

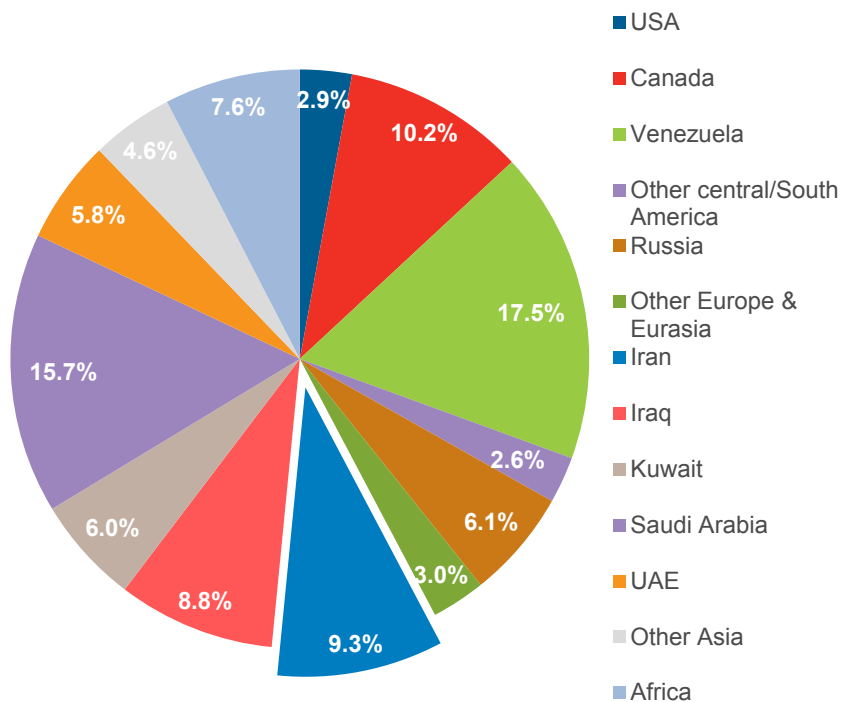
Iran's nuclear deal boosts oil production

What are the market implications?

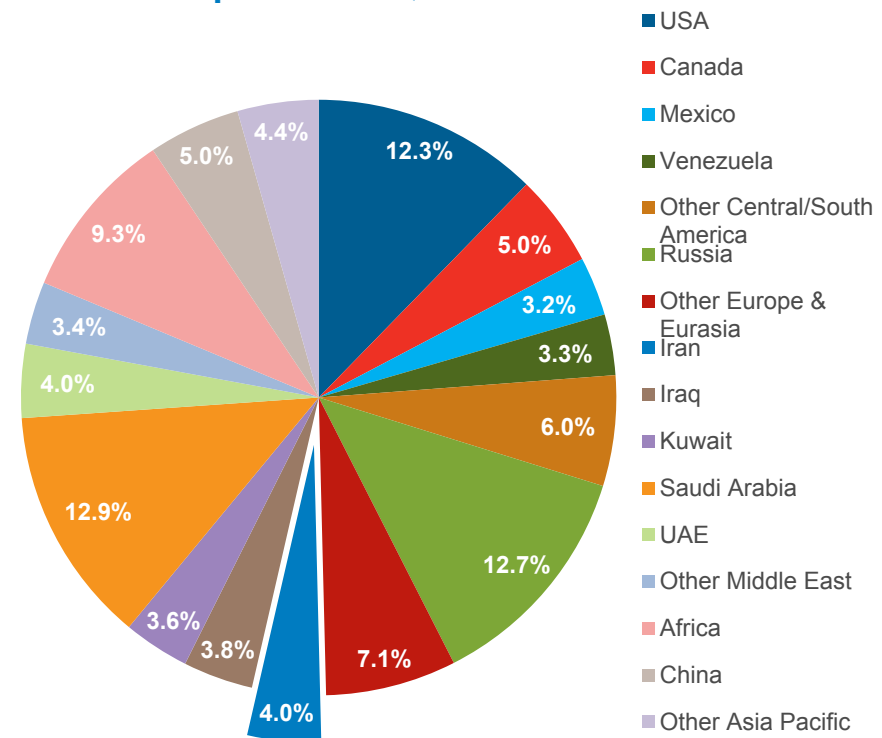


- US, UK, France, Russia, China and Germany reached an agreement to lift sanctions on Iran, in exchange for assurance from Iran that it will limit its development of nuclear technology
- EU and US sanctions in 2011 exacerbated underinvestment in Iran's oil industry
- As a result, Iran's crude oil exports fell from 2.61m barrels per day in 2011 to 1.41m per day last year

Proven oil reserves, 2014



Oil production, 2014



Source: Financial Times, BP Statistical Review, June 2015.

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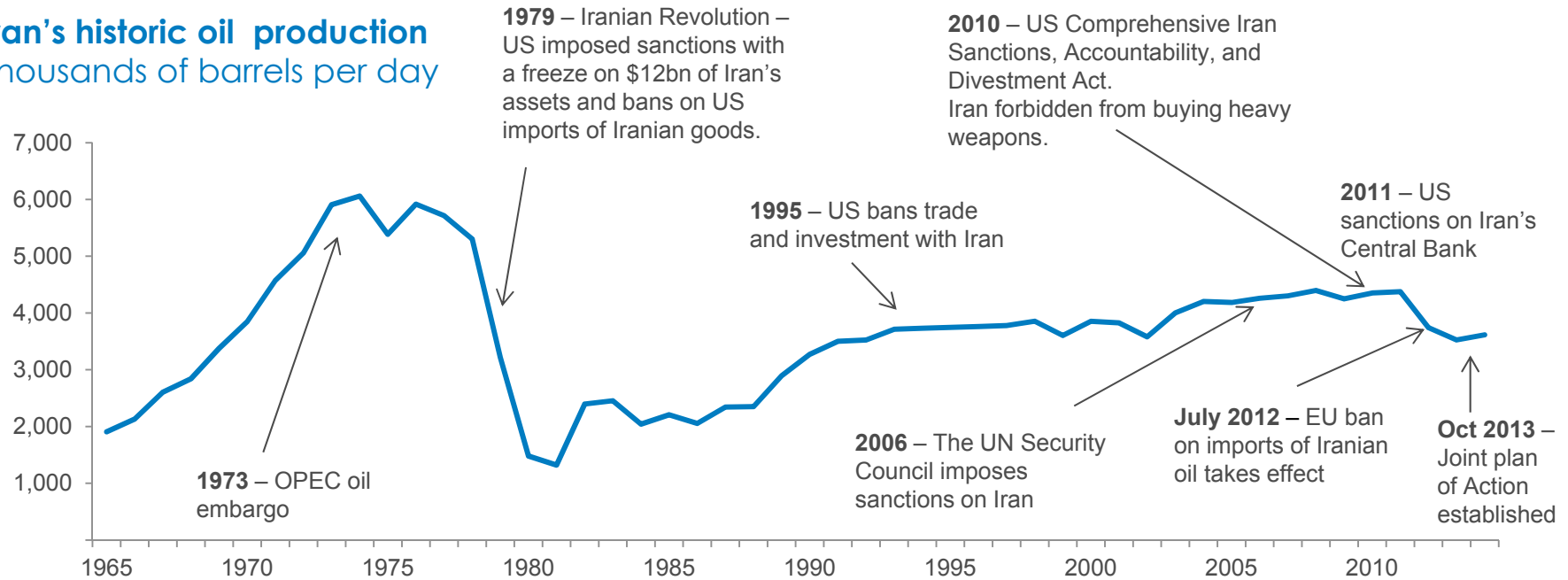


Iran's oil production has significant potential

But its 1970s production peak remains unattainable in the near term



Iran's historic oil production Thousands of barrels per day



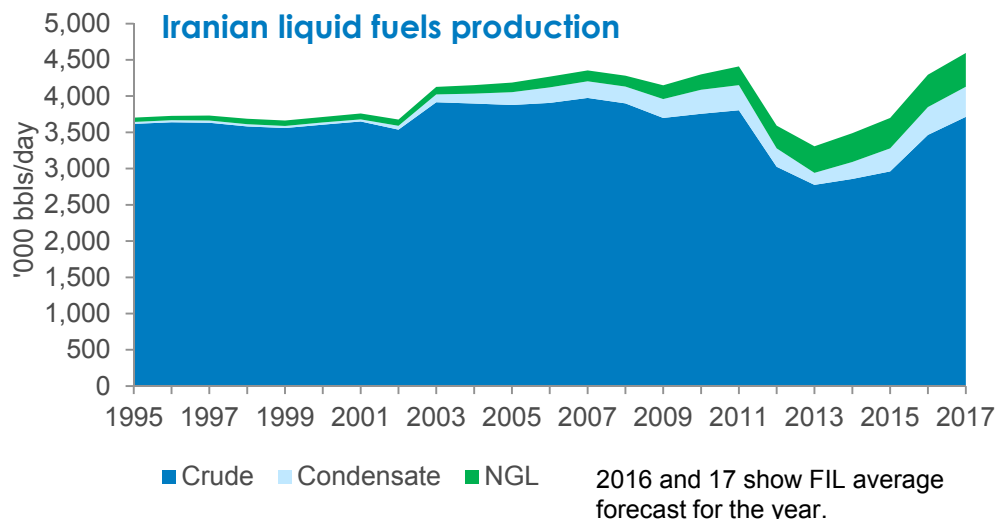
Source: BP Statistical Review, June 2015.

- Fidelity analysts forecast oil production of three million barrels per day in 2015, rising to 3.79m in 2018
- This production level would almost return to the 2011 pre-sanctions level of 3.80m barrels per day
- Other estimates place maximum near-term oil production at around 3.5m barrels per day

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The future of Iranian oil and gas



Iran also has the second biggest natural gas reserve in the world. The country has potential to be a **major player in the global gas market**.

Fidelity forecasts combined crude, condensate and liquefied natural gas production will increase from 3.74m barrels to date this year to 4.75m in 2018.

Source: Fidelity Worldwide Investment, July 2017. NGL is Natural Gas Liquids

Iran – upstream oil projects overview

South Azedagan	The plan was to bring this field to 260, thousand barrels a day (kb/d): phase 1 50kb/d, phase 2, 110kb/d. The target is now to raise production from the current 50kb/d to 80kb/d by March 2016 and then to 320kb/d by March 2017 with further upside thereafter
North Azedagan	Being developed by CNPC in two phases. 75kb/d per phase. The first phase should be on-stream by end of the current Iranian calendar year (March 2016).
Yadavaran	Target is 85kb/d by the end of the current Iranian calendar year (March 2016). Second phase could bring it to 100kb/d.
Yaran	30kb/d production target in 2015, plan to increase to 65kb/d thereafter.
Azar	Iran side of Iraq's Badra field. Initial target once drilling resumes 30kb/d, plan to increase to 65kb/d thereafter.
South Pars Oil layer	Initial capacity planned to be only 35kb/d.
Zagheh	55kb/d of heavy crude potential.

Companies which could benefit

Oil service and equipment providers stand out



The Schlumberger logo, consisting of the word "Schlumberger" in a large, bold, blue, sans-serif font.

Oil services business Schlumberger provides services including technology, project management, and information solutions to the petroleum industry. Schlumberger only pulled out of Iran in 2013, and given excess oil service capacity at the moment, could make a relatively swift return to the country.

Halliburton has a long-established presence in the region, and used to be an operator in Iran. The company has been taking market share during a difficult period for the energy sector, and appears well-placed for any recovery.

The Halliburton logo, consisting of the word "HALLIBURTON" in a bold, red, sans-serif font.



Shell has recently been discussing with Iran repayment of a US\$2bn debt to the government in Tehran. The company is believed to be interested in a return to the country. Shell's recent acquisition of BG significantly enhanced its portfolio.

View from our investment team

“While the return of Iranian barrels to the oil market will delay the oil price recovery process to a certain extent, we might actually end up in a situation where we need the additional Iranian barrels to balance supply and demand from next year. There is an oil market rebalancing clearly underway where demand is strong, but capex being cut means decline rates on existing production will accelerate. So, any new capacity additions will be welcome to counter the slowing of supply in 2017-2019.”

Tom Ackermans, Equity Analyst

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