

in 1998, if the crisis in the global oil prices were to continue, the development of Natural Gas resources under such intense fluctuations, particularly when crude prices were at their low ebb, would not materialize.

On the other hand the existing divisions in decision making amongst producing states have hampered the trend of international trade of Natural Gas. On a global scale Natural Gas industry suffers from impediments the most important of which are:

- 1) Requirement of colossal capital and financing.
- 2) Untransparent state of prices, particularly in single cargo market.
- 3) Prolonged negotiations about price formulization in pipeline projects.
- 4) Legal and legislative impediments stemming out of conflicting laws of producing countries.
- 5) Lack of coordination between suppliers and consuming markets.

3- How can these obstacles be overcome?

Seemingly a well coordinated system can remove the obstacles. In other words perhaps through the creation of a union such difficulties can be tackled. The advantages that such a union can benefit from are:

- 1) Allowing firm decisions to be made vis-a-vis huge global demand and hence the display of a unified stance.
- 2) Endeavours for making prices and pricing mechanism transparent.
- 3) Improved decision making regarding work and markets divisions.
- 4) Overcoming adhoc problems by using resources of the members.
- 5) Creation of effective

marketing means and arriving at bilateral and multilateral cooperative agreements.

- 6) Creation of joint investment means in the resources of the members.
- 7) Creation of means for better use of technical and commercial experiences of the members.
- 8) Undoing economic and tariff discriminations.

Currently many of Natural Gas projects are practically stagnant mainly because of rivalries amongst producers. For instance, before the new gas discoveries of early 90s, the Pakistani market was in pressing need of plans for import of Natural Gas and three countries of Oman, Iran and Turkmenistan were seen as the main would be of that supply. While a lengthy period of time has been allocated to the study of these plans, no concrete outcome is as yet within reach. Why?

There are numerous examples of this sort in the gas industry. Obviously no one benefits from such discoordinations, both suppliers and consumers stand to loose.

The geopolitical situation of Iran is such that this country can fully participate in the establishment of any kind of UNGAPS.

Seemingly it is about time that such an issue is pondered upon with following points in mind:

- 1) Methods of foundation of UNGAPS and probable obstacles in its way.
- 2) Leverages for enforcing adopted policies of the union and that of its affiliations.
- 3) Examination of behavioural models for the formation of UNGAPS.
- 4) Examination of legal problems, their solutions and attainment of a unified legal system.

In the examination of international trade of Natural Gas the very first issue that is noticeable is that, unlike oil, the gas market has yet to acquire a transparent mechanism

It is worth noting that such an organization can take the form of a union of suppliers or union of suppliers & consumers or union of suppliers, consumers joint with financial entities or any other form.

In a world where globalization is the order of the day, perhaps creation of such unions can be seen as a step in the right direction, more so when Natural Gas is gathering increasing importance.

4- Conclusion

Considering the predicted demand for the global growth of Natural Gas in the coming years, any thought and discussion regarding the establishment of a cohesive system to avert loss of opportunities and for the sake of guiding the market, requires further close examinations.

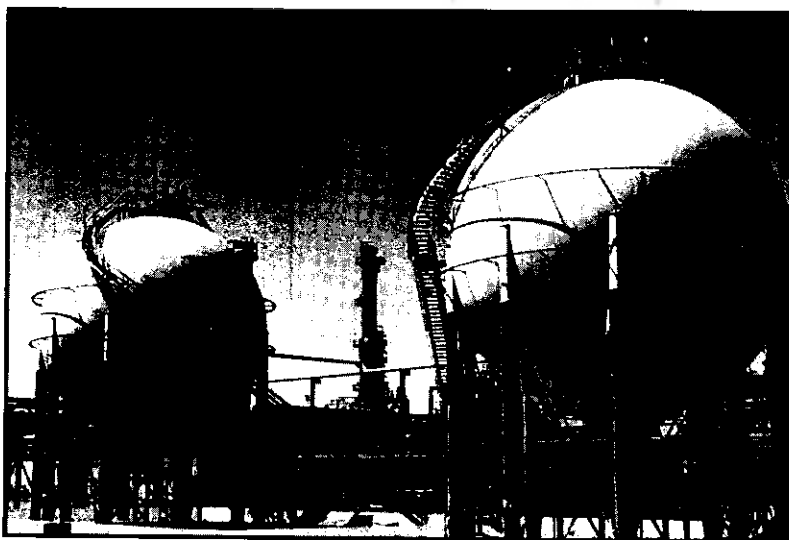
Foundation of such a body that can cause to arrive at a unified stance regarding major issues of global market of Natural Gas as well as a transparent trading mechanism, can in turn pave the way to overcome other problematic issues of the same market.

It is hoped that putting forth ideas along with relevant questions can give rise to a preliminary concept of creation of such a union worth being pursued by knowledgeable people. ■

**A proposal of IIES, presented at
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Issues Related to

Union of Natural Gas producing States (UNGAPS)



1) Introduction

It may be fair to say that the preliminary phases of the evolution of Natural Gas market began with the operation of Japanese LNG system towards the end of 60s. The actual importance of Natural Gas, however, gathered momentum in early 90s. Then the issue of the role of the environment in stable economic development, in other words the theorization of social costs, began to gain increasing prominence.

In the examination of international trade of Natural Gas the very first issue that is noticeable is that, unlike oil, the gas market has yet to acquire a transparent mechanism. In this direction many questions including the following ones are to be dealt with:

How can one proceed towards a transparent mechanism?

Can pricing for Natural Gas be worked out independently of oil and/or other energy carriers?

Can creation of Union of Natural Gas Producing States (UNGAPS) facilitate financing for development of reserves and hence its international trade?

Following is an attempt to examine the advantages of creation of such a union and find answers to the mentioned questions.

2) Does the possibility of establishment of UNGAPS exist?

Alongside heightened issue of trade of Natural Gas, the decades old question of necessity of creation of a coordinated system for such a trade gathers further momentum. At present price of Natural Gas the world over (except for the U.S.) is linked to the price of crude and refined petroleum products. As seen