

## Iraq may hold twice as much oil

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Iraq could hold almost twice as much oil in its reserves as had been thought, according to the most comprehensive independent study of its resources since the US-led invasion in 2003.

The potential presence of a further 100bn barrels in the western desert highlights the opportunity for Iraq to be one of the world's biggest oil suppliers, and its attractions for international oil companies – if the conflict in the country can be resolved.

If confirmed, it would raise Iraq from the world's third largest source of oil reserves with 116bn barrels to second place, behind Saudi Arabia and overtaking Iran.

The study from IHS, a consultancy, also estimates that Iraq's production could be increased from its current rate of less than 2m barrels a day to 4m b/d within five years, if international investment begins to flow.

That would put Iraq in the top five oil-producing countries in the world, at current rates.

The IHS study is based on data collected in Iraq both before and after the invasion, showing the oilfields' reserves and production history.

Its estimate is based on analysis of geological surveys.

Production costs in Iraq are low, particularly compared to the more complex offshore developments.

IHS estimates that they are less than \$2 a barrel.

But the development of the industry depends on an improvement in the security environment, which remains very difficult.

At least 170 people were killed on Wednesday in five co-ordinated car bomb attacks in Shia districts of Baghdad, the deadliest attacks the city has seen since US and Iraqi forces launched a joint security crackdown in February. The attacks came hours after Nouri al-Maliki, prime minister, claimed that Iraqi forces would be in a position to take over primary responsibility for security in all of Iraq's 18 provinces by the end of the year.

Ron Mobed of IHS said: "Obviously the security situation is very bad, but when you look at the sub-surface opportunity, there isn't anywhere else like this. Geologically, it's right up there, a gold star opportunity."

Of Iraq's 78 oilfields identified as commercial by the government, only 27 are currently producing. A further 25 are not yet developed but close to production, and 26 are not yet developed and far from production.

Iraq's government has estimated that it would need \$20bn-\$25bn of investment from foreign companies to get production up to its full potential.

Production methods have advanced greatly in the past two decades, and methods such as horizontal drilling have yet to be deployed in Iraq. The introduction of modern technology by foreign companies has the potential to deliver steep increases in oil recovery.

Almost all the leading international oil companies and many smaller ones have expressed an interest in working in Iraq.

So far the only new contracts for developments by foreign companies are the five signed by the Kurdistan regional government in the relatively peaceful north of Iraq.

Iraq's cabinet plans to present its proposed oil law to parliament next week, following a meeting Wednesday of political leaders and experts in Dubai. But many of the key details have yet to be resolved.

Oil production in parts of the western desert region that are attached to Sunni Arab-majority provinces could help resolve some of the differences between Iraq's sectarian political blocs.

The Sunni have until now been strongly hostile to the federalism espoused by most Kurds and some Shia, arguing that it would deprive their less well-resourced heartland in the centre of the country of resources.

*Additional reporting Steve Negus, Iraq correspondent*

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