Iraqi Oil is Not in American Hands

The main players among foreign concerns taking control of Iraqi mineral resources are Asian companies. Given their enormous human resources and the growing economies of these countries, there is nothing surprising in the fact that they are taking on a lot of Iraqi projects. Russian and other European participants of previous tenders also managed to regain their place in the sun and start implementing major projects in Iraq.

Today, the “Asian invasion”, which has landed on the Iraqi oil fields, includes the Chinese CNPC, South Korean “Kogas”, Malaysian “Petronas”, Japan's “Japex”, and “Pakistan Petroleum” and “Kuwait Energy Company”.

The Western heavy artillery in Iraq is as follows: the Dutch-British “Royal Dutch Shell”, “Total” of France and the United States' “ExxonMobil”.

It is often argued that Russian companies are hesitant to enter the markets of those Arab countries that are experiencing a period of reformation after a change of the former regime. In fact, the situation is not so.

I am one of a few professionals who thoroughly hoped to the very end that “Lukoil Overseas” would be successful in receiving back the West Qurna-2 project, which the company acquired in 1997. In 2002, the agreement was canceled unilaterally by the Iraqis. This was followed by attempts from the Russian side to resolve the problem, but to no avail. In 2008, Moscow even wrote off 12-billion in Iraq national debt, but Baghdad made no concessions.

At that time, only pessimistic forecasts were published in the media and in the pages of reputable industry publications. In particular, there were allegations that Russians' return to Iraq is impossible and that they themselves do not want to return to the Iraqi market. Analysts advised “Lukoil Overseas” not to make the same mistake twice. Moreover, in their view, the United States overthrew Saddam, fully occupied the country, and there was no way of getting in there.

Speaking of Iraqi oil policy, it is not worth focusing on the United States' position, but on the relationship between Baghdad and Erbil. A regional law was adopted in Iraqi Kurdistan that allows investors to work with less risk on Kurdish territory. The Kurdistan Regional Government continues to sign contracts with foreign companies, bypassing the federal government.

The only U.S. company that won bidding in Iraqi, “ExxonMobil”, is apparently to sell its stake in West Qurna-1 due to pressure from the Iraqi Oil Ministry as a result of the active cooperation of the American concern with Erbil.

Iraq, for the large part, now operates independently. Baghdad holds auctions, concludes contracts, money goes to the Treasury, and the White House does not seem to interfere. Perhaps the United States is offering a chance to
those who Saddam Hussein infringed upon to feel independent? However, in the future, Washington will be able to quickly tighten the screws, reminding Iraqis of its authority.

The Americans are actively helping Baghdad to minimize military-political risks. After all, U.S. military units remain in Iraq. They are trying to somehow restrain the internal struggles of clans from different ethnic and religious groups. Today no one can disrupt large enterprises or infrastructures for energy exports. The United States is now focused on the stabilization of Iraq, and if they finally leave, the bloodshed and attacks could increase several fold.

To date, three Russian players are carrying out their activities in the oil fields of the Arab state. “Lukoil Overseas” (a subsidiary of “Lukoil”), “Gazprom Neft” (a subsidiary of “Gazprom”) and “Bashneft” are engaged in the development of Iraq’s fields.

In addition, Rosneft is also planning for the first time to enter the market, and “Zarubezhneft” is eager to return to Iraq after 10 years.

The position of “Lukoil” in Iraq is becoming more stable. The signing of the 2013 supplementary agreement to the contract on West Qurna-2 between the company president Vagit Alekperov and the authorized representatives of the Iraqi state-owned “North Oil Company” and “South Oil Company” registered the transfer to the Russian side of an 18.75 percent interest in the project from the Norwegian company “Statoil”, which withdrew from it.

“Gazprom Neft” is so far the only Russian company to have, along with a maintenance contract for “Badr”, three production sharing agreements for sites that are situated on Kurdish territory. Exploration work continues on two of these sites, at the completion of which, no later than 2015, oil production is expected to start.

“Bashneft” is the exploration and development operator of Iraqi Block 12, which has potential oil deposits. It is noteworthy that in this instance, Iraq has moved away from the traditional scheme in which a 25 percent stake in a joint project must belong to an Iraqi state company, and provided “Bashneft” with the opportunity to own a 100 percent stake and form a consortium among a number of foreign corporations.

In conclusion, what follows is that without the latest foreign technology, Iraq can not deploy its own oil industry production. This requires experience, know-how and top-class foreign experts, including those from Russia.

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