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This presentation is more suitable for one of the general sessions than concurrent session.

Cheers

The Impact of Iran's Nuclear Standoff on World Energy Security and World oil Markets

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Abstract

This article addresses the following questions: What is the impact of the Iranian nuclear standoff on world energy security? What is the impact of a peaceful nuclear program on world energy security? What are the economic and political factors that prevent Iran from using the oil weapon? Does Iran need nuclear power? Finally, what is the impact of a potential cut-off in Iranian oil exports on oil prices?

This article concludes that Iranian nuclear standoff has become a threat to world energy security in both the short run and the long run. It does not matter whether Iran's nuclear program is for civilian use or military use. The Bush administration is keen to stifle even a peaceful nuclear program as long as this program empowers the Iranian regime.

It also concludes that it is unlikely that Iran will cut off or reduce its oil exports in retaliation for harsh UN sanctions or even a military attack. However, the Iranians can retaliate by halting Iraq's oil exports from Basra.

The Iranian nuclear standoff would not cause a global energy crisis, but would increase prices and market volatility. This study estimates that, on average, the maximum impact from the loss of Iranian oil exports would be less than \$20/b. Prices would increase sharply immediately after the production cut, but decrease soon thereafter. This study predicts that the impact of an Iranian export cut off on world oil prices will disappear within 3 months.

Most of the impact, under most scenarios, would be from panic buying, speculation, and stockpiling, rather than from large physical shortages of oil. In the long-run, the impact of the Iranian nuclear standoff would be limited to a decline in the growth in Iranian exports.