

Chapter Thirty Four

Analysing the Legal Framework of Petroleum Production in Iran, Past and Present

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Introduction

Considering the imperativeness of oil to economic development and the complexity involved in its production, contract involving state and international oil companies (IOCs) is not considered a simple contract. This makes the legal framework of oil production imperative. The main thrust of this article is to highlight the essential features of the various legislation and contractual arrangements which make up the legal framework. These were examined from a host state perspective. The enactments and contractual modes considered relevant issues such as ownership and control of petroleum. It revealed that Iran has undergone changes in their legislation and contractual modes to enable it control and sustain the oil industry. And that domestic law pervades the petroleum contracts in Iran.

Furthermore, that Iran's approach to oil contracts is not liberal and the issue of the law applicable has never been resolved satisfactorily. There is the overbearing influence of state on contracts. Also, disclosed the legal obstacles inherent in these laws and contractual arrangements. It recommends that constitutional amendment be reviewed to accommodate the interest of IOCs, adopt PSA as a viable alternative to Buyback and IPC. Iran should reinvent its political strategies and foreign policy towards America. It concludes that there is much state involvement in the oil contracts. Interest of IOCs not protected after investing huge Capital, and technology.

Legal Framework of Petroleum Production in Iran

Iran was the first oil producing country in the Middle East and this dates from the early 1900s. Thus, Iran is ranked as possessing the second largest oil and gas resources in the world. Petroleum laws evolved as a response to the growth of the industry to meet the changes and challenges