

Iraqi government approves BP oil field offer

By [Global Research](#)

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Iraq's government today approved a BP-led consortium's offer to develop a giant oil field in the south, moving forward with the only deal struck during a much-hyped but ultimately disappointing international oil auction.

Iraq, which is desperate for cash to fund its reconstruction efforts, had put six oil and two gas fields on offer to foreign firms yesterday in the country's first international oil licensing round in over three decades. But the auction — opposed from the start by many of the country's lawmakers — failed to elicit the kind of excitement or commitments Iraqi oil officials had anticipated.

BP and its Chinese consortium partner CNPC walked away from the auction with development rights for the 17.8 billion barrel Rumaila field. But their win came only after they agreed to take less money for the oil they produced.

Under the service contracts, the companies are paid a per barrel price for production over a minimum target level. BP and CNPC had bid \$3.99 per barrel, but slashed their price to the \$2 per barrel payment sought by the oil ministry. Their only rivals for the fields, a consortium led by US giant Exxon Mobil, refused to amend its offer of \$4.80 per barrel on target production of 3.1 million barrels per day.

The Cabinet of ministers signed off on the BP deal, government spokesman Ali al-Dabbagh said.

The government did not say when the signing would take place.

But many expect the oil ministry to try to move forward quickly, if for no other reason than because al-Shahristani needs to replenish the already-limited political capital he spent in pushing past lawmaker objections and bringing the bidding round from plan to reality.

He billed it as the answer to Iraq's cash crunch, and the lackluster showing could further embolden his critics.

The promise of access to about 43 billion of Iraq's 115 billion barrels of crude reserves was apparently not appetizing enough for foreign firms to overlook the inherit risks they face in a country still emerging from decades of sanctions and a US-led invasion to topple Saddam Hussein.

Many lawmakers have opposed the bidding process from the start, saying al-Shahristani's push to have the contracts approved by the Cabinet instead of the parliament renders them illegal. Many ordinary Iraqis — who still say the US-led war was mainly for oil — worry that giving foreign firms access to the country's key resource opens the door for economic

occupation.

In a sign of the potential obstacles companies will face, Ali Balo, the head of the parliament's influential oil and gas committee said Wednesday the contracts "will face huge problems" if parliament is not allowed to sign off on them.

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