IRAQ ANTICIPATES AWARDING OF OIL CONTRACTS

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Iraq plans to award oil and gas exploration and development contracts in 11 new blocks on April 15, oil ministry spokesman Asim Jihad said on Sunday.

Iraq had initially set June 21 as the date to open the bids for the new blocks, located in border areas with Iran and Kuwait, and in offshore Gulf waters.

Bidding documents will be made available to oil companies planning to make offers on April 13, Jihad told the Reuters news agency. The offers will have to be submitted on April 15 and the winners will be announced the same day, he added.

Reduction in fees

The oil ministry announced on Thursday measures to reduce the fees received by the oil companies from the government in the new contracts.

The new contracts will exclude oil by-products from the companies' revenues, establish a linkage between prevailing oil prices and their remuneration, and introduce a royalty element.

Oil producers in Iraq currently receive a fee from the government linked to production increases, which include crude and oil by-products such as liquefied petroleum gas and dry gas.

OPEC's second-largest producer, after Saudi Arabia, Iraq decided to change the contracts after a glut caused oil prices to crash in 2014, reducing Baghdad's ability to pay the fees.

Companies including BP, Exxon Mobil, Eni, Total and Royal Dutch Shell helped Iraq increase its production in the past decade by over 2.5 million barrels per day (bpd) to about 4.7 million bpd.

Time limit

The semi-autonomous Kurdistan Regional Government produces oil and gas from fields under its control in northern Iraq under a production sharing model more profitable to companies.

The new contracts offered by Baghdad will also set a time limit for companies to end gas flaring from oil fields they develop on territory under its control.

Iraq continues to flare some of the gas extracted alongside crude oil at its fields because it lacks the facilities to process it into fuel for local consumption or exports.

Iraq hopes to end gas flaring by 2021, which costs nearly $2.5bn in lost revenue for the government and would be sufficient to meet most of its unmet needs for gas □□□□□□ power generation, according to the World Bank.

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