Polishing the diamond

Dr Ashti Hawrami, minister of natural resources for the Kurdistan Regional Government (KRG), has been at the forefront of efforts to develop and modernise the Kurdistan Region of Iraq’s oil industry. Over the course of his seven years in office, the region has witnessed an evolution, beginning with the entry of small independents and expanding to include the world’s largest oil companies.

Is the recent arrival of major international oil companies such as Chevron and Total a reaffirmation of the region’s production-sharing contract (PSC) model and its energy potential? The geological potential of the Kurdistan Region had not been fully known for a long time, and until the removal of the Saddam Hussein regime in 2003, that potential was ignored. Since then, we have been proven right in our assessment that there are commercial quantities of oil and gas beneath the soil of Kurdistan.

In the early days after liberation, the region attracted the independent pioneers. Their success has bred more success and now the majors are coming in to take the development of the industry to another level. Clearly, the important legal framework was Iraq’s federal constitution in 2005 and the KRG’s oil and gas law of 2007. We believe that our production-sharing contracts are the ideal vehicle to match the exploration conditions in the region and attract investment from the world’s best companies.

Do you anticipate any consensus between the KRG and the federal government in Baghdad on the sharing of hydrocarbons revenues? The approach of the KRG has always been and will continue to be in line with the constitution of Iraq, which clearly gives contracting and management rights to the Kurdistan Region. Our PSCs are fully in line with the constitution and are already proving their worth for the benefit of the Iraqi people. We always prefer consensus and co-operation to confrontation. That is what Iraq needs after years of instability and war. We would prefer to work with the federal government in Baghdad but we must also recognise that if one part or the country is dysfunctional it should not be a drag on the successful areas of the country. By pressing ahead with our plans for production and export, the KRG will be of service to the whole of Iraq. And as the dollars flow in, consensus will emerge.

Is the Kurdistan Region of Iraq still on track to achieve production rates of 1 million barrels of oil per day (bopd) by 2015? Taking into account the existing discoveries, that is possible, yes. And as more oil is discovered and comes on line, we envisage 2 million bopd by 2019. This is oil that until relatively recently Iraq didn’t know it had. Kurdistan’s production will be a major contribution to Iraq’s overall production targets by the end of the decade.

How are the Kurdistan Region’s gas resources being used domestically? What does the future hold for exports from the region? We have already used the gas in the region to power up the local economy and to help provide electricity to some of our neighbouring governorsates in the north of Iraq, such as Mosul and Kirkuk, and soon to Salaheddin.

It is our policy to first satisfy domestic needs, and then to export. We expect to see the first export of gas by the end of 2015, providing a reliable source of supply for Turkey, which it will certainly benefit from as its economy continues to grow. In addition, the KRG is looking to Europe, where securing a reliable and diverse gas supply is very important.

How will the development of export infrastructure help the Kurdistan Region to realise its production potential? Can its hydrocarbons fill export pipelines to Turkey in 2013? Development of additional export infrastructure for Iraq between the Kurdistan Region and Turkey comes at a critical time for regional dynamics. Within months, the KRG will be ready to export its crude oil directly to world markets through Turkey. This development should be greeted as an opportunity rather than a threat, especially when considered within the context of current regional dynamics. The pipeline has been laid up to Dohuk and is currently nearing completion. Initially it will be able to carry up to 300,000 bopd, rising to 1 million bopd by 2015. This is testament to the achievements of the KRG over the past five years, as a result of which millions of much-needed reconstruction dollars have flowed into Iraq’s federal treasury.

In reality, and in accordance with the Iraqi constitution, 83 percent of the region’s oil revenue will flow into Baghdad, boosting the federal government’s economy. This new pipeline infrastructure is key to facilitating this development, which has the potential to export more than 2 million barrels of oil from oilfields in northern Iraq to international markets by 2019.