



## Status of Iraqi Oil

Posted by [Stuart Staniford](#) on October 14, 2005 - 4:15am

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I just dug up [this recent paper](#) by Issam Al-Chalabi on the history and status of the oil industry in Iraq. He writes:

Almost 30 months after the occupation of Iraq, we can describe the current state of the oil industry briefly as follows:

- The rehabilitation program (RIO I, RIO II) initiated by the US through some of its companies has not resulted in notable improvements. There are still some projects initiated in June 2003 that await completion.
- The Ministry of Oil, for its part, has had limited success in rehabilitation and maintenance due to security reasons, lack of funds, foreign EPC companies leaving the country, bureaucracy and other reasons.
- There has been only a limited program to assess the status of reservoirs. One major study, expected to be completed in early 2006, relates to Kirkuk and Rumaila oilfields.
- There has been very limited drilling and workover activities for the oil wells.
- Most water-injection and wet crude facilities await rehabilitation.
- Sabotage of pipelines continues, particularly in the center and north, despite all military efforts and the hundreds of millions of dollars spent to protect them.
- Refineries are operating at 60-70% of their capacities due to lack of major maintenance and disruption of supplies through pipeline sabotage.

He details the long history of attempts to develop the oil fields, frustrated by the long series of wars. There is little hope in sight now:

As for any role for IOCs and NOCs, none should be expected in the short or even medium term. It is the consensus of all concerned parties that having security and stability is by far the most serious concern and that seems to be a function of the political process and the presence as well as the role of the occupation forces. Simultaneously it is essential that dealings be handled through a permanent institution and not interim or transitional governments and parliaments, changing every few months. If the proposed draft constitution, to be put to a referendum on 15 October, is endorsed, then there will be new elections for a new parliament on 15 December. But if the draft constitution is rejected, then there will be elections for yet another interim parliament.

He discusses problems the new constitution is likely to cause, if adopted:

#### *Article 110*

First– The federal government will administer oil and gas extracted from current fields in cooperation with the governments of the producing regions and provinces on condition that the revenues will be distributed fairly in a manner compatible with the demographical distribution all over the country. A quota should be defined for a specified time for (affected) regions that were deprived in an unfair way by the former regime later on, in a way to ensure balanced development in different parts of the country. This should be regulated by law.

Second– The federal government and the governments of the producing regions and provinces together will draw up the necessary strategic policies to develop oil and gas wealth to bring the greatest benefit for the Iraqi people, relying on the most modern techniques of market principles and encouraging investment.

#### *Article 112*

All that is not written in the exclusive powers of the federal authorities is within the authority of the regions (and the provinces that didn't make it into a region). In other powers shared between the federal government and the regions, the priority will be given to the region's law in case of dispute.

The above oil articles in the draft constitution have created an anomaly that can only bring havoc to the industry and abort its development. Oil policies have to be decided by the central government with consultations with the regions and provinces.

He ends on this cheery note:

In conclusion, I expect that in the short term, Iraqi oil production will continue around 1.8-2.0mn b/d, with exports at an annual average of 1.5mn b/d for the next two years. I doubt if Iraqi oil production will reach 3.5mn b/d before 2009. Nor will there be a major hike to 6.0mn b/d, through the involvement of IOCs and NOCs, before 2012-14.

So maybe there'll still be a little oil for our grandkids after all (at least if Caliph bin Laden III will sell it to them).



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