



Dateline Iraq Part 1 -- Oil Production and Pipelines

Posted by [Prof. Goose](#) on August 5, 2005 - 12:15pm

A salient guest post by Dave C.:

It sometimes seems that we have forgotten all about Iraq. After all, this country has the 3rd largest reserves in the world (the standard figure is 115 bbo) after Saudi Arabia and Canada. There is an additional 110 trillion cubic feet of natural gas. That's a lot of fossil fuels. Astonishingly, Iraqi Oil Minister Ghadban stated that Iraq had "unconfirmed or potential reserves" of 214 billion barrels in August 2004 -- but see below. Many in the oil patch believe that America's hidden motive for the war was to secure that oil & gas supply and establish a permanent military foothold in the Middle East outside the Saudi Kingdom. Whether you believe that or not, it behooves all those in the peak oil community to know what's happening there.

First off, we note that the [GAO Reveals Iraq Reconstruction Is Failing](#).

In March 2003, Iraq produced 2.6 million barrels of oil per day and exported 2.1 million barrels per day. By May 2005, Iraq was producing just 2.1 million barrels of oil per day and exporting only 1.4 to 1.6 million barrels per day.

And here in [Analysis: Iraq oil](#) (from UPI), we see that the most recent figures from the State Department's Iraqi Weekly Status Report "pointed to exports for July coming in at 1.693 million barrels per day, up from an average 1.44 million barrels per day in June". So, in a world where oil supply and demand are *very tight*, Iraq exports are down somewhere about 400,000 (July) since March of 2003. That's not good news. Will it get [better](#), as Daniel Yergin of CERA assumes when he says "our estimate for growth [by 2010] in Iraq is quite modest -- only 1 million barrels a day -- reflecting the high degree of uncertainty there". Regardless of whether you think social and economic conditions will improve there, one wonders whether that's another 1 million bd based on current production for export or based on the pre-war numbers. Assuming the former and the June figures on which CERA might have based their projection, that's a whopping 340,000 barrels a day increase exported to the world market in the period 2003 to 2010 from the country with the world's 3rd largest reserves. On the other hand, if Americans will still be in Iraq for another 12 years fighting the insurgency, as Donald Rumsfeld opined lately, then perhaps even Yergin's "modest" estimate is a little optimistic, not to mention maybe completely over the top. Who knows, July production is up over June if you trust the numbers.

Speaking of the insurgency, where is that Iraqi oil and what's happening on the pipeline front? First, the EIA [notes](#) that "approximately 2 million bbl/d of Iraq's production pre-war capacity came from southern oil fields and 1 million bbl/d from northern oil fields." (We'll just skip the discrepancy with the 2.6 m/bd pre-war production number given above, see the EIA page.) Unfortunately for the disenfranchised, rebellious Sunnis, almost all of the northern daily production is from the Kurdish held areas around Kirkuk and the southern production comes from Shia' held areas around Basra, including the large Rumaila fields there.

Conveniently for us, the Institute for the Analysis of Global Security maintains a [pipeline watch](#). They have recorded 255 attacks on Iraqi pipelines, oil installations, and oil personnel since 2003 and 69 this year alone through the end of July. But nothing stays the same in Iraq and reliable information is hard to come by. The EIA also notes that:

In early May 2005, Ibraihim Bahr al-Uloum was named to replace [Iraqi Oil Minister] Ghadban, stating that his main goals were to reduce corruption in the oil sector, to improve fuel availability, to reduce attacks on oil infrastructure (Ghadban had cited 642 such attacks in 2004 at a cost of \$10 billion), and to re-establish an Iraqi National Oil Company (INOC) by the end of 2005.

So, Ghadban is gone. Perhaps his estimated reserve and pipeline attack figures were inaccurate? In Part 2, I will talk about Iraq's oil refining deal with Iran, oil smuggling in Iraq, weirdly optimistic projections about Iraqi oil production from the recent past and any new developments that may come along.

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