

Oil, Business, and the Future of Iraqi Sanctions

Nov 24, 1997



Brief Analysis

The most recent episode of the ongoing Iraq saga ended last week with at least one permanent member of the UN Security Council-Russia-committing itself to work for the end of UN sanctions, especially the oil export ban. Other Council members (e.g., France, China and Egypt) have also voiced strong support for an expedited end to the sanctions regime. While there may be valid humanitarian reasons to wish to see the end of economic sanctions on Iraq, commercial interests no doubt play a central role. The following compilation of publicly reported oil deals with Iraq-both completed and contemplated-provides useful perspective on this aspect of the Iraq issue.

Field	Proven Reserves	Projected Production Capability (barrels per day)
West Qurna	7-8 billion barrels	600,000
Majnoon	7 billion barrels	N/A
Nahr 'Umar	6 billion barrels	440,000
North Rumaila	N/A	500,000
Halfaya	2-3 billion barrels	300,000
Ratawi	2 billion barrels	250,000
Nasiriyah	N/A	220,000
Gharraf	1 billion barrels	100,000
Al-Ahdab	1 billion barrels	90,000
Tuba	500 million barrels	N/A

Russia

- Lukoil, Zarubezhneft, Machinoimport, and an Iraqi company signed a production sharing agreement (PSA) worth approximately \$4 billion to develop the West Qurna field. Russia must spend \$200 million while sanctions are still in place, and extend a \$100 million loan to Iraq for equipment purchases.
- Machinoimport signed a protocol with Iraq to verify the state of capital at West Qurna.
- Zarubezhneft and Rosneft signed a joint oil drilling venture with Iraq.
- Lukoil started negotiating with Iraq for the development of the Sixth Station at West Qurna.
- Machinoimport began discussions for the development of Luhais and Suba fields.
- Zarubezhneft and Machinoimport tried to "reach a final formula" for the development of the Fourth Pay Zone in the North Rumaila field. Development of the Fourth Pay Zone will raise production of the field to approximately 500,000 b/d.
- Lukoil, Machinoimport, Zarubezhneft, and Tatameft expressed interest in upgrading North Rumaila's water injection facilities.

- Kondpetroleum and Sidanko began negotiating with Iraq for the Rafidain field.
- A Russian consortium held negotiations with Iraq and a Turkish consortium to join a PSA for field development and pipeline construction of Mansuriyah and adjacent fields including al-Anfal, Chernchemal, Jaria Pika, Khashm al-Ahmar, and Tel Ghazzal.

United States

- Nine U.S. companies—Mobil, Conoco, Chevron, Occidental, Arco, Exxon, Texaco, Coastal, and Amoco—contacted Iraq to express interest in developing Iraqi oil fields.

China

- State-owned companies, China National Petroleum Corporation (CNPC) and Norinco, signed a \$1.2 billion PSA for the Al-Ahdab field by committing to invest at least \$660 million for development costs. This PSA could provide Iraq with \$10 billion in revenues.
- CNPC began negotiations for exploration of Western Desert Block 5 and development of Luhais, Suba, and Halfaya.
- Norinco and Sinochem held discussions with Iraq for the Rafidain field.

France

- Iraqi Oil Ministry director-general said that Elf Aquitaine is "on the verge of signing" a PSA with Iraq for the Majnoon field. The French company acknowledges that the field is promised to them, but maintains that no deal will be finalized until sanctions are lifted.
- Iraqi Oil Ministry director-general said that Total is "on the verge of signing" an agreement with Iraq for the development of the Nahr 'Umar field. The French company acknowledges that the field is promised to them, but maintains that no deal will be finalized until sanctions are lifted.
- Gaz de France conducted negotiations to construct a \$1.7 billion pipeline from Iraq to Turkey.

United Kingdom

- British Petroleum and British Gas expressed interest to Iraq in developing oil fields.
- Branch Energy conducted discussions for a service contract regarding Gharraf.
- Pacific Resources held discussions for Rafidain.
- Ranger Oil received information on exploration and development of Western Desert Block 6.

Canada

- Chauvco Resources conducted negotiations for "enhanced oil recovery" of Ain Zalah.
- International Petroleum Corporation discussed development of the Hamrin field.
- Escondido and CanOx started negotiating for development of Ratawi.

- Escondido and CanOxy expressed interest in exploring Western Desert Block 5.

- TransCanada Pipelines started negotiating to join the Turkish consortium for Mansuriyah.

Eastern Europe

- A Czech firm held discussions with Iraq about the development of the Hamrin oil field.
- Romanian Petrom expressed interest in Western Desert Block 4, and begun discussions for a well drilling and engineering contract for Khormal.
- Hungary's Hanpetro expressed interest in Western Desert Block 3
- A Hungarian firm held discussions regarding Halfaya.

Germany

- Preussag carried out technical studies for the development of Al-Ahdab, and expressed an interest in the exploration of Western Desert Block 2.
- Deminex received information about exploration and development of Western Desert Block 1

India

- ONGC held discussions with Iraq for Tuba.
- Reliance Industries contacted Iraq to express interest in field development.
- An Indian consortium received information related to the exploration of Western Desert Block 8.

Japan

- Mitsubishi Corporation, Inpex, Idemitsu, and Sumitomo began discussions with Iraq on developing oil fields.
- Japex began negotiations for a PSA with Iraq for Gharraf.

The Netherlands

- Shell held discussions with Iraq about Ratawi and Western Desert Block 8.
- Lamaj started negotiating with Iraq for rights to Luhais and Suba.

Turkey

- Botas, TPAO, and Tekfen signed a PSA with Iraq for the development of Mansuriyah, a \$2.5 billion project with 10 billion cu. ms. of natural gas per year. Various international firms are to develop adjacent fields, but the gas will be dedicated to the Turkish gas export project.
- TPAO began discussions for a service contract for Gharraf.
- TPAO expressed interest in developing Western Desert Block 4.

Other Countries

- Algeria's Sonatrach expressed interest and received information about Western Desert Block 6 and Western Desert Block 7. Sonatrach also held discussions for Tuba.
- Australia's BHP started negotiating with Iraq for Halfaya, and received information about exploring and developing Western Desert Block 6.
- Belgium's Petrofina carried out technical studies for the development of Al-Ahdab, and expressed interest in exploring Western Desert Block 2.
- Finland's Neste Oy contacted Iraq to express interest in developing Iraqi oil fields.
- Greece's Kriti began negotiations for a service contract with Iraq for Gharraf.
- Indonesia's Pertamina held discussions with Iraq about Tuba, and expressed interest in exploration and development of Western Desert Block 3.
- Italy's Agip received information about Western Desert Block 1, and began PSA discussions for Nasiriyah.
- Malaysia's Petronas held discussions about Ratawi and Western Desert Block 2.
- Norway's Statoil received information about exploring and developing Western Desert Block 1.
- Pakistan's Crescent Petroleum held discussions about Ratawi and expressed interest in exploration and development of Western Desert Block 5.
- A South Korean consortium conducted negotiations with Iraq for Halfaya, and received information about exploring and developing Western Desert Block 7.
- Spain's Repsol received information about Western Desert Block 4, and began PSA discussions for Nasiriyah.
- Taiwan's CPC began negotiations for a service contract with Iraq for Gharraf.
- Tunisia's Setcar contacted Iraq to express interest in developing Iraqi oil fields.
- Vietnam's Petrovietnam signed a cooperation accord to develop a 2 billion barrel oil field reserved for it.

Countries whose Oil Companies Currently Have Contracts under UNSC Resolution 986, the Oil-for-Food Deal, and Iraq's External Debt to Key Countries as of December 31, 1990

Country	Millions of Barrels	Debt Owed	Country	Millions of Barrels	Debt Owed
Russia	36.7	\$5 billion	Morocco	4.4	N/A
Turkey	15.3	\$2 billion	Britain	3.8	\$1.7 billion
Netherlands	14.4	N/A	Italy	2.7	\$10.8 billion
France	11.5	\$4.7 billion	Algeria	1.8	N/A
United States	9.9	\$2 billion	Austria	1.8	N/A
Spain	7.2	N/A	Germany	1.8	\$2 billion
India	6.7	\$0.5 billion	Japan	N/A	\$3 billion
Switzerland	5.4	N/A	Bulgaria	N/A	\$2 billion

Compiled by Rachel Ingber from the Middle East Economic Survey as well as Middle East Economic Digest, the Wall Street Journal, Washington Times, Reuters, Associated Press, Financial Times, Journal of Commerce, Agence France Presse, New York Times, and Washington Post.

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