

Debating TotalEnergies' Agreement- A breakthrough or Recycling Old Practices Without Economic Feasibility and Lacks Transparency

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ABSTRACT

After only four short visits to Iraq and holding a few meetings behind closed doors TotalEnergies-TEs managed, mysteriously, to conclude an agreement with a caretaker government of Mustafa Al-Khadimy comprising four projects; three are already known while the fourth is a brand new in its scale, and surprisingly, falls outside the domain of the Ministry of Oil-MoO, though the ministry talks much about it!!

The current PM, Mohammed Shia al-Sudani assumed his premiership on 27 October 2022 and on 24 of the following month he convened a meeting with a few of MoO senior staff (while the Oil Minister was outside the country!!) at the presence of TEs' Chairman and CEO Patrick Pouyanné; that unusual and totally unwise meeting was provocative, raises many questions and prompted me to alert him openly (<https://akhbaar.org/home/2022/11/298261.html>)

This abstract summarises my presentation before a debating session organised by *Al-Mushtarek* on 20 January in an effort to raising awareness about and enhancing national debate on this agreement.

Despite absence of transparency and lack of important indicators on the economic feasibility, contractual modalities and timeframes for the specified projects, this contribution attempts to provide insights on this agreement based on whatever available of information.

The session lasted more than two hours and a half, half an hour was my PowerPoint presentation followed by vibrant debate and comments, all conducted in Arabic. The presentation also provides a list of my related research and publications. The details and recording of my presentation, the PowerPoint and the debate session can be accessed and downloaded free-of-charge through the following link <https://bit.ly/3iUoOfn>

My presentation begins with important caveat that I am not undermining the importance of the four projects or questioning TotalEnergies capabilities; rather, I am analysing the agreement from different perspectives professionally, objectively, and fact/evidence-based methodology.

The structure of the presentation comprises the following topics:

- 1- The very modest involvement of TEs in post 2003 Iraqi upstream petroleum,
- 2- Remarks on the time-sequence of events leading to concluding the agreement,
- 3- Anticipated cost and revenues,
- 4- Analytical reflections on each of the four projects,

5- Final remarks and debating the way-forward.

Items 1 and 2 traces the “backdoor” path pursued by TEs to “return” to Iraqi upstream petroleum after poor involvement and blacklisting, while item 3 provides an aggregated structure of cost and revenues as disclosed formally.

Item 4, the core and focus of this presentation, provides details, data, charts, and comparative assessment, whenever possible, on each of the four projects.

The main findings, suggestions and debating issues are the following:

1. Based on the announced information on this agreement, I have good reasons to believe **the agreement works more in favour of TEs against Iraqi national interests**; it contravenes the Constitution, it violates annual State Budget and Fiscal Management Laws; it circumvents the Parliament; it contradicts current contracting modalities, it introduces unprecedented dangerous president using “oil collateral” for FDI projects, among others.
2. Complete **lack of transparency and absence of economic feasibility** for each of the four projects and the agreement in its totality; this fact shed doubt on MoO seriousness when negotiating the agreement and concluding it in a very unusual speed!!
3. There is absolutely **no reason and no justification to continue developing Artawi/Ratawi oilfield by TEs**, or any IOC for that matter.
This field should remain within the “National Efforts” for many considerations: Iraq has other and much cheaper options to increase oil production capacity and should focus on those options. Oilfields operated by national efforts are “swing & flexibility” capacities Iraq needs to comply with its obligations before “OPEC+”. Maintaining and expanding oilfields operated by national efforts are, from political economy perspectives, essential for enhancing sovereignty. Finally, the requested “profit-sharing”, which is the monetary side of the “production sharing”, should be rejected emphatically.
4. Continued **gas flaring** is one of the most important material-evidences on the MoO’ failure. Instead of complying with contractual provisions regarding associated gas, MoO had relieved and now relieves IOCs from their contractual obligations by proposing gas processing to TEs through “profit sharing” modalities and with “oil collateral”.
MoO should insist and make sur that IOCs comply with their contractual obligations, particularly BR2 and BGC to increase gas utilisation, substitute gas import, and put an end to gas flaring to comply with Iraq commitment to UN/WB ‘Zero Routine Flaring’ initiative aimed at ending this type of routine gas flaring by 2030.
5. MoO wasted more than 12 years on **water injection project**; it’s another major and impacting failure. MoO committed a series of mistakes that eventually and evidently weakened its negotiation position and resulted in imposing unacceptable conditions by IOCs. It seems **MoO had lost vision and direction** by focusing on a “departing

IOC, i.e., ExxonMobil and now, on a “**returning IOC**”, i.e., TEs, while ignoring a “**consolidated and positioning IOC**”, i.e., CNPC, which has operatorship in three oil fields (WQ2, Halfaya and Al-Ahdab) and equal participation interest in Rumaila, with BP.

MoO has two options; either return to the **EPC modality** of 2012/13 or negotiate with **CNPC** to implement the water injection project. In either option, utilization/recycling of the “**associated water**”, resulting from oil dehydration process, should be seriously considered, and expanded and, accordingly, revise the scale of the sea water injection project to be premised on wide-scale utilisation of the “associated water” produced from oilfields.

6. As for the **Solar project**, this project should be fully under the domain of both the Ministry of Electricity-MoE and National Investment Commission-NIC; MoO should not have any role or connection with this or any other solar project. The Government and MoE should avoid the repetition of unimplementable “**Big Push Strategy**”, MoE and NIC should provide publicly and on their websites full and accurate information on the **economic feasibility** of the project, its location, and the BOT/BOOT contract, particularly addressing **optimization issues** of plant size, location, cost-delivery effectiveness with comparative assessment. The **CONTRACT** for this project should not provide any “**oil collateral**”.

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