

Al Majal Updates



Al Majal Business Park (AMBP) Celebrates the Holy Month of Ramadan

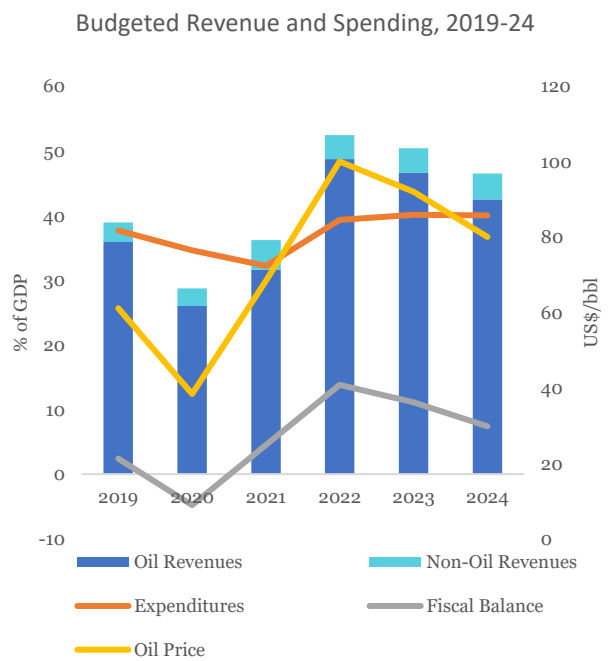
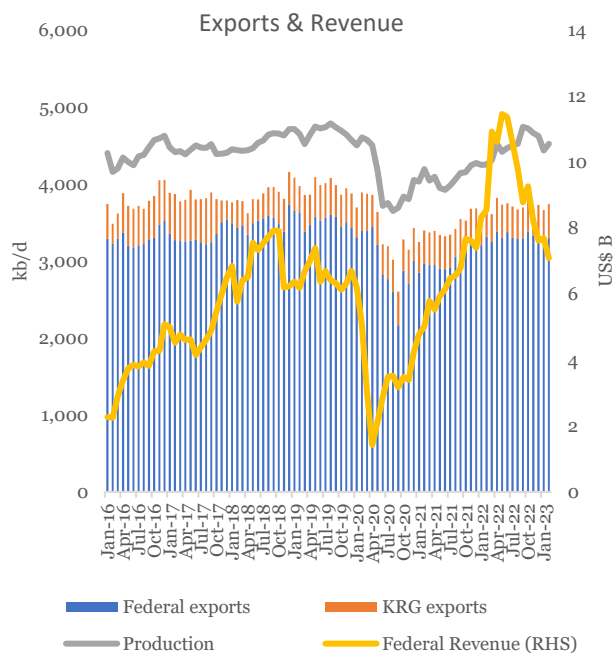
Like every year during the holy month of Ramadan, our residents at Al Majal Business Park can look forward to a month full of delicious iftars and enchanting surroundings as AMBP is adorned with colorful lights and decorations.

Iftar at Al Majal Business Park is special, and residents can expect a wide variety of delicious dishes on the menu. From traditional Arabic dishes to international cuisine, there is something for everyone. The iftar experience is not just about the food; it is also about the sense of community and an atmosphere that is lively and full of joy.

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

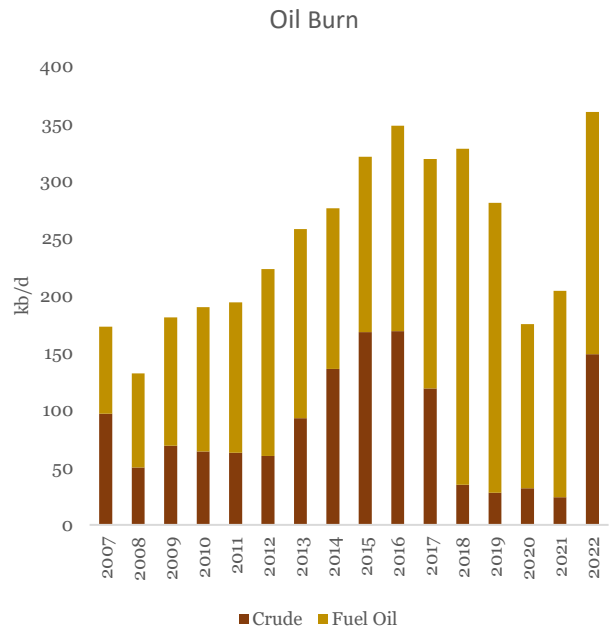
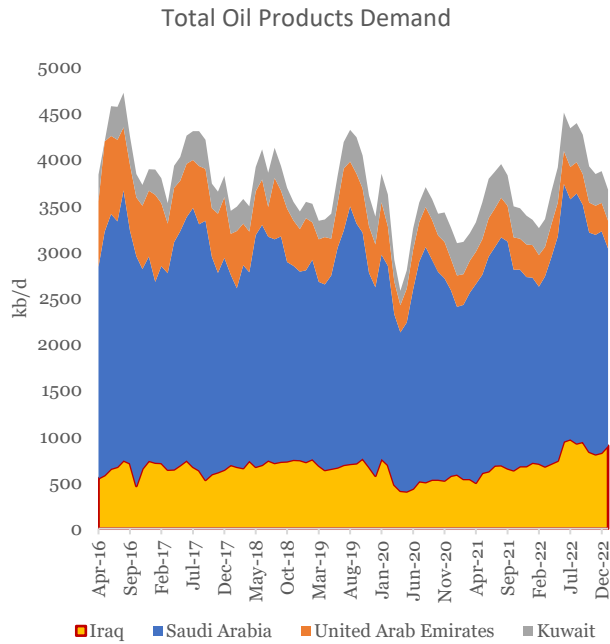
Latest in the Iraqi & Global Energy Markets

Iraq Export Revenue vs. Budgeted Revenues and Spending
(Qamar Energy Research, World Bank, Iraq Oil Report)



Iraq gears up for the upcoming summer's electricity demand

2022 oil burn at record high



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

IRAQ KEY EVENTS SCORECARD, MARCH 2023

Oil & Gas

Oil production



- Iraq produced 4.34 Mb/d in February, 92 kb/d below its quota for the month, according to the State Organisation for Marketing of Oil (SOMO). The decline is attributable to maintenance at Iraq's 400 kb/d West Qurna 2 oilfield, which went offline in February 20 and resumed production after the first week of March. The maintenance work should bring the field's production to 450 kb/d, up 50 kb/d.
- Work includes connecting wells to processing stations and installing a new flare tower. In the longer term, production at West Qurna 2, with estimated reserves of 14 billion barrels, is expected to rise to 800 kb/d.
- Iraq has significant spare capacity from other fields, including Rumaila which has been producing at more than 100 kb/d below capacity in

		<p>January; Majnoon, Luhais, Nahr Bin Omar, Tuba and Ratawi have produced a combined 96 kb/d, more than 400 kb/d below their capacity.</p> <ul style="list-style-type: none"> • Ratawi has been completely offline since September 2021 and only resumed production in February at more than 50 kb/d, while Majnoon’s output was just 40 kb/d in January, compared to 130 kb/d in Q1 2021. • With the new Court of Arbitration ruling shutting down northern exports, including 75 kb/d of federal exports, Iraq is likely to ramp up production from these fields to offset potential KRG export loss in March and April, until a tripartite agreement is reached to restart exports to Ceyhan.
Oil exports	● ↑	<ul style="list-style-type: none"> • An increase in Iraq’s northern exports has sent the country’s nationwide crude oil exports to 3.738 Mb/d in February, despite the Turkey-Syria earthquakes which temporarily took exports offline. • The Kurdistan Regional Government (KRG) boosted oil sales to 443 kb/d, a m-o-m increase of 65 kb/d, while federal exports via the KRG-controlled pipeline system to Turkey averaged 101 kb/d, an increase of 21 kb/d. • This upward trend is also seen in exports from Basra Gulf which slightly increased to 3.184 Mb/d in February, with the total federal government’s sales amounting to 3.295 Mb/d. • Despite higher export averages, federal revenues were down for the month due to lower prices and fewer days in February, falling to US\$ 7.081 B from January’s US\$ 7.664 B, both below the 2022 average monthly earnings of US\$ 9.64 B. • The KRG earned around US\$ 836 M in February, an increase from US\$ 804 M in the previous month. Its elevated export figure in February is not likely to be sustained, however, and has more to do with factors including the timing of tanker loadings and the sale of crude that had been in storage.
Factors affecting exports	● ↓	<ul style="list-style-type: none"> • Federal Iraq: <ul style="list-style-type: none"> ○ Western sanctions on Russian and Iranian oil have channelled cheap fuel to Asia, eroding a decades-long trend in which the continent paid more for energy than Europe. According to Kpler, the sanctions led Russia to sell more than twice as much crude to Asia in the year to January, slowly eating into Iraq’s Asian crude market share. In February, India’s imports of Russian oil touched an all-



time high of 1.6 Mb/d, higher than the combined imports from traditional suppliers Iraq and Saudi Arabia. February was the fifth consecutive month in which Russia was India's single largest supplier.

- Iraq's overall exports are still below the volumes achieved between 2016 and 2019, averaging over 4 Mb/d. The country's export capacity expansion is still work in progress. Iraq plans to expand capacity from its southern ports from 2023 to add a total of 1-1.5 Mb/d by 2025. This includes rehabilitating the southern Khor Al Amaya port and marine pipelines. Southern ports' export capacity will increase by 150-250 kb/d starting 2023. Beginning 2022, Iraq installed new pumps at Basrah Oil Terminal, which would facilitate up to 250 kb/d, taking export capacity to 3.5 Mb/d. Sealine 3, with a capacity of 700 kb/d, is under construction and expected to come online by 2023. It will be the link between the new, fifth single mooring point and the Basra Oil Terminal. Two other pipelines are slated to replace existing and outdated pipelines by 2024.
- In the Kurdistan region of Iraq:
 - Natural decline is threatening the KRG's oil production and exports. Production at KRG-controlled oilfields has been declining steadily y-o-y since hitting 484 kb/d in 2019. Output fell for a third year in a row in 2022, averaging 438 kb/d.
 - International Oil Companies (IOCs) operating in Kurdistan warn that the downtrend could continue if the government doesn't improve its payment policies. Delayed payments are likely to lead IOCs to resort to potential reductions in their work programme along with investment cutbacks.
 - In addition, the Ministry of Natural Resources made unilateral policy changes that effectively reduce profits for IOCs, as it began imposing higher pipeline fees on IOCs in February and updated the oil price in September 2022, which IOCs use to calculate their invoices. They had been calculating their invoices using a formula pegged to Brent benchmark prices, protecting them from fluctuations in the KBT discount. The new pricing policy would cause the KRG



			to calculate repayments based on the realised price of KBT, shifting the burden of price weakness onto the companies.
Qayarah oilfield to restart after three years of shutdown	●	↑	<ul style="list-style-type: none"> • Before it was fully shut down in 2020 following the CoVid-19 pandemic, the Qayarah oilfield in Ninewa province hit a peak of 35 kb/d in the summer of 2019. After sitting mostly idle for three years, the Qayarah heavy oilfield has finally been scheduled to restart in March 19, with plans to resume trucking to Basra’s Khor al-Zubair port. The field briefly restarted production in 2021 at about 10 kb/d, trucked to Basra, but it stopped in December on orders from then-oil minister Ihsan Ismaael. • This is good news for Angolan operator Sonangol, which has been forced to limit production to under 3 kb/d since late 2019, mainly sent by pipeline to the adjacent Qayarah refinery to make asphalt. • The field’s crude has an API of between 15 to 18 and a high sulphur content of around 8%, making it less valuable than lighter, sweeter crude. Qayarah export crude sold for an average discount of US\$ 31.75/b compared to Brent. Meanwhile, Iraq’s Basra Heavy crude was priced at an average discount to Brent of US\$ 5.96/b during the same period in 2019. This implies that the addition of significant volumes of low-quality crude from Qayarah would likely affect the overall quality and price of the export blend. This poses the question whether it’s worth restarting Qayarah crude, as the country still needs to comply with its OPEC+ obligations and maintain/improve the quality of its crude exports.
Iraq is taking a step towards zero flaring	●	↑	<ul style="list-style-type: none"> • An Iraq-led consortium is currently negotiating a deal to capture and process gas at the Nahr Bin Omar field in Basra, in one of the latest attempts by the Sudani administration to increase domestic gas supply and reduce the wasteful flaring of associated gas. • Officials at the state-run South Gas Co. (SGC) are in talks with a private Iraqi entity called the Halfaya Gas Co. – related to an Iraqi company called Raban al-Safina. The talks come as the government gave the SGC last month the “authority to sign an initial agreement for development of the Nahr Bin Omar gas field.” The prospective project involves two units, an initial unit capable of processing 150 Mcf/d of sweet gas, and a second unit of the same size for sour gas. These plans are in line with the Oil Ministry’s “zero flaring” policy.
Lukoil finally receives commercial approval for	●	↑	<ul style="list-style-type: none"> • Only six years after discovery and two years after filing development plans did Baghdad approve the Lukoil development plan for the Eridu oilfield, two weeks after ratifying the long-delayed fifth licensing round



	Eridu development			<p>contracts. Eridu is operated by Russia's Lukoil (60%) and Japan's Inpex (40%).</p> <ul style="list-style-type: none"> Oil Minister Hayan Abdulghani confirmed that 30 kb/d pilot production phase would begin in 2025, which will last for three years to monitor reservoir behaviour and for surface facilities to be constructed until Eridu reaches its planned plateau production target of 250 kb/d. Currently, FEED work for the pilot production phase is still ongoing. The ministry stressed a no-flaring policy at any of the development phases of the field, with plans to capture gas for power generation.
	Iraq renews supply contract with Egypt	●	↑	<ul style="list-style-type: none"> In 2016, Cairo and Baghdad entered an agreement that enabled Egypt to import 1 Mbbbls of Iraqi Basra crude every month. The agreement will be renewed to supply the Egyptian General Petroleum Corp. with 4 Mbbbls of Iraqi crude in 2022, split into 2 Mbbbls in June and 2 Mbbbls in August.
Electricity	Iraq to sign 5-year power deal with GE	●	↑	<ul style="list-style-type: none"> American GE signed a five year "Principles of Cooperation" agreement with Iraq's Ministry of Electricity to explore opportunities to increase output through establishing new power plants and expanding capacity at existing facilities, maintaining and rehabilitating installed power generation and transmission infrastructure. The Ministry said GE will build an unidentified number of new 400kV and 132kV substations. More importantly, the agreement enables the assessment of a "services agreement" which GE wants to finalise with the Iraqi Ministry. The deal comes as the country struggles with severe gas shortages which require Iraq to rely on burning liquids, mainly crude and fuel oil, at power plants. 2022 saw oil burn jump to an average 360 kb/d, a y-o-y increase of 156 kb/d, peaking at 502 kb/d.
Politics	Cabinet passes draft budget	●	↑	<ul style="list-style-type: none"> The Iraqi Cabinet approved a draft budget covering the next three years, with record annual spending of US\$ 152.8 B and new provisions to govern oil and financial dealings with the Kurdistan region. The budget progress comes on the same day PM Sudani pushed through a transfer of US\$ 308 M to the KRG, weeks after the Federal Supreme Court struck down a previous attempt. The new budget introduces a new bank account, controlled by the KRG prime minister, to receive KRG oil revenues and provide transparency for federal auditing. While this could help build confidence toward oil and budget cooperation, it remains to be seen if the KRG would implement it. Previous revenue-sharing agreements have stopped working, partly



		<p>because federal auditors said they were not given sufficient access to information about KRG oil sales and financial flows.</p>
<p>Iraq wins arbitration case against Turkey</p>	<p>● ↓</p>	<ul style="list-style-type: none"> • The long-anticipated ruling represents the most significant blow to the KRG's aspirations for autonomous control of its oil sector. This is raising urgent questions on how IOCs in Kurdistan will be able to continue producing and selling the 400 kb/d of crude they had been pumping to Turkey now that northern oil exports were shut down following the International Court of Arbitration's ruling. • Federal Iraq's exports through the pipeline, averaging around 75 kb/d, have also been closed off. However, we believe that the shutdown will be temporary, with Baghdad and Erbil to explore new mechanisms to export Iraqi and KBT crude through the Turkish port of Ceyhan. We expect a new round of negotiations to take place, but in the meantime, production at KRG-controlled fields is likely to be curtailed / shut down as most fields have between one to five days' worth of storage capacity. The KRG should also benefit from its refineries' spare capacity, providing a potential destination for a portion of the region's production capacity, if an extended export shutdown period is required. Meanwhile, Federal Iraq is likely to maximise its southern production and exports in April using its new export capacity at Basra, to offset the 400 kb/d of exports to Ceyhan. Basra export capacity currently stands at around 3.52 Mb/d, thanks to the new addition of 250 kb/d end-2022. February's Basra exports stand at around 3.2 Mb/d, which implies that with the current capacity, Iraq can ramp up production and raise exports by over 300 kb/d. • KRG PM Barzani sent a negotiating team to Baghdad, saying that "recent understandings with Baghdad have laid the groundwork to overcome the arbitration today." This refers to the new agreement over the 2023 budget law. • The new ruling affects the KRG the most; oil sales provided the government with its single largest source of revenue which averaged over US\$ 1 B per month in 2022, thanks to high oil prices. The KRG's independent exports were not only benefiting the Kurdistan region but also Baghdad, since they provided a rationale to withhold monthly federal budget transfers to the KRG. In fact, a no-deal would require Baghdad to assume greater responsibility for funding the KRG and might eventually become a target for creditors, which loaned billions of dollars to the KRG over the past decade.



- A successful deal would require all three parties – Baghdad, Erbil and Ankara – to restart the export pipeline, with Turkey likely to want assurances it will not incur further liabilities.

● Very positive
 ● Positive
 ● Neutral
 ● Negative
 ● Very negative
 ▲ Improvement in last month
 ↔ No change
 ▼ Deterioration in last month

OPEC expects 2023 demand to remain unchanged from last month’s assessment at 2.3 Mb/d. OPEC’s forecast reflects a revision lower in the OECD America and Europe, but an upward revision in China with kerosene and gasoline leading demand growth. This forecast remains surrounded by uncertainties including global economic developments, shifts in CoVid-19 containment policies and geopolitical tensions. Middle East oil demand for 2023 is estimated at 8.61 Mb/d, up over 330 kb/d from 2022, with diesel and jet fuel to lead most of the increase.

TOP ENERGY DEALS IN THE REGION

Project	Summary	Client / buyer	Contractor / seller	Implications
Shell acquires 35% ownership stake in Oman green ammonia project	Green Energy Oman (GEO) accounts for 20% of Oman’s total planned hydrogen output	Shell	OQ	<ul style="list-style-type: none"> • GEO will contribute to around a fifth of the Sultanate of Oman’s targeted production of 8 Mtpa of green hydrogen by 2050 – which requires more than 4 GEOs – and is the world’s 6th largest project. At full capacity it will be powered by 25 GW of solar and wind, enabling production of 1.8 Mtpa of green hydrogen / 10 Mtpa of green ammonia. • Unveiled in May 2021, the partners, OQ, InterContinental Energy (ICE) and EnerTech expect the project’s FID by early 2026. Shell’s joining will bring the oil major’s scale, financial clout and hydrogen expertise to the consortium. • Shell is seeking to increase its low-carbon hydrogen projects in the Sultanate. So far, Oman has been mainly focussed on green hydrogen projects, until Shell announced plans to produce blue ammonia from the Mabrouk gas field and OQ announced its plans to produce blue ammonia in the Sur Governorate to power the local operations of Oman-India

Fertiliser Co. (OMIFCO). The fertiliser company operates a two train 5 kt/d urea plant and a pair of 3.5 kt/d ammonia units. The urea output was until recently shipped to India while the ammonia has been marketed internationally.

- Earlier last year, Shell signed an agreement with Oman Airports to work on a Green Hydrogen for Mobility project. In the first phase, Oman Shell will provide up to 15 hydrogen cars for corporate usage at Oman Airports. The project will also include developing hydrogen production units at different fuelling stations, powered by solar energy

Iraq Oil Market Highlights

Crude Oil Prices

Closing prices, April 2nd 2023

Brent: 79.89 USD
WTI: 75.67 USD

Iraq Rig Count

As at month end

Feb 2023: 59
Jan 2023: 54



Iraq Oil Exports

For the month of

Feb 2023: 3,738 Mbpd
Jan 2023: 3,640 Mbpd



Oil Exports Revenue

For the month of

Feb 2022: 7,081 USD bln
Jan 2022: 7,700 USD bln



Get in Touch

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

