Corporate oil giants scramble to plunder Iraq’s energy reserves

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When Iraqi Prime Minister Nouri al-Maliki finally sent the so-called “oil law” to be passed by the parliament in July, George Bush phoned to congratulate him personally. Maliki’s failure to push the legislation through had been a source of growing frustration and anger in Washington for more than a year. The law was needed to legitimise one of the main aims of the illegal US invasion of Iraq—to allow foreign corporations to assume control over the country’s state-owned energy resources on the most lucrative of terms.

Bush’s congratulations—made on behalf of the major oil corporations and their share-holders—were premature however. The rival Shiite, Sunni and Kurdish factions of the Iraqi ruling elite have still not agreed on the legislation due to their bitter and increasingly intractable differences over how to divide the revenues that would flow to the Baghdad government. Five months after the law was sent for ratification, it is still tied up in debates within a parliamentary committee, with few indications as to when, or in what form, it will be passed.

Faced with US demands for the opening up of the oil industry, the Maliki government, with Washington’s support, has turned to a desperate ploy to circumvent the parliamentary impasse. In a bizarre twist, US-based oil companies are being asked to invest in Iraq on contracts that legally rest on the pre-invasion laws of Saddam Hussein’s Baathist regime. The Baghdad government is offering transnationals what oil minister Hussain al-Shahristrani described to UPI (United Press International) earlier this month as “technical support contracts” over some of the country’s largest oilfields. These contracts involve corporations being paid to operate or manage oilfields, rather than having long term control or a share in the profits.

By contrast, the stymied oil law, which was largely ghost written by US oil interests, would legalise production sharing agreements (PSAs), a one-sided contractual arrangement that gives oilfield operators all revenues until they have paid their costs as well as a fixed ratio of all profits. Iraqi PSAs were expected to guarantee as much as 20 percent of all profits to the operating companies for terms as long as 30 to 40 years, while formally leaving “ownership” of the oil and gas in the hands of the “Iraqi people”.

Without PSAs, Steve Peacock, a representative of British Petroleum (BP), told *Oil and Gas News Magazine* last month that major companies would move into Iraq “if the terms compensate for the skills, tools and experience that international oil companies bring to the table”. Peacock stated: “There are many forms of contract that can find that sweet spot in the middle.”

The exact terms of the “technical support contracts” are not known. The extent of interest being expressed, however, suggests that the transnationals are being offered a very sweet deal, combined with the longer-term promise of a lucrative PSA once the new legislation is enacted. As well, they have been given a promise of industrial peace from the Iraqi Federation of Oil Unions, which had called strikes against the proposed oil law. The union has agreed to allow transnationals into the oil industry under the support contracts.

The focus of contract offerings is southern Iraq, where between 60-70 percent of the country’s proven oil reserves are located. The area is firmly under the political control of the Shiite parties that dominate Maliki government.

BP is seeking a contract for the major Rumailia field on the border of Basra and Kuwait, one of the country’s largest. Chevron and Total have done preparatory work to take over operations of the Majnoon field near the Iraq-Iran border. UPI's sources indicate that ConocoPhillips is seeking a contract for the West Qurna field near Basra, which has reserves of some 14 billion barrels. ExxonMobil is looking at the Zubair field, also located near Basra.

Royal Dutch Shell and the Australian-South African corporation BHP-Billiton are seeking a contract in the Missan fields in Amara province. An Iraqi official told *Oil and Gas News Magazine* that Shell would be paid to "help in providing new techniques to increase production as well as buying equipment for the field's redevelopment".

The Bush administration and the Maliki government are both seeking to dramatically boost Iraqi oil production. Shahristrani, who is considered a political representative of the leading Shiite cleric Ayatollah Ali al-Sistani, outlined plans last month to increase oil production from 2.5 million barrels per day to at least three million by the end of 2008, and to six million within a decade.

The major oil companies would be the primary beneficiaries but a rise in production would also boost the ability of the Iraqi government to contribute to the upkeep of US occupation forces. As well, it would generate a substantial flow of wealth to the Shiite elite after decades of being marginalised by the former Baathist regime.

Controversially, companies are also seeking a role in the northern Kirkuk field, Iraq's oldest and the subject of a bitter territorial conflict between the Baghdad government and the Kurdish Regional Government (KRG) which functions as an autonomous state in northern Iraq. According to UPI, Royal Dutch Shell has been conducting technical studies of the Kirkuk field since 2005 and wants a contract. Production is currently as low as 200,000 barrels per day, compared with an estimated potential output of a million barrels.

The KRG is demanding a referendum in Kirkuk province to decide if it will become part of the Kurdish region—which would give the KRG jurisdiction over the oil fields. Fearful that the central government will sign deals for the Kirkuk field, the KRG has denounced Shahristrani's offerings of contracts under the old Baathist laws as illegitimate.

While denouncing Shahristrani's offerings, however, the KRG is proceeding to sign its own contracts on the basis of a regional oil law passed unilaterally in August. At least 20 PSAs have been entered into with international oil companies to develop untapped oil fields in the Kurdish north. The KRG's aim is to attract more than $10 billion in investment and push production in the north up to a million barrels per day over the next five years.

The US State Department has generally discouraged US-based firms entering into PSAs with the KRG. There are concerns throughout the Middle East that the development of the northern Iraqi oil industry would enable the KRG to gain sufficient economic and political clout to begin openly calling for the formation of a greater "Kurdistan" including Kurdish areas in Turkey, Syria and Iran. Turkey, in particular, has issued veiled threats it would militarily act to prevent Kirkuk oil coming under the KRG's sway.

Shahristrani, on the behalf the Iraqi government, has labelled the Kurdish contracts as "illegal". As a consequence, the world's major oil companies have been reluctant to enter into arrangements with the KRG so as to not disrupt relations with the Maliki government and hinder their access to the southern oil fields.

The sordid wrangling between factions of the Iraqi elite underscores the fact that the various competing "oil laws" are to legitimise corporate profiteering on a vast scale under a US-led occupation that is completely illegitimate and illegal.