

Chinese begin petrol supplies to Iran

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Chinese state companies this month began supplying petrol to Iran and now provide up to one-third of its imports in a development that threatens to undermine US-led efforts to shut off the supply of fuel on which its economy depends.

The sales come in spite of moves over the past year by international companies, including BP and Reliance of India, to stop selling petrol to Iran, and highlight the difficulties of implementing sanctions aimed at curbing Iran's nuclear ambitions.

Traders and bankers familiar with Iran's purchasing said the gap left by the withdrawal of such long-standing suppliers had been filled by Chinese petrol this month.

While Iran is one of the world's biggest oil producers its refineries are dilapidated and it suffers from runaway petrol demand because of generous subsidies.

Foreign ministers from the world's big powers are meeting on Wednesday in New York to discuss how to convince Iran to curtail its nuclear programme, which Tehran maintains is for peaceful purposes.

The White House on Tuesday said that at a meeting with Chinese president Hu Jintao, President Barack Obama had been "forceful" in calling for more co-operation from Beijing over Iran.

Oil traders said that Chinese-state owned oil companies were selling the petrol through intermediaries. The sales are legal as fuel imports are not at present included in sanctions against the country.

A Chinese official in Washington said: "Chinese enterprises conduct normal trade relations with Iran, strictly speaking within the relevant UN resolutions.

"On the UN side, the Chinese government position on the Iranian nuclear issue has been very consistent and clear: China has been working with the relevant parties together for the peaceful resolution of the issue through diplomatic means."

Other Asian and European oil companies and trading houses also sell petrol to Tehran.

Lawrence Eagles, head of commodities research at JPMorgan, said: "We estimate, based on what we are hearing in the market, that 30,000-40,000 barrels a day of Chinese petrol is making its way from the Asian spot market to Iran via third parties." His comments reflect the view of several leading traders supplying Iran with petrol.

Iran usually imports 120,000 b/d. The traders did not disclose the identity of the Chinese companies or the names of the intermediaries. In the past, Chinese petrol has been resold through intermediaries within Asia.

Beijing's leading oil companies Sinopec and CNPC have signed \$4bn contracts to help Tehran to pump more oil out of its fields, many of which are declining with age.

The US and some of its allies want to shut off Tehran's petrol imports, which have long been depicted as the Iranian economy's most vulnerable point.

President Barack Obama endorsed such a goal before taking office and US diplomats have discussed banning petrol sales to Iran in a possible new round of United Nations Security

Council sanctions. Proposed legislation to punish international companies selling petrol to Iran has already won the backing of the vast majority of members of the US Congress.

But, because of the difficulty of convincing Russia and China to sign up to UN sanctions and the risk of infuriating allies, particularly France, by targeting non-US companies that sell oil to Iran, US officials are focusing on a behind-the-scenes bid to convince energy companies not to sell petrol to Iran. The strategy follows Washington's largely successful effort to convince international banks to cut back on doing business with Tehran.

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