

Iraq's Management of its Natural Gas Potential - INES Revisited

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Integrated National Energy Strategy 2013-2030 (INES) was launched by senior members of Iraq's government in June 2013. The background work had been carried out by Consultants Booz & Co to the Terms of Reference and briefings of the management team of Iraq's energy sector. The Consultants' Draft Final had been submitted fourteen months earlier in April 2012. Only the executive summary of INES was made public.

Clearly the objective of the INES report was to draw an optimistic picture of the future of Iraq's energy sector under the current management. The other objective was, equally clearly, to divert attention away from the actual performance of the management in recent years. The facts on the ground at this time are that Iraq, a major world producer of raw fossil fuels is now an importer of developed products for the country's day to day energy needs for fuels and electricity. INES's treatment of Iraq's natural gas resources is an example of both objectives.

Figure 1

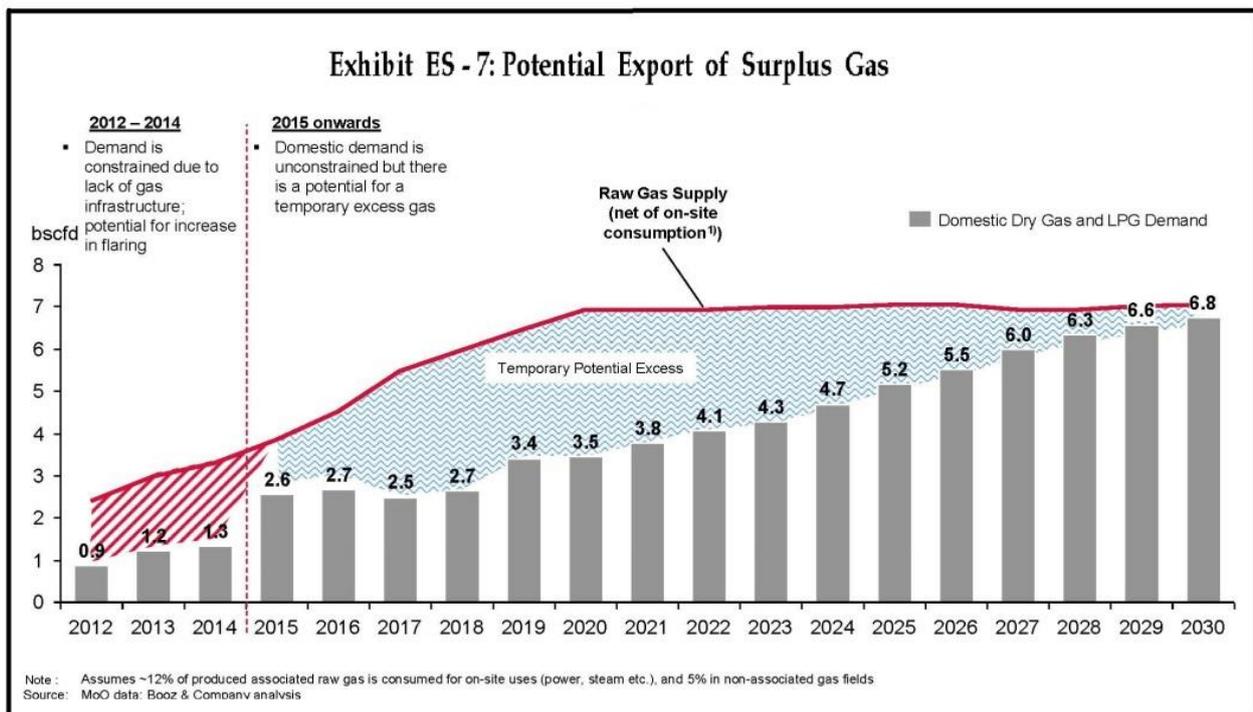


Figure 1 is the chart of INES's projections for "Potential Export of Surplus Gas" for the years 2015 to 2030. It plots the quantities of net supplies of raw natural gas and the allocations for potential projected demands - electricity, LPG and industrial.

Analyses of the amounts of dry gas allotted to domestic consumers as shown in the INES's chart appear to have been underestimated. For the electricity subsector INES assumed that a large portion of Iraq's public electricity would be supplied by burning liquid fuels from around 75% in 2012, 30% in 2020 then falling to around 10% by 2030. From an economic, technological and environmental points of view 100% conversion to gas firing should be proceeded with as a matter of urgency as soon as possible as long as gas is available.

Further analyses show that the amount of Iraq's natural gas allocated for domestic use as shown in INES chart (Figure 1) may be just sufficient by 2021 for electricity generation alone. Factoring in other users will set that date some years back if ever. The amounts of potential excess gas according to the chart are therefore doubtful up to 2025. INES projections of total natural gas supplies in that period exceed even the "High Scenario" case for the same period estimated by the International Energy Agency. Their report "Iraq Energy Outlook", IEO, was researched and finalised within the same period as INES, included Kurdistan which INES did not. Both the IEO and INES were launched by Iraq's Deputy Prime Minister.

Inconsistencies are also noted when comparing data extracted from the INES chart for the years 2012 and 2013 with those documented by the Ministry of Oil's own website on the internet.

Figure 2

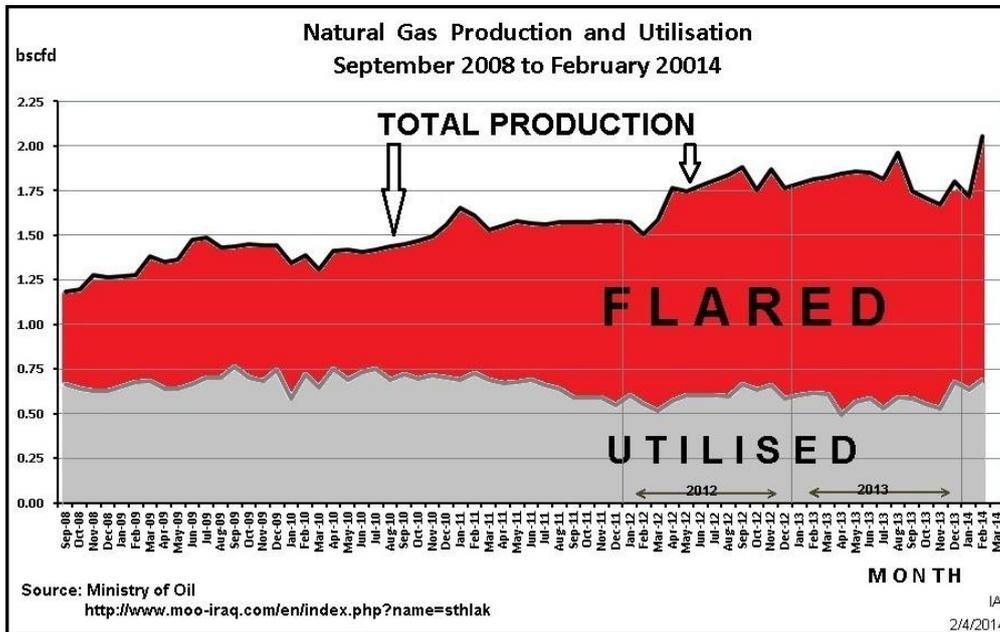


Figure 2 is a chart showing the net amount of Iraq's natural gas produced and that utilised, leaving the balance for flaring as recorded from the Ministry of Oil's website.

The total natural gas production, flared and utilised in the years 2012 and 2013 in this chart are considerably lower than those that appear in the INES chart although it stated that its data are derived from the same source, the Ministry of Oil.

Figure 3

Iraq's Natural Gas Particulars as Quoted in the Integrated National Energy Strategy Report and as Recorded in Ministry of Oil website for the Years 2012 and 2013			
	INES ES-7 bscftd	MoO Website bscftd	INES/MoO Multiplier
Averages for Year 2012			
Natural Gas Production/Supply	2.5	1.7	1.4
Flared Gas	1.6	1.1	1.4
Supplied to Consumers	0.9	0.6	1.5
Averages for Year 2013			
Natural Gas Production/Supply	3.0	1.8	1.7
Flared Gas	1.8	1.2	1.5
Supplied to Consumers	1.2	0.6	2.1
Notes:			
1: Iraq's Natural Gas figures in INES are net of internal consumption and exclude Kurdistan			
2: Ministry of Oil website figures do not state if they exclude internal use.			

Figure 3 is a table comparing the data extracted from the INES data in figure 1 for natural gas supplied and that consumed in the years 2012 and 2013 with the data for the same years as averaged from the Ministry of Oil official website. The discrepancies between the two sets of data varied between 40% and more than 100%. They were expected to be absolute 0% for 2012 and around 0% for 2013.

The credibility and integrity of INES come further into doubt with its flagrant bypassing of facts and manipulation of figures and phrasings.

News of importing natural gas to Iraq first cropped up in 2009 after it became obvious that developing the country's own natural gas potential had been effectively halted. Even now, in 2014, utilisation of Iraq's natural gas, excluding Kurdistan, is around the same as it was in 2003. Since 2011 two contracts costing Iraq around \$720m have been signed to build two pipelines to import around 1.6 bscfd from Iran, the first in 2011, two years before INES; the second in 2013 the same year. They will come into effect in second half of 2014 and early 2015. The imported gas will be used for electricity generation, not transit. It will, therefore, seriously alter the elemental profiles of the various Iraq's energy constituents for at least one third of INES's remainder of its strategy period. Not even a hint of this was shown to have been factored into the INES projections.

By the same token, Iraq's Council of Ministers resolved, also in 2013, to award a \$490m contract to construct a pipeline to export Iraqi natural gas. Iraq has also entered into international negotiations for exporting this gas. The details and their impact on the rest of "the strategy", of this substantial contract and commitments must have been well known to the INES drafters and those responsible for it. Yet the only references in INES to the exportation of Iraq's gas were cited as "potential".

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