



Newsletter | September 2021 | Issue #21

Latest in the Iraqi & Global Energy Markets

Oil exports in August increased slightly to 3.414 Mb/d, and revenues to US\$ 6.533 B, up from US\$ 6.513 B in July, with the average price of Iraqi crude falling to US\$ 69.017/bbl. The 2021 Budget, first presented in December, was finally approved on March 31, preserving the country's recent currency devaluation (~23% to the US dollar), and projecting a spending budget of US\$ 89.7 B and a dinar-denominated deficit equivalent to US\$ 19.5 B. Iraq expects to earn oil revenues of US\$ 47.5 B¹ based on an oil price of US\$ 45/b and ~3.5 Mb/d of exports, which in devalued dinars should significantly improve state earnings. With oil prices averaging US\$ 65/bbl, the actual deficit would come well under the reported figure of US\$ 19.5 B. Iraq's oil exports earnings are likely to reach over US\$ 77 B in 2021, nearing 2019's US\$ 79 B, as OPEC+ eases restrictions and oil prices continue to rise. The Ministry of Finance is working on preparing legislation for the 2022 budget, aiming to pass it before the October elections. This would be a rather difficult task, however, given that Iraq failed to pass a 2020 budget and only passed the US\$ 89 B 2021 budget by end-March. Finance Minister Ali Allawi mentioned that 2022 will represent a model for economic change by means of budget reform. However, continuous subsidies and obligations, including public sector salaries, social security spending, pensions, and debt servicing, represent a major obstacle to the planned reform. Allawi aims to increase 2022's budgeted oil price to US\$ 50/bbl – still conservative given current market conditions.

In addition, 3.5 Mb/d is a significant jump from Iraq's current ~3 Mb/d exports, which it hopes to realise from state-run fields that have been shut-in due to OPEC+ constraints. Oil prices are also likely to be higher, as Brent crude has averaged almost \$66 per barrel so far this year, with Iraqi export pricing to Asia about \$0.50 below that. Under the revised OPEC+ deal of July 2021, the group's production will increase by 400 kb/d each month, of which Iraq's share would be 44 kb/d, up to April 2022. After that, production will continue to increase by 400 kb/d each month to the end of 2022 but with a slightly different allocation between members, but Iraq's share remains at about 44 kb/d. If oil prices remain at current levels, Iraq would therefore earn almost an additional \$100 million progressively each month. This would raise Iraq's quota to 4.412 Mb/d by end-April 2022 and 4.764 Mb/d by end-2022, implying that the country would be able to reach its actual production capacity by Q4 2022. This has caused Fitch Ratings to revise the Outlook on

¹ While not yet disclosed by the Iraqi Parliament, the revenues earned seemed to be calculated by excluding the first two months of 2021, for the remainder of the year

Iraq's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable from Negative and affirmed the IDR at 'B-'.

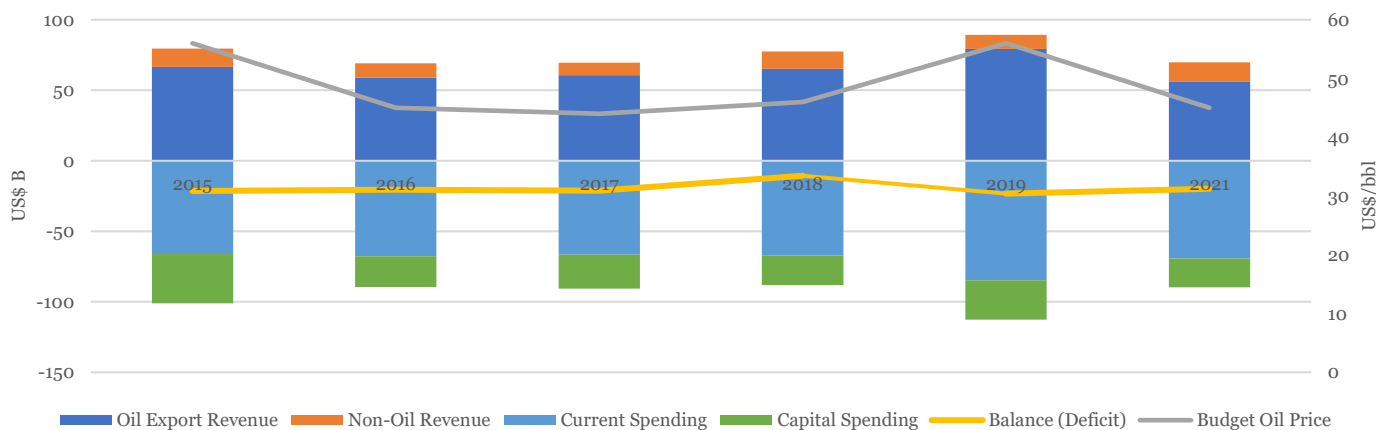


Figure 1 Federal Iraq's revenue & spending, 2015-2021²

Get in Touch

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² MEES; no budget was passed for 2020