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CONTRACTS FOR THE FIFTH LICENSING ROUND AND THE LOCATION OF NATURAL GAS IN IRAQ

Raghad Hussein Ali
Wasit University, College of Medicine, Wasit, Iraq
Corresponding author: raghadh@uowasit.edu.iq

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Abstract:
After the year 2033, Iraq entered the field of oil investment, which is an important turning point in the history of Iraq after isolation and wars. International companies in the field of investing in this important sector and in order to promote production capacities, as well as the development of oil fields, and because of the increasing debt burden on Iraq, and this restructuring requires huge financial and technical capabilities, prompting the government to adopt a service method for developing oil fields by offering a number of Licensing rounds, which are meant to be contracts for the rehabilitation and development of explored and produced oil fields for a specified period of up to seven years, and the most important of these investments: the first and second rounds in 2009-2010, where these two rounds focused on developing the oil fields of the south, the aim of the first round, which was announced On 30/6/2008 and it continued for a year, the oil production rates increased (1.5) million barrels per day, by 10%, within three years, to reach after seven years to 3.750 million barrels per day, and until it reaches that level. In 2017, it amounted to 5 million barrels per day. The first licensing round focused on increasing oil production rates, with the aim of increasing its profits. It did not attach importance to the investment of associated gas, which resulted in the loss of the material value of this gas.

Keywords: oil field, International companies

After the year 2033, Iraq entered the field of oil investment, which is an important turning point in the history of Iraq after isolation and wars. International companies in the field of investing in this important sector and in order to promote production capacities, as well as the development of oil fields, and because of the increasing debt burden on Iraq, and this restructuring requires huge financial and technical capabilities, prompting the government to adopt a service method for developing oil fields by offering a number of Licensing rounds, which are meant to be contracts for the rehabilitation and development of explored and produced oil fields for a specified period of up to seven years, and the most important of these investments: the first and second rounds in 2009-2010, where these two rounds focused on developing the oil fields of the south, the aim of the first round, which was announced On 30/6/2008 and it continued for a year, the oil production rates increased (1.5) million barrels per day, by 10%, within three years, to reach after seven years to 3.750 million barrels per day, and until it reaches that level. In 2017, it amounted to 5 million barrels per day. The first licensing round focused on increasing oil production rates, with the aim of increasing its profits. It did not attach importance to the investment of associated gas, which resulted in the loss of the material value of this gas. The goal of the second round was also to increase oil production, to reach 10 million. barrels per day for the year 2017, as this round imposed on the oil investing companies to isolate the gas and prepare it in a way that helps in its use, and without the investing companies charging any wages for its production, but the companies did not abide by this agreement, and the Parliamentary Oil and Energy Committee and the Ministry of Oil did not make any efforts to follow up on the implementation The contract and no performance control, and the oil companies contributed to raising production rates, as the daily oil production quantities doubled in light of the first and second licensing rounds from 2009 to 2018. In 2009, it reached 1.472 barrels per day, and in 2018 it reached a maximum of 4.747 barrels per day. The third licensing round came in the last third. From 2010 on November 20, an invitation sent by the Iraqi Ministry of Oil to international companies to develop three free gas fields, including (Akkas in Anbar, Mansouriya in Diya Lee, Siba in Basra), and the Ministry of Oil believes that this step will lead to an increase in Iraq's production of free gas, and its reserves amount to 7.4 trillion feet, and it is considered one of the productive and undeveloped

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fields, and that these contracts are service contracts, not participation, and they will be under the control of the Iraqi government.

The Minister of Oil for Extractive Affairs, Abdul Karim Laibi, announced to Radio Free Iraq, due to the growing need for gas, especially after the Iraqi Ministry of Electricity signed contracts to import gas stations, which made the Iraqi government accelerate the development of these fields to meet the local need for gas. The surplus will be exported abroad. As for the fourth licensing round It included twelve exploratory blocks, five of which are oil, and seven are gaseous, identified by the Iraqi Ministry of Oil on 31/5/2012. This tour is distinguished in that the fields are undeveloped exploratory blocks and the work of companies in them will be in three stages of reclamation, development and extraction, and this makes the work in them greater than the licensing rounds Previously, the main objective of this round is to increase reserves and enter the oil industries. The fourth round is characterized by the fact that it targets the border structures and patches, where part of it is transitory. The explored borders and oil help Iraq to maintain and increase its reserves to compensate for the expected depletion, as it included Block 8 in Diyala Governorate, and Block No. 9 in Basra Governorate, and Block No. 10 included the Dhi-Qar Governorate, and Block 11 included the Muthanna and Najaf governorates

Fifth licensing round contracts

The Prime Minister signed the final contracts for the fifth licensing round in February 2023, which included 6 border fields between Iraq and Kuwait and Iran, of which 4 are oil fields and 2 are gas fields. To the production of Iraq about 250 thousand barrels per day of crude oil 1000 million standard cubic feet per day of natural gas, which contributes to the processing of electric power plants about 25% of the gas needs of the Ministry of Electricity, and this round is considered among the economic reforms, which constitute a main axis in the governmental program of the Prime Minister, Mr. Muhammad Shayaa Al-Sudani, and the direction towards the investment of associated gas and natural gas, which includes 6 fields in the governorates of Diyala, fields (Kalabat - Qamar), fields (Khashm Al-Ahmar - Anjana), Maysan and Basra, fields (Sinbad - Khidr Al-Maa), and that these contracts describe The media office of the Prime Minister described them as service contracts, while Nabil Al-Marsoumi, a professor of economics at Al-Maqel University in Basra, describes them as partnership contracts, and that “the difference between the two contracts is very large in the basic elements and mechanisms.” Contractual obligations, and therefore, in order to solve this problem and achieve transparency and in line with Iraq’s membership in the Extractive Industries Transparency Initiative, and in line with Article 111 of the Iraqi constitution, which stipulates the people’s ownership of the oil wealth, it is necessary to publish the original texts of these contracts to the Iraqi people. The costs of oil production are very high, due to companies controlling costs, and it is expected that the financial revenues will reach about 300 billion dollars, and that half of these revenues will be obtained by foreign companies.

What distinguishes this round is the strengthening and support of the contractual and legal side, as these measures are in the interest of the Iraqi side, as they aim to invest oil wealth and increase crude oil production, especially that Iraq needs more revenues and its rentier economy, and Iraq depends mainly on oil revenues, and therefore needs to exploit oil And gas to run the gas electric stations, and improve and develop the infrastructure as well as improve the living situation by employing Iraqi labor 50% in the first four years, then rising to 80% in the next four years,

The economist, Dr. Nabil Al-Marsoumi, referred to some of the points contained in these contracts as follows:

Deduction of 25% of the assumed revenue as property rights goes to the state treasury. The oil costs spent by the contractor for the development of the project are allocated a specific percentage of the assumed net revenue, amounting to 70%. The contractor’s profitability = the assumed remaining net return x the percentage of competitive profitability, ranging from 9.21% - 19.99%, the remainder of the supposed net revenue, the government's profit, goes to the public treasury, imposing a tax on the contractor amounting to 35% annually, paid to the Public Authority for Taxes on the actual profits received.

These contracts are a qualitative leap in the plans and programs of the Iraqi government, as well as the plans of the Ministry of Oil for the optimal investment of oil wealth, especially the treatment and investment of associated gas extracted from oil fields to benefit from it to support local needs, achieve self-sufficiency and support electric power plants, instead of importing it from abroad, which The budget costs huge sums and costs, as it cost the state huge losses and damage to the environment as a result of a delay of 5 years, as it is considered a challenge to Iraq and international companies, and it is a step that is in line with the policy and plans set by the Ministry of Oil and therefore with the government approach to increasing oil and gas production

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