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Legal Investigation of Concession Agreements for Operation of Iranian Oil Companies

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ABSTRACT

Due to the empowerment of Iranian companies for executing local mega projects, regional and international market penetration, and upgrading national technology in the upstream petroleum industry, Iran's Ministry of Petroleum predicted a competent Iranian partner called exploration and production (E&P) companies for cooperating with the International Oil Company (IOC) in Article four of the Cabinet Approval. Now considering the absence of IOCs, the capacity of other oil contract models to be used by Iranian oil companies should be examined. This paper investigates the feasibility of executing concession agreements by an E&P company in Iran's upstream industry. The research method is descriptive and analytical, and the governing laws of Iran are reviewed in this study. Since the host government makes the final decision on the conduct of oil operations, it cannot be described as the domination of oil resources and therefore does not seriously contradict Iran's constitution. Furthermore, E&P companies will not be subject to Article 81 of the constitution. In the oil laws, the only restriction on the inflow of foreign capital in the upstream industry of Iran has been observed, which again does not apply to E&P companies. In the Laws of the Five-Year Plans, this restriction of oil laws has been adjusted too much, in which it seems that the restriction has also been removed for IOCs. Finally, the investigation shows no significant legal barriers in applying the concession agreement if the operator is an Iranian E&P company.

1. Introduction

Since the discovery of oil in the Masjed Suleiman in Khuzestan more than a century ago, when the country's primary income still depends on its sale, oil has played an essential role in the economy and the politics of Iran. For example, one of Iran's most significant national movements was the nationalization of this strategic commodity in the last century. Iran's foreign policy is so tied to this hydrocarbon product that the presence of

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international oil companies (IOCs) in Iran is still viewed with skepticism and increased risk of foreign domination. The history of oil exploration, development, and production in Iran shows that it has taken more than a century for Iran to maintain its share of oil revenue to some extent and fairly. Forms of international oil contracts in Iran during this period have been changed from a formal concession agreement in which Iran had a minimal share of oil revenues to compensate for the services of IOCs.

Since Iran's Islamic Revolution, the contract model used in upstream oil and gas operations has been buy-back contracts[2]. This restriction seems to be due to the prohibition of foreign investment in Iran's oil and gas industry according to Article Six of the Oil Law adopted in 1987. Based on this law, it can be understood that domestic investment in this field seems possible. However, there are severe doubts about the ability of domestic exploration and production (E&P) companies to invest individually in upstream operations of oil and gas industries in Iran without foreign finance. According to the director of the exploration of the National Iranian Oil Company, the discovery of large fields such as Azadegan and Yadavaran is far from expected, and we should seek to discover small-scale fields[3], which could mean reducing the amount of investment needed to develop the field. In this case, the probability of upstream finance by the domestic E&P companies will be improved. On the other hand, the escalation of international sanctions has made the presence of IOCs in the Iranian market very difficult, so Total[4], once a trading partner of Iran, has been forced to abandon Phase 11 of the South Pars gas field development plan and Iran oil and gas market[5].

According to the single buy-back model approach, one of the topics discussed in the academic literature regarding upstream oil and gas contracts is the possibility of using other contract models, especially concession and production-sharing contracts in Iran's oil and gas industry. Although risk service contracts, which include the risk of exploration, have not yet been used to develop oil and gas fields after Iran's Islamic Revolution, the academic literature seems to have paid less attention to them. Iran's laws do not explicitly allow using other contractual models except for buy-back or its latest model, the Iran Petroleum Contract (IPC). In this case, some divergences in the results of these studies may indicate a lack of transparency in Iran's laws regarding the legal contract model to carry out oil operations in Iran. For example, some believe that according to the laws of the Fourth and Fifth Five-Year Economic, Social, and Cultural Development Plans, and the Law of Duties and Authorities of the Ministry of Petroleum, applying a concession agreement in the field of Iran's oil and gas industry is not prohibited by law (Gholizadeh and Foroumand, 2017: 62; Ameri and Shirmardi Dezaki, 2014: 101). While others, citing Articles 43, 44, 45, 81, and 153 of the constitution of the Islamic Republic of Iran, believe that IOCs do not have the right to obtain the license or ownership of proper respect to Iran's oil and gas resources by investment (Ebrahimi and Shirijian, 2014: 27). In another study, because in production sharing contracts (PSCs), the ownership of oil and gas resources is still in the hands of the host government, and oil companies recognize the right of any supervision and management of oil operations for the government, these contracts are considered entirely compatible with Iran's constitution. (Amani and Hamidzadeh, 2015: 167). While according to some others, not only the use of PSCs in Iran is limited by the constitution, but also the ownership of the oil company over the produced oil and gas is contrary to the principle of government ownership concerning ground resources and underground production (Montazer and Ebrahimi, 2013: 227).

Undoubtedly, to empower Iranian companies to execute large domestic projects, participate in regional and international markets, and transfer and upgrade national technology in upstream oil operations, Article 4 of Iran's Cabinet Approval[6] forecasts the presence of a qualified Iranian partner with the IOC. Researchers (Nikbakht and Arian, 2014: 116) have already recommended the subject. However, there is serious doubt whether the buy-back model or IPC succeeded in empowering domestic oil companies and realizing oil and gas technology transfer objectives. For example, it is unclear how these contracts had the necessary capacities to improve risk management capabilities in the exploration phase as a critical aspect of any oil company. In this regard, it would be considered that the exploration risk is far greater than the development risk (Aminzadeh and Aghababaei Dehkordi, 2014: 20), and the scope of the buy-back model awarded so far was limited to the

[2] During a personal interview with one of the negotiators in the National Iranian Oil Company in December 2018, the IPC contract model with any foreign oil company has not been finalized so far.

[3] https://www.eghtesadonline.com, Feb 14, 2017 [176721]

4 A French multinational integrated oil and gas company

[5] https://www.shana.ir/news, Aug 20, 2018 [284234]

[6] Approval on general conditions, structure and pattern of upstream oil and gas contracts approved by the cabinet in 2015.

discovered fields and only included the development section (Manzoor, Kohanhooshnejad and Amani, 2016: 187–188). Therefore, considering the presence of domestic E&P companies and the possibility of domestic investment in the upstream oil and gas field, are buy-back contracts (or IPC) still the best contract model? Considering that this action of Iran's Ministry of Petroleum has been done recently, no serious research has been conducted to address the current concern adequately. If another contractual arrangement is a better model, the consequences of insisting on the buy-back model can be costly for the country's oil and gas industry.

On the other hand, the foreignness of the IOC is influential in choosing the contract model and determining its provisions, while the present research, considering the Iranian nature of the companies, does not have such limitations. Given the complexities and specific circumstances of the oil industry, relying on a legal system centered on one contractual model may not, as expected, cover all aspects and growing needs of such an industry. Therefore, adopting a multi-model contractual policy can more appropriately improve the maneuverability of the Ministry of Petroleum in order to achieve the long-term goals of sustainable development and the protection of national interests (Nikbakht and Arian, 2014: 85).

The researchers' main question is whether it is possible to use the concession agreements approach to perform upstream operations in Iranian E&P companies given the changing conditions in Iran's oil and gas market. In response to why the concession agreements have been examined, researchers believe this contract model is very close to the structure of operations in the country's mines. Since the separation of oil fields from the country's mines is not done in the constitution, the path of the execution of concession agreements can be provided more smoothly. Therefore, this study aims to investigate the application of this type of contract in Iran's laws in case the operator is an Iranian oil company.

In this paper, at first, E&P companies and how the Ministry of Petroleum selected them are briefly explained. The research background addresses the latest studies in this regard. In this section, buy-back contracts challenges are shortly reviewed too. The concession agreement is described in the next section, and the research methodology comes afterward. The result of the study elaborates on the legal investigation of the applicable laws in the oil and gas industries in case the operator is an Iranian E&P company. Finally, the paper summarizes the findings. This research is relatively new due to the presence of E&P companies since 2015. In other words, the focus of previous research has been either on examining contractual models in the general sense used worldwide or buy-back/IPC. Furthermore, there are almost no academic legal studies to consider E&P companies as the sole operator in Iran's oil and gas market and to investigate other oil contract models applicable to the said companies.

2. Exploration and production companies

Different types of oil and gas companies include national oil companies (NOCs), international oil companies (IOCs), independents, and oilfield services companies (Al-Fattah, 2013, 1). Due to increasing oil and gas prices, the growing NOCs can control oil and gas resources worldwide. Their ability to access capital, human resources, and technical services directly from oilfield service companies, and to build in-house competencies, allows them to operate independently of investor-owned companies in most instances. On the other hand, the global oil and gas industry has long been dominated by vertically integrated multinational oil companies known as IOCs. Their control lies in the hands of private investors, not governments, and their objectives have always been to generate the most significant sustainable profitability over time. The term IOC is confusing in practice, sometimes meaning international oil companies and sometimes integrated oil companies (Inkpen and Moffett, 2011: 13). Regardless of the words behind the acronym, IOCs are profit-oriented organizations that are global in reach and vertical in structure. At the other end of the scale, many smaller companies specialize in particular areas of the industry value chain. Examples include small and medium-sized exploration and production companies (usually termed *independents*). These smaller independent companies often work in joint ventures with the IOCs and NOCs (Clews, 2016, 94).

The first item of Article Four of the council of ministers' approval regarding the general conditions, structure, and model of oil and gas upstream contracts (2015) states that qualified Iranian companies should partner with reputable foreign oil companies in every single upstream contract. This article aims to transfer and promote national technology in upstream oil operations, execute mega projects, and make Iranian companies capable of executing domestic mega projects and activities in the regional and international markets. To realize these objectives, Iran's Ministry of Petroleum assessed prospective companies to identify qualified

partners. So far, the Ministry of Petroleum has issued a short list of 17 companies deemed qualified as exploration and production companies. Table 1 lists these companies.

Table1: The list of qualified Iranian exploration and production companies

No	Company's Name	Website
1	Petropars	www.petropars.com
2	Oil Industries Engineering and Construction (OIEC)	www.oiecgroup.com
3	Dana Energy	www.danaenergy.ir
4	Petroiran Development (PEDCO)	www.petroiran.com
5	Mapna Oil and Gas	www.mapnagroup.com
6	Khatam al-Anbiya Construction Headquarters	www.khatam.com
7	Industrial Projects Management of Iran (IPMI)	www.ipmi.ir
8	Persia Oil and Gas Industry Development	www.persia-oil.com
9	Ghadir Exploration and Production Investment	Ghadir-group.com
10	Pasargad Energy Development	www.pedc.ir
11	Negin Afagh Kish Energy Development	www.petrotenco.com
12	Iranian Offshore Engineering and Construction (IOEC)	www.ioec.com
13	Kayson	-
14	Iran Ofogh Industrial Development Company	www.iranofogh.com
15	Pars Petro Zagros Engineering and Services	www.ppz.ir
16	Global Petro Tech Kish	fa.gptkish.com
17	North Drilling	www.ndco.ir

Reviewing the list of the companies in Table 1 shows that in the best-case scenario, few are categorized as independent oil companies. The rest of them are mostly oil service companies. The assessment process, conducted by the Ministry of Petroleum, included three phases:

1. Screening: A questionnaire, including two parts, general company information (registration information, scope of work and references, and CV of the BOD members) and screening criteria, was used.
2. Prequalification: A questionnaire including 11 criteria was applied. The criteria are 1) vision and strategy development, 2) management of hydrocarbon assets acquisition, 3) management of development and production of hydrocarbon assets, 4) development and management of upstream petroleum-related technology, 5) development and management of human resources, 6) information technology management, 7) financial resources management, 8) acquisition, construction, and management of properties, 9) enterprise risk management: accepting, mitigating, and flexibility, 10) management of external relations of the organization, and 11) development and management of business capabilities. Corporates, which gain at least 500 out of 1000 scores, will be eligible for the third phase.
3. Qualification: A questionnaire was used using three broad categories titled leadership and management, financial and organizational

services, and technical capabilities and expertise. Each category included a few sub-criteria having an accumulated score of 1000. Corporates, which gain at least 300 out of 1000 scores, will be selected for the shortlist.

The Ministry of Petroleum did not disclose the complete result of the qualification process to the public except for a short list of 17 companies. The primary purpose of this qualification has been to identify Iranian companies with minimum qualification requirements to be a partner of the IOCs. Because IOCs have left Iran's oil and gas market due to international sanctions, it is probably unknown that Iranian E&P companies have sufficient capability to be the sole operators of the integrated upstream oil and gas projects. None of the exploration and production companies are real (A. Zargar[7], personal interview, February 24, 2019). On the other hand, these conditions are necessary for the operation of an upstream project, including exploration, development, and production, but they will not be enough. For instance, there is serious doubt that the domestic oil company has the financial capacity to carry out an exploration project that is all risky and requires spending tens of millions of dollars (H. Roshandel[8], personal interview, December 16, 2018). Therefore, it can be concluded that the minimum requirements of domestic oil companies have been met to find a suitable partner for an international oil company, so the foreign partner has borne the burden of managing the primary upstream operations.

3. Research background

The most crucial reason Iran referred to buy-back contracts in the upstream sector of the oil and gas industry is financing and attracting investment, especially foreign investors (Montazer and Ebrahimi, 2013: 230). Other reasons are guaranteeing such contracts in the sovereignty and ownership of the Iranian government over oil and gas resources and the need to interact with IOCs in the oil and gas field. So far, three generations of such contracts have been concluded in Iran. Considering its desirable function in the history of contract law, buy-back is the most effective way of attracting foreign capital in countries' economies. As the most important means of attracting foreign capital following Iranian law, international buy-back contracts have been the basis of legal interaction between Iran and oil companies for nearly two decades (Ramazan Nejad Kiasari and Bagheri, 2021: 370).

The buy-back contract model also has some significant challenges. Buy-back contracts for oil field development are usually limited to 7 to 10 years in Iran. In such a situation, foreign oil companies that provide capital tend to use such methods to exploit the fields to achieve a maximum return in a minimum of time. The weaknesses of buy-back contracts listed by the Islamic Parliament Research Center (2016: 10–15) are the possibility of non-compliance with optimal oil reservoir production policies, ignoring internal capacities in subcontractors, lack of transfer of technology in its true sense, and inflexibility of the contracts. The performance of oil contracts shows that foreign oil companies have not played an active role in the transfer of knowledge and technical skills and training of experts within the framework of concluded contracts (Emami Meybodi, Hadi and Ahmad, 2017: 3). Islamic Parliament Research Center (2016: 12–13) has also listed the most critical barriers to technology transfer that exist in the structure of buy-back contracts as follows:

- Short contract period and non-participation of foreign companies in the operation period with domestic companies;
- Non-participation of the National Iranian Oil Company in project management;
- Lack of integration among exploration, development, and production phases;
- Lack of sufficient motivation for a foreign company to transfer technology;
- Lack of relationship between the company's revenue and the type of technology used in field development;
- Incompatibility of buy-back contracts in the field of exploration;

Furthermore, all the buy-back projects signed in recent years have been mainly based on water injection or accelerating this process, which is detrimental to the safe operations of oil fields (Hadi, 2018: 159). This legal structure has gradually evolved so that today its advanced generation is emerging as the IPC. In this regard, the Iranian legislature has generalized this contract in Iran from the exploration and development stage to the production stage (Ramazan Nejad Kiasari

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[8] Consultant of Dana Energy Company

and Bagheri, 2021: 370). The most crucial difference between IPC and buy-back contracts is the presence of the contractor in the operation period and the long term of the contract. Compared with buy-back contracts, this issue creates a sufficient incentive for the contractor to maximize cumulative production from the oil field according to the optimal oil reservoir production policies (Islamic Parliament Research Center, 2016: 28).

In the doctoral dissertation entitled Legal/Contractual Analysis of Upstream Contracts of Iran's Oil and Gas Industry, Sarir (2014) evaluated the evolution of upstream contracts of the country's oil and gas industry from a legal and contractual perspective from the discovery of the first oil well in Iran until 2014. The research indicates that except for concession agreements awarded in Iran's oil and gas field until 1992, almost no conventional and long-term contracts were concluded. However, between 1993 and 2014, three generations of buy-back contracts were designed and executed. Then, the legal and contractual frameworks in future oil contracts and considering the necessity of designing new contracts are examined so that, finally, this type of new oil contract can maximize Iran's interests. Finally, she concluded that buy-back contracts are more compatible with the legal requirements of the oil and gas sector. By reviewing the strengths and weaknesses of this type of contract and based on existing legal capacity, new contracts should be designed to meet the needs of the oil and gas fields of the country. Azimi Zarrin's dissertation (2016) entitled "Legal Analysis of the New Upstream Iranian Oil Contract" examined the IPC unveiled in 2015 compared to the buy-back contracts. It is concluded that the IPC, despite some disadvantages such as assigning the operation to a foreign contractor, the transfer of ownership of the oil, the granting of a reservation to a foreign company, and the long duration of the contract, has been able to resolve the problems of buy-back partially. Another study by Gholizadeh and Foroumand on concession agreements in Iran in 2017 has shown that the Iranian legislature allows concession agreements to conduct oil operations in Iran and is interested in applying the contract model. This conclusion is consistent with the use of concession agreements in exploiting the country's mines.

Ameri and Shirmardi Dezaki (2014) examined modern concession agreements in the oil ownership, supervision, and management of the host government and the fiscal regime of the contract. The ownership of the oil in these contracts is the property of the host government until it is extracted. Furthermore, the host governments have explicitly addressed oil ownership in their laws and the modern concession agreement. They take ownership of the oil until it is extracted and does not grant any objective rights (oil ownership, profit ownership, or usufruct) to a foreign company. In the modern concession agreement, the ownership of the oil at the wellhead is transferred to the oil company only after production. Supervision and management of operations, as a manifestation of the exercise of sovereignty, are one of the concerns of the government in various ways, such as monitoring the choice of concessionaire and participation of the host government in the contract in the form of carried and working interest in the contract or related laws. The fiscal regime of these contracts is also more flexible than the two other production-sharing and risk-service contract models. In the end, it is summarized that according to the law of the Fourth and Fifth Development Plans, as well as the Law on Duties and Authorities of the Ministry of Petroleum approved in 2012, the use of concession agreements in the country's oil industry does not seem to be prohibited by law.

Another study examining the historical and legal aspects of concession agreements shows that the legal mechanism arising from traditional concession oil contracts allowed IOCs to have exclusive access to all management rights and to decide how to develop oil and gas fields and consequently control the oil market (Abbasi Sarmadi and Safakish Kashani, 2019: 20). After World War II, factors such as the founding of OPEC, the emergence of new individual oil companies, the formation of state-owned oil companies, and the issuance of Resolution 1803 on Permanent Sovereignty over Natural Resources by the UN General Assembly forced the IOCs to accept fundamental changes in the structure of old contractual arrangements. The experiences gained from revising and modifying traditional concession agreements led to the development of a new model called modern concession agreements, free from all the disadvantages of traditional contracts.

4. Concession agreement

A concession is an agreement that transfers rights to a company in which the company will bear all risks in the venture and has relative freedom in the development of the venture (Smith et al., 2010: 448). In another definition, the concession is a special right that is usually, but not necessarily, exclusive and is granted to make an investment over a period and a specific area (Toriguian, 1972). Almost the first half of the 20th century saw the license granted to American and European IOCs for oil

exploration and production in the Persian Gulf and other regions. This generation of contracts is known as traditional oil concession agreements. In traditional concession contracts, the contract term, the contract area, how the resources are exploited, and the oil company's right to concession oil resources have been extensive. In some of these contracts, the concession term was 40 to 75 years, and the concession area covered a large part of the geographical territory of the host government (Hatami and Karimian, 2014: 723). Standard features of early concession agreements are the following (Gao, 1994: 13):

- The transfer of an extensive area without the relinquishment clause of the contract area;
- An extended period and possibly no reconsideration;
- The foreign company's exclusive right to conduct all aspects of oil operations;
- The foreign company's ownership of oil resources;
- Customs and tax exemptions;
- Payment of relatively low royalties due to the volume of oil produced;
- Transfer of equipment ownership to the government after the expiration of the concession.

The vast powers that foreign companies gained in the host country following the granting of traditional concessions and the unfair distribution of benefits have been challenged by governments, people, and jurists in the host countries (Ameri and Shirmardi Dezaki, 2014: 65). This challenge led to the transition from traditional to modern concession agreement in the 1950s. The *modern* term not only indicates the new context in which the contract is concluded but also refers to the inclusion of new tendencies in the contract and is an attempt to develop the natural resources of the host country rationally (ibid.: 68). The modern concession agreements have retained the original form of traditional ones but have undergone significant changes from their prototype. The most crucial change in traditional concessions was the change in the fiscal regime of the contract. The initial financial improvements that occurred in traditional concession agreements can be divided into five categories: 1) equal profit sharing, 2) new royalty payments, 3) new payment of bonuses, 4) removal of tax holidays, and 5) price control (Gao, 1994: 14–15).

The characteristics of concession agreements can be summarized in three sections: 1) sovereignty and ownership, 2) fiscal regime, and 3) supervision and assignment method. Governance is defined as policy-making, directing, and monitoring by the host government in order to exploit its oil resources in a way that is consistent with the macro-development plans of that country (quoted by Ameri and Shirmardi Dezaki, 2014: 68). Although sovereignty is one of the fundamental concepts of international law (De Alencar Xavier, 2015: 195), it seems that after repeated UN resolutions, at present the right of states on how to exploit natural resources, including oil and gas resources, is well recognized and respected by countries as well as IOCs. Resolution 1803 (adopted in 1962) is the most important resolution, entitled "Permanent Sovereignty over Natural Resources". This right, manifestly vested in the concession holder in the traditional forms, is now recognized as the host government acting on behalf of its people to develop the country's natural resources. Another issue is ownership, one of the salient aspects of exercising sovereignty over natural resources. Ownership of oil in concession agreements remains the property of the host government until oil is produced; only after production is the ownership transferred to the concessionaire at the wellhead (Picton and Trebruville, 2009: 29).

According to oil contracts, companies' main revenues to oil-producing countries include bonuses, surface fees, royalties, and taxes (Gholizadeh and Foroumand, 2017: 52; Bret-Rouzaut, and Favennec, 2011: 194). A bonus is usually a cash exchange paid by the concessionaire to the host country in exchange for the concession. The bonus paid to the host government by the concessionaire at the execution of the contract is called the signature bonus. Surface fee in concession agreements is the amount the concessionaire must pay the host government for each square kilometer of the contracted area, as long as it owns the area for oil operations following the concession. This is usually tiny, costing $1 to $10 per square kilometer (Bret-Rouzaut, Favennec, 2011: 195). Royalty is a percentage of production or operating profit paid annually by the concessionaire to the host government at the time of oil and gas production. Royalty rates vary in different countries and fluctuate between 10% and 20%. However, typically 12.5% of production is considered a royalty (Ameri and Shirmardi Dezaki, 2014: 90). Income tax on foreign companies either is subject to the general laws of the income tax of the host countries or is subject to special oil tax laws such as Windfall Profit Tax. The tax

rate can fluctuate between 35% and 85%, which in most countries is 50% (Ibid: 91).

According to concession agreements, oil operations are divided into two stages of exploration and production (or exploration and development) in which the concessionaire must submit separate plans for both stages (ibid. 76). Under modern concession agreements, foreign companies are required to submit periodic progress reports to the host government. Modern concession agreements use the mechanism of work programs and budgets to force the concessionaire to perform operations more quickly (ibid. 78). In most countries, concessions are awarded for specific areas called blocks. The size of the block varies greatly depending on the country, the type of license granted, and the type of area covered. Blocks may be significant in areas where exploration operations have not been carried out and are technically challenging to develop.

Although traditional concession agreements have disappeared from the world oil industry today and are no longer historical concessions, their updated and improved model is still prevalent in many countries. At present, modern concession agreements are used in 120 countries around the world (Saber, 2007: 275). For instance, all four North Sea countries offer similar licensing systems and basic license terms. Table 2 compares the license provisions.

Table 2: Basic license terms of North Sea countries (cited in Smith et al., 460)

Terms	Denmark	Netherlands	Norway	UK
Duration	Six years renewable for a further 30 years for production or 2 + 2 years for further exploration	Exploration license: 10 years; production license: 40 years maximum	Six years renewable for a further 30 years	Six years renewable for a further 30 years; in frontier areas, 8 years renewable for a further 40 years
Obligations	Performance of work program	Performance of work program	Performance of work program	Performance of work program
Relinquishment[9]	If the license is extended at the end of six years, the minister delimits the area and includes deposits found.	Between 47.5 and 50 percent of the area surrendered after 6 years (exploration license)	At least 50 percent of the area surrendered after 6 years	At least 50 percent of the area surrendered after 6 years
State participation	Sliding scale, with a minimum 20% state interest in each license; It occurs on a carried interest basis. Danish Oil and Natural Gas (DONG) is a national oil company.	Maximum 50% of participation in the production of oil. The vehicle is the Dutch State Mines (DSM), now Danish North Sea partner.	The sliding scale begins at 50% and rises to 85% as production increases. Carried interest basis; Statoil is a national oil company.	The state is granted the right to take 51% of any oil produced, payable at market price. BNOC is the vehicle for participation.
Applicants' qualifications	Financial and technical capability	Proof of adequate financial and technical resources is required; no limit on foreign ownership.	Incorporation in Norway; financial and technical capability to be shown.	Any person may apply for a production license; financial and technical capabilities will be shown.
Disposition	No landing requirement, but state companies can purchase up to 50% of oil and natural gas	Ministerial approval is required before the licensee may sell petroleum or natural gas outside the	Landing requirement, but dispensations may be granted.	Landing requirement, but ministerial consent may be given for export.

[9] The concessionaire is obliged to return parts of the contract area (optional or mandatory) to the host government in accordance with the terms of the contract.

Terms	Denmark	Netherlands	Norway	UK
	produced, and all producing companies must link up with a pipeline system.	Netherlands. Natural gas for domestic consumption must be sold to state gas companies.		
Method of award	General invitation to apply in rounds; award by ministerial discretion based on published criteria.	General invitation to apply in rounds; award by ministerial discretion based on published criteria.	General invitation to apply in rounds; award by ministerial discretion to consortia organized by the minister, not companies.	General invitation to apply in rounds; award by ministerial discretion based on published criteria. Some awards may be made by the tender method.
Royalty	Sliding scale: from 2% (up to 5,000 b/d) to 16% (over 20,000 b/d). It may be taken in cash or kind.	Sliding scale from 0 to 15%, according to production	Sliding scale from 8% to 16%, according to production. It may be taken in cash or kind.	Two-tier system: no royalty on production from fields approved on or after 1 April 1982; flat rate of 12.5% on rest, including Southern Basin fields. It is usually taken in kind, not cash.

The UAE also uses concession agreements for the presence of foreign companies in the development and production of oil and gas fields [10]. Foreign companies are allowed to participate in these contracts up to 40%. The term of these contracts is a maximum of 40 years. In return for the benefits provided to foreign companies, the UAE government receives royalty and income tax from companies, requiring foreign companies to transfer technology and train the local workforce. Modern concession agreements have features that still distinguish them from other similar contracts. The most important differences are the independence of the oil company in conducting oil operations and operating at its discretion, minimal government intervention and oversight of operations, a simple fiscal regime based on bonuses, royalties, and taxes, lower government revenue, and higher oil company's income, ownership of all the oil produced, and a production license for a relatively long time.

5. Methodology

The research method is descriptive and analytical. Legal sources governing oil contracts can be divided into three categories: domestic law, domestic regulations, and international law (Ebrahimi, Taghizadeh, and Sarir, 2014: 9–11). However, according to this study's final aim, only the first two categories will apply to this research. Iran's laws and regulations governing oil contracts can be categorized as follows:

1) Constitution of the Islamic Republic of Iran;
2) Oil laws and regulations, including the oil law adopted in 1987, the oil law amendment law adopted in 2011, and the law on duties and authorities of the Ministry of Petroleum approved in 2012;
3) Laws of Five-Year Economic, Social, and Cultural Development Plan.

Efforts are made to explore the legal compliance of the concession agreement with the constitution and the latest laws in the field of oil and gas, emphasizing their use by Iranian exploration and production companies. The method of collecting information in this research will be to study the related laws and their interpretations. The descriptive method is used to analyze the data.

[10] Cited in: The Effects of the Recent UAE Oil Tenders in the Form of Concession Contracts on Iran's Economic Security, *Journal of Economic Security*, August 2019, 64.

6. Results

6.1. Constitution

Since the country's natural resources of oil and gas are referred to as mines in general in Iran's Constitution, and concessions in this area can be made to a foreigner (IOC), Articles of the Constitution that can be related to the sovereignty and ownership of oil and gas and are referred in papers are 43, 44, 45, 81 and 153. Article 43 lists the criteria on which Iran's economy is based. Item 8 of this Article is the subject of the present discussion. This item prohibits foreign economic domination of the country's economy. This legal avoidance is repeated in Article 153, except it is used as a more general term for foreign domination of natural, cultural, military, and economic resources. Exercising sovereignty and reducing the dominance of foreign investors over the oil industry are among the main goals of other oil-producing countries (Amani and Hamidzadeh, 2015: 154). If we assume *foreign domination* as the domination of a foreign party over natural and economic resources, the law seems evident in the sense that the foreign party is the final decision-maker over that resource. The only ambiguity is in identifying examples of this law. For instance, it can be argued that traditional concession agreements in which the concessionaire is the owner and ultimate decision maker of the oil field can be equated with foreign domination because the concessionaire, not the host government, determines critical factors such as the time of oil extraction, the method of oil extraction, and the pricing of the produced oil.

Nevertheless, can the modern concession agreements, which specify the sovereignty of the host state over the oil field and the concessionaire own only part of the oil produced, be equated with foreign domination by the same argument? According to Amani and Hamidzadeh (2015: 167 to 168), the term *domination* mentioned in Article 153 [and Article 43] makes sense if special rights are granted to a foreign party in the contract. These special rights should be exclusive in a way that prevents the entry of other investors and actions of the public sector governance, such as monitoring and managing the flow of investment. It is further concluded that merely undertaking foreign operations and investment in an oil block cannot be called foreign domination. Because the host government can exercise sovereignty over oil resources in various ways, such as emphasizing protective production, controlling and supervising oil operations, and agreeing on pricing, the IOC no longer has the past authorities. In this case, there is severe doubt about interpreting an investment in an oil project with a new contractual mechanism equal to foreign domination.

The words oil and gas are not explicitly mentioned in the constitution, but it follows from these articles that this part of the industry is addressed in the field of large mines. Article 44 of the Constitution of the Islamic Republic of Iran is based on three sectors: public, cooperative, and private. If we include oil and gas fields as large mines, these natural resources are located in the public sector, which the government publicly owns. From the word *possession*, it is concluded that in this Article, the sovereignty of the state, and not its ownership over the mines, is confirmed (Shiravi, 2014: 172). Article 45 lists mines as part of Anfal and public wealth. Although it does not specify which of them are mines, in any case, they are all at the disposal of the Islamic government to use for the public good. Although the term Islamic government refers to all the governing entities of the Islamic Republic of Iran, considering the duties of other Iran's political structures, such as the legislature and the judiciary in the constitution, it seems that the Islamic government in this article means the Government of Iran (Executive). The argument here is that the ownership of the mine alone should be in the hands of the government, and if the government, according to Article 45 of the constitution, wants to use it as public wealth, it must first extract the mineral and then sell it or use it in infrastructure and national projects. In the latter case, it means the sale of minerals to the project contractors. Therefore, it follows from the articles that the ownership of a mine is not transferable, but the ownership of a mineral after extraction must necessarily be created (according to the rule of capture) or transferred to be used as public wealth in the public interest permitted by the constitution. While unusual, the rule of capture as a legal rule is also common (Kashani, 2008: 175). According to this rule, the mines' operators (excluding oil and gas reservoirs) of the country will benefit from the ownership of the mineral as soon as the mineral is extracted and subject to the payment of royalties[11].

Another article of the constitution that could be proposed in the case of the transfer of upstream oil and gas projects in the form of concession agreements to IOCs is Article 81. Article 81 of the constitution

[11] Ministry of Industry, Mine and Trade, Executive Regulations of the Mining Law approved in 2013.

prohibits granting concessions to foreigners to form companies and institutions in various matters, including mining. Although it seems that giving oil concessions to foreigners is prohibited based on this article, another interpretation may be obtained if examined more closely. In concession agreements, exploration and exploitation licenses are typically granted to a preestablished company, either separately or together. The same procedure applies to the mining law (Iranian Mining Engineering Organization, 2013). However, what is stated in Article 81 is the privilege of forming a company, which is different from giving a privilege to an established company. Although the result seems the same, the legislator sought to prevent foreigners from entering Iran's various economic affairs. However, according to Article 81, the ban on granting concessions to foreign companies was explicit, but it seems that not all roads are closed to foreign companies, and they have the right to form companies in Iran (Amani and Hamidzadeh, 2015: 167).

The primary reference for extracting legal rulings is laws. In case of deficiency of the law or conflict of laws or the absence of a law on the subject, the court is obliged to determine the verdict according to Article 3 of the Code of Civil Procedure and based on good jurisprudential sources or valid Fatwas and legal principles that are not contrary to Islamic law (Kazemi Najafabadi, 2017: 142). Therefore, in order to obtain a correct understanding of Articles 44 and 45 of the constitution regarding oil and gas resources, if we want to search for its jurisprudential roots, it seems that oil and gas mines are Anfals (and not public wealth) and the esoteric nature of these mines is cited. According to the same classification and Article 44 of the constitution, the government can represent the public to Iqta[12] of the large mines (including oil and gas fields) to act in the public interest (Moradi and Ranjbar, 2017: 87). Iqta in territorial, tax and court affairs is in the realm of Islam, and it is the transfer of land, water, mines or its benefits, or the transfer of the right to collect tribute and taxes, or limited assignment of business location to someone for a limited time or indefinitely (Baramaki Yazdi and Manzoor, 2016: 148). Although it seems that the purpose is not to seize property and only to exploit by the competent persons (or the holder of the exploitation license) for a certain period, the holder of the exploitation must be able to own the property at some point in the exploitation in order to sell it, as applied in the mining law. As a result, although, according to some researchers, materials extracted from the mine are equal to the mine (Yasrebi and Sabzevari, 2017: 498), a distinction must be made between the mineral and the mine. In this case, the ownership of the mine cannot be transferred, and only the owner of the mineral can be created or transferred by the Islamic government after extraction. Then, the Iqta, which is the exploitation of the mine for the public benefit, can be realized.

On the other hand, it has been stated that the condition of transfer of ownership in Iranian oil contracts, governed by Iran's law, is not valid unless there is a legal regulation for it (Kazemi Najafabadi, 2017: 159). However, before the passage of the Oil law amendment in 2011, which repealed the oil law of 1974, there was a condition for transferring ownership following Article 19 of the 1974 oil law. This article says that the National Iranian Oil Company (NIOC) owns the oil produced from Iran's oil resources. Afterward, Kazemi Najafabadi (2017) concluded that since the condition of determining the time of transfer of ownership is not mentioned in Iranian civil law, referring to Imami jurisprudence which is the primary basis of its rules, the condition of transfer of ownership from the time of contract does not seem acceptable (ibid: 159). Since the ownership of oil and gas in the reservoir is not necessarily the same as the ownership of the oil and gas produced, it seems that it is not correct to use the term *transfer of ownership of oil and gas* from the host government to the concessionaire at the wellhead. Some believe that the ownership of oil in traditional concessions is transferred to the owner according to the rule of capture (Gholizadeh and Foroumand, 2017: 50). Assuming the wellhead is the boundary between the two properties, the host government cannot transfer ownership of the oil and gas in the reservoir because the concessionaire becomes the owner of the oil and gas produced according to the rule of capture. In other words, the host government does not own produced oil and gas to transfer to the concessionaire. In this regard, by separating the ownership of oil and gas in the reservoir and oil and gas produced in concession agreements, it could be concluded that the latter is created for the oil company through its efforts. However, Iran's law has an explicit legal regulation stating that no right of ownership is created over the oil in place, and the transfer of ownership can be done at the wellhead or export point. Ownership issues can be eliminated by specifying this

[12] Action of the Islamic government in allocating the exploitation of mines for the benefit of competent individuals.

subject in the oil contract (Kazemi Najafabadi, 2017: 160).

So far, this constitutional review has been conducted in a situation where the contracting party of NIOC is an IOC. Now, if one or more domestic E&P companies are parties to the contract for exploration and development of the country's oil and gas fields, what will happen in the analysis of the mentioned articles of the constitution? Although there are severe doubts about applying Articles 153 and 43 to the IOC operating exploration and development of oil and gas fields under the modern concession mechanism, it can be understood that the legal burden of these articles will be much lower for domestic E&P companies. Because these companies are Iranian, there is no confidence that economic domination will not occur as the law emphasizes domination rather than alienation. Instead, the legal path for the presence of Iranian companies is smooth, and if there is a fair mechanism and the necessary preconditions for such companies, the concept of domination of Iran's natural and economic resources can be far removed. There seems to be no ambiguity about Article 81 of the constitution, which legally prohibits granting concessions to foreigners. Then, this article does not apply to domestic E&P companies.

6.2. Oil laws and regulations

Since Iran's Islamic Revolution, two oil laws of 1987 and 2011 have been approved. According to the repeal of the oil law of 1957, Article 30 of the oil law of 1974, and the repeal of the oil law of 1974 according to Article 9 of the oil law of 2011, currently, only the oil laws of 1987 and 2011 are valid. Article 2 of the oil law, approved in 1987, following Article 45 of the constitution, while repeating Anfal and the public wealth of the country's oil resources, has added two items. First, all facilities, equipment, assets, and investments made inside and outside the country by the Ministry of Petroleum and its subsidiaries are for the people of Iran and in the hands of the Islamic government. Article 5 declares that the contracts of the Ministry of Petroleum with states are based on Article 77 of the constitution and need to be approved by Iran's parliament. Although most IOCs appear privately owned, some operate as their host government's national oil company. For example, if Statoil (Norwegian National Oil Company), Pertamina (Indonesian National Oil Company), Petrobras (National Petroleum of Brazil), or Petronas (National Petroleum Company of Malaysia) enter an oil contract with NIOC, it will logically be considered a government contract. It will need to be approved by Iran's parliament. Article six of the 1987 oil law, which has been the subject of much debate, states that investments in this area must first enter the national budget, like other operating expenses, and in the next section, the funding source cannot be foreign investment. According to this article, domestic investment to finance the upstream oil and gas projects by domestic E&P companies seems possible.

Article 2 of the oil law 2011 amends Article 2 of the oil law of 1987 while re-emphasizing Anfal and public wealth and exercising the right of sovereignty and ownership over oil resources, eliminating the exercise of sovereignty and ownership over oil facilities. Article 3 of the 1987 oil law did not mention oversight of exercising sovereignty and property rights. In its amendment to the oil law of 2011, this task was assigned to the Supreme Board of Oversight of Oil Resources, which consists of some high-ranking government officials. Article six of the oil law of 1987 remained intact without any amendment to the oil law of 2011. Article eight of this law obliges the Ministry of Petroleum to confidentially send contracts for the exploration and development of oil fields with more than five years of commitments to Iran's parliament, which seems aligned to monitor the exercise of sovereignty and ownership over oil resources.

Number five of item C (executive affairs) of Article three of the law on duties and authorities of the Ministry of Petroleum, adopted in 2012, explicitly states that the issuance of operation and exploitation licenses to legal entities authorized to explore, develop, extract, and produce from all oil and gas fields of the country is the responsibility of the Ministry of Petroleum. Although the law explicitly mentions the issuance of operation and exploitation licenses, which are features of the concession system, exploitation licenses (without ownership of oil and gas produced) are issued only for production in some fields [13]. In the article of the law on duties and authorities of the Ministry of Petroleum, domestic investors and contractors are mentioned alongside international ones. It can be interpreted that domestic E&P companies like IOCs can participate in the upstream oil and gas industry, in case they have the necessary conditions, except that there is no restriction on Article six of the 1987 oil law for them.

[13] Hemmat, M.A. (2013), Inauguration of the presence of the National Iranian Oil Company in the commercial and international space; Issuance of temporary exploitation licenses for 29 oil fields of the country, *Scientific Journal of Oil & Gas Exploration & Production*, 99, 3–4.

6.3. Rules of the five-year economic, social and cultural development plan

Other laws dealing with the sovereignty and ownership of oil and gas include the Five-Year Economic, Social, and Cultural Development Plan, which was approved by the six laws after Iran's Islamic Revolution. It seems that item H of Note 29 of the First Five-Year Plan Law (1990–1994), approved in 1989, was drafted to fulfill Article six of the 1987 oil law. According to this item, the NIOC was allowed to meet domestic and export needs and exploit of Pars and South Pars Gas fields to conclude necessary contracts up to a maximum amount of $3.2 billion with qualified foreign companies. However, this discrepancy cannot be ignored that the license given in the First Five-Year Plan law was a foreign investment license, which was explicitly prohibited in Article six of the 1987 oil law. According to this article, Iran's first buy-back agreement was signed with Total to develop Siri A and E fields. The second part of this item states that the conclusion of these contracts should be such that the investment costs are repaid from the production of the mentioned fields. This was repeated in the Second Five-Year Plan (1995–1999), and according to item M of Note 22, the executive bodies (including the Ministry of Petroleum) were allowed to reach a ceiling of $6.5 billion through the buy-back of executive plans. According to Table 13 of this law, most are of the development type.

Article 33 of the law on the Third Five-Year Plan (2000–2004) states that the government's prerogative is policy-making and planning regarding the exploration, extraction, and production of crude oil. Since policy-making is the practical result of governance, the term *government* can be interpreted as Islamic sovereignty, considered in Article 45 of the constitution. The Third Five-Year Plan Law no longer sets a foreign exchange budget ceiling for upstream oil and gas investment. Item B of Article 14 of the law on the Fourth Five-Year Plan (2005–2009) again sets the ceiling for foreign investment that the NIOC is allowed to make to develop upstream oil and gas operations, except that a specific amount is not specified and only income from excess oil and gas production is planned. Another critical point that can be seen in this item is the explicit use of the term different methods of international contract, which due to the constitutional limitation in granting licenses to foreigners, one of these methods can be interpreted as the approach of PSC. The first condition for applying this item is preserving sovereignty and exercising state ownership of the country's oil and gas resources. Considering other conditions such as the repayment of principal, interest rate, rate of return, and risk of not achieving the desired contractual objectives, it can be concluded that this action is a complete interpretation of foreign investment in the upstream oil and gas field, which is clearly in opposition to Article six of the oil law adopted in 1987.

Article 125 of the Fifth Five-Year Plan (2011–2015), the first article of the oil and gas chapter, has mentioned the term exploration, development, and production license for the first time. The said license is the primary mechanism of the concession agreements in oil and gas. The ceiling set is the same as the additional production ceiling set in the Fourth Plan. In addition, as in the Fourth Plan, various exploration, development, and production methods are redefined while retaining ownership and exercising ownership of the property for the government. According to item A of Article 129, the Ministry of Petroleum, to exercise the right of sovereignty and ownership over oil and gas resources while establishing the management of exploration, development, and production, is obliged to employ the necessary experts. According to Article 125, per item 12 of Article 129, the Ministry of Petroleum has to issue exploitation licenses without ownership of the produced oil and gas for exploration, development, and production by adopting optimal oil reservoir production policies. Since this article is not explicitly specified, it can be assumed that exploitation licenses could also be issued to foreign oil companies. In item C of Article 48 of the law on the Sixth Five-Year Plan (2017–2021), the Ministry of Petroleum is obliged to make the necessary arrangements to use its internal capacities and capabilities to invest in exploration, production, and exploitation operations (not ownership) of oil and gas fields, especially joint oil fields aligned with the framework of the general policies of Article 44 of the constitution. According to Article 4 (a) of this law, all executive bodies were required to make the necessary policy to attract the financial resources required for investment up to an average of $30 billion annually in various forms, including foreign direct investment and foreign partnership contracts. According to the phrase of *all executive bodies*, foreign investment in the upstream oil and gas field is possible, which is prohibited according to Article six of the oil law 1987.

7. Conclusions

One of the reasons that developing countries do not use concession agreements is their historical mentality (Smith et al., 2010: 501; Omorogbe, 1997: 67). Therefore, the refusal of developing countries to use the concession agreement model in the development of their

oil fields is more due to historical events and their previous mentality than to technical or economic reasons. For this reason, according to Article six of the oil law approved in 1987, any foreign investment in the oil and gas field, including concession agreements and PSC, is prohibited. Here, a distinction must be made between a) legal feasibility, the results of which depend on legal sources and current laws and regulations, and b) the law enforcement category, which is linked to the attitude and mentality of the law enforcer. In this regard, it can be noted that although the use of concession agreements, at least for the domestic E&P companies, is not a severe legal prohibition, probably because of this mentality, the subject of concession agreements is quickly removed from the agenda of the working group on IPC (Emadi [14], Personal interview, February 29, 2019).

Regarding governance and ownership in concession agreements, it can be summarized that control over oil and gas resources is still in the hands of the host government. The host government owns the oil and gas in the reservoir, and the ownership of the produced oil and gas at the wellhead is created by or transferred to the oil company. The same approach is used in the Iranian mining law so that the operator benefits from the ownership of the extracted mineral if he/she pays royalties to the public treasury. Therefore, it does not appear that the ownership of the IOC over-produced oil and gas, based on a modern concession agreement for oil resource development, includes any prohibition in the constitution other than the prohibition of Article 81. In addition, since in the new approach of concession agreements used in many countries, the host government is the final decision-maker on the progress of oil operations, it cannot be described as the domination of oil and gas resources; therefore, it does not have a severe contradiction with the constitution. On the other hand, domestic E&P companies will not be subject to Article 81 of the constitution, which restricts granting concessions to foreigners.

In the oil laws of 1987 and 2011, only the restriction on the inflow of foreign capital in the country's upstream oil and gas industry has been observed, which again does not include the Iranian E&P companies. In the laws of the country's Five-Year Economic, Social, and Cultural Development Plan, this restriction of oil laws has primarily been adjusted as it can be understood that this restriction has also been removed for IOCs. The Fifth Five-Year Development Plan Law and the law on duties and authorities of the Ministry of Petroleum authorize it to issue exploration, development, and production licenses, which are features of concession agreements. The Ministry of Industry, Mines, and Trade issues these licenses to explore and develop the country's mines. However, it seems that the licenses issued by the Ministry of Petroleum are only for the operation or production of oil and gas, and this legal capacity is not utilized for the exploration and development of oil and gas fields in the country. In general, it can be said that there is no severe legal prohibition on the execution of domestic E&P companies in the country's upstream oil and gas operations based on the modern concession agreement.

The results align with Gholizadeh and Foroumand's (2017) research. However, to ensure this, the reform of the oil law and the emphasis on the possibility of using other contractual models in the upstream oil and gas industry are necessary only for qualified E&P companies. This qualification is not the only competence the Ministry of Petroleum has evaluated. The qualification assessment of E&P companies conducted by the Ministry of Petroleum certifies the minimum capability of domestic exploration and production companies and does not enter the nature of the formation and ownership of these companies. For example, these companies' privacy and public ownership seem to be among the most basic requirements that must be met. On the other hand, how is it possible that some of these companies, which are subsidiaries of the Ministry of Petroleum, despite having good experience in the execution of upstream projects, can be in a competitive environment where the employer of these projects owns these companies?

One of the government's concerns regarding using other contractual approaches is the reduction of revenues that may be obtained due to this type of contract. While simple, the fiscal regime of the concession agreements has the necessary flexibility to control the oil company's revenue and maintain the expected government take. Furthermore, since the E&P companies are Iranian, government interaction with them will be logically faster and easier. The national interests that will result from the growth and development of domestic exploration and production companies can be of relatively higher stability than when one of the parties to the contract is an IOC. The main benefit the government has considered so

[14] Ex-member of Board of Directors of NIOC

far from buy-back contracts is more than monetary resources with relatively low stability.

On the other hand, the government was not very successful in achieving other comparative advantages such as technology transfer (Mirimoghaddam et al., 2015: 17; Derakhshan and Taklif, 2015: 78). However, growth and development of Iranian E&P companies can act as the driving force of domestic industries and improve the economic conditions of the country (A. Zargar, personal interview, February 24, 2019). Finally, one of the government's current concerns is oil exports, which are facing severe problems during the imposition of international sanctions, and the oil exchange has not been able to meet government expectations. The sanctions strategy halts Iran's economic and industrial growth, restricts foreign investment, weakens the Rial currency, multiplies inflation, reduces oil and gas production and exports, and consequently has made the way to attract foreign capital uneven, investment difficult, and development challenging (Shafe and Rahimi, 2014: 33). Nevertheless, in concession agreements, the oil ownership can be realized by the E&P companies and the risk of selling part of the country's oil production will be transferred to the private sector.

Undoubtedly, domestic E&P companies have more capacity than the government to achieve goals such as localization of the oil industry in Iran. Nevertheless, this capacity will not be fully utilized until it becomes necessary for these companies. For example, engineering, procurement, and construction (EPC) contracts are sometimes used in upstream industries, such as contracts executed for the South Pars Gas Field Development Plans (Ghanbari Jahromi and Asgharian, 2015: 752). Although these are multi-billion dollar contracts, they cannot create the need for the oil company to pursue important goals such as localization because they are almost sure they will receive the total contract amount from the governmental employer. Therefore, the assignment of such contracts will not lead to real growth without transferring much risk to the oil company. Concession mechanisms currently pursued in Iran's mining sector could be a suitable platform for developing E&P companies and the oil industry's growth. Given the time it took for the IPC to be formulated and implemented, entering other oil contract models and implementing them will not happen quickly. This may take at least several years to pave the way. Therefore, domestic E&P companies will have a multi-year opportunity to prepare for entry into other contractual models by taking advantage of the capacity of IPC or buy-back. In the next step, future research on the subject of the present study can focus on the two main parts of the views of officials and legislators in this regard and investigate the ability of exploration and domestic production companies to conduct operations in the upstream oil and gas field.

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