

Spoils of War: General Electric's Role in Iraq's Energy Crisis

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US energy giant General Electric holds a vise grip over Iraqi energy matters. Since the US invasion, Iraq has spent \$85 billion on its electricity sector but still faces 12-hour daily power outages. So why is GE still getting contracts it won't fulfill?

US energy giant, General Electric's (GE) [website](#) showcases a dazzling array of graphics, accompanied by statements from company officials, which paint a picture of a thriving partnership with Iraq.

"GE employees across our gas power, grid, and healthcare businesses are partnering with the people of Iraq to achieve continued progress in society and improve people's lives every day. Since 2015 we have collaborated with private and public financial institutions to help secure over US \$2.4 billion in financing for energy sector projects across the country."

However, this glossy facade is a far cry from the reality of the multinational's actions on the ground. In truth, GE's energy policy in Iraq mirrors the broader approach that has been adopted by the White House towards Baghdad since the tumultuous illegal US-led invasion of 2003.

Origins of Iraq's Energy Crisis

The energy conundrum has long been a source of concern for Iraqis. In the wake of the US occupation, [corruption](#) proliferated within state institutions, but it is the stranglehold exercised by GE - alongside Germany's [Siemens](#) - over all matters pertaining to Iraqi energy that has exacerbated the situation.

This intricate web of control first emerged in 2003 when Washington assumed complete authority over Iraq. At that juncture, GE assumed responsibility for maintaining Iraq's

electricity infrastructure following the decision to privatize this [once-government-subsidized](#) sector.

An energy expert who represented the Iraqi government during those negotiations reveals to *The Cradle* that the initial maintenance contract inked between Baghdad and GE carried a staggering price tag of \$5 billion.

More astonishing is that GE had no physical presence in Baghdad at the time: “The Americans were negotiating and signing contracts in Baghdad and then returning to Amman,” says the expert.

The genesis of Iraq’s electricity crisis can be traced back to the [Persian Gulf War in 1991](#). The country’s strategic power plants were targeted for destruction by the US-led international coalition forces, and the US sanctions that followed thwarted any attempts at rehabilitation. This left Iraq’s infrastructure and industries in ruin and subjected its citizens to unbearable conditions during sweltering summers.

Between 2003 and 2021, Iraq poured a bewildering \$85 billion into its struggling electricity sector. A former advisor to Iraq’s prime minister reveals to *The Cradle* that nearly half of this colossal sum was channeled into constructing gas-powered stations to generate electricity.

The remaining funds were allocated to purchasing gas, fuel, and electricity from neighboring countries, all while shouldering the financial burden of paying salaries to a workforce of 300,000 employees in the Iraqi Ministry of Electricity.

Prolonged Power Outages

A government advisor specializing in energy affairs estimates that some \$35 billion has been squandered on futile investments within the country’s electricity sector.

That sum, he contends, could have significantly advanced Iraq’s electricity production to a formidable 40 gigawatts, which would sufficiently meet the entire nation’s surging energy demands. Instead, in stark contrast with that potential, Iraq’s current electricity production now languishes at a mere 23 gigawatts, barely satisfying half of the country’s needs.

This deficiency has led to agonizingly [prolonged power outages](#), lasting up to a grueling 12 hours each day, especially during the scorching summer months.

Iran has alleviated a big part of that burden by exporting 7.3 gigawatts of electricity to Iraq monthly, while GE, Siemens, and their affiliated companies were contracted to provide an additional 27.7 gigawatts toward reaching the coveted 35-gigawatt goal.

That target has never been reached. Instead, Baghdad has had to continue relying on Iranian supply, and currently covers those costs through an account held with the Iraqi TBI Bank on behalf of the Iranian government. However, relentless US pressure on Iraq during sanction-exemption negotiations has placed Iraqi officials in a difficult position, forcing them to reduce payments to Tehran.

The GE vs. Siemens Showdown

In the meantime, despite their non-performance in Iraq’s electricity sector, General Electric

and Siemens continue to face off in fierce battles for yet more contracts. A high-ranking Iraqi official tells *The Cradle* that this fight goes right to the top:

“This issue was the first point raised by western officials in their meetings and communications with their Iraqi counterparts. All American presidents raise the issue of General Electric contracts. Siemens contracts were the focus of any contact that [former] German Chancellor Angela Merkel had with any Iraqi official. We were feeling tremendous pressure, and the prime Minister was confused about how to deal with this file.”

Back in 2008, Siemens had inked a substantial \$1.9 billion contract with the Iraqi government to equip five new power stations with gas turbines capable of generating 3.19 gigawatts of electricity. This contract, alongside a \$2.8 billion contract with GE the same year, was supposed to help solve the electricity crisis in Iraq.

But for well over a decade, neither conglomerate has delivered that full potential. Citing sanctions on Iran, Siemens [delayed its supply of turbines](#) to Iranian, Egyptian, and South Korean companies that Baghdad had commissioned to build power stations in Basra, Kirkuk, and eastern Baghdad.

For its part, GE simply ignored its contract specifications to provide heavy water and multi-fuel turbines, sending Iraq gas-only turbines instead, and then to add insult to injury, nabbed themselves extended maintenance contracts.

The American energy giant has also long-exploited Washington’s overwhelming political and military leverage over Iraq to [stymie Siemens’ ambitions](#). In 2008, GE secured a \$2.8 billion contract to supply Iraq with 56 gas turbines capable of generating 7 gigawatts, but it took four long years to deliver the goods to Iraq.

A \$4.1 billion contract to install the turbines at various Iraqi stations had to be implemented by Turkish companies instead, adding to the litany of GE missteps.

The story doesn’t end there: Not only were GE’s turbines unable to operate on Iraqi gas, which then required chemical treatment to adapt to them, but it turns out the turbines were also incompatible with Iraq’s high temperatures, causing a spike in malfunctions. An example of the company’s shoddy performance can be seen at Al-Muthanna plant in southern Iraq, where six out of ten GE turbines are currently out of service.

Despite these avoidable failures, GE then obtained a \$700 million contract to operate a power plant in the southern governorate of Dhi Qar. True to form, six years later, it still hadn’t done the required work.

The irrationality continues. Early this year, the Iraqi government [signed](#) yet another memorandum of understanding with Siemens to produce 6 gigawatts of electricity from associated petroleum gas (APG) in order to maintain turbines, establish transmission stations, and train Iraqi teams.

Foreign Exploitation, Domestic Corruption

The situation is bleak: after two decades, numerous contracts, and tens of billions of dollars spent, Iraq still falls short of acquiring more than a third of its electric power requirements.

One of the primary reasons for this abject failure lies in the manipulation of contracts' post-approval by Iraq's Council of Ministers. This is when powerful corporations move in to rejig clauses and appendices that grant them additional extensions without having to face penalty clauses.

As one senior Iraqi official tells *The Cradle*, "the problem is political" and its solution is elusive. "More than \$100 billion has been spent to solve Iraq's electricity crisis, and the spending continues to no avail," in part because of the lack of political resolve from politicians to tackle hard problems face on:

"The crisis will not be resolved if the tariff price is not adjusted. One kilowatt costs the state treasury 10 cents and is sold for 1 cent at best, while politicians promise their voters a further reduction in the price of electric energy without any scientific basis."

Too many Iraqi politicians fear confrontation with an unforgiving Washington that knows Iraq's most vulnerable pressure points.

Despite the overwhelming evidence that Iraq's energy crisis has been caused by domestic corruption and ineptitude – and western corporations who have exploited those weaknesses – the cognitive dissonance continues to snowball. Some politicians and commentators have even gone so far as to blame Iraq's energy crisis on its reliance on imported Iranian gas, holding Tehran and its allies in Baghdad responsible for the sector's collapse.

While western companies have undoubtedly and significantly played a role in Iraq's energy crisis, Iraqis must absolutely assume the responsibility for not having negotiated contracts with companies like GE and Siemens to demand tangible, timely, and measurable results.

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