



Bashir Murad (second from left) receives an award of appreciation from Mohammed al-Bayati (left), the head of the Badr Organization's Northern Branch on Jan. 19, 2020.

Likely next NOC chief versed in northern Iraq complexities

Bashir Murad oversaw fields in the far reaches of northwest Iraq while developing high-level credentials with Baghdad.

In mid January, a week after Bashir Murad was named as a deputy director general of the North Oil Company (NOC) with administrative authority to act as de facto director general, he received an important visitor.

Mohammed al-Bayati, a former federal parliamentarian, human rights minister, and now the head of the powerful Badr Organization's northern Iraq branch, came to congratulate him.

"Mohammed Mahdi al-Bayati presented his thanks and appreciation to the North Oil Company's staff and workers for the logistic support to al-Hashid al-Shabi [Popular Mobilization]," said a senior NOC official.

This visit may have been a traditional formality, as the official put it. However, Bayati and his party's political and security presence in the vicinity of the NOC's oil assets underscore the complex landscape – above ground – that the company's leadership must navigate.

That Murad appears to be the frontrunner to assume a permanent leadership post at NOC is in part a testament to his functional relationship with a broad array of actors locally, in Baghdad and in Kurdistan.

"I can confidently say that Bashir Murad will be appointed as the permanent director general of NOC unless something out of the ordinary happens," said the second senior official. The other two officials, independent of each other, concur.

NOC chiefs have typically been chosen from the company's board of directors – "an administrative ladder that you need to climb," the second official said – and of the two active members remaining, Murad is the only one not at retirement age.

All three officials pointed to other factors as well, from Murad's multi-decade history working at the NOC, to his religious affiliation, to his being on good terms with multiple political parties that intersect in Kirkuk's power struggle.

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Iraqi production hits new annual high

Despite OPEC constraints, Iraq set an all-time record for production in 2019 while building significant, new spare capacity.

Iraq set a record for nationwide annual oil production in 2019, averaging 4.77 million barrels per day (bpd), according to an Iraq Oil Report analysis based on data gathered from each of the country's producing fields.

see PRODUCTION, **page 2**

Iraq again sets oil export record in 2019

Oil sales have jumped by 1 million bpd in the past five years, though future growth prospects are clouded by geopolitical uncertainty.

Iraq set an all-time record for annual oil sales in 2019, as the federal government and autonomous Kurdistan Regional Government (KRG) combined for an average 3.968 million barrels per day (bpd) of exports.

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Oil exports into Iraqi Kurdistan give Syrian Kurds a financial lifeline

Over several years, Iraqi Kurdistan has become a key market for Syrian crude and provider of refined fuel – a trade worth tens of millions of dollars per month.

Thousands of barrels of oil per day are flowing from Syria into Iraq's semiautonomous Kurdistan region, in an opaque trade that has served for several years as a financial lifeline for the Kurdish-led government in northern Syria and its military wing, the Syrian Democratic Forces (SDF).

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Iraqi production hits new annual high

PRODUCTION, cont'd from **page 1**

Although the Iraqi Oil Ministry brought significant new production capacity online in 2019, there was no actual output growth at fields managed by the federal government, as it sought to comply with an OPEC quota agreement. Federal production averaged 4.28 million bpd in both 2018 and 2019.

The country's year-on-year production growth came from the autonomous Kurdistan Regional Government (KRG), which averaged about 406,000 bpd in 2018 and 484,000 bpd in 2019.

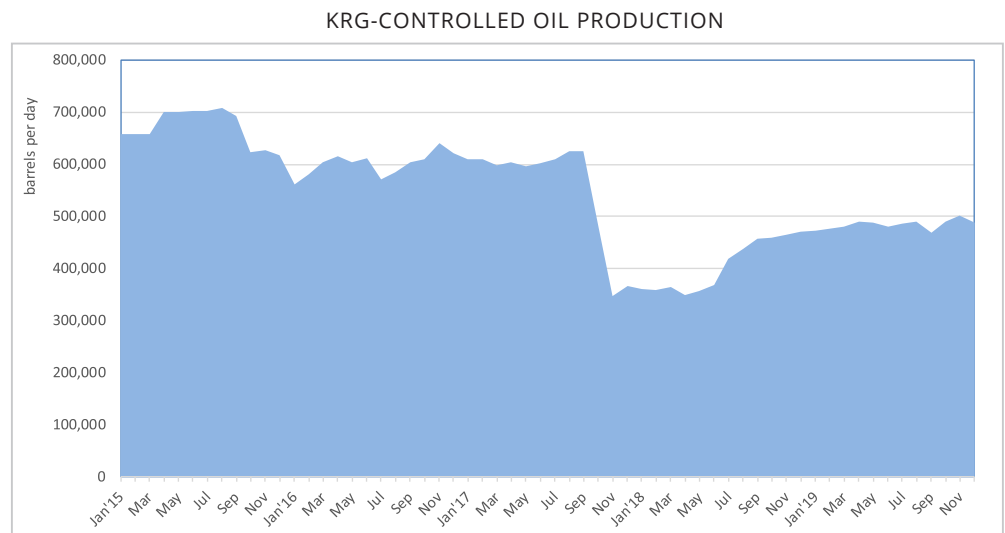
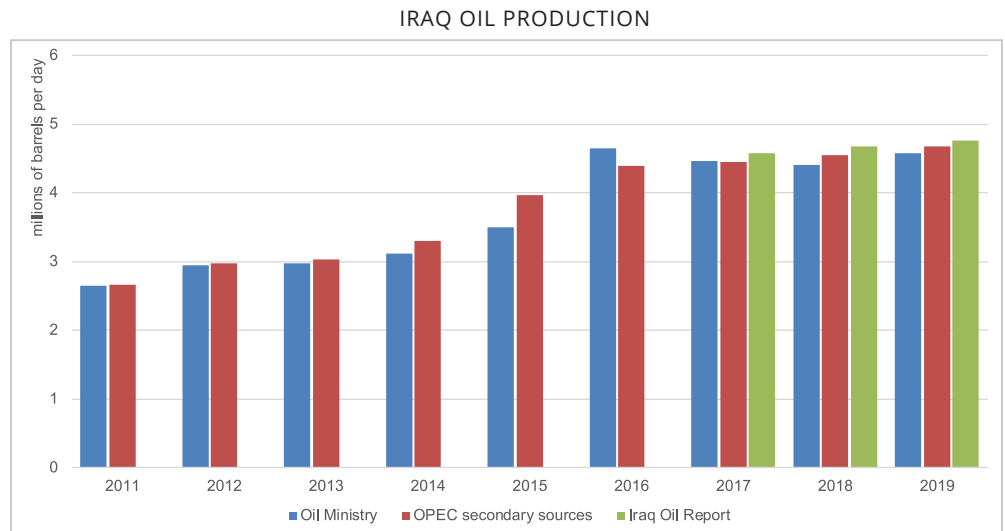
Kurdistan's output has recovered significantly since October 2017, when the federal government launched a military operation to reclaim control of Kirkuk province, including oil fields that were being operated by the KRG. Since then, the KRG Ministry of Natural Resources (MNR) has encouraged investment and production growth by establishing a consistent track record of payments to contractors.

The KRG's rebound has attracted scrutiny from federal authorities as they make production cuts, in an effort to comply with an OPEC quota.

With overall production capacity rising, the Oil Ministry has been forced to throttle back output from state-operated fields in Basra: Majnoon, Luhais, Nahr Bin Omar, Tuba, and Ratawi. Those five fields averaged 438,000 bpd in 2018; in 2019, they averaged just 195,000 bpd.

Reductions were necessary in Basra because of output growth in other provinces. The biggest single source of new production capacity came from the Halfaya field in Missan province, which averaged 334,000 bpd in 2019, up from 254,000 bpd in 2018.

Iraq's largest oil fields, including Halfaya, are governed by technical service contracts (TSCs) with international oil companies, which can charge a fee for unrealized production in the case of discretionary curtailments. As a result, as TSC fields have grown in capacity, state-operated fields have be-



come de facto swing producers.

Output also rose from the state-run North Oil Company (NOC), based in Kirkuk, which averaged 230,000 bpd in 2018 and 386,000 bpd in 2019.

NOC production has gone up as it integrates the Bai Hassan field and the Avana Dome of the Kirkuk field back into its portfolio, after regaining control of them from the KRG. Those assets are now producing at about 170,000 bpd, which is roughly two-thirds of their full capacity.

Iraq's record production in 2019 was reflected in its annual exports of 3.968 million bpd nationwide and 3.527 by the federal government – the highest annual oil sales ever declared by the Oil Ministry.

By the ministry's account, however, 2019 was not a record year for production. According to Iraq's official figures, annual production was just 4.576 million bpd; in 2016, by contrast, official production figures were 72,000 bpd higher, even though official export figures were 225,000 bpd lower.

OPEC did see a record year for Iraqi production. An independent assessment produced by its so-called secondary sources – a collection of industry groups and publications – pegged annual production at 4.673 million bpd. ♦

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Likely next NOC chief versed in northern Iraq complexities

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"He is equipped with experience, knowledge and expertise that a director general requires," said the second official. "In addition to that, he enjoys good ties with Baghdad."

"Bashir is a well-respected Shia with wide-spread contacts within the Ministry of Oil," the second senior NOC official added. "In addition to that, he has been working with NOC ever since he graduated from university."

Murad's technical skills, his experience navigating Kirkuk's complex political environment, and his ties at the Ministry of Oil may be a powerful pedigree at this point in time, with political tensions running high.

Murad has broad experience across a number of NOC fields. He joined the company in 1988, and spent time as the head of a unit at the Khabbaz field and then the Bai Hassan field, said the third senior NOC official. He's also run a pipeline maintenance section.

Most recently, he was the head of the NOC's Ninewa province oil division, including during the timeframe when the so-

called Islamic State (IS) group swept across much of northern Iraq, and KRG security forces – specifically those belonging to the Kurdistan Democratic Party of KRG Prime Minister Masrur Barzani – were garrisoning the area around the Ain Zalah, Butma and Sufaya oil fields.

In a statement released by the NOC media office after the meeting with Bayati, Murad "praised the al-Hashid al-Shabi commission's forces and formations in Kirkuk for the sacrifices they made during the confrontation against terrorism and their exceptional role to preserve the security and peace in the city."

Maintaining good relations with mosaic of security forces present in Kirkuk, Ninewa, and Salahaddin provinces will be crucial. The NOC is a technical body operating Iraq's oldest commercial oil fields but is spread across areas that have been ravaged by terrorism since 2003, and especially after the so-called Islamic State (IS) group attempted to build out its caliphate from 2014 until 2017. It is also a hot spot for fuel and oil smugglers.

The NOC is based in Kirkuk, which puts it at the center of several interrelated eth-

nic, sectarian, and political power struggles, and squarely in the center of the ongoing competition for influence in Iraq's disputed territories between the KRG and Iraq's central government.

The political and security obstacles facing the NOC are exacerbated by the relatively meager investment budget allocations to oil fields under NOC's control as compared to fields in southern Iraq. A highly touted return of BP, which could give the NOC much-needed technical expertise – and investment capital – to address damaged and underperforming fields, is in limbo, with no indication that BP will be entering Kirkuk as an operator any time soon.

"All the NOC people are well aware that NOC does not have the necessary technical and technological tools to increase production on its own," said the second NOC official. "Every year NOC is coming up with a strategy that basically concentrates on maintaining the current production capacity by keeping an eye on the current wells and fields." ♦

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Iraq again sets oil export record in 2019

EXPORTS, cont'd from page 1

Oil revenues dipped compared to 2018, however, due to lower oil prices. The federal government reported \$78.530 billion in 2019, with an average sale price of \$61.05 per barrel, down from \$83.919 billion the previous year, when Iraqi crude averaged \$65.68 per barrel.

Nonetheless, Iraq came close to hitting revenue targets set in the 2019 federal budget, which projected \$79 billion in oil sales, based on a presumed export rate of 3.88 million bpd and an average sale price of \$56 per barrel.

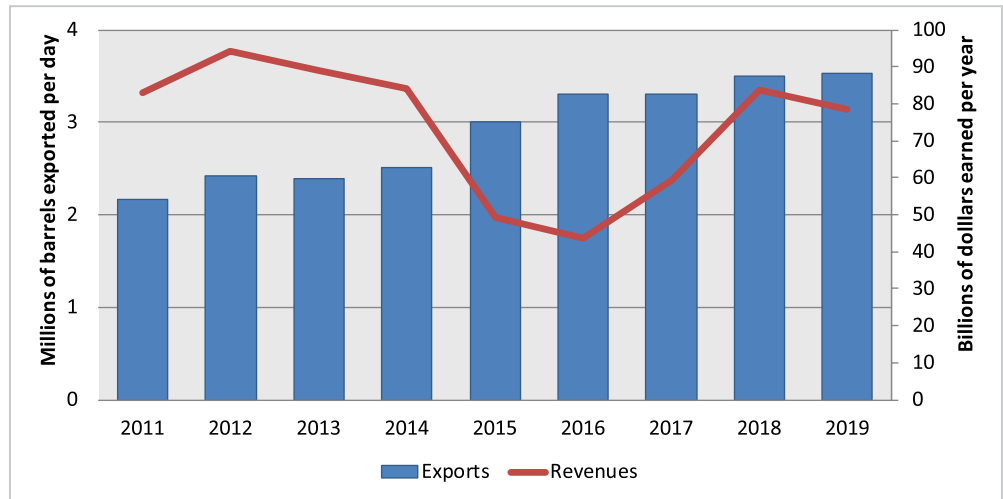
The budget's export target included an assumption that the KRG would transfer 250,000 bpd of its independent production to be sold by federal authorities. Such transfers were not made, although the KRG did help facilitate an average of 91,000 bpd of federal exports through the KRG-controlled pipeline system to Turkey's Ceyhan port.

The federal government's export rate fell below 2019 budget expectations, even after adjusting for the lack of KRG transfers. Actual exports averaged 3.527 million bpd, compared to 3.63 million bpd projected in the budget; a higher-than-expected oil price helped close the revenue gap.

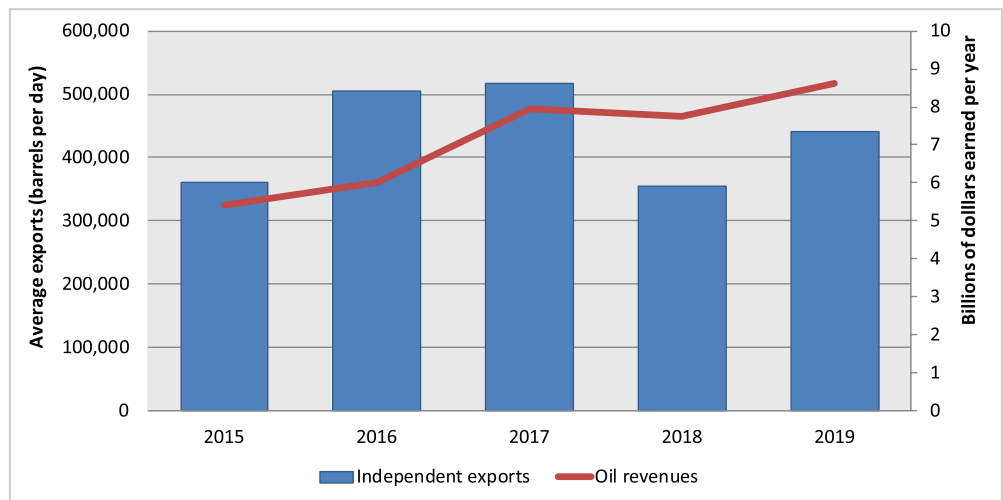
The KRG does not disclose monthly export or revenue figures, but an Iraq Oil Report analysis based on export data and historical pricing suggests the KRG averaged 441,000 bpd, garnering annual independent oil revenues of \$8.61 billion. In addition to oil sales, the KRG received \$4.605 billion in budget payments from Baghdad, according to data provided by the KRG and federal finance ministries.

More than 11 percent of nationwide crude exports came from fields developed by the KRG, whose exports increased from 355,000 bpd in 2018. Its exports in the few years prior were

FEDERAL IRAQI OIL EXPORTS AND REVENUES



KRG INDEPENDENT EXPORTS AND OIL REVENUES



higher, though that production was fed by two Kirkuk-area oil fields that the KRG operated in the aftermath of the Islamic State (IS) group's security vacuum, which were subsequently taken back by the federal government in October 2017.

Despite Baghdad's commitment to a group of producers, including OPEC, to cut production and bolster oil prices, the federal and Kurdistan governments both have plans underway to increase production capacity.

Iraq's ability to realize its oil ambitions depends on several key issues, including its ability to navigate a rift with the U.S. after President Donald Trump's decision

to assassinate Iranian Quds Force commander Qassim Soleimani and Iraqi paramilitary leader Abu Mahdi al-Mohandis. So far, production and exports have not been affected.

Both the federal government and the KRG also must deal with persistent leadership challenges in their respective oil sectors, as well as uncertainty in Baghdad after a months-long protest movement pressured Prime Minister Adil Abd al-Mahdi to resign, ushering in an ongoing period of political transition. ♦

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Oil exports into Iraqi Kurdistan give Syrian Kurds a financial lifeline

KURDS, cont'd from **page 1**

The trade has evolved since it first began in 2014, and many details are still murky, but the exports are currently earning tens of millions of dollars per month, according to an Iraq Oil Report investigation based on interviews with oil officials in Syria, border officials in Iraq, oil and fuel traders, crude buyers in Iraqi Kurdistan, and foreign military officials.

"We have oil and sell it to whoever buys," said a top political leader in the Autonomous Administration of North and Eastern Syria, known colloquially as Rojava. "It is a free market, and everyone can trade whatever they have.... The oil revenue is managed by Autonomous Administration of North and Eastern Syria, and all of it is used to provide services and security for the area."

Rojava has also been importing refined products, providing a key source of fuel to northeast Syria, which is short of refining capacity. These imports have come from the Kurdistan region, according to several people involved in the trade, and also from federal Iraq, according to a tribal sheikh in Anbar province who is familiar with the trade and an Iraqi Integrity Commission investigation that charged four employees at the Rabia border crossing with facilitating the smuggling of crude and oil products.

Different officials involved in the trade provided varying accounts of whether the leaders of the Kurdistan Regional Government (KRG) are actively facilitating the crude and fuel trading with Rojava or just passively tolerating a set of independent actors who take advantage of permissive borders. When asked about the KRG's involvement in the trade, a spokesperson for the KRG said, "I don't have any information, unfortunately."

It is clear, however, that millions of dollars are at stake for both the Rojava administration and the middlemen involved in



Near these storage tanks of kerosene and diesel for sale at a "boursa," or informal market, in Erbil, oil traders provide samples to prospective buyers of oil from Syria that is colloquially referred to as "Mahmoudiya crude."

the trade, who are rumored to have political connections. According to one oil trader and one refiner of Syrian crude, the Rojava authorities sell oil for as little as \$60 per ton (about \$9 per barrel), and traders then resell the crude for between \$240 to \$260 per ton (about \$35 per barrel) to refiners in Iraqi Kurdistan, making a handsome profit on the margin.

The crude and fuel trade between Rojava and Iraqi Kurdistan puts the KRG in the middle of a complicated geopolitical standoff. The Turkish government considers the SDF to be an outgrowth of the Kurdistan Workers' Party (PKK), which is itself designated a terrorist organization by both the U.S. and Turkey – even though the SDF has also been a key partner for the U.S. military in its campaign against the self-proclaimed Islamic State (IS) militant group.

The Turkish government is also a key economic partner for the KRG, as it controls the KRG's only crude oil export route.

In October 2019, the Turkish military took advantage of a partial U.S. withdrawal

from northern Syria to launch an offensive against the SDF. The U.S. military remains in some oil-rich parts of Kurdish-controlled Syria.

"We have the oil; the oil is secure," U.S. President Donald Trump told reporters in November 2019, during a White House meeting with Turkish President Recep Tayyip Erdogan. "We left troops behind only for the oil."

"Mahmoudiya crude"

Multiple senior Syrian Kurdish officials, either currently involved in the trade or involved when it was agreed to in 2014, said the Syrian crude comes from the Rumailan and Jabsah fields. Different officials involved in the trade gave contrasting accounts of how much crude crosses into Iraq, and by which routes.

"Right after pushing away ISIS terrorists, we started to repair most of the damage the war caused to the oil facilities," said Sleman Khalaf, Rojava's former minister of energy, who estimated Rumailan and Jab-

sah can currently produce no more than 120,000 bpd. "Production could be raised if it could be exported. Export routes were always an issue for us."

One of the Syrian Kurdish officials involved in the trade said at least a portion of the crude is transported by a small pipeline – either the "Uday pipeline," named after one of Saddam Hussein's sons, which dates back to an era when Iraq was discreetly exporting oil to Syria to dodge UN sanctions, or another makeshift line.

Other officials said the Syrian exports rely on a large network of enterprising tanker truck owners, who have adapted to various forms of grey-market and black-market trading that have evolved throughout decades of sanctions, war, weak governance, and smuggling in both Iraq and Syria. A security official at the Feyshkabour border crossing said about 30 tanker trucks come from Syria into KRG territory every day.

"The tanker drivers have a special permit," the security official said. "We can't ask them questions. We are allowed only to see their permit paper. If it's valid, they are good to go."

Syrian crude has found strong demand in Iraqi Kurdistan's "topping plants," which are rudimentary refineries composed of small units capable of processing hundreds of barrels per day and generating relatively low-quality fuels. While the KRG has made efforts to regulate topping plants, many have appeared to close down only to reopen when supply and demand dynamics create overwhelming economic incentives.

"The Syrian crude coming across the border is known as 'Mahmoudiya crude' in the market," said one topping plant owner.

Demand for it has increased since October 2017, according to several participants in the trade. That's when the Iraqi federal government launched a military operation to reclaim Kirkuk province, including the Bai Hassan field and the Avana Dome formation of the Kirkuk field, which had been accounting for about half of KRG-controlled oil production.

Back when the KRG was getting so much oil from Kirkuk, "crude used to flow into the local [refining] market from" other fields in

Iraqi Kurdistan, the topping plant owner said: "Khurmala, Taq Taq, Ain Zalah and Tawke fields." But when the KRG lost control of Bai Hassan and Avana, it diverted production at those other fields from the local market to exports.

"After the Iraqi security forces regained control over the [Kirkuk] oilfields, the Syrian crude kept our business alive," the topping plant owner said.

"The local market does not receive crude from Khurmala, Taq Taq or Tawke," said a local crude and fuel trader. "The KRG pumps all the crude from these oilfields to the export pipeline. What is available for the [topping plant] market right now is Mahmoudiya crude."

The process to buy it is relatively straightforward, according to the topping plant owner and the local trader. Sellers and buyers meet at an informal marketplace for fuel trading, referred to simply as a "boursa," where they agree on volumes and price. The buyer then deposits payment in a bank account or money exchange account.

"You pay for the crude before it's even delivered," said the topping plant owner. "You don't get to ask questions such as who brings it and from where it's coming. When the time comes, your crude arrives at your doorstep."

Different officials offered varying estimates of the size of the overall trade, which has fluctuated over the years. One senior Syrian Kurdish official involved in the trade says it's "about 45,000 barrels per day [bpd]." A senior foreign military official estimated an export rate of between 25,000 bpd and 35,000 bpd. An oil trader in Kurdistan said one boursa alone sees between 7,000 bpd and 11,000 bpd.

"It's impossible to estimate how many barrels of crude are coming in from Syria on a daily basis because the imports are going down behind the curtains," said the topping plant owner.

Porous federal borders

Smaller volumes of crude and fuel have also been crossing the Iraq-Syria border in Ninewa and Anbar provinces, which are under federal Iraqi control.

That trade has attracted some scrutiny from the Integrity Commission in Baghdad, which announced on Feb. 13 that four employees of the Rabia border crossing had been convicted of smuggling crude oil and refined products.

"They facilitated the smuggling... by manipulating permit papers," the commission said in a statement. "The guilty parties helped to smuggle 1,500 tankers."

It remains unclear whether any Syrian crude is entering federal Iraq, or whether it's just Iraqi refined products that are being trucked into Rojava. Abdul Rahim al-Shammari, a member of Iraqi Parliament from Ninewa province, said both crude and fuel were flowing from Iraq into Syria.

The smuggling has been something of an open secret for more than two years, including at the al-Qaim border crossing, according to a tribal sheikh in western Anbar province, who has direct knowledge of some elements of the trade. He spoke on the condition of anonymity because the beneficiaries of the smuggling allegedly include powerful paramilitary groups that do not want their role to be exposed.

"No one can lift a finger" to stop the smuggling, the sheikh said. "Not the security forces or the provincial council."

Smuggling routes have recently changed, the sheikh said, in response to two developments: American air strikes along the border, and the appointment of Maj. Gen. Nassir al-Ghannam as head of Anbar Operations Command, which coordinates Iraqi security forces in the province. While about 100 to 150 tanker trucks used to pass through official border crossings each month, the sheikh said, they are now forced to use more secretive routes.

It remains unclear where in federal Iraq the crude and fuel might be coming from. Iraq Oil Report attempted to contact officials at various refineries that are rumored to be sources of fuel for the trade, but they declined to be interviewed.

"The oil smuggling operations... make money for influential people," the Anbar sheikh said. "Many fear for their lives and cannot talk about it." ♦

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