

*Supporting SMEs*  
*To Explore Iraq's Oil & Gas Industry*  
*Future Opportunities*



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# Realities in the Petroleum Sector

## Giant Fields:

- Almost All discovered
- There may be surprises but very few will appear
- Reached Production Peak or declining

## Remaining Oil Resources:

- Becoming progressively small
- More costly

## World Demand:

- Increasing
- Production through Improved Oil recovery (IOR) schemes from giant fields is a pressing requirement to meet demand in next 5 years

## According to BP static reviews

- The Middle East 62% of the remaining reserves in the world.
- OPEC countries on the other hand own 75% of the remaining reserves.
- Therefore most of the reserves are held by national oil companies in giants fields and the Middle East has the **lion's share.**

Production optimization and improved efficiency in operations are key factors

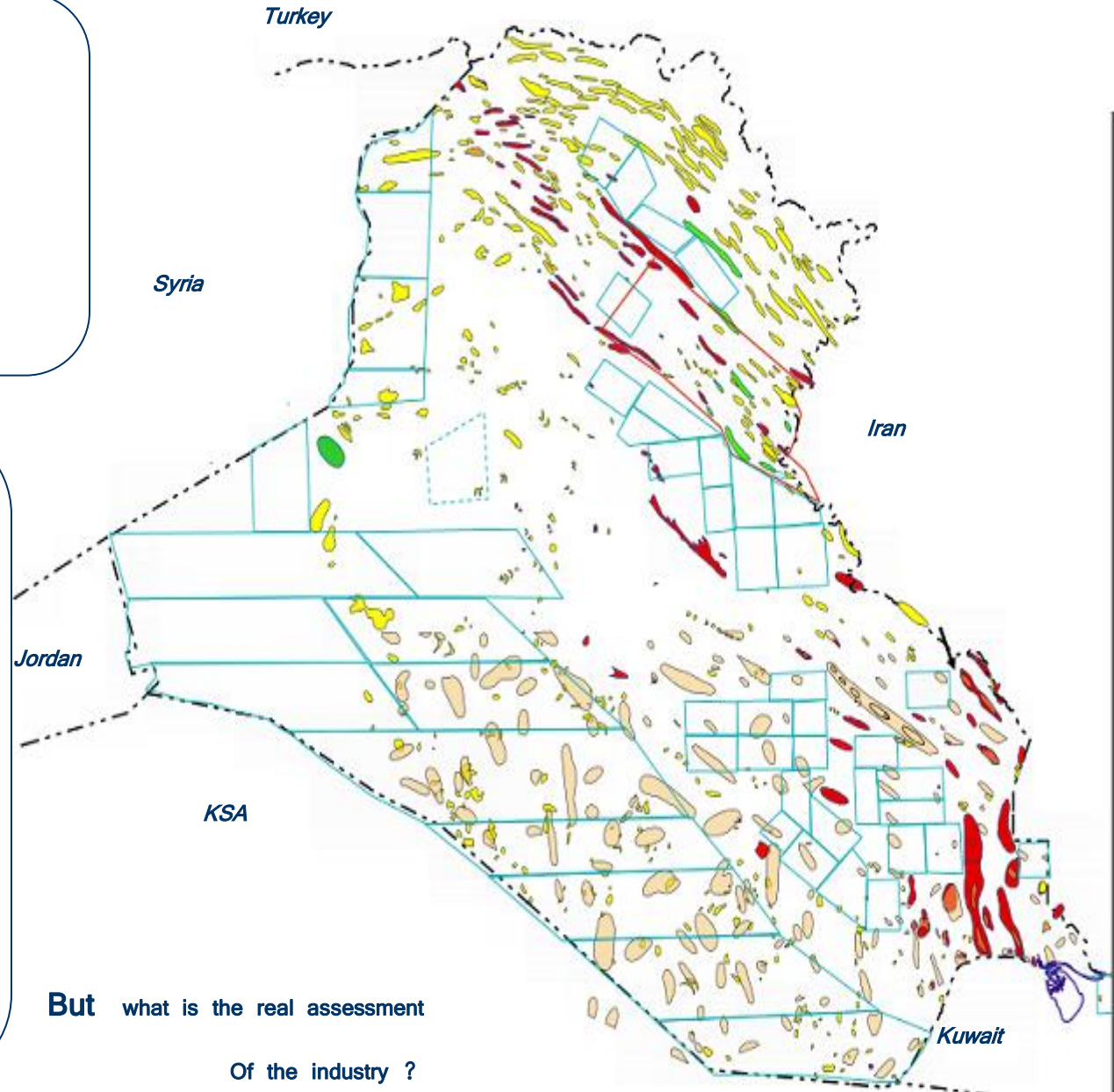
**Provided this industry  
is developed**

Production & Export  
will have a positive impact on  
on the global  
economy

**The Positive features**

Oil fields are located across  
Iraq  
Large oil and gas reserves  
Low cost of oil production  
(up to max \$4/b)

Iraq oil export routes  
Goes in different directions  
the Gulf, Turkey, Syria, Saudi,  
Iran, Jordan and Kuwait



**But** what is the real assessment  
Of the industry ?

## Iraq's Industry in ruins needs rehabilitation

in both upstream & downstream operations

### **Due to:**

- War damage
- Lack of maintenance
- UN sanctions
- Lack of investment
- Negligence
- Brain drain

### **And after 2003 added problems:**

- Corruption
- Sabotage
- Smuggling
- Lack of sufficient investment
- Lack of efficient domestic private sector

## Existing Risks

### Knowing the country:

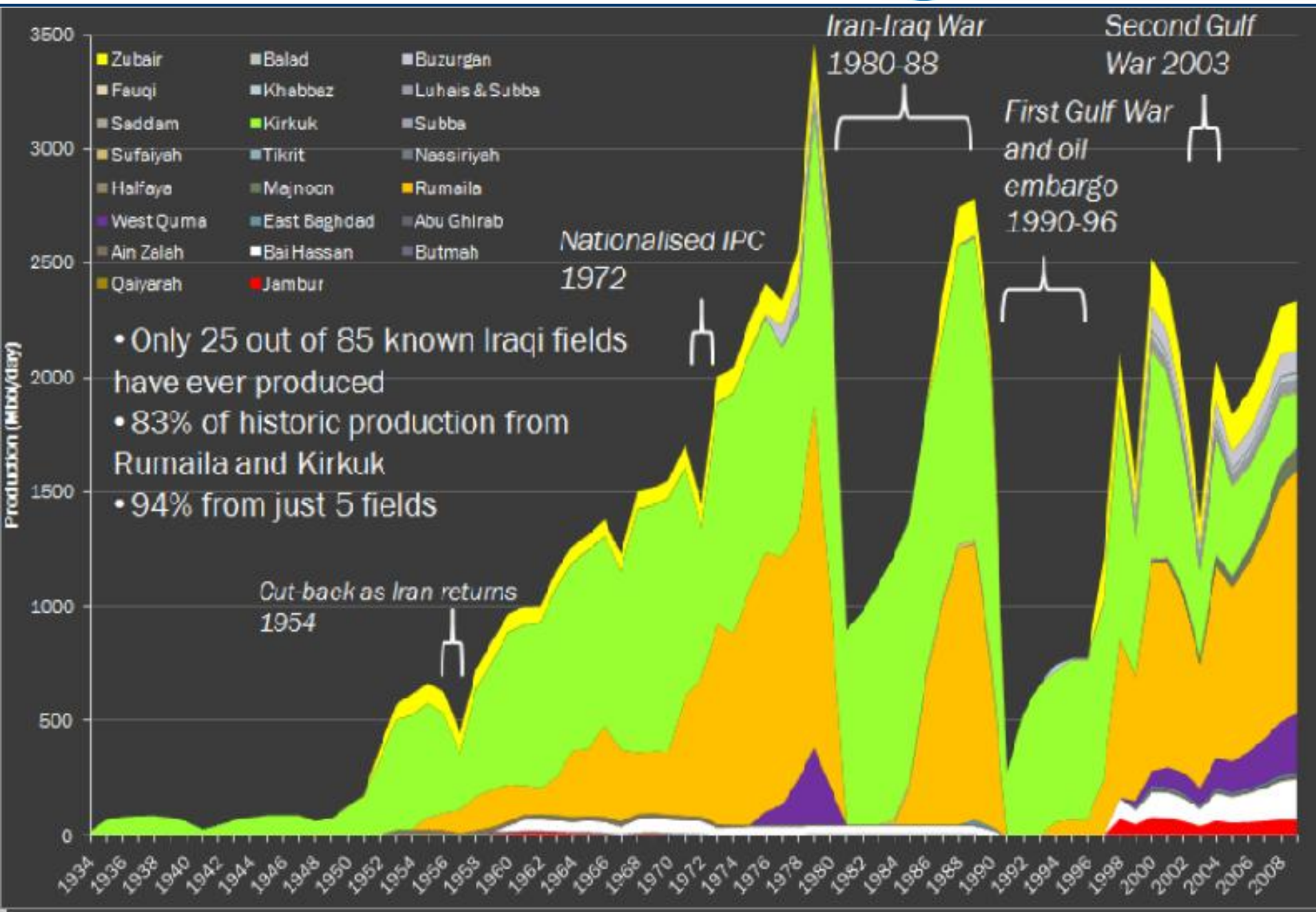
- Lack of communication
- Fear from the unknown
- Language barrier

### Politics & Governance:

- Trust issues (government & parliament)
- Security issues
- Lack of confidence in the legal system

### Hydrocarbon legal frame work:

- Legal components
- Federal law
- MoO law
- Investment law
- Revenue sharing law & NOC law



## The oil industry is capital intensive

- Iraq's economy and in particular its infrastructure needs significant investment.
- Iraq currently cannot provide enough capital manpower and technology to its oil industry.

Under the present economic conditions foreign investment is the only way Iraq can expand its oil production.

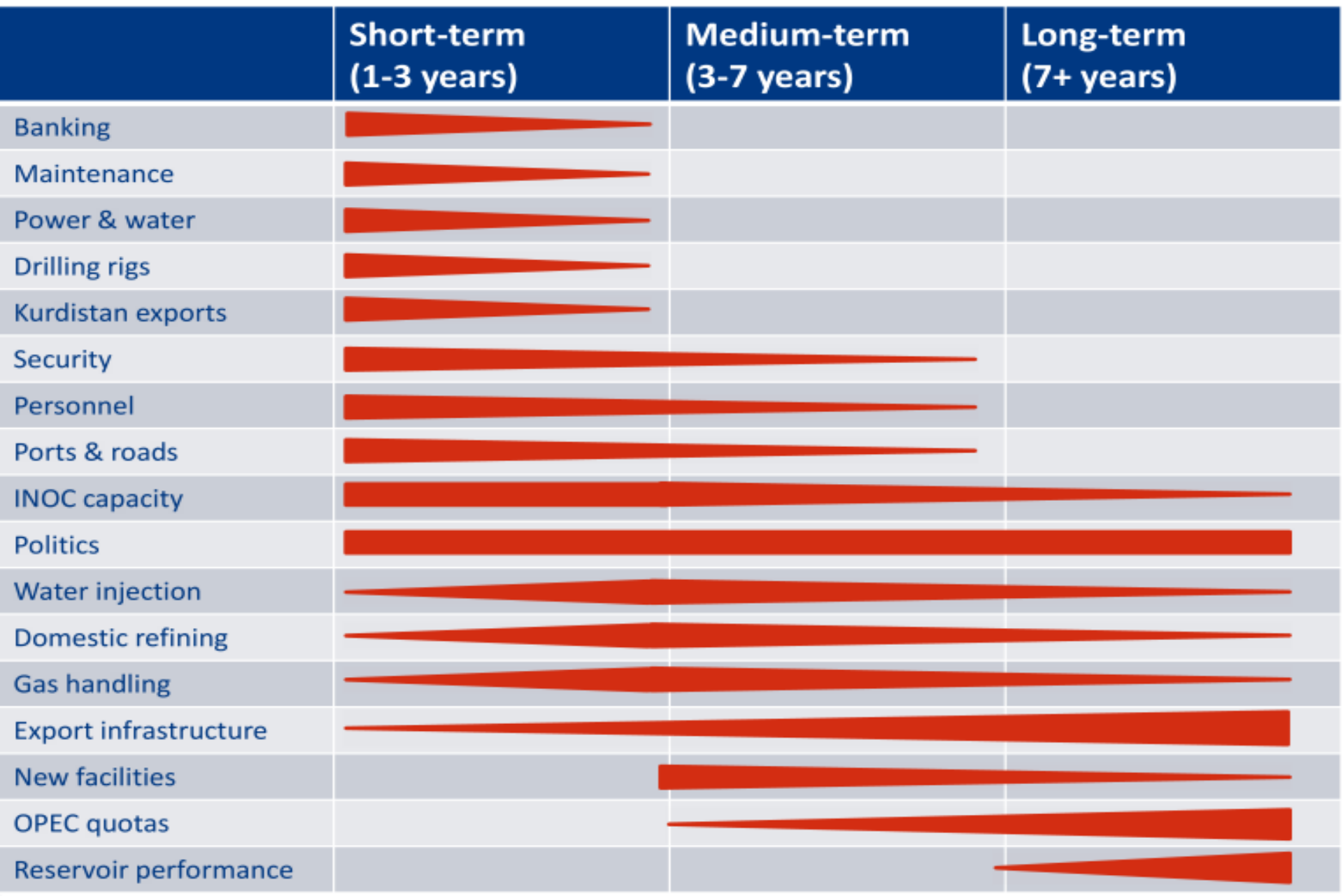
## Promising Rewards from plenty oil & gas

- **Rehabilitation:** will help increase production from its present 2.5b/d to pre 1979 of 3.5b/d.
- Reports estimate Iraq will have to invest \$35bn to achieve this goal.
- **Expansion:** Iraq can increase its production in the next 10years 10–15m b/d this requires national & international investments.

### Other opportunities:

- Country reconstruction requires around \$600bn.
- Private sector a must for an open market economy to provide goods & services.
- Training.
- H&S, standards and regulatory reforms.

# Issues for Production Build Up





Iraq's National Development Strategy aims to create a pro-business investment climate by implementing commercial and regulatory reforms and the NIC has been tasked with simplifying and streamlining procedures for doing business.

**NIC Chairman Dr. ALArabi**

*“We are establishing a One-Stop-Shop to ensure that all the procedures necessary to obtain permits and licenses are undertaken by the Commission rather than by the investors”*

- Iraq is a gate way to the region
- Unmet needs of diverse domestic market
- Educated, skilful and available workforce
- Increased middle class which demands new products & services
- Competitive wages and operating costs
- Low corporate tax rates
- Strong investments incentives, tax exemptions and guarantees offered i.e. repatriation of funds
- Abundance of untapped natural resources
- Ample opportunities for partnerships

**Perceived risks** by SMEs implies seeking higher returns ( may jeopardise opportunities)

**In the region:**

- Although Plenty of Oil & gas; the whole industry rely on the developed world.
- The region classified as politically unstable & Vulnerable Economies.
- Almost certainly they do have economic opportunities for growth & development.
- They are in some respects moving towards democratic change adopting open market economies (guarantees returns).
- The citizens of the region living in diasporas, which represents a potential resource for invaluable skills and possible investment

**Constraint to SME development:**

- Is not a lack of business opportunities
- Nor a lack of financial resources
- But rather limited human resource i.e. skills and entrepreneurship familiar with the region
- And limited capacity for financial risk taking

**Therefore, external agencies wanting to promote SME development:**

- Should direct their attention at risk mitigation/reduction.
- Development of entrepreneurial skills familiar with the region.

- Public private sector relationships
- Local regulation & bureaucracies.
- Local banking & financial backing
- Business standards & Principles
- Unions, NGOs and local politics
- Capacity building, H&S and local qualifications

**Major companies can afford taking high risks.**

**SMEs have to compete for niche markets and continue develop unique services/products to secure their positions in emerging markets.**

**In order to secure this position, SMEs would have :**

- **Acquire** knowledge & understanding of the legal system investments laws and regulatory provisions.
- **Ensure** early presence in the region
- **Secure** various logistical support
- **Gain access** to market research and business service support locally
- **Introduction** to private and public contacts.

The main component of this model rely on a viable and strong network of SMEs with local entrepreneurs to form business ventures by duplicating existing products/services through establishing subsidiaries in the region operated by skilled and trained local entrepreneurs.

The aim:

- Embark on, support and develop business opportunities in Iraq for example Help UK SMEs taking a leading investing role political & economically.
- Provide problem solving methods to Iraq's economy and assist Iraqi government reach its economical targets.
- Empower Iraq's entrepreneurs to take a leading role in the reconstruction Process effort in Iraq which further increase investment opportunities for UK Partners.
- Build positive business network with Iraqi expatriates that already settled in Britain/ Europe to utilise their expertises and knowledge of knowing the the country and the region.

- Sign up a MoU with the Iraq government if becomes a government initiative or agreement with NIC to ensure benefit from facilities provided.
- Device effective business negotiating plans.
- Put in place partner evaluation rules to ensure positive and fare returns.
- Put in place realistic and measurable targets.
- Facilitate future finances to help sustain long term partnerships.

### **How it works:**

- Locally in stable cities (will give the local economy a kick start)
- Establishing partnerships with the mixed sectors i.e. investing to resurrect existing manufacturing facilities like cement plants, tyre, petrochemicals etc.
- Twinning programmes with health, education and local municipalities (i.e. provide services & improve standards).

- Iraq is a gate way and a promising open market.
- After years of wars and devastation, the country needs huge national and international investments.
- Iraq's oil & gas industry needs billions to bring its production to pre1979 and much more to reach future possible target of 10-15m b/d.
- SMEs in the supply chain will have huge opportunities to coexist in Iraq.
- It is much faster to reap the benefits from the Iraqi markets when duplicating existing services products through joint ventures with the Iraqi business community.
- Citizens in diasporas help faster transfer skills and technical knowledge and quickly adapt to international standards.
- Iraqi British/European business partnerships may be the answer to minimize the threats SMEs are facing today because of the current global economic uncertainties.



**Thank You**

**Q & A**