
NO OIL MAJORS WIN CONTRACTS IN IRAQ OIL LICENSING ROUND

-

27.04.2018

ET Energy World (27 April 2018)

Reuters

Baghdad: Iraq failed to attract investment from the top global energy companies in its oil and gas exploration/development contract auction on Thursday, with no major firms winning any bids and only Italy's Eni submitting an offer.

The Oil Ministry held an auction to award contracts to international energy companies, with 11 blocks on offer near the borders with Iran and Kuwait and in offshore Gulf waters.

"We have decided to speed up the development of border fields after five decades without investments ... leaving them without investments meant wasting the oil wealth of the country," Oil Minister Jabar al-Luaibi said ahead of bidding.

"I say to the companies (that will bid), 'thank you' because this means trusting Iraq ... and it means services and education for the citizens who live in the regions where you are going to operate," he added.

Five of the exploration blocks failed to attract any bids. Three went to Iraqi-owned, United Arab Emirates-based Crescent Petroleum, two to China's Geo-Jade, and one to United Energy Group, also based in China.

Eni made two unsuccessful bids, while no other majors bid. Fourteen companies had expressed interest and bought a package containing the bidding documents and terms for the 11 blocks, the ministry had said on April 14.

"It is a very successful round. As an Iraqi company it's not a commercial matter, it's about investing and developing the production of Iraq," Crescent executive director Abdullah al-Qadi told Reuters.

The blocks were initially to be auctioned in June. The date was brought forward to April 15, then postponed to April 25 to give bidders more time, the Oil Ministry had said.

A combination of factors was behind the failure by five blocks to draw bids, said Abdul Mahdy al-Ameedi, director general of Iraq's Petroleum Contracts and Licensing Directorate.

Some cover former battlefields, some are hard to access and the one offshore plot needs more data, he said.

Ameedi said another round could be held for the five blocks but provided no further details.

The contracts on offer excluded oil by-products from the companies' revenue, established a link between prevailing oil prices and their remuneration, and introduced a royalty element.

Oil companies operating 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.

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 such fees.

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

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

The new contracts offered by Baghdad will also set a time limit for companies to end gas flaring from oilfields they develop.

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.

Iraq hopes to end gas flaring by 2021. Flaring costs the government nearly \$2.5 billion in lost revenue each year and could cover most of its unmet needs for gas power, according to the World Bank.

<https://energy.economictimes.indiatimes.com/news/oil-and-gas/no-oil-majors-win-contracts-in-iraq-oil-licensing-round/63934221>

Kaynak/Source: