

## Al Majal Updates



### **Al Majal Business Park (AMBP) Hosts the BGC Projects and Engineering Contractor Community Forum**

On 23rd May, Al Majal Business Park (AMBP) had the pleasure of hosting the Basrah Gas Company Projects and Engineering Contractor Community Forum.

The event was attended by some 40 BGC and Contractor Partners. This marks as the first time, since the start of the novel Coronavirus pandemic, that the Community has been able to meet face to face.

Eileen Buchan, the CP Strategy and Planning Manager at BGC said: “It was a great opportunity to share, learn and work safely together. AMBP was a great location for the event and we were fully supported by the AMBP team in making it a great success”.

Khalil Al Salem, Deputy CEO at AMBP said: “It is always our pleasure to host such events where our partners and clients can network, connect, and share expertise with likeminded executives”.



### **Al Majal Participates at the Market Expansion to Iraq Session Organized by Endeavor Jordan**

As part of our continuous efforts to contribute in the development of Iraq's business environment, Al Majal participated in the Market Expansion to Iraq session that was held in Amman by Endeavor Jordan, the purpose of the sessions is to assist Endeavor's portfolio and pipeline companies with expanding into different markets in Iraq.

Our contribution to the sessions was led by Mr. Nadeem Al Salem, Deputy CEO of Al Majal Logistics Services (AMLS), who facilitated a session on understanding and doing business environment for startups from a business perspective.

The Market Exapsion to Iraq session is part of Scale Up Roadmap for Growing Enterprises (SURGE), a 3-year program co-funded by the European Union's "Innovation for Enterprise" Growth and Jobs's program "Innovate Jordan" and implemented by a consortium led by Endeavor Jordan and includes Oasis500 and Beyond Capital.





## Al Majal Plays an Active Role in the Empowerment and Growth of the Youth of Tomorrow

As part of our continuous efforts to empower our young talent at Al Majal, we are happy to sponsor Mr. Aldrin Babu in the Indian National Motorcycle Racing Championship. Aldrin is in his final year of studies in Design and Animation (Multi Media) at the International School of Creative Arts (ISCA) - under the University of Western Scotland. Aldrin is the son of Babu Pottokkaran, a skilled precision machinist with over 20 years in the industry and an active member of Al Majal Technical Services since May 30th, 2018.

Al Majal is committed to the involvement of our youth in the community and the growth of our employees. We continue to encourage the youth of tomorrow to build a better future for themselves and empower their employees to strive for ultimate success. The organization is very excited about Aldrin's journey and will be rooting for him all the way!

"I am very grateful to AL MAJAL for playing such a big part in my professional racing career through the sponsorship, and I hope I can spread your corporate values in my surroundings". ~ Aldrin Babu



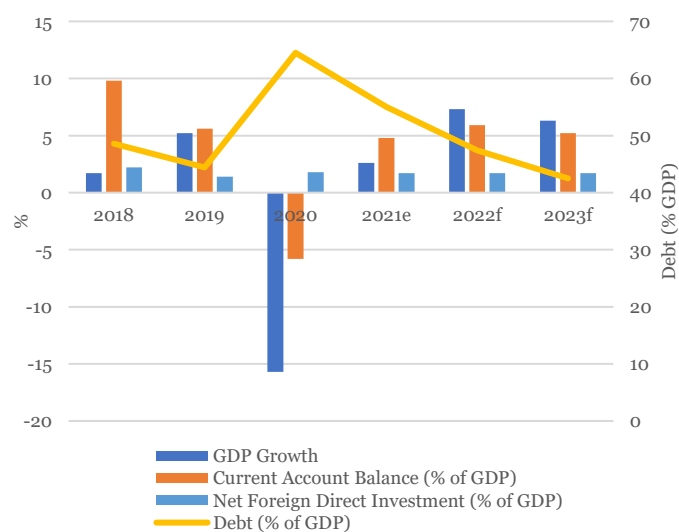
# Al Majal's Oil & Gas Roundup in Collaboration with Qamar Energy

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

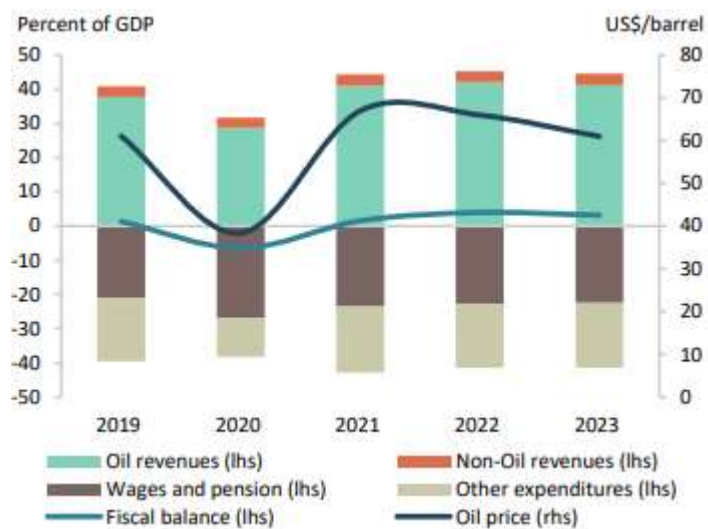
Economic Outlook	Political Outlook
<ul style="list-style-type: none"><li>• Iraq's economy is steadily recovering from the double whammy of the pandemic and 2020's oil price collapse. The country's oil and non-oil sector is projected to return to and even exceed pre-pandemic levels, as oil production and exports increased and the oil price is now around \$115/b in the wake of the Russian invasion of Ukraine. The IMF forecast that Iraq will see the biggest expansion to its economy in the Middle East, with 9.5% growth projected in 2022.</li><li>• According to the World Bank, Iraq's real GDP increased by 1.3% y-o-y in 2021, following a sharp contraction of 11% in 2020. The country's economic rebound is mainly driven by the non-oil sector, which increased by 6% y-o-y in September 2021, mainly due to a strong economic activity in the transport and consumer retail industry. However, agriculture contracted by 17.5% y-o-y and the construction industry declined by 37% y-o-y over the same period, due to severe droughts, outages, and increasing global prices of inputs.</li><li>• In September 2021, Iraq's oil GDP contracted by 4% y-o-y as the country adjusted its oil supplies as per the OPEC+ production cuts.</li><li>• In 2022, overall economic growth is projected at 8.9% y-o-y as OPEC+ quotas end and Iraq's production surpasses pre-pandemic levels of 4.6 Mb/d. Iraq's non-oil GDP is projected to converge to its long-term potential growth trend, partly due to an increase in investments that could be financed through higher oil earnings.</li><li>• However, consumer prices are on the rise in Iraq, with headline inflation expected to climb to 6.9% in 2022, driven in part by a rise in food prices. Other risks and uncertainties stem from the impact of global geopolitical tensions, the ongoing pandemic, security challenges, and climate change.</li></ul>	<ul style="list-style-type: none"><li>• Iraq's Oil Minister has called for the federal government to take over Kurdistan's oil sector following the Federal Supreme Court's ruling, noting that the negotiations have achieved nothing given the KRG's "lack of flexibility." The oil minister will set about implementing the court ruling, though it remains to be seen how Baghdad can realistically implement it as Erbil insists on what it says are its constitutional rights.</li><li>• In fact, an unnamed senior figure mentioned that the Oil Minister's stance is merely "lip service" and that the Ministry of Oil is under pressure from that of finance and other various political stakeholders.</li><li>• On May 8, the oil ministry appointed international law firm Cleary Gottlieb Steen and Hamilton to approach a number of oil and gas firms operating in the KRI to "initiate discussions to bring their operations into line with applicable Iraqi law." This marks the first direct contact between the ministry and oil firms in the region, following years of attempts by the federal government to bring KRG revenues under its control, including local court rulings and threats of international arbitration.</li><li>• However, Iraq remains stuck in the lengthy process of government formation following last October's elections, meaning that for the past seven months the current administration has been acting in a caretaker capacity. Henceforth, any agreement the KRG reached with it would be at risk of being overruled by the next government.</li><li>• The UN envoy to Iraq, Jeanine Hennis-Plasschaert, urged the country's leaders to end the political deadlock preventing the parliament from forming a new government, warning that the delay would spark civil unrest, sending Iraq back to 2019's political and social turmoil.</li></ul>



Macroeconomic Indicators' Outlook



Budgeted Revenue & Spending, 2019-23<sup>1</sup>



<sup>1</sup> World Bank



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

#### IRAQ KEY EVENTS SCORECARD, MAY 2022

Oil	Oil production	●	↑	<ul style="list-style-type: none"> <li>• Iraq's overall production has been trending upward for the past year and a half as OPEC+ coalition gradually eased output restrictions enacted in 2020 following the oil price collapse and the CoVid-19 pandemic.</li> <li>• In April, Iraq's Federal government and Kurdistan region pumped a combined 4.56 Mb/d, just below 4.59 Mb/d in March. Supply from fields under Baghdad's control averaged 4.11 Mb/d, slightly below March's 4.14 Mb/d, while KRG output remained steady at around 455 kb/d.</li> <li>• Production jumped substantially at several southern fields, particularly the Lukoil-operated West Qurna-2 (WQ2), where output rose by 33 kb/d in April to 352 kb/d, following the completion of field maintenance early March. Production from WQ2 is likely to increase further as officials stated the maintenance work last month would boost capacity to 450 kb/d.</li> <li>• Additional increases came from the BP-operated giant Rumaila field, where output rose by 17 kb/d, along with the Eni-operated Zubair which increased by 10 kb/d reaching an all-time high of 510 kb/d. However, these increases could not compensate for lower production from state-operated fields in Basra including Luhais, Nahr Bin Omar, Tuba, Ratawi and Majnoon, which produced a combined 129 kb/d in April, down from 318 kb/d in March and well below their historical peak of over 500 kb/d four years ago.</li> <li>• Production is likely to increase in May as the country's quota will rise to 4.461 Mb/d, from April's 4.414 Mb/d. However, Iraq could struggle to increase further given its outdated export infrastructure which is already operating near its functional capacity.</li> </ul>
	Oil exports	●	↑	<ul style="list-style-type: none"> <li>• Iraq's countrywide oil exports averaged 3.818 Mb/d in April, up by 200 kb/d from March levels and the highest since April 2020. Federal Iraqi exports averaged 3.380 Mb/d, up from 3.245 Mb/d in March, while sales from the KRG increased to 438 kb/d, from 362 kb/d in March. The Federal government earned US\$ 10.554 B in oil sales last month, while the KRG pocketed around US\$ 1.338 B.</li> <li>• Exports from Kirkuk through the KRG-controlled pipeline system to Turkey's Ceyhan port made up a significant portion of the monthly increase, with loadings almost doubled over the previous month. Federal exports through Ceyhan averaged 100 kb/d in April, from just 47 kb/d in March. The upward trend is also seen in Basra Gulf terminals' exports which averaged 3.270 Mb/d, up from 3.198 Mb/d in March.</li> </ul>

			<ul style="list-style-type: none"> <li>The country is still exploring plans to build a new export pipeline through Jordan to Aqaba, with the latest updates including a capacity of 1 Mb/d and a link into the Iraq-Turkey Pipeline (ITP), adding that Jordan would receive 200 kb/d of Iraqi crude and pay international market value. The pipeline would not be used at full capacity at first, but would provide a backup outlet in the event of an emergency.</li> <li>However, these plans have drawn heavy criticism from Iraqi political factions close to Iran, despite the new opportunities it would create for Tehran. PM Kadhimi has been publicly slammed and accused of attempting to normalise relations with Israel through the pipeline.</li> </ul>
Iraq's new oil company in the Kurdistan region	●	↑	<ul style="list-style-type: none"> <li>Iraq's federal government aims to establish a new oil company in the Kurdistan region, with the aim to enter into new service contracts with oil firms currently operating under the KRG. This goes in line with the Federal Supreme Court's ruling which declared the Kurdistan region's oil and gas sector as unconstitutional.</li> </ul>
Genel drills unsuccessful appraisal well	●	↑	<ul style="list-style-type: none"> <li>While Iraqi Kurdistan placed high hopes in the Sarta field, London-based Genel Energy unveiled rather disappointing results from the latest well at the oilfield. Sarta (Genel 30%op, Chevron 50%, KRG 20%) is the youngest producing field in Kurdistan, with output averaging 6,400 b/d in 2021. Genel said that "while oil was recovered to surface from a number of intervals ... stable and sustained commercial flow of oil was not achieved from the primary reservoir objectives" from several formations, as they were tight (low-permeability). This is not the first setback the oilfield's partners have experienced at Sarta. In 2021, Genel said the Sarta-3 well had been "partially plugged back to manage water ingress from the Adaiyah production stream, the origin of which is yet to be determined."</li> </ul>
Western sanctions - Hurdles for Russia in Iraq	●	↑	<ul style="list-style-type: none"> <li>Western sanctions are creating new challenges for Russian firms in Iraq, including making and receiving payments along with hesitancy from commercial partners. Despite the hurdles, Russia's invasion of Ukraine has not yet caused major disruptions in Iraq's oil sector. Iraq has shied away from criticizing Russian President Vladimir Putin's decision to wage war on Ukraine, and neither the Federal government nor the KRG are expected to take any action against Russian companies, which already operate a handful of key oil and gas projects. These include Badra (Gazprom Neft), Block 12 (Bashneft-Rosneft), Block 10 and West Qurna-2 (Lukoil), and in the Kurdistan region, Sarqala (Gazprom Neft), the Kurdistan crude oil pipeline and some small fields (Rosneft).</li> <li>However, it would prove difficult to get international firms to enter into new contracts that would involve interaction with state-controlled Russian firms, though they are less reticent about working with privately-owned firms.</li> </ul>
Oil ministry to thwart new Chinese investment in	●	↑	<ul style="list-style-type: none"> <li>China is Iraq's top investor and Baghdad was the biggest beneficiary of Beijing's Belt and Road Initiative last year, receiving US\$ 10.5 B in financing for infrastructure projects including a power plant and an airport. However, Iraq has drawn the line when it comes to Chinese investment in major oilfields. In 2021, the oil ministry thwarted three prospective deals, including plans by Russia's Lukoil to sell stakes in</li> </ul>

	Iraq's energy sector			the giant West Qurna 2 to Chinese state-backed Sinopec. Iraq also intervened to stop Chinese state-backed firms from buying ExxonMobil's stake in West Qurna 1 and persuaded BP to stay in Iraq rather than offloading its interest in the giant Rumaila oilfield to a Chinese firm. This implies that Iraq's government is concerned that China's dominance could make Baghdad over-dependent on it and reduce competition between international oil and service companies operating in Iraq. Pushing against new Chinese investment is a risky strategy, however, as there is no guarantee others will step up.
Power	GCCIA – Iraq link plans	●	↑	<ul style="list-style-type: none"> <li>Iraq's minister of electricity Adel Kareem said the EU has given "initial approval" for Turkey to commence exporting electricity to its southern neighbour. In March Baghdad announced that "technical interconnection has been completed" after Kurdish Kar Group built the necessary 500 kV substation. Ministry spokesman Ahmed Musa said that the line stands ready to supply northern provinces in summer, when temperatures rise above 50°C, leading to increased demand and causing an almost 9 GW peak period deficit.</li> </ul>
Energy Infrastructure Security		●	↓	<ul style="list-style-type: none"> <li>In March, Iran attacked Erbil with a dozen ballistic missiles in an unprecedented assault, which appeared to target the United States and its allies in the region.</li> <li>In early April, three missiles fell near an oil refinery in Erbil without causing any casualties or damage. The refinery is owned by Kurdistan-based KAR Group, headed by Iraqi-Kurdish businessman Baz Karim Barzinji. This may be related to attempts to intimidate the KDP over government formation talks.</li> <li>On May, six Katyusha rockets targeted the complex near Erbil, housing the 100 kb/d Kalak refinery and the 60 kb/d Nineveh refinery, both operated by Kurdish firm Kar. The incident set ablaze a storage tank at the complex, in a tweet by KRG media, adding that the rockets originated in the town of Bartella near Mosul. This trend to attack oil infrastructure has given rise to speculation that Iran might be looking to protect its gas export sector, with KRG officials having promoted the region as a potential gas exporter to Turkey and Europe.</li> </ul>

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

OPEC forecasts 2021 world oil demand growth to remain broadly unchanged from the previous month's assessment at 5.7 Mb/d. Meanwhile, 2022's world oil demand is expected to increase by 3.4 mb/d, reflecting a downward revision of 0.3 Mb/d from last month's assessment. Oil demand is projected to be slower at 2.8 Mb/d in the OECD and 1.6 Mb/d in the non-OECD. Demand is expected to be impacted by ongoing geopolitical developments in Eastern Europe in the wake of the Russian invasion of Ukraine, and now to a lesser extent by the CoVid-19 pandemic which led to re-imposed lockdowns in China.

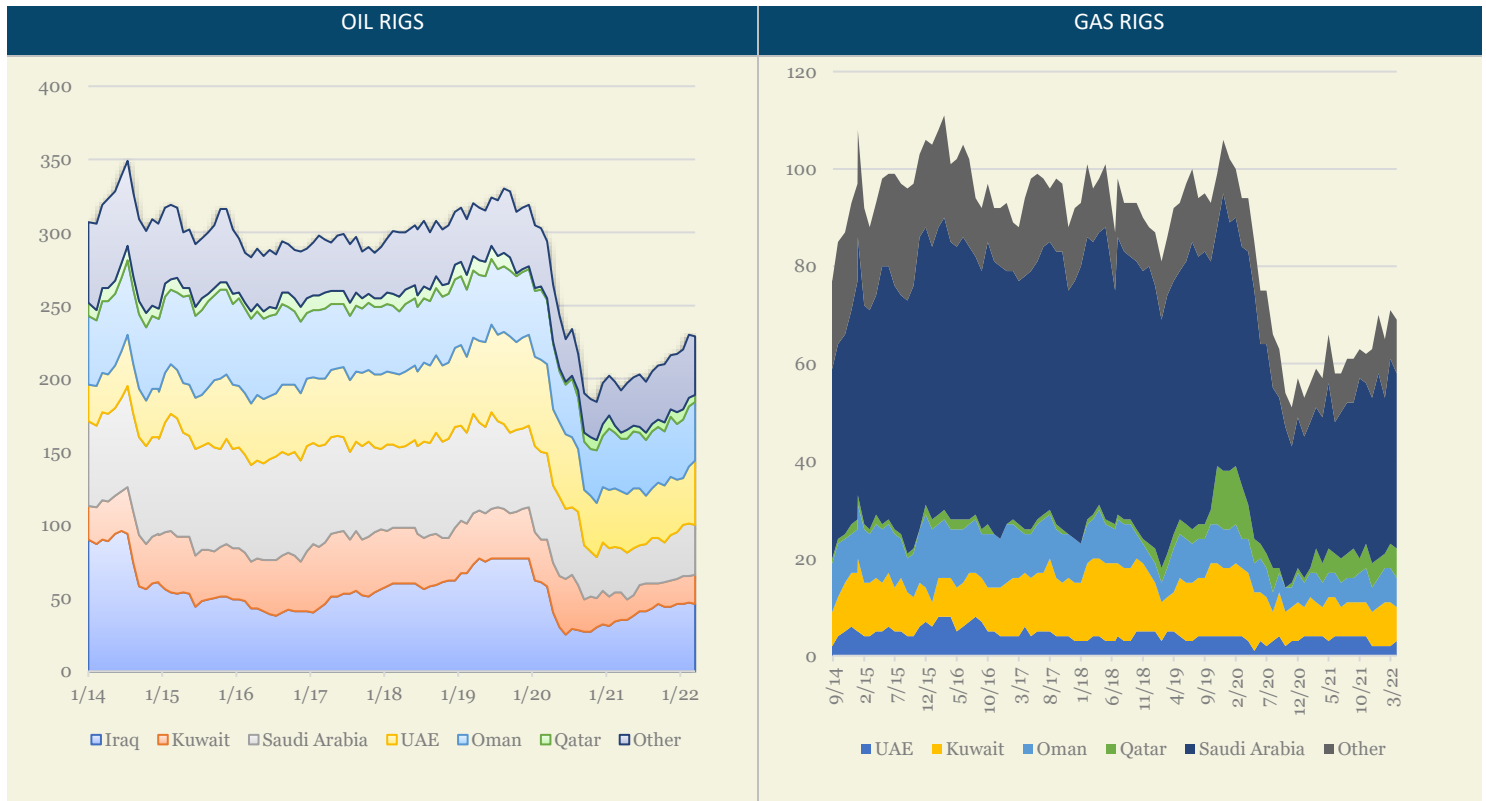
In 2022, Middle East oil demand is forecasted to increase by 0.3 Mb/d y-o-y, with strong demand for diesel and jet fuel being the main drivers. By the end of 1Q2022, Middle East oil demand increased by 0.32 Mb/d on the back of rising demand for fuel oil and diesel in the transport and industrial sectors.



## TOP ENERGY DEALS IN THE REGION

PROJECT	SUMMARY	CLIENT / BUYER	CONTRACTOR / SELLER	IMPLICATIONS
<ul style="list-style-type: none"> <li>Fujairah to Offer LNG Bunkering</li> </ul>	<ul style="list-style-type: none"> <li>ADNOC to award a FEED contract to McDermott International for a massive LNG export terminal in the UAE</li> </ul>	<ul style="list-style-type: none"> <li>ADNOC LNG</li> </ul>	<ul style="list-style-type: none"> <li>McDermott International</li> </ul>	<p>ADNOC's LNG terminal in Fujairah is moving to the design stage, with the project to comprise two 4.8 Mtpa LNG trains, and will boost ADNOC's LNG production capacity by 9.6 Mtpa. The Fujairah liquefaction plant will include process facilities, utilities, LNG storage tanks, and potentially the construction of a new 52-inch gas pipeline from Habshan to Fujairah, with a capacity of 2 Bcf/d. The FEED award is to be followed by the award of an EPC contract in 2023.</p> <p>Up to four leading international engineering giants were in the frame for the prized FEED contract. McDermott is said to have pipped KBR, Fluor and Technip Energies in the energy contest.</p> <p>The project would help the country reduce its dependence on imported Qatari gas and build on its plans to become a key LNG exporter on the back of several gas focused upstream developments in the Emirate. The UAE consumes about 1.8 Bcf/d of Qatari gas via the Dolphin pipeline and also has LNG purchase agreements with its neighbour.</p>

## REGIONAL RIG COUNT<sup>2</sup>: OPEC+ COMPLIANCE HAS KEPT IRAQ RIG COUNT LOW



- Middle East oil drilling has still not fully 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 has 46 active rigs as of April 2022, all drilling for oil. This number has not increased since the start of 2022, but is up 2 on December 2021, and 11 on April 2021. In 2019, prior to the pandemic, Iraq had 77 active rigs targeting oil.
- Middle East 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, and potentially work by Halliburton at Akkas, move forward).

<sup>2</sup> Baker Hughes International Rig Count

# Iraq Oil Market Highlights

## Crude Oil Prices

Closing prices, May 30<sup>th</sup> 2022

Brent: USD 116.41

WTI: USD 115.79

## Iraq Rig Count

As at month end

Apr 2022: 46

Mar 2022: 47



## Iraq Oil Exports

For the month of

Apr 2022: 4.560 Mbpd

Mar 2022: 4.591 Mbpd



## Oil Exports Revenue

For the month of

Apr 2022: 11.89 USD bln

Mar 2022: 11.10 USD bln



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## Get in Touch

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