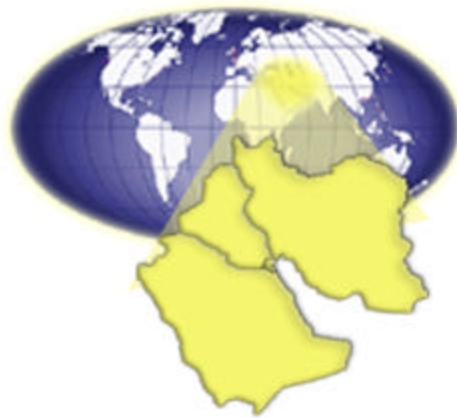


Reopening of  
Upstream Oil & Natural Gas to  
Foreign Interests:

*Views and Actions of  
Iran, Iraq, Kuwait & Saudi Arabia*  
(2nd Edition)



by:  
International Petroleum Enterprises

September 2004

*IPE*

# Report Outline

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The widely accepted forecast is that the global demand for oil will increase at a steady rate from the current 82 million barrels per day (mbpd) to 120 mbpd in 2030. On the supply side, the major assumption has been that the key producers of the Persian Gulf region will meet most of the growth in future oil demand. Yet, a majority of these countries face stringent self-imposed restrictions on their ability to invite foreign companies to assist them in developing their hydrocarbon resources.

These restrictive policies, of course, are not limited to the Middle East or to OPEC countries. Mexico, for instance, remains firmly closed to foreign equity interests in its upstream oil sector. In addition, some of these producers are or have been for sometime subjected to vigorous economic sanctions by the United States or even by the United Nations. As a result, there has been no significant foreign investment in the Persian Gulf region's oil and natural gas exploration and production for almost three decades.

Looking over the horizon, it becomes more and more apparent that there will be a serious supply/demand imbalance within the next two decades. Indonesia and Malaysia, Southeast Asia's largest oil exporters, are expected to become net oil importers before 2010. In Latin America, Venezuela and Mexico may need several years before they have the will and the means to increase oil production and additional delivery capacity. In West Africa, oil companies are only focusing on offshore due to the constant struggle to do business onshore. Nigeria specifically has to grapple with internal strife, with a fairly polarized rivalry between the North and the South, which will not go away soon. Finally, the hopes of exporting oil from the Caspian Sea region became mired in the politics of running pipelines through regions where the national interests of U.S. and other major players are often at odds with each other.

***Over the past decade, however, for various economic and political reasons Iran, Iraq, Kuwait and Saudi Arabia, have been actively searching for mechanisms to facilitate foreign investment in their upstream oil sector. These four countries, collectively, possess over 53% of the world's proven oil reserves, currently provide 23% of the world's oil production and are expected to supply 31% of the global oil requirement by 2020.***

We are now at a turning point. Despite widespread rhetoric of how diverse oil supplies are at the present time, the Middle East is still the "oil king" destined to play a much larger role on the world stage of energy. Meanwhile, the strategic choice that these resource-rich countries have to make involves the inclusion of foreign oil companies for capital, managerial capabilities, and cutting-edge technology to meet the world's future energy demands as well as socio-economic and political expectations of their own increasingly youthful population.

***This newly updated, 240 plus page, in-depth report is the result of an ongoing independent investigation and analyses of the thought processes, views, and actions of the original members of OPEC in the Persian Gulf region that International Petroleum Enterprises (IPE) has been focusing on since September 2001 regarding reopening of upstream oil and natural gas to foreign interests.*** The report discusses the oil and natural gas situation in Iran, Iraq, Kuwait and Saudi Arabia and their respective experience with the concept of reopening; aspirations and requirements of the international oil companies (IOCs) related to opportunities in the region; risks; and a realistic outlook. Particular emphasis has been placed on two innovative, yet controversial, concepts that have attracted considerable attention worldwide for almost a decade: "buyback" and "Project Kuwait." Access to relevant information selected from various sources and carefully evaluated such as those contained in this report is an essential prerequisite for a comprehensive understanding of the global energy industry.

# TABLE OF CONTENTS

## Executive Summary

### **PART I**

#### World Oil and Natural Gas: Overview & Trends

Projected Energy Trends

Demand

Supply

Forgotten Issues

#### The “Call” on the Restricted Countries

Key Persian Gulf Producers

Prospects for Higher Output in the Persian Gulf Region

Analytical Inattention to Oil Production

Issues Common to OPEC Countries

#### Alternatives Confronting the Restricted Countries

Reliance on National Resources

Inclusion of IOCs

Importance of Rate of Return

Competition for Capital

Importance of Fiscal Terms

Technical Aspects of Contractual Models

Potential Impact of IOC Investment

IOC Impact on Production Levels

IOC Impact on Market Management

### **PART II**

#### Iran’s Petroleum Industry

Post-Nationalization Era

Constitutional Constraints on Foreign Investment

#### New Energy Policy

Buyback Contracts

The First Implemented Buyback Contract

The 1995 Buyback Tender

The 1998 Buyback Tender

The “Discounted” Buyback

Azadegan Agreement

Amended Buyback Terms

Exploration Efforts

Stalled Buyback Projects

Buyback Approach: *Evaluation and Outlook*

Iranian Interests

IOC Interests

Impact on Iran’s Energy Strategy

Domestic Political Opposition

Contractual Issues

Energy Strategy

EPC Contracts

Projects Restricted to EPC Contracts

Projects Open to Buybacks or EPCs

Caspian Sea Projects

Production Sharing Agreements

Royalty System

### **PART III**

#### Iraq’s Petroleum Industry

The 1958 Revolution

The Saddam Era

#### Oil Policy Changes

Iraq’s Post-War Offer: *February 1990*

Iraq’s Contractual Approach: *September 1991*

Contract Negotiations: *May 1991 to July 2000*

Iraq’s New Approach: *July 2000*

Other Approaches

#### Impact of U.N. Sanctions

The “Oil-For-Food” Program

Oil Smuggling

Possible Exemption for Upstream Oil Investment

Post-Persian Gulf War Iraq

The Social Divide

#### Changing of the Guards

The Regime Change

Post-U.N. Sanctions

Transition Era

Economic Perspectives

Federalist Model

#### Iraq’s Petroleum Industry in Perspectives

### **PART IV**

#### Kuwait’s Petroleum Industry

Offshore Development

Kuwaiti Concerns

Security

Required Technology

Natural Gas Shortage

Economic and Social Issues

#### New Energy Policy

#### Project Kuwait

Kuwait’s Contractual Model: *OSA*

Kuwaiti Interests

IOC Interests

Implementation of Project Kuwait

Progress with IOCs

Opposition in the National Assembly

Future Outlook

### **PART V**

#### Saudi Arabia’s Petroleum Industry

Neutral Zone

Plan to Maintain Sustainable Spare Capacity

Saudi Oil Wealth

#### New Oil Policy — Clarity and Separation of Roles

Saudi Gas Initiative

Core Venture No. 1 (*Ghawar Project*)

Core Venture No. 2 (*Red Sea Project*)

Core Venture No. 3 (*Shaybah Project*)

Production

Water Desalination

Electricity Generation

Petrochemicals

Summary of Negotiations

Redesigning and Relaunching of the SGI

#### Royal Succession

Short-Term Outlook

Post-Fahd Era

### **PART VI**

#### Conclusion

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