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Iraq oil minister puts on brave face after hard bargain Ambitious oil firms dismayed at Iraq oil auction



[Iraqi govt. disappoints ambitious foreign oil giants as it rejects their expensive offers](#)

BAGHDAD (Reuters)

It was for one of the biggest energy auctions in history that well-heeled executives braved the dust and danger of Baghdad this week to jet in and deliver bids for lucrative long-term oilfield contracts.

For months Iraq had hyped Tuesday's auction as a triumph in transparency and a bonanza for global firms, fending off critics at home by promising the multibillion-dollar service deals would mark a turning point for the struggling oil sector.

But by the end of the day, the carefully engineered auction had dissolved into chaos, with firms shaking their heads at exacting contract terms and wondering aloud how Iraq's cabinet would choose winners for deals that went unawarded.

In a cavernous hotel ballroom in Baghdad's fortified Green Zone, exasperated executives crowded around a top auction official after a long day of bidding revealed a huge gap between what Iraq was prepared to pay them and what they expected.

Suspense and dismay

Anxiety written on their faces, they wanted to know what would happen next in the uncharted post-auction territory.

How would the Iraqi cabinet select winners to the outstanding deals? When would that happen?

"What about transparency?" one executive demanded, his eyes wide with alarm.

Fear is not unusual as leading firms contemplate wading into Iraq's fractious political scene and untested

legal system to do business with a government struggling to shake off a reputation for political infighting and corruption.

By mid-afternoon on Wednesday, fears about transparency became moot when the cabinet declared it had rejected all outstanding bids.

That left executives from major firms such as Total and Exxon Mobil with little to show for their journey.

It is unclear what the flop of Iraq's first major oil tender in decades, supposed to award up to eight major contracts and ended up only securing one, means for future auctions and for the future of the oil sector.

Iraq plans a second bidding round for year's end, for fields seen as even more lucrative because they are untapped, but this week's fracas may give firms pause about signing up again.

Maybe, several executives suggested on Tuesday, the first auction will just end up being viewed as an awkward first date, when two interested parties get an idea of what to expect the next time they meet.

The auction's results may be embarrassing for Iraq, but the government's tough terms could give Oil Minister Hussain al-Shahristani ammunition against critics who accuse him of selling off Iraq's most prize asset too cheaply.

Huddles of Men in dark suits

Iraqi officials, foreign businessmen and their muscular guards all held their breaths on Tuesday as the Oil Ministry offered the first contract, the super giant Rumaila field.

But suspense gave way to shock and eventually dismay when it turned out that few consortia were actually willing to bid.

Audible cries rippled across the crowd when the ministry revealed what it proposed paying firms for their work in the fields—up to \$30 a barrel less than they had bid.

The lobby outside was flush with men in dark suits huddled in corners, juggling coffee or cigarettes as they strategized in hushed tones, but the urgency diminished over the day as it became clear that few were going to walk away with a deal.

By evening the ballroom atmosphere was flat disappointment. The results of several tenders were not even announced clearly and onlookers scurried around trying to find out who, if anyone, had won the fields.

After most participants drifted out of the room, Shahristani put on a brave face and deemed the day a success because he had awarded one major field and had driven a hard bargain.

Left unanswered, though, is if there will be a second date.