

Iraq Oil - The Spoils of Victory

In 1999, when Dick Cheney was CEO of Halliburton, he asked the rhetorical question 'Where is the oil to come from?' and then gave the answer 'The Middle East, with two thirds of the world's oil and the lowest cost, is still where the prize ultimately lies'. George Bush also has a background in the US oil industry, and the opportunity to take control of oil production in Iraq must be a dream beyond the wildest imagination of most Texan oilmen.

Since the invasion of Iraq in 2003, US companies and in particular KRB, a subsidiary of Halliburton, have received contracts to maintain and repair the decrepit Iraq oil infrastructure which fell into a poor state of repair due to international sanctions. Oil production in Iraq has continued during the turbulent aftermath of the war and is at some 2.3 millions barrels a day.

Bush and his associates are seeking to secure their position as controllers of oil production, export and exploration in Iraq for the next 30 years by means of a new Hydrocarbon Law which is now being approved by what is euphemistically described as the government of Iraq.

The main features of the new law are as follows - Firstly, it will effectively place control of oil resources in the hands of multinational oil companies for some 30 years. Secondly, decisions concerning the flow of oil and the levels of production will be made by a consortium which could be controlled by the oil companies themselves. Thirdly, the percentage of oil revenues which are to be retained by the Iraqis will be distributed among the various regional and provincial authorities and not handed to the national government.

The final obstacle to the passing of the law appears to have been the Kurds in northern Iraq. The third provision, which shares the domestic revenue of oil wealth among the regional administrations, has secured their approval. It also safeguards the interests of Sunnis in west Iraq where little oil is currently produced.

The sheer scale of Iraq's oil capability is impressive. The country has proven reserves of 115 billion barrels of oil, around the same as Iran. Due to the international isolation of Iraq, little exploration has taken place for some 20 years. It may well be that actual reserves could exceed 300 billion barrels, which is greater than Saudi Arabia.

In addition, the costs of extracting oil from Iraq are relatively low. Estimates are in the region of 1 to 2\$ a barrel and the sales price is some 60\$ a barrel. This is indeed an oilman's dream.

However, the euphoria of the multinationals must be muted by the continued and probably worsening security situation in Iraq. Western oil companies are unlikely to inject financial investment and expatriate manpower into Iraq unless domestic security is significantly improved. Shell has been especially forthright on this point by stating 'We would welcome the opportunity to help Iraq rebuild its energy industry, but will only enter the country once security, living and working conditions are improved'.

The new law is being enacted by a puppet regime, established by the US and UK, which has effectively handed over control of the main assets of the country to foreign agencies for a period of 30 years. The irony is that the regime is unlikely to be in existence for this time period and many estimate its life expectancy in months rather than years.

However, if the regime does nothing else, a cynic could argue that it has served its purpose. Firstly, it presided over the execution of Saddam Hussein, and secondly, gave away control of Iraqi oil to foreign companies. Henceforward, the nation state of Iraq can continue to disintegrate into partition based on the Kurds in the north, the Shi'ites in the south and east, and the Sunnis in the west. Each region will receive a secure revenue stream under the new law.

It is no surprise that the leading contenders for contracts are Exxon, ConocoPhillips and Total from the US, together with BP and Shell from the UK. However, Russia's Lukoil and the Chinese are seeking a share of the action. Whether the Russians and the Chinese, given their lack of support for the war, will be granted access to this bonanza remains to be seen. It would be diplomatic for the US and UK to invite TPOA from Turkey and representatives from Saudi Arabia and Iran to participate, but such niceties are probably wasted on Messrs Bush and Cheney.

The invasion of Iraq has been a costly venture by the coalition forces, both in terms of resources and fatalities, and now the injection of foreign capital to revitalise the oil industry is a demonstrable requirement. However, the case for granting these generous oil licences needs to be made by both the US and UK administrations. The current policy of minimal publicity plays directly into the hands of the conspiracy theorists.

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About the Author

Leslie Hardy is the UK Chairman of Wellington Estates Ltd, a North Cyprus property development company. See an Oil Map of Iraq and Oil at http://www.wellestates.com/iraq_oil.htm