risks and sanctions. By adopting a proactive and adaptable approach, Iran can position itself to maximize the benefits of foreign investment in its oil and gas sector while safeguarding its national interests and long-term strategic objectives.

#### **4. Leveraging the IPC Framework for Advancing Iran's Strategic Interests**

The Iran Petroleum Contract (IPC) framework not only aims to attract foreign investment and revitalize Iran's oil sector but also serves as a strategic tool for advancing the country's foreign policy objectives. By fostering regional energy cooperation, strengthening Iran's global market position, and managing geopolitical dynamics, the IPC can contribute to Iran's economic development and enhance its strategic influence in the international arena.

The IPC framework provides opportunities for Iran to engage in joint ventures with neighboring countries for the exploration, development, and transportation of oil resources. By collaborating with regional partners, Iran can promote economic integration and foster closer political ties. The IPC's flexibility in accommodating joint venture partnerships and cross-border projects (Tavakkoli Mohammadi et al., 2024, p. 74) can facilitate the development of shared infrastructure, such as pipelines and processing facilities, further enhancing regional interdependence. For instance, Iran can leverage the IPC to collaborate with Iraq on the development of shared oil fields like Azadegan and Yadavaran or with Oman on joint exploration and production activities in the Persian Gulf. Such partnerships not only optimize resource utilization but also create a shared interest in maintaining regional stability and resolving disputes through peaceful means.

The IPC's emphasis on technology transfer and joint research and development (R&D) programs provides another avenue for regional cooperation (UNCTAD, 2016, p. 85). By engaging in collaborative R&D projects with neighboring countries, Iran can foster knowledge sharing, build local capabilities, and drive technological advancements in the energy sector. Joint research centers and training programs can be established to tackle common challenges, such as enhancing oil recovery rates, reducing environmental impacts, and developing new technologies for exploration and production. Collaborative R&D efforts can also extend to renewable energy and energy efficiency, aligning with global trends towards sustainability and diversification. By

positioning itself as a hub for energy innovation and capacity building, Iran can strengthen its regional leadership and contribute to the development of a more integrated and resilient energy landscape in the Middle East.

The IPC framework aims to attract significant foreign investment and advanced technologies to revitalize Iran's aging oil fields and develop new reserves (Ashwarya, 2016, pp. 56-57). By boosting its oil production and export capacity, Iran can strengthen its position in the global energy market and increase its bargaining power vis-à-vis other major producers. The IPC's longer contract durations and more attractive fiscal terms incentivize international oil companies (IOCs) to commit substantial capital and expertise to exploration and development activities, potentially leading to a substantial increase in Iran's oil output. As Iran ramps up production and diversifies its export destinations, it can reduce its vulnerability to market fluctuations and geopolitical pressures, enhancing its economic resilience and strategic autonomy.

The IPC's focus on technology transfer and joint venture partnerships with IOCs provides Iran access to state-of-the-art exploration, production, and recovery technologies (Kashanei et al., 2023, p. 105). The influx of advanced technologies and know-how can modernize Iran's oil sector, improve operational efficiency, and optimize reservoir management practices. By adopting cutting-edge techniques such as enhanced oil recovery (EOR) and digitalization, Iran can maximize the long-term productivity of its hydrocarbon resources and maintain its competitiveness in an increasingly technology-driven global market. Moreover, the IPC's local content requirements and emphasis on building domestic capabilities can foster the growth of a robust Iranian oil and gas services industry, further enhancing Iran's technological self-sufficiency and global competitiveness.

To maximize the foreign policy benefits of the IPC, Iran must ensure that the framework aligns with its broader national priorities and strategic goals. This includes safeguarding its sovereignty over hydrocarbon resources, promoting domestic industrial growth, and pursuing an independent foreign policy while engaging with the international community. The IPC's emphasis on maintaining state ownership of oil and gas reserves and the prominent role of the National Iranian Oil Company (NIOC) in project management and decision-making reflect Iran's commitment to resource nationalism.

By striking a balance between attracting foreign investment and technology and preserving national control over its energy sector,

Iran can use the IPC to advance its strategic objectives and strengthen its position in the international arena. The IPC framework offers Iran a powerful tool to leverage its vast hydrocarbon resources for advancing its foreign policy interests. However, realizing the full potential of the IPC as an instrument of economic statecraft requires a proactive and nuanced approach that carefully navigates the complex interplay of economic, geopolitical, and legal factors shaping Iran's energy sector.

In conclusion, the IPC framework presents Iran with a unique opportunity to not only revitalize its oil and gas sector but also to advance its broader strategic interests. By fostering regional cooperation, strengthening its global market position, and carefully balancing resource nationalism with foreign engagement, Iran can use the IPC as a catalyst for economic growth and geopolitical influence. The success of this approach will depend on Iran's ability to navigate complex international dynamics, adapt to changing market conditions, and maintain a consistent and transparent policy environment that attracts and retains foreign investment while safeguarding national interests.

## **5. Lessons and Implications**

The Iran Petroleum Contract (IPC) framework, introduced in 2015, has been implemented in several significant projects that offer valuable insights into the challenges, adaptations, and potential of this contractual model. This section examines three landmark IPC projects: the South Pars Gas Field (Phase 11), Azar Oilfield, and Aban and West Paydar Fields. By analyzing these cases, we can draw important lessons about the IPC's effectiveness in attracting foreign investment, facilitating technology transfer, and advancing Iran's strategic interests in the face of evolving geopolitical dynamics.

### **5-1. South Pars Gas Field (Phase 11): Adapting to Evolving Challenges**

The South Pars Phase 11 project exemplifies the IPC's potential to attract major international oil companies, as well as its vulnerability to geopolitical shifts. In July 2017, NIOC signed a \$4.8 billion contract with a consortium led by France's Total, China's CNPC, and Iran's Petropars. However, following the U.S. withdrawal from the JCPOA and the re-imposition of sanctions, Total and CNPC withdrew from the project, leaving Petropars to develop the phase using domestic capabilities (Oil & Gas, 2023; Offshore Technology, 2018).

Despite these setbacks, the project has made significant progress, with gas production beginning in 2023, three years ahead of schedule (PetroPars, 2023). The innovative approach of relocating an existing platform demonstrates Iran's adaptability and determination to expedite development. The project's success showcases Iran's resilience, technological advancements, and commitment to its energy sector, even in the face of international challenges.

### **5-2. Azar Oilfield: Demonstrating Self-Sufficiency and Resilience**

The Azar Oilfield development project highlights Iran's ability to leverage domestic resources and expertise to advance its oil sector. With an estimated investment of \$1.6 billion, the project has been carried out by Iranian companies, utilizing local contractors and the expertise of the Iranian Central Oil Fields Company (Hydrocarbons Technology, 2023).

As of 2024, the Azar field accounts for approximately 1% of Iran's daily output and is expected to continue production until 2055 (Offshore Technology, 2024). The project's success in boosting production and reducing decline rates in mature fields demonstrates Iran's commitment to self-sufficiency and its capacity to develop complex oil fields without significant foreign involvement. The Azar project serves as a model for the potential of domestic capability development and the IPC's role in fostering the growth of Iran's oil and gas industry.

### **5-3. Aban and West Paydar Fields: Balancing International Engagement and Risks**

The Aban and West Paydar Fields development project illustrates the IPC's potential to attract foreign investment and technology while navigating geopolitical complexities. In March 2018, NIOC signed a \$674 million contract with Russia's Zarubezhneft and Iran's Dana Energy to develop these fields over a ten-year period (IOTCO, 2018; Shana, 2018).

As of 2024, the project has made substantial progress, with oil production rates ranging between 30,000 and 40,000 bpd despite the challenges posed by international sanctions. The joint venture has utilized the capacity of domestic contractors and expertise to exploit the oil fields effectively. The project has also facilitated technology transfer, with Zarubezhneft applying its EOR technology and providing training to Iranian partners (Shana, 2018; DanaEnergy, 2018).



The Aban and West Paydar project demonstrates the IPC's capacity to attract investment from countries that have maintained good relations with Iran, even in the face of geopolitical pressures. It highlights the importance of diversifying investment partnerships and leveraging the expertise of experienced operators to drive the development of Iran's oil and gas sector.

These landmark projects offer valuable lessons for refining the IPC framework and developing strategies to enhance its effectiveness. They underscore the importance of adaptability, resilience, and domestic capability development in the face of evolving challenges. Moreover, they demonstrate the potential of strategic partnerships, technology transfer, and innovative approaches to drive the growth of Iran's energy sector and strengthen its position in the global market.

As Iran navigates the complex geopolitical landscape and pursues its energy sector ambitions, the lessons drawn from these projects can inform policymaking and guide future IPC implementations. By leveraging the insights gained from these experiences, Iran can optimize the IPC framework to attract investment, foster self-sufficiency, and advance its strategic interests in an increasingly dynamic global energy market.

#### 5-4. Comparative Analysis of Landmark IPC Projects

To facilitate a clear comparison of the three landmark IPC projects discussed above, Table 2 presents a summary of their key characteristics and outcomes.

**Table (2): Comparative Analysis of Landmark IPC Projects**

Characteristic	South Pars Phase 11	Azar Oilfield	Aban and West Paydar Fields
Contract Value	\$4.8 billion	\$1.6 billion	\$674 million
Partners	Initially: Total, CNPC, Petropars; Later: Petropars alone	Iranian companies (ICOFC)	Zarubezhneft, Dana Energy
Project Type	Gas field development	Oil field development	Oil field development
Production Capacity	2 billion cubic feet per day (estimated)	65,000 barrels per day	30,000-40,000 barrels per day
Technology Transfer	High (initially), Medium (after withdrawal of foreign partners)	Medium	High
Challenges Faced	Withdrawal of foreign partners due to sanctions	Reliance on domestic capabilities	Operating under sanctions

Characteristic	South Pars Phase 11	Azar Oilfield	Aban and West Paydar Fields
Adaptability	High (project continued despite partner withdrawal)	High (demonstrated self-sufficiency)	Medium (continued operation with strategic partner)
Strategic Significance	Critical for Iran's gas production	Demonstration of domestic capabilities	Model for cooperation with sanctions-resistant partners
Year Project Started	2017	2012	2018

Source: (Research Findings)

Note: All information in this table is based on the sources cited in the article and reflects the most recent data available as of the time of writing. The "Year Project Started" refers to the year when the main development contract was signed or when significant development activities began.

This comparative analysis highlights the diverse approaches and outcomes of IPC implementation across different projects. While each project faced unique challenges, they collectively demonstrated the flexibility and potential of the IPC framework in attracting investment and technology, fostering domestic capabilities, and advancing Iran's strategic interests in the energy sector.

Conclusion

The Iran Petroleum Contract (IPC) framework represents a significant shift in Iran's approach to attracting foreign investment and expertise to its oil and gas sector. This comprehensive analysis, drawing upon the theoretical frameworks of resource nationalism, foreign direct investment, and economic statecraft, has explored the key features of the IPC, its potential for attracting foreign investment, and its implications for advancing Iran's foreign policy interests. The findings highlight both the potential benefits and the challenges associated with the implementation of the IPC framework.

Grounded in the principles of Resource Nationalism Theory, the IPC aims to balance Iran's sovereign rights over its hydrocarbon resources with the pragmatic need for foreign capital and technology. The framework introduces several advantages over previous contractual models, such as longer contract durations, more flexible fiscal terms, and a greater emphasis on joint venture partnerships and technology transfer. These features seek to create a more attractive investment environment for international oil companies (IOCs) while safeguarding Iran's national interests, as demonstrated by the case studies of key IPC projects like the South

Pars Gas Field, Azar Oilfield, and Aban and West Paydar Fields.

However, the analysis also reveals significant challenges that must be addressed to ensure the success of the IPC framework. Drawing insights from Foreign Direct Investment Theory, particularly the Eclectic Paradigm and Institutional Theory, the study underscores the importance of establishing a transparent, stable, and predictable legal and regulatory environment to reduce transaction costs and enhance investor confidence. Political risks, international sanctions, and geopolitical tensions continue to pose obstacles to foreign investment in Iran's energy sector, necessitating skillful diplomacy, strategic partnerships, and robust risk mitigation strategies.

Applying the lens of economic statecraft theory, the analysis highlights the potential of the IPC to serve as a tool for advancing Iran's foreign policy objectives. By fostering regional energy cooperation, strengthening Iran's global market position, and managing geopolitical dynamics, the IPC can contribute to Iran's economic development and enhance its strategic influence in the international arena. However, the effectiveness of the IPC as an instrument of economic statecraft depends on Iran's ability to navigate the complex interplay of resource nationalism principles, global economic integration demands, and the geopolitical environment.

The examination of landmark IPC projects, such as South Pars Phase 11, Azar Oilfield, and Aban and West Paydar Fields, provides valuable insights into the practical implementation of the framework. These case studies demonstrate Iran's adaptability, resilience, and capacity for domestic capability development in the face of evolving challenges. They also highlight the importance of strategic partnerships and technology transfer in driving the growth of Iran's energy sector and strengthening its position in the global market.

As Iran seeks to revitalize its oil and gas sector and strengthen its position in the global energy market, the effective implementation of the IPC framework will be crucial. The success of the IPC will depend on Iran's ability to adapt to evolving market conditions, geopolitical realities, and technological advancements while remaining committed to the principles of resource nationalism and sustainable development. By embracing a proactive, flexible, and holistic approach to policymaking and project implementation, Iran can harness the potential of the IPC to drive economic growth, technological progress, and strategic influence in the energy sector.

Looking ahead, the future prospects of the IPC framework are closely tied to the global energy landscape and the shifting dynamics of international relations. As the world transitions towards

a low-carbon future and the demand for clean energy grows, Iran must position itself to capitalize on the opportunities presented by the evolving market trends. Adapting the IPC framework to accommodate investments in renewable energy, energy efficiency, and sustainable technologies can help Iran diversify its energy portfolio and maintain its relevance in the global market.

Furthermore, the success of the IPC in advancing Iran's foreign policy interests will depend on the country's ability to navigate the complex web of regional and international relationships. By fostering mutually beneficial partnerships, promoting regional stability, and engaging in constructive dialogue with the international community, Iran can leverage the IPC framework to enhance its diplomatic standing and contribute to a more collaborative and integrated global energy system.

It is important to acknowledge the limitations of this study and identify areas for future research. One limitation is the rapidly changing geopolitical landscape, which can quickly alter the context in which the IPC operates. Future studies could benefit from real-time data analysis and more extensive fieldwork to capture the dynamic nature of IPC implementation. Additionally, while this study focused on the oil and gas sector, future research could explore the potential application of IPC-like frameworks to other sectors of Iran's energy industry, such as renewable energy or petrochemicals. Comparative studies with other oil-producing nations' contractual frameworks could also provide valuable insights into best practices and potential areas for improvement in the IPC model.

In conclusion, the IPC framework offers a promising avenue for Iran to attract foreign investment, modernize its oil and gas sector, and advance its strategic objectives. While challenges persist, the potential benefits of the IPC in terms of economic development, technological progress, and geopolitical influence are significant. By implementing targeted policies, fostering international cooperation, and remaining adaptable to changing circumstances, Iran can maximize the potential of the IPC framework and secure its position as a key player in the global energy market for years to come.

The application of the theoretical frameworks of resource nationalism, foreign direct investment, and economic statecraft has provided a robust foundation for understanding the complex interplay between Iran's national interests, its efforts to attract foreign investment, and the strategic implications of the IPC. These theories have shed light on the tensions between attracting investment and maintaining national control, the determinants of

foreign investment decisions, and the potential for petroleum contracts to serve as instruments of economic statecraft. The synthesis and integrated application of these theories throughout the study have guided the analysis of the IPC's key features, its comparison to previous models, its impact on attracting investment, and its role in advancing Iran's foreign policy interests.

In addressing the central research question of how the IPC framework aims to balance attracting foreign investment in Iran's oil sector with advancing its foreign policy objectives, this study has provided clear and precise answers grounded in the theoretical framework and the comprehensive analysis of the IPC's features, investment prospects, and strategic implications. The findings highlight the IPC's potential to enhance technology transfer, boost oil production capacity, and foster regional cooperation while acknowledging the challenges posed by political risks, international sanctions, and domestic opposition.

As Iran navigates the complex geopolitical landscape and pursues its energy sector ambitions, the lessons drawn from this study can inform policymaking and guide future IPC implementations. By leveraging the insights gained from this analysis, Iran can optimize the IPC framework to attract investment, foster self-sufficiency, and advance its strategic interests in an increasingly dynamic global energy market. The application of the theoretical frameworks has provided a deeper understanding of the forces shaping Iran's petroleum sector and has facilitated the formulation of evidence-based conclusions.

Ultimately, the success of the IPC will hinge on Iran's ability to strike a delicate balance between attracting foreign expertise and capital, safeguarding national interests, and leveraging its energy resources for strategic advantage. As the global energy landscape continues to evolve, the adaptability and effectiveness of the IPC framework will be crucial in determining Iran's role in the future of international energy markets and geopolitics. This study provides a foundation for ongoing research and policy development, contributing to the broader understanding of how resource-rich nations can navigate the complex interplay of economic imperatives and strategic objectives in the 21st-century global energy sector.

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