
IRAQ TO ABIDE BY OPEC CUT, EXPECTS OUTPUT GROWTH IN FUTURE

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13.12.2016

Reuters, 12 Dec 2016

Iraq is committed to cutting its production to comply with a global pact to support prices, the country's oil minister said, adding he was nevertheless confident OPEC's No. 2 producer has the potential to boost its output in coming years.

Iraq is reviewing several options to implement the reduction, including cuts from Kirkuk oilfield, southern fields being developed by oil majors or other state-run areas, Oil Minister Jabar al-Luaibi said in an interview.

"The cuts will aim at the figures we agreed with OPEC definitely, but (for) the areas of the cuts there are many options on the table," Luaibi told Reuters on Saturday.

Last month, OPEC agreed to cut output by 1.2 million bpd from January 2017. Baghdad, which has called to be exempted from OPEC restrictions as it needs the income to fight Islamic State, would reduce its output by around 200,000 barrels per day to 4.351 million bpd.

Luaibi said his ministry was in discussions with foreign companies operating Iraq's giant southern fields to implement some cuts during scheduled maintenance.

"Some IOCs will have maintenance requirements in some limited places in some fields... so this is a good opportunity to do them," he said.

Iraq's production in December will be slightly higher than November's, Luaibi said.

"I can assure you that our production, I am talking with confidence, has reached the level of 4.8 million bpd."

Iraq has accepted a lower production reference level as part of the OPEC deal that estimated its output at 4.561 million bpd.

Luaibi said Baghdad has agreed to a lower level estimate because "We want OPEC to unite, so the oil price and the global market balance and improve."

"But at the back of our minds, we are confident that this was not (the) real production level, however, we hope this would be compensated with the improvement of the prices," he said.

BUILDING CAPACITY

Iraq has signed deals with majors such as Exxon Mobil, BP and Royal Dutch Shell to develop its fields. Production has almost doubled to around 4.7 million bpd this year, from 2.4 million bpd at the start of the decade.

But the growth has lagged the initial forecasts of production at 9 million bpd by 2018, rivaling Saudi Arabia, the world's top oil exporter and OPEC's biggest producer.

Held back by red tape, infrastructure constraints and difficult contract terms, Iraq is now targeting a more modest 5.5 million to 6 million bpd by 2020.

Oil companies operate in the southern oilfields under service contracts, whereby they are paid a fixed dollar fee for additional volumes produced. Iraq has been in talks with the companies to link the fees they receive to crude prices.

Luaibi said some companies are asking for revisions in some clauses of the contracts and his ministry was working with a consultancy in Finland over the revised contracts.

"We will see something new happening in 2017 that would please the IOCs and safeguard our interests," he said.

Luaibi, who became oil minister earlier this year and has served previously as director general of South Oil Company which produces most of the nation's oil, has made boosting Iraq's production a priority.

He said Iraq's target was to boost its output potential to 6 million by 2020. "I think the 9 million bpd will be sort of appropriate after 2030," he said.

To help Iraq reach that target, it needs water injection to enhance oil recovery, and a crucial multi-billion-dollar water project that has been delayed for years is now being revived with a capacity of 5 million bpd of water.

"We put it on a fast-track," Luaibi said, adding there will be a tender "within this month, if not, then next month."

Kaynak/Source: