



Newsletter | January 2022 | Issue #25

## Al Majal Updates



### **Al Majal Launches New Business Line; Al Majal Integrated Projects (AMIP)**

In our efforts to continually expand our service offerings to cater to our clients' needs in Iraq, Al Majal recently launched an oilfield integrated projects division; Al Majal Integrated Projects (AMIP).

AMIP is focused on delivering industry-leading offerings for discrete well services, and maximizing the added-value to operators for integrated projects, including: data acquisition in exploration, as well as production enhancement in development and workover. The AMIP team's agility, extensive expertise and knowhow allows it to deliver excellent results in each project. The new division will focus on rig less, workover and drilling projects covering oilfield services such as mud logging, tubular running services, coil tubing, pressure pumping, flow back and flow meterage, slickline and wireline, as well as directional drilling, drilling and completion fluid services.

AMIP has the benefit of utilizing Al Majal's extensive infrastructure and strategic presence across Iraq. With access to over 500,000 square meters of developed facilities and world-class logistical capabilities, AMIP is able to efficiently service client needs.



### **A New Addition to the Recreation Facilities at Al Majal Business Park (AMBP); The Golf Simulator**

AMBP is proud to announce the opening of the new recreation facilities for clients and residents to relax and unwind. In addition to our existing recreation facilities, we now offer a golf sports lounge and gaming room.

The golf sports lounge offers a performance golf simulator from Foresight Sports, an industry leader using the GC Technology. Our golf simulator offers unparalleled quality in performance analysis and true to life gaming. Residents can unwind while practicing on the range, or playing one of many courses including Pebble beach and The Majlis Course at the Emirates Golf Club.

The lounge also offers a cinema style experience where clients can watch live sports or the latest movies in surround sound.

Next to the Golf Sports lounge is our new gaming room. This includes activities like table tennis and billiards as well as two PS5 gaming consoles, with a large library of standalone games as well as full IT connectivity offering high speed online gaming.



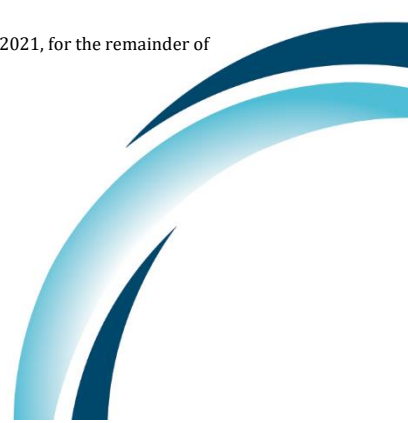
# Al Majal's Oil & Gas Roundup in Collaboration with Qamar Energy

## *Latest in the Iraqi & Global Energy Markets*

- The economy is gradually recovering from the double oil and Covid-19 shocks of 2020. In H1 2021, Iraq's GDP grew by 0.9% y-o-y. According to the IMF, the economy is expected to have grown 3.6% in 2021 and to grow 10.5% in 2022 following a contraction of 15.7% in 2020 due to the pandemic. Iraq's non-oil economy grew over 21% in H1 2021 following a solid performance in the services sectors along with the easing of containment measures, a pick-up in vaccination rollouts and a decline in infection rates. The non-oil economic recovery outpaced the slowdown in the oil sector, which was down by 10% in H1 2021 as the country attempted to meet its OPEC+ compliance obligations. Iraq's non-oil real GDP is expected to rebound by 12% in 2021, while inflation is projected to ease from the current 7.2% recorded in September, according to IMF.
- Iraq expects to earn oil revenues of US\$ 47.5 B<sup>1</sup> 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 in 2021, the actual deficit would come well under the reported figure of US\$ 19.5 B.
- 3.5 Mb/d is a significant jump from Federal 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 increase by 432 kb/d each month (of which Iraq 48 kb/d) to September 2022, when the Covid-related cuts will be entirely withdrawn. If oil prices remain at current levels, Iraq would therefore earn almost an additional \$115 million progressively each month. This would raise Iraq's quota to 4.412 Mb/d by end-April 2022 and 4.797 Mb/d by end-2022, implying that the country would reach its actual capacity during 2H 2022. State-operated fields including Majnoon and others should be able to account for about 260 kb/d of this gain.
- This has caused Fitch Ratings to keep the Outlook on Iraq's Long-Term Foreign-Currency Issuer Default Rating (IDR) unchanged at Stable from Negative and affirmed the IDR at 'B-'.
- In the medium term, oil GDP will be the primary driver of growth. The economy is forecasted to gradually recover on the back of rising oil prices and OPEC+ production quotas. Non-oil GDP gains are forecasted

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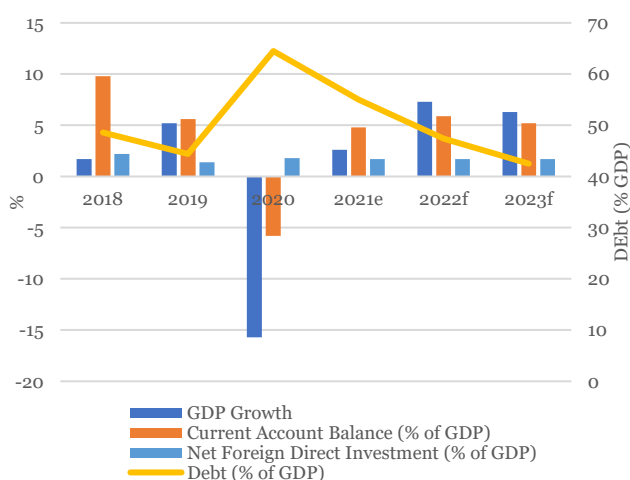
<sup>1</sup> While not yet disclosed by the Iraqi Parliament, the revenues earned seemed to be calculated by excluding the first two months of 2021, for the remainder of the year



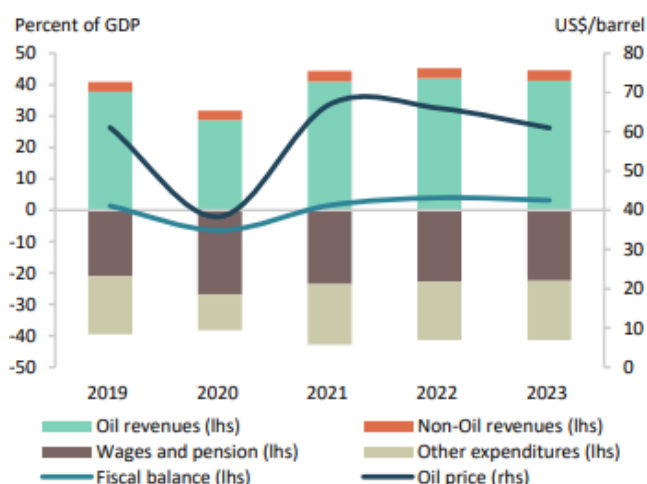
to recover but remain under 3% on average in 2021-2023, mainly due to the impact of the CoVid-19 Delta and Omicron variants along with water and electricity shortages, affecting the agricultural and industrial sectors. The fiscal balance will likely remain in surplus in the medium term, leading to a steady drop in the debt-to-GDP ratio. However, the IMF expects non-oil real GDP to rebound by 12% this year, with the fiscal and current account balances to improve significantly, taking into account recent economic developments and policy priorities in Iraq.

- However, Iraq's economy might be subject to significant downside risks including: a potential decline in the oil price, political problems over government formation following October's elections, a fourth wave of CoVid-19 possibly caused by the new Omicron variant now detected in Iraq, a deterioration in the security situation, intensified impact of climate change and additional macroeconomic volatility.

Macroeconomic Indicators' Outlook



Budgeted Revenue & Spending, 2019-23<sup>2</sup>



The latest developments in the Iraqi energy markets are summarised in the table below.

IRAQ KEY EVENTS SCORECARD, NOVEMBER 2021				
Politics	KRG's Syrian oil imports	●	↑	Iraq's semi-autonomous Kurdistan Regional Government (KRG) resumed oil imports from northeast Syria, solving a diplomatic dispute that threatened an economic lifeline for the Kurdish administration in Rojava. The closure came following intensified relations between the KRG's ruling Kurdistan Democratic Party (KDP) and a number of groups affiliated with the Kurdistan Workers' Party

<sup>2</sup> World Bank

			<p>(PKK), which also coincided with demonstrations on the Syrian side of the border which started in November 2021 staged by the Revolutionary Youth, a PKK-linked organization. In January 2022, officials from the AANES<sup>3</sup> confirmed that oil tankers truckers are again crossing the border, with a small pipeline from Syria into the KRI expected to resume operations by end-January 25. The resumption should provide much-needed fuel for the Lanaz refinery in Erbil which was affected following the closure along with a revenue stream to Syria's northeast region.</p>
	Iraq's 2022 Budget	● ↔	<p>The Ministry of Finance said it is working on preparing legislation for the 2022 budget, which was supposed to be approved on the 1st of October. The Parliamentary Finance Committee confirmed recently that Kadhim's outgoing government failed to prepare the budget for the next year; leaving that responsibility on the next government, potentially delaying the approval of the budget till end-December. This remains to be seen as 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.</p>
Oil	Oil Production	● ↑	<p>Iraq's nationwide production increased to 4.47 Mb/d in December up from November's 4.41 Mb/d, according to the Iraq Oil Report. The increase came mainly from state-owned fields, while production in the Kurdistan Region of Iraq declined by 5% throughout 2021, due to irregular payments to IOCs along with regulatory uncertainty, raising concerns for investors. Federal Iraq accounted for 4.044 Mb/d for while KRG pumped 426 kb/d in December. In 2021, Iraq finished strong bringing its daily production average for the year up to 4.197 Mb/d, up from 2020's average of 4.108 Mb/d, but still well below 2019's record 4.766 Mb/d. December's increase came largely from the giant Rumaila field, adding 70 kb/d between November and December and is now producing 1.427 Mb/d, just below its pre-CoVid-19 peak. Output might further increase in the immediate term, with the resumption of production at Qayarah field averaging just under 10 kb/d, while the state-run Amara oilfield, which has not been producing since July 2020 due to quota constraints, is in process of installing 3 new gas-oil separation units that will double production capacity</p>

<sup>3</sup> Autonomous Administration of North and East Syria



			<p>from 20 kb/d to 40 kb/d. West Qurna-1's production declined slightly in November due to a 100 kb/d cut in output after a gas separation line went offline for maintenance, which recovered back to 480 kb/d in December. Iraq has worked off some of its past under-compliance, and its rising quota should have room to accommodate the expansion of Amara and a gradual return to higher output from other state-run fields and IOC-operated fields.</p>
Oil Exports	●	↑	<p>Iraq's nationwide oil exports rose to 3.681 Mb/d in December, up from 3.678 Mb/d from November levels. Federal exports increased to 3.277 Mb/d in December, up 4 kb/d from November, while KRG exports remained unchanged from last month at an average of 404 kb/d. Revenues fell to US\$ 7.392 B in December, down slightly from US\$ 7.611 B in the previous month, reflecting slightly weaker global oil prices, with the average price of Iraqi crude rising to US\$ 69.07/bb in December. The country sold 3.437 Mb/d in 2021, similar to the 3.436 Mb/d average of 2020, with Federal Iraq earning US\$ 75.651 B from oil exports in 2021, almost doubling 2020's US\$ 41.948 B.</p> <p>Iraq has completed the installation of new pumps at its southern oil terminals, which will boost the country's export capacity by 250 kb/d to 3.45-3.5 Mb/d by Q2 2022. Though Iraq's southern export nameplate capacity is around 4.6 Mb/d, its operational capacity is much lower than that due to ageing infrastructure and bottlenecks. The new pumps will provide more flexibility for exports from the southern offshore single-point moorings (SPM) in the Gulf. This shouldn't be in conflict with the country's OPEC+ obligations given its rising quota. Although Iraq might be constrained on export capacity as its maximum production reaches around 4.73 Mb/d by September, just below its OPEC+ quota for the month (4.8 Mb/d) – unless domestic refining capacity is boosted enough.</p>
INOC to acquire ExxonMobil's West Qurna-1 stake	●	↑	<p>The Iraq National Oil Co. (INOC) will acquire ExxonMobil's stake in the West Qurna-1 oilfield, following the federal government's approval of the takeover. Arkan al-Shaibani, Iraq's minister of Communications, said that Iraq was offering US\$ 350 M to ExxonMobil for its stake in the West Qurna-1 contract. Meanwhile, Basra Oil Co. (BOC)'s deputy director general, Hassan Mohammad Hassan, added that BOC, now subsidiary of INOC, would be the field operator. The field is producing over 460 kb/d currently, over one-tenth of overall national production. Iraq's decision comes after ExxonMobil filed an arbitration case against Iraq's state-owned Basra Oil Company over the stalled attempt to</p>





			sell its stake. Yet, the ministry did not disclose any potential terms of the deal, with no mention of whether the acquisition has been approved by ExxonMobil.
	Iraq- Turkey Pipeline Explosion	● ↑	In mid-January, the Iraq-Turkey Pipeline (ITP) stopped Iraq's northern oil export flows temporarily due to an explosion on the Turkish side. The investigation is still ongoing to determine the cause of the explosion, which was blamed on the accidental fall of an electricity pylon, but Turkish authorities were able to resume operations quickly thanks to storage flexibility, with operations resuming with no apparent effect on export loadings or oilfield production. The KRG relies on the ITP line for all its oil exports, which stood at an average of 418 kb/d in 2021. The North Oil Company (NOC) also ships around 100 kb/m of crude via a KRG-controlled pipeline into the ITP system, ending at Ceyhan port.
	Baghdad-Erbil Budget Deal	● ↔	Federal Iraq and the semi-autonomous KRG have reached a notional agreement to implement a revenue-sharing deal that stalled since the ratification of the 2021 budget on March 31. So far, the Iraqi Finance Ministry sent three budget transfer of US\$ 138 M on July, August and November to the KRG this year. The third budget transfer is not part of the 2021 federal budget law but a pre-election deal between the two parties, providing much needed boost for Erbil. At the Middle East Peace and Security (MEPS) Forum, KRG's PM Masrour Barzani claimed that Federal Iraq owes the KRG about US\$ 3.1 B as a result of budget disagreements.
Gas	Mansuriyah contract with Sinopec	● ↑	Iraq has finalized contract terms with China's Sinopec to develop the Mansuriyah gas field, though the deal will not be signed until a new government is officially formed. If the development moves forward, the company will target 300 MMscf/d of gas production, which could help Iraq's electricity sector – feeding adjacent power plants that are currently dependent on expensive Iranian imports – and add to the government budget. Sinopec has won the bid for the gas field since April 2021, after which the company started negotiations to find agree on the commercial terms.
	Gas Production at KRI	● ↑	UAE-based Dana Gas and its partner Crescent Petroleum mentioned that gas production from their operation at the KRI grew 50% to reach a record 452 MMscf/d by end-2021. This comes from process improvements at the Khor Mor plant leading to production growth from 305 MMscf/d in 2018. Further planned improvements include: (1) implementing the US\$ 630 M KM250 expansion project at the plant which will boost total capacity by an additional 55% to 700

				MMscf/d by April 2023, (2) preparing to drill up to 5 development wells, scheduled to start production in March 2022, (3) and planning a further KM300 train to increase production to almost 1 Bcf/d.
Refinery	Basra Oil Processing Plant	●	↑	Ihsan Abdul-Jabbar, Chairman of INOC, laid the foundation stone for the US\$ 594 M crude oil processing plant in the exploration Block 9, situated in the Faihaa oilfield near Basra, at a capacity of 100 kb/d along with 135 MMscf/d of gas at a future stage for power generation.
Power	Iraq Power Crisis	●	↓	Iraq's electricity sector is suffering acute disruptions because of natural gas shortages, reflecting weak energy infrastructure and overreliance on Iranian energy imports. The shortages knocked out around 6.5 GW of power generation capacity, which was exacerbated recently due to the combined effect of reduced production of both crude and associated gas at southern oilfields (particularly Rumaila, West Qurna-1 and Zubair in November 2021), cold weather causing gas compressors to go offline, pipeline maintenance and Iranian cuts to gas and electricity exports due to rising domestic demand.
Renewable Energy	Iraq & Masdar solar agreement	●	↑	Iraq is planning to set up a sovereign wealth fund wherein it will deposit 1% of oil export revenues each month to finance renewable energy projects and develop a cash reserve for future generations. The Ministerial Council of Energy has prepared a document that highlights the objective of the fund including the structure and governance. The document also cites the models of the types of project finance it can provide, either through loans or in partnership with investors. Based on the country's oil earnings in 2021, Iraq would have placed about US\$ 750 M into the proposed fund has it been active last year. Over 20 years, the savings would amount to US\$ 5.5 B, while reducing CO2 emissions and allowing Iraq to meet its commitment under the 2015 Paris agreement.
	33% clean Energy by 2030 Target	●	↑	Iraq seeks to raise the share of clean energy to 33% by 2030 building on solid expansion in solar capacity, according to the country's oil minister. The plan is to develop 12 GW of installed solar capacity by the end of the decade. The government signed a number of contracts for solar projects with international companies including France's TotalEnergies, Saudi Arabia's ACWA Power, UAE-based Masdar, and PowerChina.

● Very positive    ● Positive    ● Neutral    ● Negative    ● Very negative    
 ↑ Improvement in last month    ↔ No change    ↓ Deterioration in last month



OPEC forecasts 2021 world oil demand to increase by 5.7 Mb/d, unchanged from last month's assessment, despite the upward revision in GDP growth from the previous month (5.6% from 5.5%). Rising economic recovery is projected to take place mainly in non-oil-intensive sectors, while accelerated vaccination campaigns shall boost transportation fuels' outlook, particularly in the US. In 2022, the forecast for world oil demand also remains unchanged at 4.2 Mb/d with total global consumption at 100.8 Mb/d. Oil demand is projected to increase in OECD and non-OECD countries by 1.8 Mb/d and 2.3 Mb/d, respectively, with the impact of the Omicron variant to be mild and short-lived. Though, uncertainties over new variants and renewed mobility restrictions continue to raise concerns over the projected recovery.

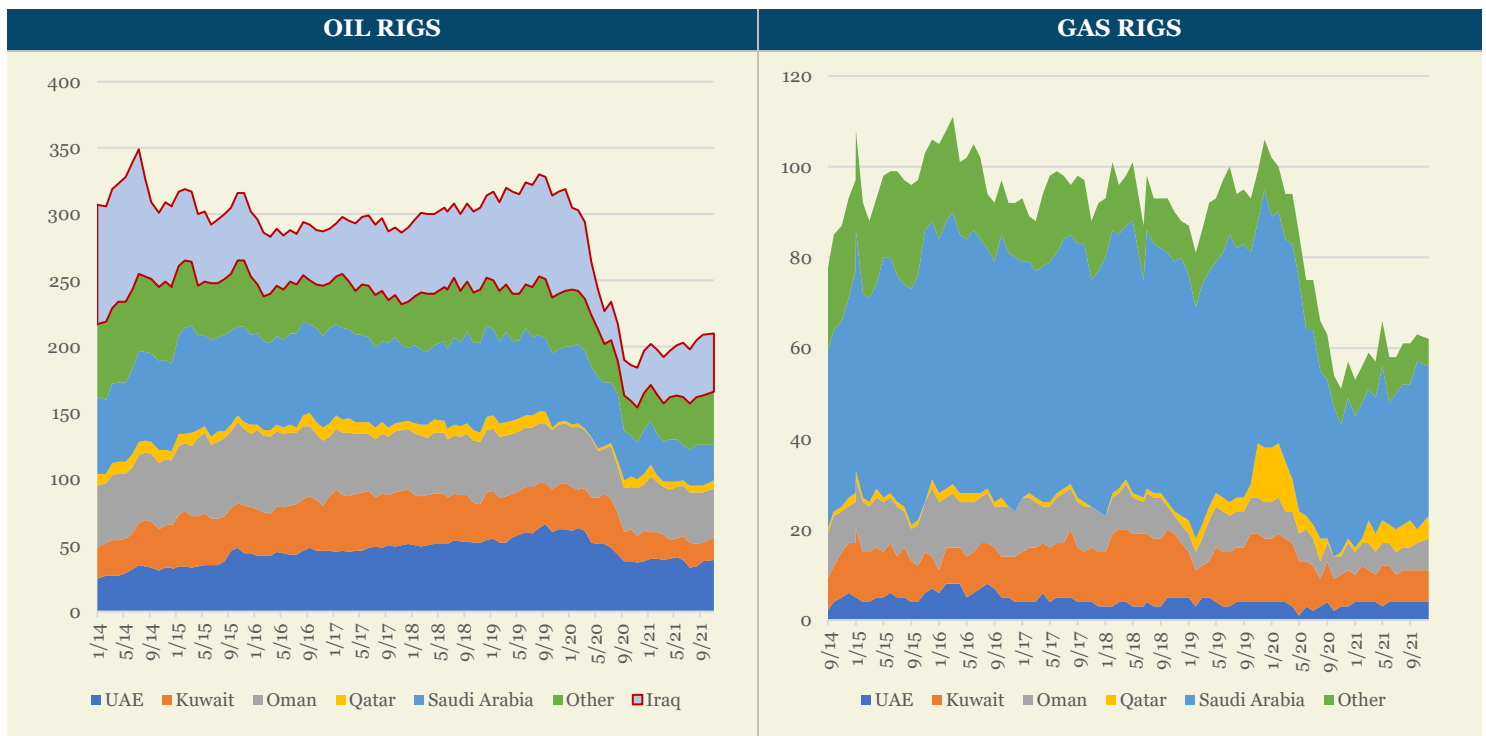
Overall Middle East demand increased by 25 kb/d in November over October levels, with December figures expected to be higher, despite a sharp increase in CoVid-19 cases following the rise of the new Omicron variant. According to the KAPSARC Oil Market Outlook (KOMO), Saudi Arabia's demand in Q3 2021 is expected to have grown by around 280 kb/d, mainly due to increased seasonal demand for electricity generation and the Hajj season in July. In 2021, Saudi Arabia's international and domestic jet fuel consumption averaged 70.3 kboe/d, still well below 2019's levels of 131.2 kboe/d. PMIs have stabilised, even though economic activity has not yet reached pre-CoVid-19 levels. This has informed some noteworthy deals in the energy sector in recent weeks, summarised in the following table.

## TOP ENERGY DEALS IN THE REGION

PROJECT	SUMMARY	CLIENT / BUYER	CONTRACTOR / SELLER	IMPLICATIONS
<b>BP-Oman deal on multiple GW projects</b>	BP signed a pact with Oman to deliver multiple GW renewable energy and hydrogen projects by 2030.	Oman	BP	The strategic framework agreement between BP and the Sultanate includes the development of an integrated plant with wind, solar and green hydrogen production. The pact is expected to attract significant investment into the country, supporting the creation of new industries and skilled jobs. The deal marks the first significant agreement between Oman and a British company since the two countries signed a Sovereign Investment Partnership deal early January.

<b>TotalEnergies-Masdar Sustainable Aviation Fuel initiative</b>	France's TotalEnergies joined a group of companies led by Masdar to produce sustainable aviation fuel from green hydrogen.	Masdar	TotalEnergies	Total, along with Masdar and Siemens Energy, will participate in the initiative by providing its expertise in the production of sustainable aviation fuel, marketing and supply. The project includes the development of a pilot plant that will be based in Masdar City, and will enter FEED later this year and is expected to start operations by 2025. At a later stage, the pilot will explore the production of decarbonized fuels for the maritime sector.
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## REGIONAL RIG COUNT<sup>4</sup>: OPEC+ PRESSURE HAS KEPT IRAQ RIG COUNT LOW



<sup>4</sup> Baker Hughes International Rig Count

- Middle East oil drilling has still not recovered from the sharp drop induced by the pandemic and the related OPEC+ production cuts. However, it is likely to start expanding as quotas increase and production growth plans in the UAE and Iraq get underway. Iraq added a further three rigs in October for cumulative gains of 16 since beginning-2021. All rigs are onshore targeting oil. This rebound comes as INOC and its subsidiaries signed a series of deals with international service companies.
- Gas drilling is starting to show a moderate recovery, supported by the beginning of Qatar's LNG expansion projects and renewed efforts by Saudi Arabia towards its 2030 gas ambitions.
- Note: Iraqi gas rigs are not reported by Baker Hughes, likely because Iraq reports gas rig figures clubbed with oil rigs and/or lack of response from contractors (drilling for non-associated gas is at minimal levels compared to oil, although it should pick up as Sinopec's development of Mansuriyah and the Pearl Petroleum consortium's expansion of Khor Mor move forward).

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## Iraq Oil Market Highlights

### Crude Oil Prices

Closing prices, January 31<sup>st</sup> 2022

Brent: USD 90.95

WTI: USD 87.60

### Iraq Rig Count

As at month end

Dec 2021: 44

Nov 2021: 44



### Iraq Oil Exports

For the month of

Dec 2021: 3.681 Mbpd

Nov 2021: 3.678 Mbpd



### Oil Exports Revenue

For the month of

Dec 2021: 7.392 USD bln

Nov 2021: 7.594 USD bln




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## Get in Touch

For any inquiries, contact us at [info@almajalenergy.com](mailto:info@almajalenergy.com)

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