

Western oil firms remain as US exits Iraq

The end of the US military occupation does not mean Iraqis have full control of their oil.

Dahr Jamail Last Modified: 07 Jan 2012 18:45



Iraq plans to increase its oil production capacity up to 12 million barrels per day by 2017 [Al Jazeera]

Baghdad, Iraq - While the US military has formally ended its occupation of Iraq, some of the largest western oil companies, ExxonMobil, BP and Shell, remain.

On November 27, 38 months after Royal Dutch Shell announced its pursuit of a massive gas deal in southern Iraq, the oil giant had its contract signed for a \$17bn flared gas deal.

Three days later, the US-based energy firm Emerson submitted a bid for a contract to operate at Iraq's giant Zubair oil field, which reportedly holds some eight million barrels of oil.

Earlier this year, Emerson was awarded a contract to provide crude oil metering systems and other technology for a new oil terminal in Basra, currently under construction in the Persian Gulf, and the company is installing control systems in the power stations in Hilla and Kerbala.

Iraq's supergiant Rumaila oil field is already being developed by BP, and the other supergiant reserve, Majnoon oil field, is being developed by Royal Dutch Shell. Both fields are in southern Iraq.

According to the US Energy Information Administration (EIA), Iraq's oil reserves of 112 billion barrels ranks second in the world, only behind Saudi Arabia. The EIA also estimates that up to 90 per cent of the country remains unexplored, due to decades of US-led wars and economic sanctions.

"Prior to the 2003 invasion and occupation of Iraq, US and other western oil companies were all but completely shut out of Iraq's oil market," oil industry analyst Antonia Juhasz told Al Jazeera. "But thanks to the invasion and occupation, the companies are now back inside Iraq and producing oil there for the first time since being forced out of the country in 1973."

Juhasz, author of the books *The Tyranny of Oil* and *The Bush Agenda*, said that while US and other western oil companies have not yet received all they had hoped the US-led invasion of Iraq would bring them, "They've certainly done quite well for themselves, landing production contracts for some of the world's largest remaining oil fields under some of the world's most lucrative terms."

Dr Abdulhay Yahya Zalloum, an international oil consultant and economist who has spent nearly 50 years in the oil business in the US, Europe, Asia and the Middle East, agrees that western oil companies have "obtained concessions in Iraq's major [oil] fields", despite "there being a lack of transparency and clarity of vision regarding the legal issues".

Dr Zalloum added that he believes western oil companies have successfully acquired the lions' share of Iraq's oil, "but they gave a little piece of the cake for China and some of the other countries and companies to keep them silent".

In a speech at Fort Bragg in the wake of the US military withdrawal, US President Barack Obama said the US was leaving behind "a sovereign, stable and self-reliant Iraq, with a representative government that was elected by its people".

Of this prospect, Dr Zalloum was blunt.

"The last thing the US cares about in the Middle East is democracy. It is about oil, full stop."

A strong partnership?

A White House press release dated November 30 titled, "Joint Statement by the United States of America and the Republic of Iraq Higher Coordinating Committee", said this about "energy co-operation" between the two countries:

"The United States is committed to supporting the Republic of Iraq in its efforts to develop the energy sector. Together, we are exploring ways to help boost Iraq's oil production, including through better protection for critical infrastructure."

Iraq is one of the largest oil exporters to the US, and has plans to raise its overall crude oil exports to 3.3m barrels per day (bpd) next year, compared with their target of 3m bpd this year, according to Assim Jihad, spokesman for Iraq's ministry of oil.

Jihad told Al Jazeera that Iraq has a goal of raising its oil production capacity to 12m bpd by 2017, which would place it in the top echelon of global producers.

According to Jihad, Iraq's 2013 production goal is 4.5m bpd, and in 2014 it is 5m bpd. The 2017 goal is ambitious, given that Iraq did not meet its 2011 goal, and many officials say 8m bpd capacity is more realistic for 2017.

Unexplored regions of Iraq could yield an additional 100bn barrels, and Iraq's production costs are among the lowest in the world.

To date, only about 2,000 wells have been drilled in Iraq, compared with roughly one million wells in Texas alone.

Globally, current oil usage is approximately 88m bpd. By 2030, global petroleum demand will grow by 27m bpd, and many energy experts see Iraq as being a key player in meeting this demand.

It is widely understood that Iraq will require at least \$200bn in physical and human investments to bring its production capacity up to 12m bpd, from its current production levels.

Juhasz explained that ExxonMobil, BP and Shell were among the oil companies that "played the most aggressive roles in lobbying their governments to ensure that the invasion would result in an Iraq open to foreign oil companies".



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"They succeeded," she added. "They are all back in. BP and CNPC [China National Petroleum Corporation] finalised the first new oil contract issued by Baghdad for the largest oil field in the country, the 17 billion barrel super giant Rumaila field. ExxonMobil, with junior partner Royal Dutch Shell, won a bidding war against Russia's Lukoil (and junior partner ConocoPhillips) for the 8.7 billion barrel West Qurna Phase 1 project. Italy's Eni SpA, with California's Occidental Petroleum and the Korea Gas Corp, was awarded Iraq's Zubair oil field with estimated reserves of 4.4 billion barrels. Shell was the lead partner with Malaysia's Petroliaam Nasional Bhd., or Petronas, winning a contract for the super-giant Majnoon field, one of the largest in the world, with estimated reserves of up to 25 billion."

Zalloum says there is a two-fold interest for the western oil companies.

"There is development of the existing fields, but also for the explored but not-yet-produced fields," he said. "For the old fields, there are two types of development. One is to renovate the infrastructure, since for most of the past 25 years it has depreciated due to the sanctions and turmoil. Also, some of these fields have different stratum, so once they use innovative techniques like horizontal drilling, there is a huge potential in the fields they have explored."

But there are complicating factors. As a spasm of violence wracked Baghdad in the wake of the US military withdrawal and political rifts widen, Iraq's instability is evident.

"Iraq has lots of cheap-to-get oil, but it also has a multitude of problems - political, ethnic, tribal, religious etc - that have prevented them from exploiting it as well or as quickly as the Saudis," says Tom Whipple, an energy scholar who was a CIA analyst for 30 years. "Someday it may turn out that Iraq has more oil underground than Saudi Arabia. The big question is how stable it will be after the US leaves? So far it is not looking all that good."

Jihad, Iraq's ministry of oil spokesman, however, said attacks against Iraq's oil pipelines have minimal effect on production capabilities, and claimed "sabotage will not affect our oil production and exports because we can fix these damages within days, or even hours".

Whipple, a fellow at the Post-Carbon Institute, says Baghdad had driven a hard bargain with western oil companies.

"The only reason they are participating is because everybody else is and they hope to get a foot in the door in case some new government in Iraq changes its policies to let other outsiders make more money. Remember it is not all the traditional western oil companies that are in there; the Chinese, Russians and Singapore all want a piece of the action."

Wrong idea?

Spokesman Jihad told Al Jazeera that the reason many Iraqis think western oil companies are operating in Iraq is simply to steal Iraq's oil.

"These ideas were obtained during the regime of deposed dictator Saddam Hussein, and these are the wrong ideas," he said. "The future will help Iraqis understand these companies have come to work here to help Iraq sell its oil to help the people, and they work to serve the country."

Jihad admitted that his media office works "to help Iraqis understand the nature of the work of these companies and their investing in Iraq".

Despite the efforts of Jihad's office to prove otherwise, Iraqis Al Jazeera spoke with disagree.

"Only a naïve child could believe the Americans came here for something besides our oil," Ahmed Ali, an unemployed engineer, told Al Jazeera. "Nor can we believe their being here has anything to do with helping the Iraqi people."

Basim al-Khalili, a restaurant owner in Baghdad's Karada district, agrees.

"If Iraq had no oil, would America have sacrificed thousands of its soldiers and hundreds of billions of dollars to come here?"

Oil analyst Juhasz also agrees.

"The US and other western oil companies and their governments had been lobbying for passage of a new national law in Iraq, the Iraq Oil Law, which would move Iraq from a nationalised to a largely privatised oil market using Production Sharing Agreements (PSAs), a type of contract model used in just approximately 12 per cent of the world's oil market."

She explained that this agreement has been summarily rejected by most countries, including all of Iraq's neighbours,

"because it provides far more benefits to the foreign corporation than to the domestic government".

But it has not been an easy road for the western oil companies in Iraq.

"Major western companies, such as Chevron and ConocoPhillips, that had hoped to sign contracts were unable to do so. A third round [of contracts] took place in December 2010 and saw no major western oil companies (except Shell) win contracts. I believe that there was an Iraqi backlash against the awarding of contracts to the large western major oil companies. Thus, in December 2010, fields went to Russian oil companies Lukoil and Gazprom, Norway's Statoil, and the Angolan company Sonangol, among others."

Unlike under Iraq's Oil Law, these contracts do not need to go through parliament, according to the central government. This means the contracts are being signed without public discourse.

"The public is against privatisation, which is one reason why the law has not passed," added Juhasz. "The contracts are enacting a form of privatisation without public discourse and essentially at the butt of a gun - these contracts have all been awarded during a foreign military occupation with the largest contracts going to companies from the foreign occupiers' countries. It seems that democracy and equity are the two largest losers in this oil battle."

Iraq's oil future

Under the current circumstances, the possibility of a withdrawal of western oil companies from Iraq appears remote, and the Obama administration continues to pressure Baghdad to pass the Iraq Oil Law.

Nevertheless, resistance to the western presence continues.

"The bottom line is that it seems clear that the majority of Iraqis want their oil and its operations to remain in Iraqi hands," said Juhasz. "Thus far, it has required a massive foreign military invasion and occupation to grant the foreign oil companies the access they have thus far garnered."

While Iraq's security remains as volatile as ever, as does the political landscape - which can change dramatically at any moment - there is one thing we can always count on as being at the heart of these conflicts, and that is Iraq's oil.

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Source: Al Jazeera