
WHY IRAQ'S OIL PRODUCTION HAS REACHED IT LIMITS

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Iraq has succeeded in ramping up oil production by more than 1 million barrels per day over the past two years, a remarkable achievement for a country that was torn apart by the lightning advances made by the Islamic State.

But Iraq's success could be running up against a wall at this point, as low oil prices sap the state of the resources it needs to invest in further production. Iraq finances the investments in the states oil production, with much of the work carried out by international companies such as Lukoil, BP and Royal Dutch Shell. The meltdown in crude oil prices has led to a sharp fall in state revenue. Without that revenue, Iraq and its partner companies are being forced to scale back their ambitions.

The Wall Street Journal reports that the international companies operating Iraq's massive oil fields outside of Basra in the south are trimming their drilling plans. You're going through difficult months, Ariel Flores, GM of the BP-led Rumaila Operating Organization, told the WSJ in an interview. You slow down and you make decisions to pause efforts. Rumaila, considered to be the second largest oil field in the entire world, will see production stay flat at 1.4 mb/d. Shell and Lukoil are also cutting back on their efforts to boost production at several of their key fields, though they had ambitious plans to do so. Instead, they are focusing on keeping output from falling.

A few years ago, Iraq had a goal of tripling output to 9 mb/d by 2020. Although it was considered unrealistic, most oil analysts saw a huge upside to Iraq. The IEA predicted Iraq would double output to 6 mb/d by 2020, but that no longer looks workable either.

Production stands at about 4.3 million barrels per day, up substantially from the 3.27 mb/d Iraq averaged in 2014. But further gains would require more drilling and a lot more money for investment – something that is increasingly scarce in Iraq.