The plunder of Iraq's oil

James Cogan
11 November 2009

The awarding of development rights over the huge West Qurna oilfield in southern Iraq to Exxon-Mobil and Royal Dutch Shell last Thursday once again underscores the criminal character of the continuing US-led occupation. As the direct result of the Iraq war, major American and other transnational energy conglomerates are now gaining control over some the largest oilfields in the world.

West Qurna has proven reserves of 8.7 billion barrels of oil. Iraq's total reserves are currently put at 115 billion barrels, though dozens of potential fields have not been explored adequately. Before the US invasion in 2003, rights over West Qurna had been awarded by the Baathist regime of Saddam Hussein to the Russian oil firm, Lukoil. The pro-US puppet regime in Baghdad has torn up all pre-war contracts.

Exxon-Mobil is the first US-based oil giant to benefit. Under the terms of a 20-year contract, Exxon-Mobil and Shell plan to boost daily production at West Qurna from less than 300,000 barrels to 2.3 million barrels per day over the next six years. As well as the Iraqi government compensating the companies for the cost of upgrading the field—which may run as high as $50 billion—they will be paid $1.90 for each barrel extracted, or some $1.5 billion per year. Exxon-Mobil holds an 80 percent stake and Shell the remaining 20 percent.

The contract is only the second signed by the Baghdad regime with foreign energy companies. Last Tuesday, the Iraqi government concluded a deal with British Petroleum (BP) and China National Petroleum Corp (CNPC), giving them development rights to the massive Rumaila field and its reserves of 17 billion barrels. BP holds a 38 percent stake and CNPC, a 37 percent share. The plan is to boost production from around 1 million barrels per day to 2.85 million barrels, generating profits of over $2 billion per year.

The only disappointment for the transnationals is that the contracts are not based on the Production Sharing Agreement (PSA) model, which gives access to as much as 40 percent of an oilfield's total revenue. Even the venal elements that make up the Iraqi government rejected handing over the country's largest oil fields on such terms. Instead, the deals are classified as "service" agreements. This has enabled Prime Minister Nouri al-Maliki and his oil minister, Hussain al-Shahristani, to ignore parliament and the lack of a hydrocarbons law to govern the energy industry.

Further deals are in the process of being finalised. A consortium made up of the Italian company Eni, US-based Occidental and South Korea's Kogas has signed a tentative agreement for the Zubair oilfield with reserves of 4 billion barrels. Eni, Japanese giant Nippon Oil and Spanish firm Repsol are bidding for a field in Nasiriyah which has similar-sized reserves. In northern Iraq, Royal Dutch Shell is negotiating a contract to develop untapped areas of the major Kirkuk oilfield, which is thought to have as much as 10 billion barrels in reserves despite being in production since 1934.

After initially demanding better terms, the energy companies are agreeing to deals to upgrade existing fields in the hope that they will better positioned when more lucrative contracts, on the PSA model, over 67 untapped fields are auctioned later this year or next year. While it has taken far longer than anticipated, the major energy conglomerates now calculate that Iraq is now sufficiently stable to begin pouring in money to vastly expand the country's oil production. The first step has been taken in opening up the Iraqi oil industry, which was nationalised in 1975, to foreign investors.

Highlighting the neo-colonial nature of this operation, two former top American officials under the Bush administration are now facilitating corporate deals in Iraq. Jay Garner, the first head of the US occupation administration in Iraq following the invasion, is an advisor to the Canadian energy company Vast Exploration, which has a 37 percent stake in an oilfield in the Kurdish north. Zalmay Khalilzad, former ambassador to Afghanistan, Iraq and the UN, has established his own corporate consultancy firm in the Kurdish city of Irbil.

The US invasion and occupation of Iraq was always a war over energy resources. Over one million Iraqis have been slaughtered, millions more people maimed and traumatised, cities and infrastructure destroyed and tens of thousands of American soldiers killed or wounded to achieve American domination of Iraq's vast oil reserves as part of its broader ambitions in the Middle East and Central Asia.

The US failed to achieve its wider regional objectives after the first Gulf War in 1990-91. The Hussein regime remained in place and despite continued UN sanctions was signing contracts with companies such as French oil giant Total and Lukoil. From the late 1990s on, Russia and the European powers were pressing for the lifting of sanctions to allow these companies to reap the benefits. War became the only means of preventing US corporate interests from being cut out.

American energy conglomerates were not passive bystanders. High-level representatives of Exxon-Mobil, Chevron, Conoco-Phillips, BP America and Shell took part in talks in early 2001 with the Bush administration's "Energy Task Force" headed by Vice President Dick Cheney. One document prepared for the discussions included a detailed map of Iraq's oil fields, terminals and pipelines and a list of the non-US foreign companies that were preparing to move in. A May 2001 report by the task force bluntly stated the US aim: "The Gulf will be the primary focus of US international energy policy."

The September 11, 2001 terrorist attacks were seized upon to provide a pretext for war. The lies over Iraqi weapons of mass destruction were entwined with further lies about an Iraqi link to Al Qaeda. In the lead-up to the invasion, oil industry executives repeatedly met with Bush administration officials. As the *Wall Street Journal* commented on January 16, 2003: "US oil companies are starting to prepare for the day when they may get a chance to work in one of the world's most oil-rich countries."

Having drowned the Iraqi people in blood, the American financial and corporate oligarchy now believes that day has finally arrived. While US corporations are not the sole beneficiaries of the contracts, there is no question who has the final say over Iraq's oil. With huge military bases in the country and a Baghdad regime tied to Washington, the US is positioned to dictate terms to its European and Asian rivals and, amid rising great powers tensions, to wield the threat of cutting off oil supplies—a longstanding tenet of American strategic policy.

James Cogan

The author also recommends:

Oil and the coming war against Iraq
[19 February 2003]