

Total eyeing USD 7 billion investment in Iraq to develop gas and solar projects

Iraq's Ministry of Oil has signed a heads of agreement (HoA) with France's Total regarding the potential investment of ~USD 7 billion in four energy infrastructure projects – the most notable being projects to produce associated gas for the power sector and a 1 GW solar project. The projects are aimed at helping wean Baghdad off gas and power imports from Iran, however market experts expect Iraq to remain reliant on energy imports from Tehran for years to come.

Iraq's Ministry of Oil announced the HoA with Total on Monday and said the agreement was signed in January.

The agreement with Total calls for the collection and processing of all associated gas from the Artawi (Ratawi), West al-Qurnah 2, Majnoon, Tuba (Subba) and Lahis (Luhais) fields and establish a central gas complex in Artawi with the goal of processing all the associated gas produced in the fields.

The two-phase project will gather 600 MMcf/d of gas, which will be used in the domestic power sector. Total will also be tasked with maximising oil production from the Artawi field. Iraq relies on oil exports to cover practically all of its budgetary allocations. Total will also develop a system that would pump seawater into wells in order to increase pressure inside the reservoirs and thus increase production.

The HoA also calls for Total to implement a 1GW solar energy project. Iraq produces some 18 GW of electricity but demand during 2020 called for 30 GW, and it is estimated that demand for electricity is growing at a rate of 9% annually, requiring a boost of 1.5 GW every year. Germany's Siemens is involved in a major project to boost power output by 11 GW over four years, but more will be needed.

Iraq and Total began discussions on the gas gathering and other projects last October, the Ministry of Oil said, adding that the agreement covering the proposed projects must be approved by the Council of Ministers. Approval is expected by July, according to reports.

Reliance on Iran

The proposed associated gas projects with Total mark Iraq's latest efforts to rein in the amount of gas it flares and instead use the gas to produce power. International agencies have urged Baghdad to implement reforms that would lead to the useful application of its gas resources, which are estimated at 132 Tcf, and ultimately save the country billions of dollars. To this end, Iraq has made slow progress.

Iraq flared some 18 Bcm/year of gas in 2019, according to World Bank data, a significant wastage of energy in a country that is struggling to provide sufficient supplies of electricity to its

citizens. Only Russia flares more gas.

To make up for the power shortage, Iraq currently imports gas and electricity from Iran, which is heavily sanctioned by the US. However, Washington issues temporary sanction waivers to Iraq that permit it to continue to import Iranian energy.

The US Department of State in January extended Iraq's waiver on gas and power imports from Iran to 6 April, saying that a further 90 days would provide Baghdad with the time to "take meaningful actions to promote energy self-sufficiency and reduce its dependence on expensive Iranian energy." Iraq imported ~772 MMcf/d of gas from Iran over the first half of 2020, according to the US Energy Information Administration (EIA).

It is expected, however, that Iraq will need several years to wean itself off of Iranian energy, and according to Justin Dargin, a MENA energy expert at the University Oxford, the administration of US President Joe Biden is not expected to force the issue with Baghdad.

"The Biden administration has avoided, thus far, in setting up stringent red lines with Iraq in regards to its relationship with Iran," Dargin told Gas Matters Today.

"However, at the same time, while the White House is seeking to re-engage with Iran, it is still attempting to rein in its nuclear activities and punish sanctions busting activities."

"Nonetheless," Dargin added, "in a bid to bring Iran back to the negotiating table, it is likely that the US will not end its support to Iraq over its reliance upon Iranian gas. Overall, it must be understood that the Biden administration very much prefers the carrot to the stick in its international diplomatic strategy."

As for Total, the proposed gas and solar developments fit with its aim of being a net zero firm by 2050. However the proposal to boost oil output from the Artawi field raises questions over the strategic fit with the firm's aim of reducing oil products sales by 30% over by 2030.

By the same date, Total's energy production will "grow by one third, half from Liquefied Natural Gas, half from electricity, mainly from renewables," the firm said. – GL/ET