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“Iraq Energy Outlook: A Special Report from the International Energy Agency”
Center for Strategic & International Studies
Monday, October 22, 2012, 9:30-11:00am
CSIS, Room B1, 1800 K St. N.W, #400, Washington, DC 20006

On October 22, the Center for Strategic & International Studies (CSIS) hosted a discussion entitled “Iraq Energy Outlook” which examined the International Energy Agency’s latest *World Energy Outlook Special Report*. The event opened with a welcome from **Frank Verrastro**, Senior Vice President and Director, Energy and National Security Program, CSIS and was followed by introductory remarks by His Excellency **Jabir Habeb**, Ambassador from the Republic of Iraq. The main presentation was conducted by Dr. **Fatih Birol**, Chief Economist, International Energy Agency and closing questions were moderated by **Guy Caruso**, Senior Advisor, Energy and National Security Program, CSIS.

Ambassador **Jabir Habeb** wanted to make clear that “Iraq is not a source of instability” and that the country has the potential to be a significant player in the growth of the global market. He said that it would be in the international community’s best interest to help Iraq strengthen its own economy and overcome obstacles such as internal conflict. The Ambassador also stated that his country hopes to triple its production of oil in order to become the second largest producer in the market within the next decade.

Fatih Birol addressed more specific concerns for security and investment in Iraq’s oil and natural gas industry. The key security challenge, as stated by Birol, is terrorists’ ability to take advantage of internal political differences in addition to conflicts which reach across Iraq’s borders. The goals of these groups are to destabilize the country and delegitimize the Iraqi government. Regional instability was also listed as an obstacle to investment as the Arab Spring and the ongoing civil war in Syria have pushed conflict into Iraqi territory. Iraqi’s, according to Birol, desperately want to secure their borders and avoid interfering in the business of their neighbors. Birol said the government must find a way to meet the demands of the public regarding the poor supply of electricity and improve Iraq’s infrastructure if it seeks to maintain its legitimacy.

Birol stressed the need for the Iraqi government to come to a consensus on the governance of hydrocarbons and ease restrictions on investment, so as to attract foreign investors. On a positive note, Birol highlighted the fact that Iraq is currently more transparent on oil contracts than in the past, and more so than its neighboring countries. He also pointed out that oil accounts for approximately 90% of Iraq’s economy and that its immense resources have some of the lowest production costs in the world. Iraq’s plan by 2035 is to drastically increase production and also increase the amount of oil sold to Asia, namely China. Iraq is currently working to build a pipeline to China, while a majority of oil contracts in Iraq have been awarded to Chinese firms in what was

called the “Baghdad-Beijing Plan.” The Iraqi government hopes to inject the increased revenues into its own economy, and increase the use of oil and natural gas within the country so as to close the current energy gap. Iraq also sees pipelines in the north as a more viable alternative to shipping through the Persian Gulf, where Iran could potentially disrupt transportation.

Finally, Birol addressed the structural obstacles to building Iraq’s oil industry. Iraq has acknowledged that it needs to drastically improve its infrastructure and better utilize water resources for production purposes. Iraq also needs a long-term strategy which addresses oil field growth and decline cycles. This would ensure that production constantly increases at a steady rate, rather than maximizing in the short-term, leading to insufficient reserves in the long-term. Birol also noted that Iraq does not currently make full use of its natural gas reserves and that most of it is simply “flared,” or burned off. When asked whether OPEC nations would support Iraqi growth and competition in the oil market, Birol simply opined that he believes that countries such as Saudi Arabia will “understand Iraq’s plight” while supporting Iraq’s need to improve its economy and standard of living.