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## **IRAQ CAN'T COUNT ON KURDS OR OIL COMPANIES TO MEET OPEC CUTS**

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Iraq cant count on self-governed Kurds in the countrys north or international oil companies to help it cut crude production as promised at an OPEC meeting last week. That may leave the country with no option but to slash state-controlled supplies to comply with its quota.

Under the deal the Organization of Petroleum Exporting Countries reached last Wednesday, Iraq must reduce crude output by 210,000 barrels a day from October levels. Uniquely among OPEC members, it shares production with a semi-autonomous region that accounts for about 12 percent of its total output. International companies including BP Plc and Royal Dutch Shell Plc pump most of the rest.

It looks complex for Iraq to deliver all the cuts it signed up to, Richard Mallinson, an analyst at consultant Energy Aspects Ltd, said by phone from London. In most cases the international oil companies will probably not be ready to do it on their fields.

OPECs first production cuts in eight years will be a shock for Iraq. The groups second-largest producer has had no output target since the 1990s, to help it recover from a series of conflicts. Iraq resisted having a target ahead of last weeks OPECs meeting, arguing that it needed every dollar to fight Islamic State militants, but relented under pressure from other members.

Oil Minister Jabbar Al-Luaibi had disputed OPECs data on Iraqi production levels and insisted he wouldnt agree to a cut. He eventually conceded on both points at last weeks meeting after placing a phone call to Prime Minister Haider Al-Abadi, who supported the deal, according to two OPEC delegates.

For a detailed account of the OPEC meeting, [click here](#)

The Kurdistan Regional Government in northern Iraq controls about 550,000 barrels a day of oil production -- as much as OPEC member Ecuador. Iraq as a whole pumped 4.58 million barrels a day in November, according to data compiled by Bloomberg. The KRG is so far indicating it doesnt plan to scale back its production.

KRG officials havent spoken yet to the Oil Ministry in Baghdad about the OPEC deal, Natural Resources Minister Ashti Hawrami said Monday at a conference in London. OPECs agreement probably wont have much effect on the KRG, he said. Iraqs Oil Ministry spokesman Asim Jihad declined to comment.

Outside Iraqs Kurdish enclave, almost 90 percent of the countrys oil production comes from fields

operated by international companies, Oil Ministry data from September show. These companies could charge the ministry a curtailment fee under their contracts if they are ordered to decrease production, Deputy Oil Minister Fayyad Al-Nima said in October at a news conference in Baghdad.

Rather than reimburse companies for any barrels they would have produced, the government will probably curb output instead at fields where it has complete control, said Robin Mills, chief executive officer of Dubai-based consultant Qamar Energy.

Oil fields in southern Iraq are likely to bear the brunt of the decrease, Mills said. Of the 440,000 barrels that state-run oil companies pump daily, about 280,000 are produced at fields in the south. The Oil Ministry exports the remainder, which comes from northern fields around the city of Kirkuk, through a Kurdish-owned pipeline to Turkey, and it shares the revenue with the KRG.

Cutting that off would clearly raise tensions with the KRG, Mallinson said.

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