

Al Majal Updates



Al Majal Business Park (AMBP) Delighted to Host the Second Annual IBBC Networking Event at AMBP Burjessia

In collaboration with Iraq Britain Business Council IBBC, Al Majal Business Park (AMBP) hosted its second annual IBBC networking event at Al Majal Business Park Burjessia. The event was successfully held on Monday, July 25th, and was hosted by the management of AMBP and the IBBC

delegation in Iraq represented by Baroness Nicholson, Mr. Richard Cotton, and Mr. Mohanad Al Khattab.

The event started with a reception held at the coffee shop, Al Majal Bean, where members and guests mingled over freshly brewed coffee and refreshments, followed by greetings from Mr. Richard Cotton and presentations by Al Majal, World Food Programme, and Wood Group.

Following the presentations, guests were invited to lunch at the dining facility of AMBP, offering an extensive selection of flavorful and nutritious dishes. The event was wrapped up by a tour around Al Majal Business Park (AMBP), where guests were able to see the most recent expansions at AMBP as well as the premium life support services and state-of-the-art facilities.

Mr. Khalil Al Salem, Deputy CEO at Al Majal Business Park (AMBP) said: “We’re happy to host this event for the second year in a row, where guests can network, exchange ideas, and experience the premium standards and world-class facilities at Al Majal Business Park (AMBP). We hope to host this event annually as we are always keen on partnerships and collaborations that contribute to the development of Iraq’s oil and gas industry.”

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">• Iraq’s government debt as a share of its GDP is set to fall to about 47% in 2022 from 66% in 2021 – the biggest fall of any government in the Middle East and North Africa, according to Fitch Ratings. The fall is attributed mainly to higher oil prices, restoring the country’s GDP to its pre-CoVid-19 levels. Political tensions constraining public spending are negative for the economy but also help the budgetary surplus.• Fitch Ratings’ B- for Iraq, 6 notches below investment grade, implies that material default risk is present, though there remains a limited margin of safety, with financial commitments currently being met. The rating also signifies that Iraq’s capacity for continued payment	<ul style="list-style-type: none">• As Iraq embarks on a mission against the Kurdistan region’s oil sector independence, its 8-year-old arbitration case against Turkey at the International Chamber of Commerce’s International Court in Paris is nearing a decisive ruling, threatening to jeopardize Kurdistan’s crude exports of over 400 kb/d.• Government leaders and industry officials in Baghdad, Erbil and Ankara do not expect the proceedings to conclude until later this year, anticipating a ruling in Iraq’s favour.• An arbitration victory for Baghdad would escalate its campaign against the Kurdistan region’s oil sector independence and would significantly strengthen Iraq’s

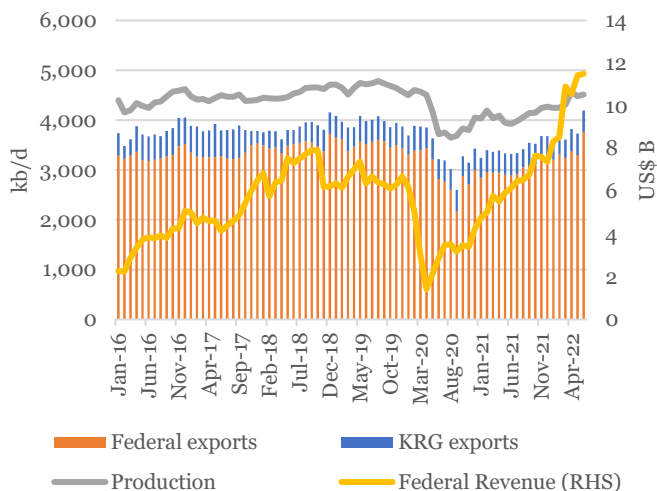
is vulnerable to deterioration in the business environment.

- In fact, Iraq's falling debt ratio reflects the country's failure to form a government and pass a budget since its October 2021 elections, constraining spending to 2021 levels until an emergency funding bill was passed by parliament on June 6 to allocate US\$ 7 B (7% of GDP) for food and energy subsidies and salaries.
- However, if the delay in government formation and the ratification of the 2022 budget continues, it could limit the use of the fiscal windfalls as the ceilings from the 2021 budget are reached, which could potentially diminish economic growth.
- The IMF forecast that Iraq will see the biggest expansion to its economy in the Middle East, with 9.5% growth projected in 2022. According to the World Bank, overall economic growth in 2022 is projected at 8.8% 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.

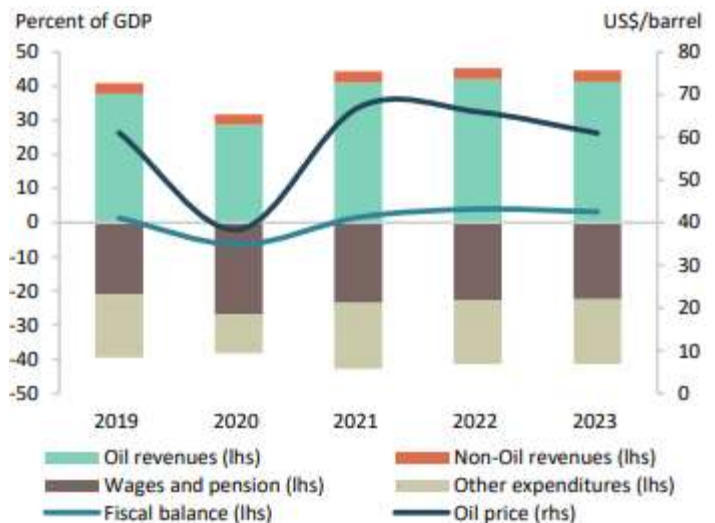
hand in its ongoing effort to implement the Federal Supreme Court's ruling that invalidated the legal foundations of Kurdistan's oil and gas sector.

- Multiple oil companies received letters summoning them at Baghdad's Commercial Court, with a plan to bring international lawsuits. The oil ministry sent letters to seven IOCs in the Kurdistan region including DNO, Genel Energy, Western Zagros, Addax, Shamaran, HKN, and Gulf Keystone (though not TotalEnergies, Chevron, Crescent Petroleum or DanaGas), threatening to blacklist them in case of non-commitment.
- Consequently, KRG's PM Masrour Barzani visited Baghdad to negotiate the longstanding disputed issues between Baghdad and Erbil. The three-hour meeting with PM al-Kadhimi and Iraq's oil minister at the government palace resulted in issuing a long joint statement emphasizing the need for cooperation to solve the issues in the economy, security and legal sectors.
- Meanwhile, US President Biden met Iraqi PM al-Kadhimi ahead of the Jeddah Security Development Summit and agreed on strengthening security and military institutions in Iraq, emphasising the importance of combatting corruption and supporting the country's economy as well as strengthening security against the resurgence of ISIS.

Iraq's Exports & Revenue



Budgeted Revenue & Spending, 2019-23¹



¹ World Bank

The Latest Developments in The Iraqi Energy Markets Are Summarised in The Table Below.

IRAQ KEY EVENTS SCORECARD, JULY 2022

Oil

Oil production	●	↑	<ul style="list-style-type: none"> • Iraq's oil production jumped 153 kb/d higher in June reaching 4.62 Mb/d – the highest since February 2020. This was 111 kb/d over its OPEC+ target. Output for H1 2022 averaged 4.52 Mb/d compared with a full year average of 4.20 Mb/d in 2021. This reflects Iraq's rising OPEC+ quota as production cuts are being phased out • Federal Iraq's production accounted for most of the increase, reaching 4.186 Mb/d in June from 4.043 Mb/d. Meanwhile, output from KRG fields was mainly steady at 436 kb/d. • Oilfields in Basra and Missan accounted for almost all the monthly increase. At Majnoon, production rose from 80 kb/d to 117 kb/d, while the Halfaya field saw the largest increase from 260 kb/d in May to 340 kb/d in June, nearing pre-pandemic levels. Output at the West Qurna-1 and West Qurna-2 has reached an all-time high of 519 kb/d and 427 kb/d respectively. • Production will continue to increase in Q3 as Iraq's quota will rise to 4.58 kb/d in July and 4.651 Mb/d in August, in line with the agreement reached on June 2 to speed up the full unwinding of the cuts by one month.
Oil exports	●	↑	<ul style="list-style-type: none"> • Iraq's countrywide oil exports increased to 3.746 Mb/d in June, up from 3.729 Mb/d in May. Federal Iraqi exports averaged 3.373 Mb/d, down from 3.300 Mb/d in May, while sales from the KRG declined to 373 kb/d. The Federal government earned US\$ 11.505 B in oil sales last month, while the KRG pocketed around US\$ 1.2 B. • The planned increases in production capacity to reach the country's 7 Mb/d by 2027, from around 5 Mb/d currently has not been matched with export capacity expansion. June exports were close to the limit of what can be safely pumped through Basra Gulf terminals. • Iraq's export infrastructure is continuously facing technical problems, particularly at the 48-inch pipeline connecting the two platforms of Al-Basra Oil Terminal (ABOT), handling 40% of southern export flows. This is

				<p>due to visible “swelling” in the pipeline, signifying that the pipes are on the verge of collapsing which would cause an environmental disaster and dramatically lower Iraq’s exports. The pipeline is due for repair on June 12, which will require half of the terminal to be taken offline for half a day.</p> <ul style="list-style-type: none"> Similar problems would afflict the 48-inch subsea pipeline that transport oil from the shore to the oil terminal, which are decades beyond their expiration dates and will likely require more time to be repaired.
	Schlumberger, Baker Hughes & Halliburton’s exodus from KRI	●	↑	<ul style="list-style-type: none"> Schlumberger, Baker Hughes and Halliburton are in the process of liquidating and exiting existing tenders and contracts in the Kurdistan region, in compliance with the Federal Supreme Court ruling. The US oilfield services trio stated that they will not apply for new energy projects in Kurdistan, according to the Oil Ministry. Schlumberger and Halliburton are two of the major providers of services in the Kurdistan oil and gas industry. Their withdrawal would be a blow to the region’s efforts to boost oil production capacity, which is subject to natural decline for years.
Gas	Khor Mor gas field expansion suspended	●	↓	<ul style="list-style-type: none"> Following three rocket and mortar attacks in four days, the Pearl Consortium developing the Khor Mor gas field, has suspended expansion work as contractors began evacuating the site. Production has not been affected at the field which sends around 440 Mcf/d of gas feedstock to power plants, generating the vast majority of Kurdistan’s electricity and parts of Federal Iraq. Another rocket attack targeted the Khor Mor field on July 25 two days after PM Barzani’s visit to discuss oil and gas disputes with Baghdad.
Power / Renewable Energy	Iraq-GCCIA Power Link	●	↑	<ul style="list-style-type: none"> On July 16, Iraq and the GCC Interconnection Authority (GCCIA) signed an accord to tie Iraq’s southern electricity grid to those of the six GCC states, including agreement on a tariff. Although the initial agreement aimed for supplies to begin in summer 2020, the new agreement is set to enable transmission to begin in summer 2024. Diversifying electricity import sources would help Iraq reduce dependency on less stable and adequate supply from Iran. The project’s finance remains unclear, however. Iraq is already struggling to pay its increasing Iranian imports as well as invoices from local independent power producer (IPP) projects. One option could be that



				Saudi Arabia or GCC export credit loans to be offered to Baghdad to reduce the tariff.
	Two solar parks in Al Muthana		↑	<ul style="list-style-type: none"> Al Muthanna Governorate in southern Iraq is planning to set up two solar parks with a combined capacity of 630 MW to support the energy supply in the province. One of the solar farms will be built in the Al-Khidhir district with a capacity of 130 MW. The Governorate provided the land for the plant and the project has been allocated to the companies for development. A second project for a 500 MW solar farm was awarded to Chinese companies, with work already started. The two projects, along with the 750 MW solar park announced by the Governorate in May, are the latest in a series of initiative that Iraq unveiled recently as the country aims to reach 12 GW of renewables generation capacity by 2030. Iraq authorities approved an expenditure of US\$ 680 M for expansion and development of renewable power projects in order to reduce the dependence on imported electricity and enhance the use of renewables.
Refinery Updates	Karbala Refinery start-up			<ul style="list-style-type: none"> Production at Iraq's Karbala oil refinery will begin before year-end, according to oil minister Ihsan Abdul Jabbar Ismail. Karbala will begin by processing 70 kb/d of medium and light crude oil by end-2022, and will ramp up to its full capacity of 140 kb/d by 2023. The delay was due to unresolved questions over financing the final stages of the project and Covid-related problems.

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

OPEC forecasts 2022 world oil demand growth to remain unchanged from the previous month's assessment at 3.4 Mb/d. OECD oil demand is expected to increase by 1.8 Mb/d while non-OECD demand is seen growing by 1.6 Mb/d. 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 an extent by the CoVid-19 pandemic which led to re-imposed lockdowns in China.

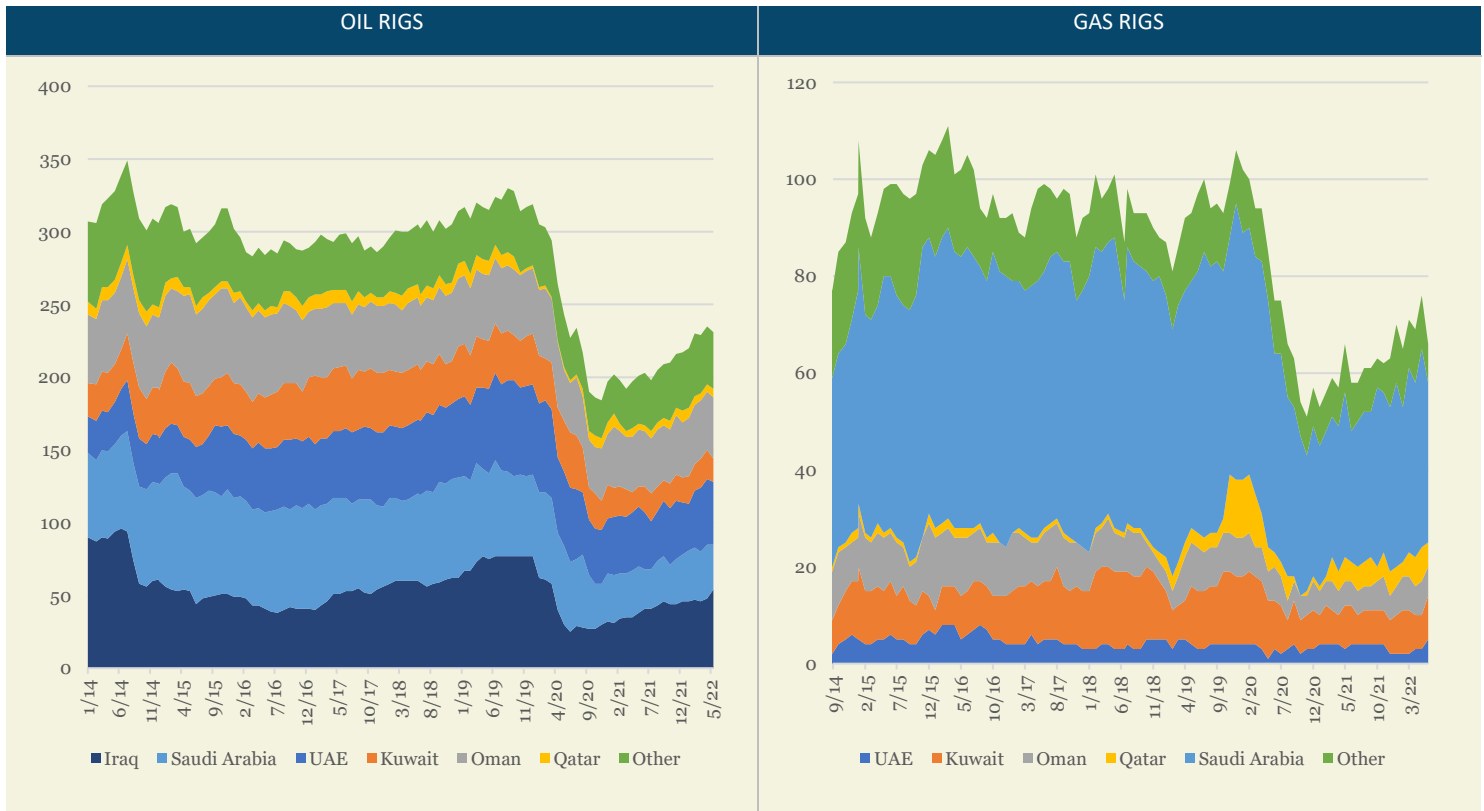
Middle East oil demand increased by 245 kb/d in May from April levels, with strong demand for diesel and jet fuel being the main drivers. Middle East oil demand in Q3 2022 is expected to reach 8.32 Mb/d on the back of rising demand for fuel oil and diesel in the transport and industrial sectors.

TOP ENERGY DEALS IN THE REGION

Project	Summary	Client / Buyer	Contractor / Seller	Implications
Brooge Energy's green hydrogen and ammonia project	Brooge Energy to set up Brooge Renewable Energy (BRE) to accommodate clean energy projects.	Brooge Energy	N/A	<ul style="list-style-type: none"> • Brooge's subsidiary, Brooge Petroleum and Gas Investment Co. (BPGIC), announced that it set up BRE to provide green energy related infrastructure amid rising demand for clean energy sources and in line with Brooge's path towards the energy transition. • The first project undertaken by BRE will be a green hydrogen and ammonia project with a capacity of 300 ktpa once completed. BRE signed a preliminary land lease agreement to build the plant in a 150,000 m² plot in KIZAD, which enables good access to the export facilities. • BRE will be equipped with solar panels to feed the planned electrolyser to produce green hydrogen and ammonia. • BRE marks a shift in Brooge's strategy towards cleaner and more diversified energy sources. The plant would add to KIZAD's portfolio of low-carbon hydrogen projects



REGIONAL RIG COUNT²: 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 54 active rigs as of June 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).

² Baker Hughes International Rig Count

Iraq Oil Market Highlights

Crude Oil Prices

Closing prices, August 2nd 2022

Brent: USD 99.84

WTI: USD 93.72

Iraq Rig Count

As at month end

May 2022: 54

Apr 2022: 46



Iraq Oil Exports

For the month of

June 2022: 3.746 Mbpd

May 2022: 3.729 Mbpd



Oil Exports Revenue

For the month of

June 2022: 11.50 USD bln

May 2022: 11.43 USD bln



Get in Touch

For any inquiries, contact us at info@almajalenergy.com

