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US Asks Japan to Stop Iran Oil Development: Sankei Shinbun

By Elaine Lies

TOKYO (Reuters) - The United States has informally asked Japan to suspend its plans to develop an Iranian oil field as part of world efforts to prevent Iran from obtaining nuclear weapons, a Japanese newspaper said on Thursday.

Resource-poor Japan has been planning to develop Iran's Azadegan oil field, estimated to hold the world's second-biggest single oil reserve, despite objections from Washington.

But Japan's top government spokesman, Shinzo Abe, said Tokyo's plans to develop Azadegan were not currently a topic of discussion with the United States and added that the project was vital for Japan's aim of securing stable energy supplies .

The report comes a week after Japan's largest refiner, Nippon Oil Corp., said it would cut imports of Iranian crude due to rising risks associated with the country, the first hint that Tehran's nuclear dispute is affecting its vital oil trade.

According to U.S. government sources quoted by the daily Sankei Shimbun , U.S. Deputy Secretary of State Robert Zoellick and Undersecretary of State Robert Joseph informally asked Japan to at least temporarily suspend its plans to develop Azadegan.

The request was based on the belief that developing the field would provide income for Iran that could support its nuclear activities, as well as make it hard for the international community to present a united front in dealing with Iran, the newspaper said.

It said there was a movement within the U.S. Congress to make a similar request.

Asked about Azadegan, Japan's Abe said Tokyo would pay heed both to nuclear non-proliferation and its own energy needs.

"It is not the case that the Japanese government is holding concrete discussions at this juncture with the United States regarding the future direction of the development of the Azadegan oil field," said Abe, the chief cabinet secretary.

"We would like to deal with this firmly based upon our basic recognition that both...the nuclear non-proliferation issue and stable crude oil supplies are important," Abe told reporters.

ENERGY SECURITY

Japan sealed a deal with Iran two years ago on a billion-dollar project to develop Azadegan.

The Japanese government has a 36 percent stake in INPEX Corp., Japan 's biggest oil developer, which plans to develop the southern part of Azadegan, estimated to hold 26 billion barrels of oil.

An INPEX official said it has not been contacted by the U.S. or Japanese governments regarding the Azadegan oilfield, and officials at Japan's foreign and trade ministries declined to comment.

The United Nations Security Council, which can impose sanctions, has so far failed to reach accord on a statement calling on Iran to suspend its uranium enrichment activities.

Both Russia and China have balked at approving a draft statement, fearing that threats might escalate and prompt Iran to cut off allcontact with the U.N.'s nuclear watchdog agency.

Earlier this month, John Bolton, the U.S. ambassador to the United Nations, urged Japan to work with Washington, saying that he understood Japan's difficult energy situation but that the global community had to work together to combat nuclear proliferation.

Resource-poor Japan imported almost all of its crude oil needs amounting to 4.2 million barrels per day (bpd) last year, and about 90 percent of the volume was supplied by Middle Eastern producers.

Iran is Japan's third-largest oil supplier, and Tokyo has maintained healthy relations with Tehran even at the expense of upsetting Washington .

But Nippon Oil said last week it would reduce its purchases of Iranian crude by an average of 22,000 bpd to 120,000 bpd this year in view of growing risks related to the country.

The cut represents 2 percent of its refining capacity.

The company will reduce Iranian crude imports via traders but will not change the amount that it purchases through direct long-term contracts with Iran.

A government council said on Wednesday that Japan should more than double crude oil imports from its equity oilfields in the next 25 years to improve energy security.

Additional reporting by Ikuko Kao and Masayuki Kitano. This Reuters report appeared on March 23, 2006. Posted at Japan Focus, March 26, 2006.