



**Center for Strategic & International Studies**  
**Washington, DC**

**Thamir Ghadban, former Oil Minister of Iraq**  
**November 8, 2005**  
**Oil Market Study Group**

Mr. Thamir Ghadban was the Iraqi Oil Minister during the Interim Government and now serves as a member of the legislature. In his presentation at CSIS, he described the current state of the Iraqi oil sector as well as perspectives for the near-term future.

Ghadban began with a brief history of oil discovery and exploitation in Iraq. He put an emphasis on the discovery of the major oil fields and the difficult relationships between the international oil companies and the Iraqi government that led to the creation of the Iraqi National Oil Company. He depicted the 1970s as the golden era of the Iraqi oil industry. That period was followed by a time of disturbances caused by wars and international economic sanctions which resulted in a decrease in Iraqi oil production due to the absence of new investment, poor maintenance of the existing sites, and an outflow of qualified manpower.

After the war in 2003, oil production was down to 900,000 bpd. Following war, a plan for the reconstruction of oil industry was put in place which helped push production back to 1.8 million bpd. However, the oil infrastructure suffered as it was sabotaged by insurgents or parts were sold off for cash. The new government approved a 2005 investment budget of 2.5 billion USD for the oil sector and began signing contracts for the development of new oil fields.

Ghadban then described the current situation of Iraqi oil industry. Today, Iraq's oil production capacity is almost 2.5 million bpd, while actual production just above 2 million bpd. According to Ghadban, future growth in oil production will mostly depend on the integrity of the pipelines.

Next year, maintenance projects to solve the bottleneck issue are scheduled. After the election and the formation of the new government in 2006, security is expected to improve, allowing production and exploitation projects as well as rehabilitation projects to be realized. The target for the end 2006 is a production of around 3 million bpd. As far as gas is concerned, Iraq has been suffering from repeated interruptions of power supply to the people, a source of criticism for the government. Therefore, the country is increasing gasification, thus also helping free gasoline for export or local use. Since the war, local consumption of gasoline has increased to 24 million barrels per year, following the massive entry of foreign cars into the country and the smuggling of oil products. Refinery capacity is operating at 60 percent. 60 percent of consumed gasoline is

imported. Thus, the rehabilitation of existing refineries and buildings of new ones are priorities.

Ghadban also talked about future outlook of the Iraqi oil sector. Current proven reserves are around 110 billion barrels. Many fields have not yet been developed but could offer nice prospects. Collectively, according to a conservative estimate, these fields could provide 4.5 million bpd as they have limited technical risks and are close to the existing infrastructures, refineries, and ports. Exploitation of these fields therefore could start by the end of 2006.

Those new fields would require 25 billion USD in investment to reach full production. To gather those funds, the general feeling in the Iraqi government is to not go through central funds but rather to ask international community.

The goal in Iraq is ultimately to achieve a production of 6 million bpd in 6 years with such a level to be maintained for 40 years. However, Iraq is still under explored and the prospects could be much higher. Probable oil reserves could be around 240 billion barrels. Regarding gas, Ghadban also promised that flaring would completely stop in the future.

Continuing his presentation, Ghadban summarized the current political and economic situation in Iraq. In particular, he talked about two articles in the constitution that deal with oil: one stating that oil is the property of the state; the second, widely criticized inside and outside Iraq, relates to the allocation of oil revenue. Ghadban believes that local, regional, and federal powers could have a role in Iraq's oil industry. Ghadban concluded his presentation by stating that Iraq could not afford to lose another chance for the development of its oil sector.

Participants were particularly interested in hearing Ghadban's view on the actual state of several specific fields, the subsidized oil prices, and the future of the national oil exporting company.