

IRAN AND IRAQ:
OIL RESERVES, PRODUCTION CAPACITIES
AND FUTURE OUTPUT.

A paper presented
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at the 'ASPO 2005' Conference
(May 19-20, 2005 ---- Lisbon, Portugal)

INTRODUCTION

A 'horseshoe' covering some 900,000 square kilometres around the Persian Gulf is the *locus* of all of the Middle East's supergiant oil fields and accounts for over 95% of regional oil reserves --- including those of Iran and Iraq.

Historically, oil was first discovered in the Middle East at Masjid-i Sulayman in Iran (by George Bernard Reynolds in 1908), to be followed in 1927 by the strike at Kirkuk in Iraq (due to the stubborn efforts of the legendary Calouste Gulbenkian).

Both Iraq and Iran were among the five founding members of OPEC at Baghdad in 1960, but they always remained the most adamant of regional rivals --- going on to fight an eight-year war (1980-1988).

OIL RESERVES

At present, the question of oil reserves estimates has risen to the top of the industry's agenda and even been the subject of headlines (eg, Shell).

Reserves estimates for both Iran and Iraq vary along a wide spectrum. The current Iranian range covers from 30 to 130 billion barrels (bnb); and the Iraqi range goes from 80 to 220 bnb (with a major question mark hanging over its Western Desert).

Dr. Campbell's published reserves still do provide the best estimates available and therefore they have been adopted here.

CUMULATIVE PRODUCTION

Iraq has one of the lowest ratio of cumulative production to proven reserves amongst all of OPEC members --- having only produced some 29 bnb so far.

In stark contrast, Iran has one of the highest ratios with an overall output double that of Iraq with some 58 bnb.

Consequently, on this criterion alone, Iraq seems better placed for playing a much larger role in the future of the international oil industry.

PRESENT CAPACITY

Notwithstanding its current security problems, Iraq has been able to more or less maintain its production capacity at 2.2 mb/d in 2004. It now has earmarked some \$ 3bn capex for expanding its capacity to around 3.0 mb/d by the close of 2005.

On the other hand, the Islamic Republic of Iran (IRI) officially places its present capacity at 4.0 mb/d, but many experts believe it to be markedly below that. Any prediction of higher capacity in the future should be discarded out of hand.

FUTURE PRODUCTION

In the near future, Iranian oil production can only go on declining (at a yearly rate of 5%-6%). Only fresh output from the two new oil fields 'Azadegan' and 'Yadavaran' could come to dampen the fall --- but even these fields will not be as prolific as officially announced.

As for Iraqi, its oil output can only go on rising stepwise --- with the incremental rate depending directly on domestic security developments and consequent oil industry project implementations.

GEOPOLITICS

However, geopolitics could still come and upset all regional plans and programmes --- as current or future conflicts bring about momentous changes in existing equations.

In these critical times of imminent 'Peak Oil', everything seems possible in the turbulent and oil-rich Middle East region --- especially as it comes to focus the energies of the 'powers that be' like never before.

CONCLUSION

Both Iran and Iraq are major pillars of the international oil industry. And both stand to play a major role after the inevitable and imminent peaking of global oil production.

Intrinsically, Iraq's future oil prospects are far superior to Iran's --- if only domestic security would allow it to develop its full potential, especially bringing its eleven fresh fields to fruition, not to mention stepping up exploration in its Western Desert.

As for Iran, it would be well advised to cater to its four old supergiant fields and accelerate exploration in order to be able to partly compensate for its dwindling oil output.