

**Iraq Oil Licenses Rounds-**  
**Views of the Architect and the Technocrat, Ten Years On**  
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Petroleum licensing rounds, 2009-2010, are the most significant and impacting development that took place in post 2003 upstream petroleum and they manifest a grand opening for big push strategy. These four bid rounds would make Iraq a game-changer with a total production plateau target of more than 12 million barrels daily-mbd by 2017 from mostly super giant and giant oilfields with a combined 68% of the country's proven reserves. Number of directly contracted international oil companies-IOCs exceeds 15, belonging to 12 countries including the five permanent members of the UN Security council. The governing modality is a long term service contract, a uniquely hybrid type, with a duration of ca. 30 years each.

The issue, i.e., the licensing rounds, has been and still divisive and those standing against the bid rounds personalize the debate and were persistent in their opposition to the extent that they managed to introduce legal obligations to revise them. That concerted anti efforts succeeded in forcing the Ministry of Oil-MoO, in 2018, to premise its fifth bid round on "profit-sharing contracts, which is the monetary side of production-sharing contract; MoO was, obviously, ill-advised and badly too.

Ten years on the launching and concluding the first four bid rounds, two recently published books shed more lights and provide further details on those rounds and what they contributed to the Iraqi petroleum sector and the economy at large; the first book, written in English, is by Dr. Hussain Al-Shahristani\* and the second, in Arabic, by Abdul Mahdy Al-Ameedi.\*\*

These licensing rounds are what bind the authors and the two books strongly together; both authors, while in office, were instrumental and had significant role in the design, oversight and execution of these rounds. Al-Shahristani, while holding the helm of the ministry, was the architect while Al-Ameedi was the technocrat. But the books are, methodologically, structurally, coverage and language are very different. However, they complement each other regarding the first four bid rounds and what relates to them while the authors held their respective positions at the MoO.

Al-Shahristani book is a life-story telling narrative; it comprises 16 chapters with prologue and epilogue. Thematically and chronologically the 16 chapters can be divided in two parts; the first comprises chapters 1 to 8 and covers period from childhood, study abroad and through years of imprisonment until the fall of Saddam regime in 2003. The second part comprises the other eight chapters and covers his involvement and official positions in the post invasion political system in Iraq; his role in the energy sector is what connects the two books.

Early political awareness and accomplished student on top study records had, to a great extent, shaped Al-Shahristani destiny; family tradition, its role in 1920 Revolution and social

status within a vibrant religious, cultural and political environment in the holy city Karbala had much to do with the development of Al-Shahristani since his childhood.

In chapters one and two, Al-Shahristani provides telling narratives on how his childhood was impacted by the social, cultural and political conditions prevailed then not only in Karbala and Iraq but also in Iran.

As top student in Karbala and second in Iraq, he encountered a case that made him developed strong dislike to favoritism and corruption (P. 8), when his government scholarship to the UK was changed to the Soviet Union.

After two years of study in Moscow, he managed to change his scholarship to the UK and earned his B.Sc. from Imperial College, which offered him with a scholarship to complete his doctorate directly, without going through a master degree. (P. 14).

But his interest in nuclear engineering, not available at Imperial College, compelled him to apply for studies at MIT and California in the US and Toronto in Canada; he was accepted by the three and preferred MIT but chosen university of Toronto because he refused to take the conditional “oath of allegiance to the USA” (P. 15).

Al-Shahristani was active member of the Muslim Students Association-MSA during his studies in the UK and Canada. Before returning to Iraq he visited Jordan including a few days in a PLO camp where he attended a meeting addressed by Yasser Arafat (P. 25). His political activities in Iraq immediately after his return was covered in chapter 4 of the book; he maintained contacts with notable religious scholars and intellectuals the most known of them Mohammed Baqir al-Sadr, Ayatollah Khomeini and senior members in the Islamic Da’wa Party.

Upon returning to Iraq with Ph.D in nuclear chemistry, on fall of 1970, Al-Shahristani began his work with the Nuclear Research Centre-NRC, but two years later he was moved to Mosul and then to Baghdad universities and his name was put on the travel-ban list.

By summer 1974 he returned to NRC where he participated actively in the technical negotiation with the French for the construction of Osirak Reactor, a contract of which signed in 1976, but the Reactor was blown-up while in France on April 1979. Ironically, after been promoted to a highest scientific position as chief scientific advisor in the Iraqi Atomic Energy Organization, he was arrested and put in prison on 4 December 1979 (P. 70)

Chapters 4, 5 and 6 are the most painful to read as they revealed compelling and intimate counts of horror and torture that he and other inmates were subjected to while in captivity. During his ten years imprisonment and despite the pain and suffering, Al-Shahristani demonstrated resolve, courage, endurance and solidarity.

A brief conversation with a young boy after sever torture and interrogation session was, as Dr. Hussain puts it “[a] flash that shook me deeply, and I resolved no matter how hard I was tortured, I would endure”; the boy cited what Al-Shahristani’ grandfather once said “[t]he body could endure so long as there is a will” (P. 60).

He courageously interrupted at length the chief judge during the trial on February 1980 and, probably, that interruption had reduced the verdict from death penalty to a life sentence with intense labour (P. 68/9). Ironically, the chief judge accused Al-Shahristani as an agent of

imperialism and Zionism, while Barzan al-Tikrity (Saddam half-brother and then head of the notorious intelligence service) told Al-Shahristani that he was “at the top of the list of targets for liquidation by the Israelis” (P. 43).

An encounter with Barzan demonstrates, once more, Al-Shahristani resolve and courage; when Barzan asked him to make nuclear bombs, Hussain replied that may not be a service to the country (P. 81).

The book reveals many instances reflecting the author’s compassion and solidarity, one of the most reveling among them was his tireless effort to document the details of all inmates in the notorious Abu Ghraib prison while he was contemplating his risky escape plan (P. 95); years later he, and his wife- Berniece, were instrumental in compiling lists and efforts that bore fruit with the enactment of Political Prisoners Foundation Law in 2005. (Pp. 127-9)

While in captivity and ten years in solitary confinement and despite the horror and torture, Al-Shahristani has, whenever he had a slim opportunity, written notes and papers related to his scientific specialization (P. 83); he used them, after his escape from Iraq, during his work in Tahrán (P. 111), university of Surrey-UK (Pp.114; 205).

In a strong contrast to the mostly painful narrative of the first part of the book, the second part reveals the high official positions and activities of Al-Shahristani during post 2003 governments and political system.

While he was not included in the Governing Council appointed by Paul Bremer on July 2003, ten months later he was offered the post of prime minister of the interim government; he declined publically the offer for reasons related to the US and the Shia House positions, (Pp. 133: 140). In preparation for January 2005 election, Ayatollah Sistani decided to form a six man committee, including Al-Shahristani who was then the first deputy chairman of the Transitional National Assembly.

His most impacting and longest in leading the energy sector in the country enumerated in chapters 10, 11 and 12, first as minister of oil and then as deputy prime minister for energy affairs.

In chapter 10, Al-Shahristani identifies the most pressing issues he encountered and had to address as the new oil minister; these include preventing gasoline diversion from gas stations; accounting for imported gasoline; subsidized diesel smuggled at sea; protecting pipelines for crude oil and oil products and modernizing the Iraqi drilling company among others.

But during his term as minister of oil, Al-Shahristani was the architect of the first four bid rounds with a vision to making Iraqi petroleum a game changer; and this, undoubtedly, remains his legacy, though the contracted plateau targets were realized neither in magnitude nor in the time-frame. He elaborated, in chapter 11, on why, how, where and what matters relating to those bid rounds. It appears he successfully stood against the interim government formed by the Coalition Provisional Authority-CPA and the Governing Council appointed by it who announced that IOCs would be invited to “assist in developing Iraqi oil fields with production-sharing contracts” (P. 164), by concluding a new and hybrid long term service contract. Moreover, based on data for the period 2010-2019 he asserts that KRG PSC paid to IOCs “about seven times what the federal government paid” under its service contracts (P. 179). Finally, he reported what ENI CEO told him years after the bid rounds, “When we

[CEOs of IOCs] sit together and look back, we wonder why we agreed to the terms of those contracts” (P.189).

His reference to the then minister of oil, Adel Abdul Mahdi, might be interpreted that Mahdi was defending the service contracts (P.189); Mahdi was not. Mahdi made publically very serious accusations and, in fact called for adopting PSCs instead; I made comprehensive calculations to prove him wrong and he, i.e., Mahdi, conceded.<sup>1</sup>

During Al-Maliki second government formed after March 2010 election, Al-Shahristani became the deputy prime minister for energy affairs; a position, as he put it, has no legislation outlining its powers and functions other than what the prime minister assigned to it (P.186). Chapter 12 is about Al-Shahristani experience in this new portfolio. He touches briefly on other important energy-related issues such as the Integrated National Energy Strategy-INES, natural gas, refineries, petrochemicals and, with more important details (Pp. 194-203) on electricity.

Unfortunately, he did not provide enough information or explanation on many important and remain unanswered questions such as why INES was not pursued though it was officially adopted; why the Nassiriya Integrated Project-NIP<sup>2</sup> was suddenly abandoned when many consortia expressed keen interest in participation in its’ special bid round; why associated gas continues flaring while Iraq imports gas and electricity from Iran; why didn’t he object but stood witness to awarding Missan/Amara refinery (P. 191) to a bankrupt and technically incompetent company, i.e., Satarim, in contrast to his strong positions regarding dubious offers from Canadian (P. 201) and Russian (P. 202) companies, why didn’t he have a stand when contracts for first two bid rounds were amended in favor of the IOCs!

Back to more domestic politics, Al-Shahristani covers in chapter 13 the development that led to raise and end of ISIS (known in the region as Da’esh) and in chapters 15 and 16 he covers Al Abadi government and his position in it as Minister of Higher Education.

Corruption in Iraq has become very serious complex and impacting problem; oil sector has been the flourishing ground for high profiled cases. When Unaoil corruption case erupted a reference was made to “the teacher”; it was interpreted to be Al-Shahristani.

In chapter 14, Al-Shahristani provides enough details on his efforts and activities to clear his name; voluntarily he made submissions in Iraq as well as before the UK Serious Fraud Office (SFO). Moreover, the last part of the book, an Epilogue, Al-Shahristani warns from the possibility of Iraq deteriorates into a failed state if corruption is not eradicated.

Unlike Al-Shahristani, who has no practical working experience in the petroleum sector prior to having the helm of the ministry though he was an accomplished nuclear scientist, Al-Ameedi was, in fact, the son of the petroleum industry. Graduated as petroleum engineer from Baghdad Engineering Collage in 1980, he worked with the state oil companies and the MoO for many years, ten of which as director general-DG of the Petroleum Contracts and Licenses Directorate-PCLD until his retirement in 2019. Hence, he was the technocrat who participated in concluding and supervising day-to-day all bid rounds concluded service contracts with IOCs; thus he was called the dealmaker<sup>3</sup>.

Al-Ameedi book is also very different from Al-Shahristani’s; it focuses exclusively on the licensing rounds and particularly on the first two by providing details, data, calculations and

outcomes of these contracts. The book comprises five chapters, with introduction and conclusion, nine charts, 25 tables and many photos. Assim Jihad, from the press office- the Ministry of Oil, wrote the forward for the book, which was published with financial and promotional support from the Ministry.

At the outset, the book is rich in details and data, which the author asserts these are official and formal (P. 14), and, for those who did not follow closely these matters, the book is unique and invaluable source of data and relevant actual information on what relates to these bid rounds.

In the introduction, the author attempts to guide the readers on why, how, what was done regarding convening the bid rounds and PCLD' mandate in this regard.

It is rather big achievement for PCLD, after only one year from its official formation in September 2007, to launch the process for the two bid rounds.

Three remarks are due on the introduction of the book. First, the reference to Article 111 of the Constitution was inaccurate; the said article does not mention at all oil and gas "in the ground- في باطن الارض". Second, the used term "reserves holders" is politically incorrect and legally inappropriate; the countries, under international law, are sovereign owners of their petroleum reserves. Third, the selection of and the contracting with the international consultant, i.e., GC&A, was not clarified; transparency of such selection is missing.

The author elaborated rather well, in the first chapter, on the first bid round: part one of the chapter is on the process and practical issues; part two on the Definitive Service Contracts, which explains the main components of the contract, using Rumaila oilfield as representative for the contracts offered under this bid round, and the third part is on why had the ministry went for the bid rounds.

Data and details provided by part one and two of this chapter are very helpful, articulated and relevant, while part three is, methodologically, misplaced and mixes up reasons with results and not confined to the first bid round alone!

It is interesting to know that the bid round was premised on the economic model results that were kept strictly confidential and limited to three officials only; the minister of oil used them to select the maximum remuneration fee which the ministry is willing to accept for each offered field (P. 72). Al-Shahristani refers to this as the 'red envelope', and when he informed the prime minister, Nouri Al-Maliki, about the numbers in each red envelop he emphasized, "These numbers are only known to you and me. If there is any leak to the bidding companies, one of us will be the culprit" (P. 173).

Al-Ameedi provides short list of variables, inputs and outputs, used by the economic model; it seems the model was static without sensitivity analysis as it assumed constant oil and gas production, financial returns and oil price for each field during the entire term of the contract. Explanation or clarification are missing, from the book, regarding many important issues, e.g., why the ministry accepted much higher production plateau targets than it envisaged and formally announced; how is it possible for some IOCs to reduce their remuneration fee at totally unreasonable way (case in point, CNOOC reducing the remuneration fee from \$21.4 to \$2.3/barrel- P. 68); neither Al-Ameedi nor Al- Al-Shahristani mentioned what went behind closed door that eventually favored ExxonMobil over Lukoil for West Qurna 1-WQ1.

There is, also, inconsistency regarding the natural decline rate; it is 7% (P. 24) and 5% (Pp. 75-76); which has serious implication for the economic model.

Finally, Al-Ameedi argument against national effort combined with external borrowing option was not well thought and, thus, less convincing (P. 78)

Chapter two of the book is about the second bid round, which PCLD was not in favour of its timing (P. 82), but went on anyway! The author followed similar approach he used in previous chapter by providing more details and data regarding the process, conduct and results of this bid round. The author highlighted the major contractual terms governing the development of the oilfield offered under this bid round; Halfaya oilfield was taken as example to elaborate the contractual terms.

This chapter provides very useful details and good comparative data, for oilfields contracted pursuant the two bid rounds, on actual production pre and post bidding-until end 2019, calculated with and without the natural decline rates for first bid round oilfield (table 20, p. 118).

Again, there is some unnecessary repetition and mixing-up, or combining, information relating to bid round one, while this chapter is about the second bid round.

Chapter three is particularly important and methodologically different; the author intends to review, analyse the contracts and suggests changes. Hence the chapter comprises three parts: the first two parts address contracts for first and second bid round respectively, while third part comprises proposed changes for new contracts; apparently the fifth bid round.

The author followed, in part one and two, same methodology: He reviewed all articles, all annexes and all addenda of the bids contract and provides necessary explanation, makes some criticise and suggests amendments.

This chapter is helpful for Arabic- only readers, since contracts for first bid round is available in English only and have not been officially translated. Also it clarifies technical and legal terms and provisions that might be difficult for non-specialists. Finally, it is important source for those who do not have copy of or access to the related contracts.

Moreover, the author calculated total revenues and government-take from oilfields covered by the first bid round (table 22, p. 159), but unfortunately, did not do the same for the second bid round!

Much of what the author had suggested and analysed are helpful but many are debatable or even questionable.

There is totally unnecessary and excessive repetition of English terms and concepts, particularly those relating to the articles subject, annexes and addenda headings.

The author listed, in part three of this chapter, 28 new changes that were introduced on the contracts for, the ill-fated and discredited, fifth bid round (pp. 194-204), he praised and confirmed the contribution of a geologist, Farouk Al-Kasim, in these changes.

Ironically, author's own calculation (Pp. 199-201) indicates that IOC share increases while Iraq share decreases as oil price increases. This is totally opposite to what the contracts for the first two rounds that give all revenues resulting from oil price increases to Iraq exclusively; obviously, PCLD was misguided!

Moreover, the author failed to mention the numerous irregularities associated with that bid round that prompted the objections of the Federal Supreme Auditing Board and the

Independent Integrity Commission to investigate the bid round as confirmed by the current oil minister<sup>4</sup>; or the serious objections raised collectively by a group of most known Iraqi oil experts<sup>5</sup> on the model contract under that bid round; or why none of the awarded contracts entered into force yet or the insistent of the then minister of oil, Jabbar Luaibi, to hold that round irrespective of the raised objections and damaging irregularities, among other things!! Al-Ameedi asserts he was the “main drafter” of contract for the said bid round (P. 267). He, in my view, had made disservice to himself, to the upstream petroleum and to Iraq, particularly the profit sharing formula for such ill-advised ill-perceived contracts. I must say that after I published my two articles<sup>6</sup> on the same bid round, Al-Ameedi, on behalf of the Ministry, and I exchanged many emails, in 2018, within a mailing list comprising top government decisions makers and senior ministry officials.

Contracts under the first two bid rounds were amended and the author provides full coverage of these amendments and their justification in chapter four: WQ1 went through four amendments, WQ2 and Zubair have two each and Rumaila and Halfaya have one each. All these amendments are in favour of the IOCs and could be translated into millions or billions of US Dollars over the duration of these contracts. Regretfully, the author did not estimate the burden of such amendments on Iraq; he should have done such estimation because he and PCLD have all necessary and related data.

Ten years of implementing these contracts gave results and faced serious challenges; these were addressed at length in chapter five of the book. The author began by highlighting sixteen most impacting challenges and difficulties (Pp. 242-247). Three of the identified challenges are directly related to petroleum management issues, namely, approval of sub-contracts, approval of annual work programs and development plans and efficiency limitations of the involved Iraqi oil extractive companies. The author asserts that failure in achieving production target for Rumaila, Zubair, WQ1 and WQ2 was attributed to their final development plans were not approved by the related Iraqi oil companies (P. 238). If this was the case, why the Ministry did not intervene!

The author provides, in the rest of this final chapter, data on employment, training, production, cost and revenue issues. Most of the data is presented through charts (Pp. 259-264) that are difficult to read and the adopted methodologically needs further clarity and consistency, particularly regarding estimating per barrel production cost. I think the author should have provided more space and detailed data regarding these economic aspects of the bid round, instead of excessive repetition of narratives and description in previous chapters. As mentioned above regarding NIP, Al-Ameedi also provides no information on why its’ special bidding license for the project was suddenly and abruptly terminated though PCLD had designated specific website for that important project and first of its kind in Iraq!

While he was the DG of PCLD, Al-Ameedi was the chairman of the Joint Management Committees for Rumaila and Fayha oilfields (P. 269); I think this was serious administrative irregularity and, thus, raises many questions on conflict of interest, favouritism and biasness for IOCs involved in the two oilfields.

Both books are well written, but there are a few errors and inaccuracies in Al-Ameedi book: Petronas was not part of WQ1 consortium (P. 117); Al-Ahdab oilfield was not under second bid round (P. 117); analytically and conceptually, maximum is not optimum (P. 117); plateau production for Zubair oilfield (table 8, p. 68) needs correction and photos have no dates. Also both authors were reluctant from stepping-in deeply and seriously into the complex of cost-efficiency nexus, particularly the known “gold plating” problem; though Al-Ameedi refers to \$6 billion “cost exaggeration” (P. 245), that finding should have ignited further and substantive similar investigation and auditing efforts. Both books have no references and no foot or end notes. But the fact remains that both books are important, very useful and a must read for those who want to understand the bid rounds, their contracts and their outcomes.

I met the two authors in Baghdad in March 2009 while we attended the Symposium for Reviewing Iraq Oil Policy; since then I maintain good regular contacts with both, though I differ with them politically and professionally, and am very thankful to them for providing me with copy of each book and agreed that I review them.

#### **\*Free of Fear**

Hussain Al-Shahristani (2021),  
AuthorHouse, Bloomington, USA, 298 pages-  
ISBN: 978-1-6655-8138-7 (sc), pk

#### **\*\*The Oil Service Contracts of the 1st and 2nd Licensing Rounds- History and Analysis** (in Arabic)

Abdul Mahdy Al-Ameedi (2021)  
Ministry of Oil, Baghdad, Iraq, 272 pages  
ISBN: 978-9922-601-98-4, pk

#### **NOTES**

- 1- \$14.4 bn Compensation to IOCs: How Accurate or Possible? (With two feedbacks from the Ministry of Oil). <http://www.iraq-businessnews.com/2015/04/05/14-4bn-compensation-to-iocs-how-accurate-or-possible/>
- 2- NIP comprises the joint development of Nassiriya oilfield and modern refinery at 300 thousands barrel daily.
- 3- Iraq Oil Report-IOR, 10 November 2010
- 4- IOR, 9 February 2021.
- 5- خبراء النفط في العراق يعارضون ويرفضون نتائج وعقود جولة التراخيص الاخيرة  
<http://www.akhbaar.org/home/2018/5/243940.html> posted on 9 May 2018
- 6- عاجل للغاية- عقود جولة التراخيص الاخيرة اسوء من نتائجها  
<http://www.akhbaar.org/home/2018/5/243755.html> posted on 4 May 2018  
جولة التراخيص الاخيرة: نتائجها سيئة جدا ويجب الغائها فورا  
<http://www.akhbaar.org/home/2018/4/243448.html> posted on 27 April 2018

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