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Baghdad opens oil fields to foreign firms after 40 years UK, Chinese firms win first Iraq oil field deals



The chance to develop six giant oil fields and two gas fields has attracted bids from 31 firms (File)

BAGHDAD (Agencies)

Iraq announced Tuesday that British energy giant BP and China's CNPC International Ltd were the first foreign firms in nearly four decades to win contracts to invest and develop in Iraq's war-battered energy sector.

The companies succeeded in their bid for the giant Rumaila oil field in southern Iraq, which has known reserves of 17.7 billion barrels, the oil ministry announced. The contract was the first to be awarded in open tendering for six major oil fields and two gas fields.

"These contracts are needed for the reconstruction of Iraq," Prime Minister Nuri al-Maliki said at the opening of the bidding session in Baghdad. "They are for the benefit of Iraqis and the companies."

The deals will provide the government with much-needed revenue as it struggles to rebuild the country after three wars and more than a decade of debilitating economic sanctions.

The chance to develop six giant oil fields and two gas fields has attracted bids from 31 firms including U.S. and European giants ExxonMobil and Shell but also a swathe of Asian companies from China, India, South Korea and Indonesia.

The ConocoPhillips led consortium was the sole bidder for Iraq's 2.3 billion barrel Bai Hassan oilfield in northern Kirkuk province, the Oil Ministry said.

The field, which lies in an area contested between semi-autonomous Kurds and the Arab-led government in Baghdad.

The oil deposits, holding known reserves of 43 billion barrels of crude, are in southern and northern Iraq

while the gas concessions are west and northeast of Baghdad.

"Our principal objective is to increase our oil production from 2.4 million barrels per day to more than four million in the next five years," Oil Minister Hussein al-Shahristani said in an interview with Iraqi public television.

Trillions of dollars for infrastructure

Shahristani said that increasing production to the desired level will pump an extra \$1.7 trillion into government coffers over the next 20 years.

He has said that only \$30 billion of that sum will go to the companies that have extracted the oil.

The rest "is a huge amount that would finance infrastructure projects across Iraq -- schools, roads, airports, housing, hospitals," he said, insisting that the country would retain control over its oil reserves.

For energy firms, the appeal is the opportunity to plant a foot in the country, their first chance to do so since the Baath party nationalized the Iraq Petroleum Company in 1972, seven years before Saddam took power.

"Thanks to sanctions and war, no company has wanted or been able to invest," Ruba Husari, an energy expert and the founder of the website iraqoilforum.com, explained.

"Today, the country is stable, in both its security and its institutions."

Not all energy companies are happy, though, with the terms of the contracts being offered by Baghdad.

The foreign firms awarded deals will have to partner with Iraqi government-owned firms, principally the South Oil Company, and share management of the fields despite fully financing their development.

They will be paid a fixed fee per barrel, not a share of the profits, and the fee will only be paid once a production threshold set by the government is reached.

"This raises the question of the profitability of the contract," said a source involved in the bidding, who spoke on condition of anonymity.