
WILL IRAQ'S NEW OIL MINISTER BE ABLE TO END THE IRAQI OIL WAR

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After months of street protests and political paralysis, the Iraqi parliament approved five of six cabinet nominees by Prime Minister Haidar al-Abadi, including the countrys new oil minister □□ move that could signal a significantly positive shift in Iraqi policy towards the Iraqi Kurdistan region regarding oil and natural gas issues.

Jabar Ali al-Luaibi, the former chief of South Oil Company, Iraqs largest crude oil producer, was sworn in to the top oil ministry position earlier this week.

Iraq, the second largest oil-producing member of the Organization of Petroleum Exporting Countries (OPEC) after Saudi Arabia, produces 4.6 million barrels of crude oil every day. Most of the supplies come from operations in the southern portion of the country, are run under South Oil Company.

In an interview with the Baghdad-based Sumaria TV, Luaibi noted that issues between the two parties are fundamentally resolvable.

"There are solutions to the existing problems between the federal government and the Kurdistan Regional Government about the oil file, the former oil executive said, according to Reuters.

Currently, Kurdistan exports 500,000 barrels per day, mostly to Turkey, independently of Baghdads supply contracts.

The Kurdistan Regional Government (KRG) has been willing to discuss potential solutions and establish unilateral oil exportation in the recent past, though the task could be tough for the Iraqi government to swallow in a bearish oil market.

The KRGs June offer required guaranteed oil revenues of \$1 billion every month in exchange for forfeiting unilateral oil exports – the Kurds key economic leverage over Baghdad in their struggle for independence.

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The proposed figure would represent 17 percent of the Iraqi federal budget, which was the original deal between the Kurds and Baghdad before the latter cut out the former as punishment for exporting oil unilaterally.

Since then, Iraqi Kurds have refused to deliver any crude supplies to Baghdad for over a year in retribution for the governments failure to offer them fair compensation for the oil found on what the KRG now considers to be their own land.

Kurdish officials have been open about their ambivalence regarding the route oil takes in reaching global markets, as long as the economics benefit the KRG.

Figures from May show the regional government generated \$390 million in revenues by exporting 513,000 barrels to Turkey – far less than what is needed to pay debts owed to field operators, fund the ongoing war against the Islamic State, and secure oil-rich Kirkuk from the terrorist group.

A previous deal offered by the Iraqi government would have required the KRG to halt its unilateral exports, and in return, Iraq would pay the \$747 million in monthly salaries for its 400,000 public employees that Kurdish officials had been struggling to come up with.

Fighters in Kurdistans Peshmerga have been known to defend their land against ISIS with patriotism and pride, though as months pass without pay, morale and stability in the KRG has begun crumbling.

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In addition, the KRGs faith in Iraqi offers has dwindled. Baghdad has failed to follow through on a number of earlier budget deals that would have ended the standoff over Kurdish oil, according to previous OilPrice reports.

The new Iraqi oil ministers apparent determination and optimism in solving the oil export impasse could provide the fresh push both parties need in order to move forward in the resolution process.

Solving the KRGs funding issue is key to guaranteeing an ISIS-free Iraq, especially as Kirkuks oil facilities face attacks from hidden sleeper cells, requiring the Peshmerga to be extra-vigilant and ready for battle. Adding Luaibi, a technocrat, as a new face in the negotiations could help restore mutual trust and equip both sides to reach their shared goal: a peaceful Iraq.

Kaynak/Source: