

TotalEnergies Agreement Stinks*

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Recent information indicates what might be the first scandal of this agreement. The Ministry of Oil-MoO appears to have given away and for free 31% of actual oil production capacity Artawi oilfield to the French IOC. The value of foregone oil export revenues of such action amounts to \$817 million annually accumulating to \$24.5 billion during the term of the agreement at a constant November 2023 average oil price exported from the southern export terminals.

The above represents serious financial losses inflicting the interest of the Iraqi people in contradiction with a basic constitutional principle.

The intention of this intervention is to highlight the seriousness of this breach; hence I am not accusing but whistleblowing, and I expect clear answers and clarification on this vital matter from related authorities.

Large regular meetings, no data or information

Two, very brief, announcements posted on the Ministry website reporting on two meetings of the “Joint Management of the Agreement’ Projects Implementation”. The first ⁽¹⁾ was convened on 5 November 2023 and the second ⁽²⁾ on 14 December. Attendance in each meeting exceeds 20 officials including IOC representatives.

Apart from mentioning the “names” of the four projects and the usual cliché of their strategic importance, nothing of substance was provided. In reality, this is a manifestation of an absolute lack of transparency, contravening with the usual declarations of the MoO commitments to Extractive Industry Transparency Initiative-EITI, the last of which was as recent as 20 November! ⁽³⁾

Against such lack of transparency on the part of MoO, recent statements by the company CEO, Patrick Pouyanné raised concerns, indicating how this agreement stinks, if not odious!

For this article. I will address one matter and further matters will be dealt with in future interventions.

Tampering with Artewai Oilfield Available Production Capacity

Pouyanné was reportedly said "Today the field is producing 60,000 bpd." ⁽⁴⁾

My database on this oilfield indicates that available production capacity is, at least, 45% higher than what Pouyanné had said.

After completion of three new wells, the field produced 75kbd in August 2017, up from 20kbd ⁽⁵⁾ and the development of the field continued to reach 87kbd of actual production at some point late 2019/early 2020.

The development of this oilfield has been through the known “National Efforts”; meaning by state-owned Basrah Oil Company-BOC. Oilfields operated by national efforts have

been used as flexibility/ or swing producing oilfields in Iraq's compliance with its production quota under "OPEC+" arrangement. Hence, Artawi actual production was directly impacted, downwards from highest production level, by political factors relating to "OPEC+" obligations, not technical capacity limitation of the field itself. Actual production in this field went down to 85kbd in September 2021⁽⁶⁾, and due to Corona/Covid 19, actual production went even further down on many occasions.

A known practice/concept is to define and estimate the Base Line Production- BLP when the operatorship of a producing/brown oilfield changes. In the case of a long history (of decades) of production, another term is used simultaneously with BLP; it is the Natural Decline Rate-NDR, reflecting pressure decline of the producing reservoirs/formations of the oilfield.

BLP triggers (timewise) payment to the IOC when total oil production exceeds specific threshold above BLP, and BLP adjusted for NDR effect decides (moneywise) the volume of the "added" production and accordingly volume of IOC entitlement for payment (in terms of remuneration fee in the service contract or profit in profit-sharing contract). Determination of both terms- BLP and NDR requires good volume of specific technical data over relatively continuous period. Thus, they are subject to and require very professional negotiation prior to finalising the contract (let it be service contract, or profit-sharing contract or any other contract type). Moreover, NDR could be changed, in either direction, after the commencement of contract implementation with more data becomes available.

It is helpful to mention that signed contracts for all oilfields awarded under first bid round in Iraq (Rumaila, West Qurna 1, Zubair and Missan3- Buzergan, Faqqa and Abu Garab) comprise very elaborated articles pertaining to BLP and NDR, and NDR value was amended upward from 5% to 7.5% as from January 2014, for the benefits of the engaged IOCs.

Artawi oilfield is relatively in an early stage of its development, compared with almost half century or even more production history of Rumaila, WQ1 and Zubair. The implication is that BLP only should be considered since NDR is irrelevant.

Based on the above discussion, the BLP for this agreement should be 87kbd as a minimum, and definitely not 60kbd. Financially speaking, the deference of 27kbd represent unjustifiable, undefendable, and suspicious action causing losses of significant revenues for Iraq. If we take the price of oil exported from southern terminal in November 2023, the "gross" annual losses could exceed \$817million, accumulating to \$24.5billion during the entire term of the agreement. The corresponding "net" losses depends on the contractual fiscal system and its terms, which are not published yet by the Ministry. Lack of transparency usually indicates something wrong or dangerous was intentionally kept in the dark!

Previously, I have written many articles assessing TotalEnergies Agreement, my purpose and intention then were to help the Ministry of Oil identifying what contrives Iraqi interests in the agreement, why and how to mitigates them. My views were published in Arabic and English,

directly posted to high-level officials of the three branches of authority, widely circulated within my very large contacts network, posted on many websites and they are accessible free. Hence, there is no need to repeat them. ⁽⁷⁾

Now, as the Agreement becomes reality and on path of implementation, my focus and intention are to expose the wrongdoing associated with the execution of the agreement, hoping for damage limitation and encourage taking remedial actions, including formal investigations and pursuit of legal actions which seems necessary. I will address further issues on this seemingly odious agreement as more reliable, referenced, and credible information and data become available.

* This brief article is based on my recent article in Arabic dated 19 December.

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Norway

22 December 2023

Notes

(1) <https://www.oil.gov.iq/?page=1777>

(2) <https://www.oil.gov.iq/?article=1852>

(3) <https://www.oil.gov.iq/?page=1797>

(4) Iraq Oil Report- IOR, 18 October 2023

(5) IOR, 26 July 2017

(6) IOR, 20 September 2021

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