

THE MAGAZINE

[✉ Email to Friend](#) | [🖨 Printer-friendly](#) | [💬 Login to Comment](#)

INTERNATIONAL: [CONTINGENCY PLANNING \ DISASTER MANAGEMENT](#)

Race for Iraq Oil Stalled by Security Fear

October 2009

By **Stephanie Berrong**

On the same day that American troops withdrew from Iraqi cities in June, representatives from more than 35 international oil companies descended on Baghdad for another historic event—the opening of Iraq's oil industry after nearly 40 years of nationalization. But companies were mostly there to “kick the tires” rather than to drive away with the rights to operate an oil company in the country. Companies signaled by their actions that the security risks far outweighed the rewards at this stage.

As a result, the auction, which offered 20-year development rights to six lucrative oil fields and two gas fields, yielded only one deal.

Apart from the security risks, companies that want to participate will face high startup costs. Years of sanctions during Saddam Hussein's regime and war in Iraq have led to a crumbling oil and gas infrastructure that will require tens of billions of dollars of foreign investment if the country is to reach a production goal of 6 million barrels a day within the next ten years. Iraq produced approximately 2.4 million barrels a day last year, up slightly from the year prior, according to the U.S. Department of Energy's statistical agency.

But this situation won't last. Iraq boasts an estimated 115 billion barrels of oil, the world's third largest proven oil reserves, surpassed only by Saudi Arabia and Iran. Given the potential for future financial rewards, companies are likely to seek ways to address the security concerns.

“The first people in will win more and more awards by past performance and positioning and relationships, so they're keen to get in there,” Mike Blyth, director of risk consulting at RSM Consulting, told *Security Management* before the June auction. Blyth helped one consortium create its strategic security plans for Iraq.

Another security consultant who is supporting oil and gas companies as they plan to enter Iraq agrees, despite the auction's outcome. “I don't think the independent oil companies, the [international] oil companies, are going to walk away completely just because of what happened in the bid round,” says Michael Woodrum, senior manager of global services at Control Risks.

Companies know that the upside is potentially as large as the risk. Iraq is one of the least developed OPEC countries, notes Michael Makovsky, foreign policy director for the Bipartisan Policy Center. There are believed to be oil fields that have not yet been discovered in addition to the producing fields that have not maximized production. “Some people say their reserves, while listed at only 115 billion barrels, might be twice that amount,” he says. That would rival Saudi Arabia's reserve.

The biggest risks the international oil companies face going into Iraq at this point are posed by political volatility, Woodrum says. Iraq's parliament has not yet passed a hydrocarbon law and political uncertainties abound. The parliament claims to have the power to veto any of the agreements reached by the oil ministry and has indicated that when a law is passed, it may invalidate any contracts negotiated beforehand.

Also, the proposed legislation would create the Iraq National Oil Company (INOC), but it's not clear how the INOC would be affiliated with the already existing state-owned oil companies, with which the foreign firms must partner.

Some in Iraq consider any contracts with foreign oil companies to be illegal, and a union representing workers of one of Iraq's state-owned companies has threatened strikes. Iraqi elections to be held early next year add yet another layer of political uncertainty.

In addition to a political minefield, companies that go into Iraq will face an entirely uncertain security environment. “The security situation now may be very different—it may be better, it may be worse—in six months time,” says Blyth. Both Woodrum and Blyth stress the importance of incorporating security into the business from the outset. Security must be intertwined in management decisions for procurement, partnership, and timing of projects, Woodrum says.

[Login or register](#) to post comments

[Printer-friendly version](#)

Comments

The Magazine — Past Issues

Issues:

October 2009

GO

Related Stories

[HOMELAND SECURITY: CONTINGENCY PLANNING \ DISASTER MANAGEMENT](#)

Federal Perspective - TSA

By Joseph Straw

An interview with Lee R. Kair, assistant administrator for security operations at the U.S. Transportation Security Administration.

[HOMELAND SECURITY: CONTINGENCY PLANNING \ DISASTER MANAGEMENT](#)

Exercising is Good for Everyone

By E. Floyd Phelps, CPP

By allowing its facilities to be used for an exercise by the Dallas Fire Department, the Renaissance Tower was able to hone its security team's preparedness and provide a public service at the same time.

Key Word [SEARCH](#)

by Sector / Industry

by Topic

by Date Range

by Content Type

GO

Authentication
Anytime.



[CLICK HERE](#)
for streaming video
from the ASIS Show





- [Terrorism](#)
- [Airport Security](#)
- [School Security](#)
- [Physical Security](#)
- [Hiring Issues](#)
- [IT Security](#)
- [Contingency Planning](#)
- [Legislative Issues](#)

[Home](#) [The Magazine](#) [News](#) [Beyond Print](#) [Marketplace](#) [Events](#) [Forum](#) [Podcasts](#) [Contact Us](#)

[Advertise](#) | [Subscribe](#) | [Reader Service](#) | [Writer's Guidelines](#) | [Reprints & Permissions](#) | [Sitemap](#) | [RSS](#)

Security Management is the award-winning publication of ASIS International, the preeminent international organization for security professionals, with more than 35,000 members worldwide.

ASIS International, Inc. Worldwide Headquarters USA, 1625 Prince Street, Alexandria, Virginia 22314-2818
703-519-6200 | fax 703-519-6299 | www.asisonline.org



Copyright © 2009 Security Management

This site is protected by copyright and trade mark laws under U.S. and International law.
No part of this work may be reproduced without the written permission of Security Management.

★ Powered by: Phase2 Technology