Iraq: the energy context

- Oil & natural gas resources are immense & the costs of production are among the lowest in the world
- Already the world’s 3rd largest oil exporter, with plans to expand oil & natural gas production rapidly
- Natural gas is an under-utilised resource – more than half of the natural gas produced is flared
- Catching up & keeping pace with rising demand for electricity is critical to national development
- Energy infrastructure & institutions, while improving, continue to be a serious constraint:
  - *Legacy of damage & poor maintenance*
  - *Lack of consensus on governance of the hydrocarbons sector*
Oil is the cornerstone of Iraq’s economy

Twin challenges for Iraq are to increase its oil revenues & then to use them to support greater diversification of its economy.

GDP, share of oil export revenues, population in 2011

- **Iraq**: $115 billion, 72% GDP, 31 million population
- **Kuwait**: $177 billion, 55% GDP, 3 million population
- **Iran**: $482 billion, 24% GDP, 75 million population
- **Saudi Arabia**: $578 billion, 52% GDP, 28 million population

$115 billion
$177 billion
$482 billion
$578 billion

- GDP
- Oil export revenues

Population
Production more than doubles by 2020 & reaches more than 8 mb/d by 2035, with Iraq becoming a major supplier to Asian markets, especially to China & India.
What will determine the pace of growth?

- Political consensus on oil governance & legal framework
- Speed & coordination of investment along the supply chain
  - Avoiding bottlenecks in storage & transportation
  - Sufficient water to support oil production
  - Drilling rigs & expertise
- Iraq’s long-term oil & natural gas development strategy
  - Our High Case of 9 mb/d by 2020 would equal the highest sustained growth in the history of the oil industry
- International market conditions
Iraq leads global oil production growth

Growth in oil production, 2011-2035

Iraq accounts for 45% of the growth in global production to 2035; by the 2030s it becomes the second-largest global oil exporter, overtaking Russia.
Iraq takes its place on the global gas map

Iraq can potentially provide a very cost-competitive gas supply by pipeline to neighbouring countries or to Europe and – via liquefied natural gas – to Asia
Gas moves from sideshow to centre stage

Iraq’s natural gas balance

Reductions in gas flaring & development of new gas fields will be needed to meet Iraq’s growing domestic needs & its export ambitions
Catching up with power demand

Oil helps to eliminate the power deficit in 2015. But without a longer-term shift to gas-fired power, Iraq would forego more than $500 billion in oil export revenue.
$5 trillion in cumulative export receipts is 10% of all revenues from global oil trade; Iraq’s GDP in 2035 rises to the level of Saudi Arabia today.
A step-change in energy investment

Iraq annual average requirement for energy investment

The overall investment bill of $530 billion is 10% of oil export revenues, but annual spending needs to increase quickly over the current decade.
Delay would come at a high price

If investment & oil production growth is delayed then global oil markets tighten, with prices $15 higher in 2035, & Iraq’s cumulative GDP would be $3 trillion lower
Iraq’s transformation has global implications

- With 45% of the anticipated growth in global production to 2035, Iraq is key to the long-term outlook for oil markets.

- Successful oil & gas development requires a shared vision for the sector & efforts to coordinate investment all along the supply chain.

- Delay would come at a high cost to Iraq and to international markets.

- Productive use of natural gas is critical to a healthy domestic balance.

- Oil export revenues can provide the foundations for a modern and prosperous Iraqi economy.