



## Iraq Set to Seek Foreign Oil Bids

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BAGHDAD -- Iraq is poised to open its coveted oil fields to foreign companies this week for the first time in nearly four decades, a politically risky move in a country eager to shake off the stigma of occupation.

Iraqi politicians and some veteran oil officials have said the deals are unduly beneficial to oil giants, which are viewed warily by many in this deeply nationalistic but cash-strapped country.

Oil executives have been following the matter with apprehension, industry analysts said, but they are eager to get a foothold in Iraq, which has the world's second-largest proven crude reserves and is seen as the only major penetrable market.

"It's something the industry really wants," said Ben Lando, editor of Iraq Oil Report, an Iraq energy news Web site. "The number of reserves around the world that they have access to is declining. And Iraq has so much oil."

Iraq's Oil Ministry is expected to auction eight contracts for six active oil fields and two largely undeveloped gas fields Monday and Tuesday. Thirty-five companies have been selected to submit bids for the 20-year service contracts.

The winners will be required to give the Iraqi government a total of \$3 billion in loans. They will be compensated for costs and will earn a per-barrel fee for boosting production at the fields, ravaged by years of war and sanctions.

Although the terms for investors are less than ideal, analysts said, those who get picked in the first round are likely to receive more lucrative contracts in the future. The companies are also preparing bids for a second round of contracts for work at undeveloped fields, which Iraqi officials expect to award in coming months.

Companies that secure the contracts will be wading into a country with a latent insurgency, endemic corruption and deeply divided political leaders who have been unable to enact a hydrocarbons law.

The man leading the effort to bring in foreign investors, Oil Minister Hussain Shahrstani, has come under attack in recent days by some lawmakers and oil officials, who argue that Iraq should rebuild its crippled oil sector without substantial help from foreign companies.

Iraq's parliament does not have a formal role in awarding the contracts, whose legality has been questioned by some lawmakers and the autonomous Kurdistan Regional Government in northern Iraq.

Critics say that Saddam Hussein-era laws that stressed nationalization of Iraq's oil industry remain in effect until a new law is passed.

"There is a majority opinion inside parliament that opposes these bids," legislator Alia Nusaif said in an interview, adding that the Oil Ministry should have given lawmakers more time to examine the terms. "We must think ahead and ensure that our future generations are not left empty-handed because of the ill motives of some."

Shahrstani, who was questioned by lawmakers last week during a sometimes contentious two-day hearing, argued that Iraq cannot afford to rebuild its oil sector without help. The recent drop in oil prices, which has stymied government initiatives and triggered a freeze on the hiring of security forces, has underscored the urgent need for foreign cash and expertise, he said.

"All experts inside and outside the government agree on the need to repair the oil infrastructure and expand exploration development and production," Shahrstani said. "The country depends almost exclusively on its oil reserves."

Iraq expelled foreign oil companies in 1972 amid a regional movement toward nationalization. Its national oil company performed well until the 1991 Persian Gulf War, which was preceded by sanctions imposed by the United Nations.

Violence and the exodus of scores of technocrats after the U.S.-led invasion in 2003 have taken a toll on the industry. Pipelines in northern and southern Iraq are in dire need of repair, and much of the equipment at functioning oil fields is outdated or underperforming.

Iraq pumps an estimated 2.4 million barrels of oil a day. With foreign capital and expertise, oil experts said, the figure could grow to 10

million in a few years.

Iraq has an estimated 115 billion barrels of proven oil reserves, second only to Saudi Arabia. Other attractive markets, such as Venezuela and Russia, have in recent years asserted more state control over the industry.

The government, keenly aware of the potential for controversy and political fallout, has sought to portray the process as transparent. Bidders will submit sealed proposals that will be evaluated using a set formula during televised sessions.

The bidding process and its outcome could have political consequences for Prime Minister Nouri al-Maliki, who is expected to seek reelection in January. Many Iraqis still view Maliki as somewhat beholden to the U.S. government, and his rivals could use the oil issue to portray him as a sellout.

"The nationalization of Iraq's oil sector was extremely popular, but national capacity was hurt by wars during Saddam Hussein's time and his misuse of the oil sector," Lando said. "They had great talent, great coordination. So Iraqis see that and say: Why can't we re-create that rather than rely on foreign companies?"

Former oil minister Ibrahim Bahr Uloom said the government would have been wise to delay the process until after the election.

"What will happen if a new government comes and a new prime minister and a new parliament don't go ahead with these contracts?" he asked.

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