
No major Iraq oil production next 5 years - IEA

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Reuters cited Mr David Fyfe head of the International Energy Agency's oil industry and markets division as saying that Iraq faces regulatory, administrative and political barriers that will prevent it from major oil production expansion for at least 5 years.

Iraq on last Tuesday launched its first major energy auction since the 2003-led invasion, aimed at ramping up the nation's oil production.

Mr Fyfe cautioned that the rules governing oil deals reached in Iraq are not stable and that legislative red tape may hinder development. He said that "We took a very conservative view with regard to Iraq, not because of any misgivings about physical, because I think everyone accepts that the resources are there. We were just struggling to see in the short term a regulatory framework that was going to bring substantial new volume of oil on stream quickly."

Mr Fyfe said that once those structural barriers are overcome Iraq will be able to produce six million barrels of oil per day but that will not happen in 5 years.

Mr Nobuo Tanaka ED of IEA said that increased oil production would do little counter rising oil prices. Optimism that a potential economic turnaround could lift flagging oil demand has sent crude up from below USD 40 a barrel in February to over USD 70 a barrel this week. On Tuesday, prices dropped more than 3%, below the USD 70 mark after grim US consumer confidence data. But this cannot be simply solved by more production, because it is much more dependent on expectation of the economic recovery.

He said that speculation is amplifying oil price volatility, but he still urged the Organization of the Petroleum Exporting Countries to be mindful of what is happening in the market and to act quickly if more production is needed, however. Although oil prices have been climbing, they are still far below their peak near USD 150 a barrel in July last year. The fall in prices has caused some companies to scale back on investments.

In particular, Tanaka expressed concern about the development of unconventional sources of oil and natural gas, including oil shale and Canadian oil sands but he added that many oil fields could be developed at current prices.

(Sourced from Reuters)

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