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## EU Oil Embargo On Iran Seen Having 'Minimal' Impact On Oil Markets



The European Union agreed to an unsurprising Iranian oil embargo Monday. The impact on the energy market will likely be “minimal,” says Richard Soutanian, director of energy consulting firm NUS Consulting in Park Ridge, New Jersey.

Soutanian said last week that an EU embargo would be handed down on Monday, following similar sanctions from [Washington](#). The Obama Administration applying the pressure on Asian countries now, the main recipients of Iranian crude outside of Europe. Results so far have been mixed.

U.S. Treasury Secretary [Timothy Geithner](#) tried convincing the Chinese government this month to follow Washington’s lead, but Beijing said that it will continue to import Iranian oil. India said the same thing, adding that it will only fall in line with Obama if the United Nations issues the embargo, too.

Moreover, the biggest importers of Iranian oil in Europe are Greece, Italy and Spain, all borderline bankrupt. The embargo will likely give those countries leverage to lock in cheaper rates for Iranian oil over the next six months before they have to look elsewhere, if the embargo remains in effect.

“The implementation of the sanctions has gotten off to a mixed start,” Soutanian says. “The likely impact to Iran and the oil markets will be minimal. At present it appears that the most likely consequence of (the)

sanctions is the provision of additional leverage to Iran's customers to negotiate deeper discounts in order to continue the relationship," he said.

Iran produces approximately four million barrels of oil per day and exports a little more than half of that production, primarily to China, Europe, India, Japan, South Korea and Turkey. Japan said it will reduce its Iranian oil imports, but will not ban them altogether because the country is still rebuilding from last year's natural disasters. Looking elsewhere for oil, possibly at higher prices, could impede the country's recovery.

Meanwhile, Turkey and South Korea have not formulated any official position at this time.

All of the 27 European Union member states agreed to the sanctions on Monday morning after two failed meetings between EU ambassadors last week. In addition to the oil embargo, European governments also agreed to freeze assets of the Iranian central bank abroad in an effort to starve the Iranian government of funds for its nuclear program. Brussels and Washington both agree that Iran will eventually use its nuclear capabilities to build weaponry.

"The Iranian programs are proceeding apace and represent a strategic threat," an unnamed EU diplomat [was quoted saying](#) in *The Guardian* on Monday. "The aim is to have a big impact on the Iranian financial system, targeting the economic lifeline of the regime."