



- Oil and Gas industry sector takes the leading position as a first mover in sustainability, growth and development of Iraq.
- \* Iraq has oil reserves that value between (117-143.1) billion barrels and is expected to have additional amounts that may exceed the current estimations to reach the level of (150) billion barrels, as of reserves of natural gas (126.7) trillion cubic feet (except Kurdistan region), and expected to reach the level of (156) trillion cubic feet.
- \* Iraqi discovered oil fields currently involve more than (540) and more phenomena of geological structure containing all the signs of the presence of oil, gas or both. The numbers of discovered fields which reaches (74) oil and gas fields of which (64) oil fields and (9) gas fields are distributed in the northern region, the North East and in Western desert as well as the southern region.

- \* Currently producing oil fields and pre-licensing rounds fields are (24) of the total (74) fields and an estimated (40) is currently under evaluation.
- The oil industry in Iraq Passed through severe conditions and large fluctuations varying in complexity and in difficulty too, the side effects can be evident to the social and political conditions experienced by the country during the past three decades, this has taken the industry to undergo a bulk of the effects associated with those conditions which lead to a result of suffering under a series of wars and sanctions, neglect and poor administration not putting aside the migration of skills and experienced cadres. This all lead to an unpleasant reality where Iraq's oil and gas industry became very famously known of the worst infrastructure and the worst performance and the lowest profit among all oil producing countries while we can understand that this industry was standing on top of all other industries participating in the greatest share of the prosperity and known of the best technical performance during the era of the seventies of the last century.
- \* Talking about these issues, it is essentially important to briefly address the formative stages of the oil industry with reference to the features of each phase: -

- Issuing the laws of the organization and restructuring of industry
- National legislation to control 80% of the concession areas granted to international oil companies
- Law and legislation for the formation of the Iraqi National Oil Company
- The emergence of the Ministry of Oil
- Qualification phase and the beginning of the advancement in the industry.
- The start of the activities of the national oil company
- The nationalization of the oil shares of the international oil companies
- The formation of a Committee to monitor implementation of contracts and agreements
- The stage of prosperity and development.
- Achieving significant and comprehensive wins.
- \* Building and constructing basics for the infrastructure facilities and systems of production and export.



- Iraq-Iran war.
- \* Most oil fields where stuck in military operations zones.
- ❖ Dissolving the national oil company and attaching it to the Ministry of Oil.

#### 1988-1991

- Stages of rebuilding.
- ❖ The issuance of a number of laws and legislations for the benefit of the oil sector with the provision of financial backing.
- Ambitious plans initiated.
- Signs of relative stability in the sector.
- \* Rising rates of accomplishments.
- Aging systems and scattered export facilities partly rehabilitated.
- \* Ambitious plans and completion of important projects.
- Achievement of a production rate of up to (2.3) mbpd, relying on the national effort.

- The occupation of Kuwait.
- The first Gulf War.
- Imposing a full siege over Iraq.
- ❖ The issuance of laws and regulations regarding reconstruction efforts.
- ❖ The growing phenomenon of brain drain and expertise flow out.
- ❖ Damage at a large scale across the oil and gas facilities.
- Halt of production and export.
- Activities of the reconstruction in stages relying on the national efforts and available means
- $\diamond$  Achieving the production rate of (2.15) mbpd.



It is possible by reviewing the stages through which the oil industry had gone through in Iraq, we are able of implementing and creating a formation of a full and clear perception of the severe complexity and difficulties that bedeviled the path of this industry which can be summarized as follows: -

- Creation, establishment and rehabilitation.
- Large and fast growth, development and prosperity.
- Fast significant decline.

It is noted here that attempts have been made by the government through the provision of elements of financial support to enhance the sector but the final outcome was limited results, it was even difficult to restore the industry to a state similar to the one established in the seventies, the ear which was considered and characterized to be a time for growth and development. Production levels reached a rate of approximately (4) million barrels a day. Following those good times, especially in the years that came after the seventies, it was noted that the rates started falling down to range between (2 to 2.2) million barrels a day.

Of course, this coupled with the emerging of many more troubles in the industry which compromised the future of the highly important sector. The decline was clearly seen in the aspects of performance, philanthropy and non-implementation of important projects. A lack for workshops and good founding of communication. As well as missing the opportunity to implement highly needed projects in production and infrastructure.

The oil sector has suffered and still suffers from a group of negative aspects those which can be detected in: -

- Structural and administrative organization.
- ❖ Domination of central working methods with the reduction of the privileges given to the operating companies.
- ❖ The lack of attention, care, slowness, or the failure to provide basic functioning necessities and the lack of implementation of plans for training and development.
- Although it contributes the greatest portion of the national income, the government still deals with the oil sector in the same traditional style used with the rest of the sectors. Many of which are considered as dysfunctional in comparison to the oil industry of Iraq.
- ❖ Draining the abilities of the well experienced and scientifically talented staff. Not mentioning those with the greatest management and administrative skills with a great absence of any action or indication of compensation to encourage them.

- The poor conditions of the infrastructure which can be easily indicated also in some of the new projects. Another factor to consider is the lack of the planning and conduction of new projects and plans.
- ❖ Widespread neglect, lack of expertise and knowledge. The allocations of inefficient administrations with severe lack of least management skills or background while choosing the adoption of the principle of quotas or favoritism or political orientation in the oil industry.
- \* The absence of full clarity regarding the oil policy.
- ❖ The prevail and the breadth of an ill phenomenon like corruption while maintaining the lowest transparency methods.

The Oil Ministry focuses all its abilities, functions and resources to support the current situation, highly promoting one axis, which is central decision making, where most of the futuristic and developmental discussions and decision approvals are centered within the corridors of the ministry with a limited direct or indirect participation by the formations associated with the ministry. Simultaneously, operators away from the ministry working on the fields have almost no powers, even if given wider jurisdictions and more tasks, those will be margined to be of levels which are considered limited and ineffective.

This case and such style of poor working environment itself created a state of bottlenecks and constraints in the work of the operating companies. Decisions and approvals of requests and requirements needed for the functions which can be as simple as the daily needs can be a major endorsement. The final calls have to be made by parties which are located in a vastly far distance. Not to mention that those concerned have little or no knowledge either fundamental of updated of such requests or issues to be decided.

The organizational structure for the Oil Ministry and its subsidiaries can be summarized as in what shape is seen below:

# A. Pre-Licensing Rounds Status:

**Ministers** 

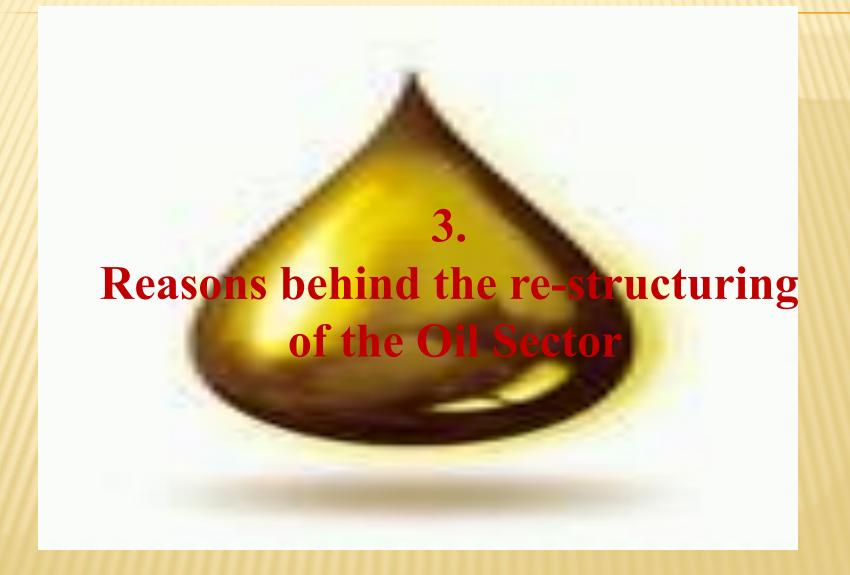
**Ministers Deputies** 

**Companies and Establishments within Ministry** 



# **B.** After Licensing Rounds Status:





Clearly, and as can be seen by those with insight, all the evidences, reasons and justifications needed to take the essentially requested steps forward met with urgent actions to make sure the oil industry of Iraq is in a steady course of restructuring, construction of a more professional industry backed up with national companies that can keep pace with the given vast responsibilities of building and developing the national economy. Also, the creation of the highly and critically needed infrastructure, while upgrading all the aspects of the oil sector. A similar attention is to be set on all the other segments of the society both economically and socially. Such process will help in the building of a modern state based on the foundations of modern civilized society. The most important elements that are driving the decision of restricting of the sector:

### A - Admissibility of the current situation

As is clear, the current situation in the management of the sector is characterized by the continuity of in the strong sense of central decision making coupled with low performance and slack retreat at all levels, including also the most important aspects of the work of the industry. Such seen issues is increasing with the continuous flow of migrating skilled talents that are either leaving the industry or Iraq, the lack of integrity and the acquisition of highly important decision controlling post by groups of inefficient and low-experienced few which have taken management positions.

Therefore, the continuation of the ill fated current situation will eventually lead to significant steep retreat, drawbacks degradation and bottlenecks in the courses of handling and directing with the next stages in the evolution of the oil industry, not mentioning our ultimate goal to maximize production and boost the financial resources of the country.

It is therefore the responsibility of governments and the Council of Representatives to have a clear stand on the current situation of the oil industry in Iraq. Lifting the oil from its lean and stagnant state to better performance and more income generating resource.

## B - National companies

During the last century and this century, the role of national companies in the oil-producing countries is growing and has successfully proved to become the leading and retaining in the economic recovery so that responsibilities are today beyond the control of the main task of the production of oil and gas to be the leaders in many national tasks that may include the preparation of new generations of qualified cadres.

### C – The Economic Component

Oil and gas wealth in Iraq is the fastest to generate income and most efficient engine for the growth and development of the Iraqi economy and because of the political situation, the country's economy has become more dependable of a single wealth resource instead of being reliant on multiple resources. The dependency on this crucial income generator is significantly seen as oil represents about 85% of the elements contributing to the yearly budget.

Iraq as going through a crisis in both politics and security, as well as the weakness and limitations of the administrative abilities all contribute to be a set of challenges to be faced and concurred in the aim of building the economic growth sighted for the development of this country.

Opportunities to invest in Iraq has always been offered to all types of sectors, except the oil and gas industry, and as long as the fact stays as it is, it will require a certain reconsideration of the to be confessed reality of the need to restructuring of the oil sector while emphasizing on the severe re-consideration and editing of the approved or yet to be approved laws, which include the oil and gas law investment law and the law of the reinstating of the Iraqi, National Oil Company and the other laws that control the distribution of oil resources, while seeking to build a stable climate to ensure transparency and support for better performance, and the essentiality of placing the right man in the right place and avoid the path of ethnical sectarian or tribal favourism and misleading joint ventures and instead, focus on building the basis for a healthy reform.



Legislation to be proposed in the restructuring of the oil sector in a constructive and effective framework of methods requires taking into account the following: -

- ❖ Access to stable financial resources to secure the benefits of a stable society and national development.
- ❖ Develop a rational and subjective policy in determining the levels of production and export, with a focus on the development of a national effort efficient enough and able to cope with future challenges.
- ❖ Development of the industry and the foundation of a technically and administratively efficient management and a commitment to the principle of the right man in the right place.
- ❖ Promote cooperation with international oil companies and oil services companies.
- \* Encourage investment in oil projects and encouraging private sector participation.
- ❖ Privatization of the oil activities in several areas such as transport, distribution, storage, packaging, with a program, that is clear and specific enough to lay the basis for a partial privatization of the activities attached to the refining sector.
- ❖ Develop a specific plan and clear milestones as well as some work patterns specifying periods and the exceptional to reach a bilateral agreement for the development and exploitation of the fields shared with neighboring countries.



Iraqi constitution approved in 2005 calls for the adoption of strategies for the development of oil and gas wealth as the country's main resource for income and should be of great benefit to the Iraqi people, relying on modern international techniques and to engage in international investments. Iraqis had always been and even today, exhausted and frustrated of the unrealistic allegations they have always been hearing for the past years. Iraqis need to feel the genuine maximum benefit from the enormous hydrocarbon wealth they have and not to live in illusions of politics mercy.

It is truly their right, we can read in the Constitution that oil and gas belongs to all Iraqi people as their sole property, according to the material (110-112-114-115). Which did not turn it to a real force for the welfare of the people and progress during the next ten years, such to be turned into significant increases in energy production and export of oil, so it will be a necessity to ensure that the pace is kept with these dramatic changes. There is a need to adopt an oil policy and a realistic and practical actions for the reconstruction of this industry which will all end up is in the interest of the people and the homeland, and that such a policy or course of work will not be achieved without introducing radical changes and substantial makeover on the oil sector in order to bail it out of the stagnant situation and the poor performance to a new case of better performance and more substantial contribution.



Iraq made (12) long-term contracts with a number of international oil companies in the three rounds of licensing announced earlier. The goal is to reach a production rate of up to (12) million barrels per day (with the exception of contracts leased by the Kurdistan regional government of Iraq, which is intended primarily to access (2) million barrels per day )) all contracts above with their sessions, biding and approvals where accomplished in a short period of time and we can say that the history of global oil industry has not seen such a contracting phenomenon where the leasing bids are completed and signed over very short span of time to lay the foundation for a simultaneous effort to increase production rates from (2.5) million barrels a day to (12) million barrels per day during a period of (5-6) years, and it is a precedent in the history of the oil industry and thus many questions arise on the circumstances in which they were completed.

- The circumstances of politics, social and security situation of the country.
- Legislations of oil and gas laws in parliament.
- ❖ Parameters of oil policy in Iraq both in present and future based on markets future capacity.
- Availability of qualified experts, technical and administrative management staff fitting with the size of the work.
- The adequacy of the infrastructure of the oil sector as well as the civilian infrastructure to absorb large volumes of additional work.
- ❖ The readiness and capacities of transport systems, storage, export, and other communication means with the implementation of projects of compatibility with the realization of the contracts.
- ❖ Plan and implement projects of water injection and other relevant support projects.
- Absence of initiatives and measures to halt or limit ever growing widely spreading corruption phenomena.
- To pass laws to facilitate the work of missions and companies.

### Stages in the proposed restructuring of the ministry:

For the purpose of avoiding major changes and not to introduce radical and abrupt modifications consequent emergence of bottlenecks and cons, it is better that the plan is put into three stages to be implemented over certain defined periods of time:

### A - Stage (I)

Conclude the following establishment:

- Federal oil and gas law.
- Law of the formation of the Iraqi national oil company.
- **A** Law of restructuring the Oil Ministry.

#### B –Stage (2)

#### Conclude the followings:

- Law of the distribution of financial resources.
- **Law of the Formation Iraq Gas Company.**
- Law for the formation of the Iraqi Company for Petroleum Investments.
- Law of privatization of transport, distribution and packaging company.

### **C** – **Stage** (3)

Conclude the following establishments:

- ❖ Formation of company law, transport pipelines and export terminals.
- **\Delta** Law of the partial privatization of oil refineries.



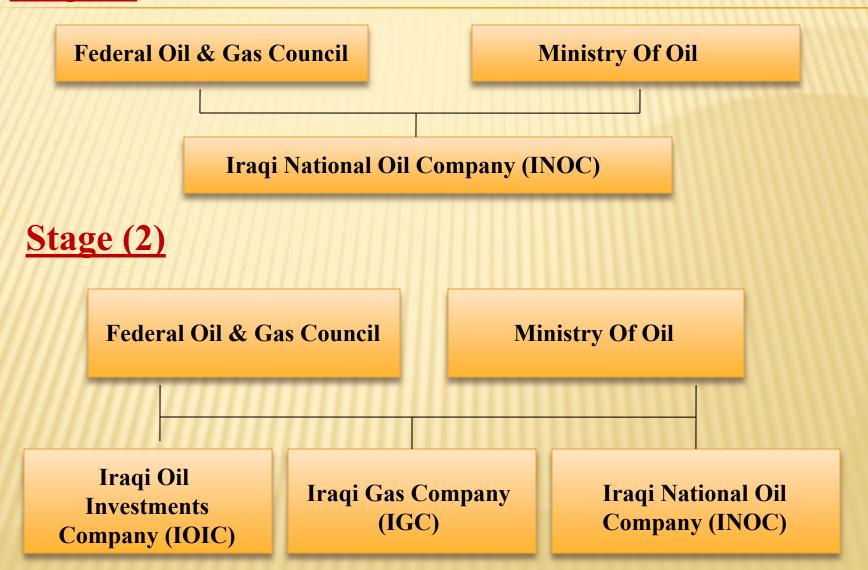
From the above short summery, The clear logical conclusion implies the very high need for the structuring of the oil sector in Iraq, undertaking such procedures is an imperative national necessity and a very important task to pick up the oil sector, fight the state of degradation and slack and the decline attached to the current situation and picking up the pace to a situation of better work and performance. Genuine national interest centered measures to be focused on following areas:

1 - Delay or failure by the government or parliament to pass legislation laws on restructuring the sector will lead with certainty to a continuing situation of the current unpleasant case we suffer. Such case is considered not healthy and cannot satisfy in any way or match up with the aspirations of the next phase The result is ultimate losses as well as the prevail of negatives and the occurrence of grave misconceptions as well as the vanish of valuable opportunities to rebuild the national economy, growth, development and building of modern Iraq.

2 - For decades, the Iraqi oil industry remained and suffered greatly from neglect and lack of care and attention. We also can add to that, the sufferings from damage, devastation and destruction resulting from a series of wars, sanctions and more importantly the migration of the majority of talent and brains and good experienced cadres which finally lead to a huge vacuum in the first row of senior management and skilled experienced staff, a case that led to an unbalanced case of, know-how techniques and technical, managerial expertise. Such hesitations lead to the domination of utilitarian approaches and misleading joint ventures, and nepotism which unfortunately are widespread in all aspects of the industry. Therefore, the practical and rational result for such a feeling of patriotism is in the direction of the principle of the restructuring of the oil sector and regardless of all other matters and jurisprudence of a political effect, utilitarian and knowledge. The organizational structure proposed with the following terms of

reference

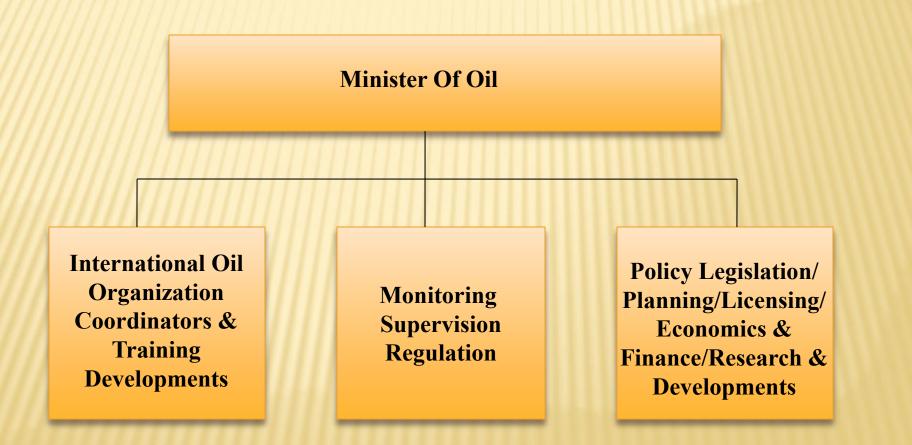
### Stage (1)



### Stage (3)

Federal Oil & Gas Council **Ministry Of Oil Pipelines &** Iraqi Oil Iraq Gas Iraqi National **Export Investment** Company **Oil Company Terminals Company** (INOC) (IGC) **Company** (IOIC)

## **RE-ORGANIZATION OF MINISTRY OF OIL**



## Thank You For Your Kind Attention

