

Al Majal Updates



Al Majal Business Park (AMBP) Burjessia Reveals the Opening of the New Sports Area

The Management team at AMBP Burjessia revealed the completion of the most recent expansion; the expertly designed multisport area.

The premium venue features state-of-the-art Tennis, Volleyball, and Basketball courts, in addition to a 430 sqm football field. Our AMBP Burjessia community can now enjoy this brilliant space and decompress during the after-work hours, giving the opportunity for our residents to compete, exercise, and have fun.



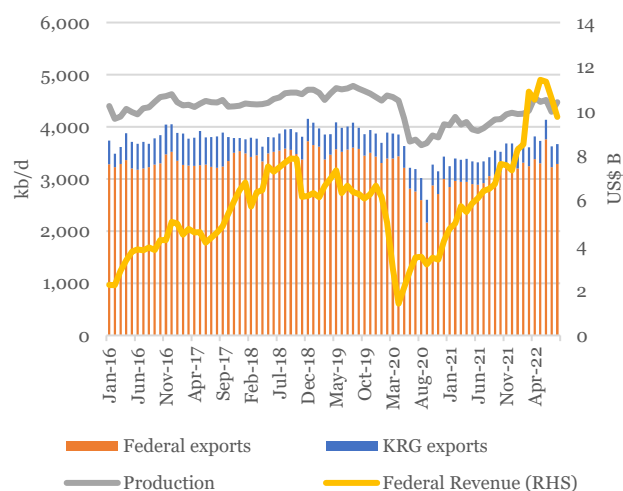
Al Majal's Oil & Gas Roundup in Collaboration with Qamar Energy

Latest in the Iraqi & Global Energy Markets

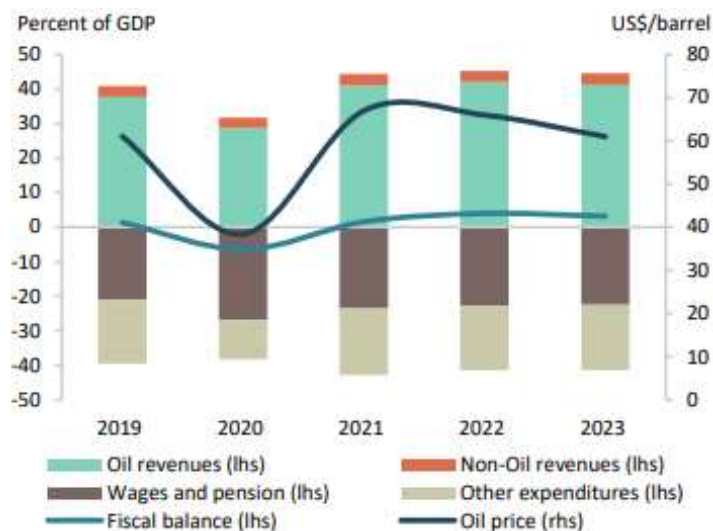
Political Outlook

- Following a 10-month political deadlock, Moqtada al-Sadr announced that he's retiring from political life, prompting his supporters, Saray Al Salam, to storm the presidential palace and International Zone, leading to a new round of violence against the Coordination Front (Iran-backed, including much of the parties representing the Hashd Al Shaabi militias), which seems to have been supported by the Iraqi security forces.
- This is a tactical move, as Al-Sadr had previously announced withdrawals from politics and the disbanding of militias backing him but retains strong influence and control over state institutions. The current political impasse seems harder to resolve, giving Iraq its longest run without a government. The immediate trigger was the resignation of Ayatollah Al Haeri, based in Iran but influential among Sadr's supporters, from the Marja'ia, and his recommendation to follow Iranian supreme leader Ali Khamenei instead, seen as an Iranian move to undermine Moqtada's credentials.
- Violent clashes between the rival groups are likely to be interspersed with negotiations over new elections, as Moqtada then told his supporters to evacuate the International Zone, with reportedly 30 deaths. This could indicate an interim political deal with the Coordination Front. Followers of Moqtada have protested outside oil-fields in southern Iraq, but with no interruptions to production or exports reported as yet.
- Seven months following the controversial February ruling that Kurdistan's independent oil and gas sector was unconstitutional, the increasingly assertive Federal Supreme Court (FSC) has now ruled against the federal government's re-establishment of the Iraq National Oil Co. (INOC), including a directive for Oil Minister Ihsan Ismaael to head the firm.
- The lawsuit was brought against PM Mustafa al-Kadhimi, Oil Minister Ihsan Ismaael, and Cabinet Secretary Hamid al-Ghazzi by two MPs — Uday Awad, of Asaib Ahl al-Haq and Mustafa Sanad, an independent Basra MP aligned with the pro-Iran Fatah bloc.
- The move reflects a political shift against Ismaael's INOC which took place since March. Parliament had already voted to remove Ismaael as the president of INOC, while the FSC judges identified a number of problems with INOC's legal grounds, the most fundamental one being the legislation required to create the firm had to be fully ratified by Parliament.
- Although legislators did pass a law to establish INOC in 2018, the FSC struck down essential parts of the law in 2019, including articles defining the company's strategic goals and leadership. Subsequently, the Cabinet proposed new legislation to bring the INOC law in compliance with the FSC's ruling, but Parliament is yet to ratify those amendments.
- This is important as INOC would offer a more professional and focussed operations in the oil sector, while the Ministry concentrates on policy and licensing. But the dispute creates uncertainty over reporting lines and the sector's future organization, further holding up urgent projects.

Exports and Revenues



Budgeted Revenue & Spending, 2019-23¹



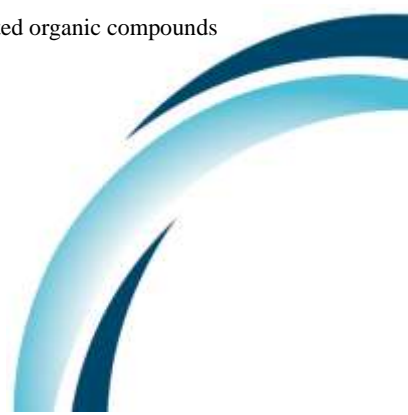
The latest developments in the Iraqi energy markets are summarised in the table below.

IRAQ KEY EVENTS SCORECARD, SEPTEMBER 2022				
Oil	Oil production	●	↑	<ul style="list-style-type: none"> Iraq's oil production jumped higher in August, reaching 4.74 Mb/d – the highest since February 2020. This was 89 kb/d over its OPEC+ target. Output for H1 2022 averaged 4.52 Mb/d compared with a full year average of 4.20 Mb/d in 2021, reflecting the country's rising OPEC+ quota as the 2020 production cuts are being phased out. New OPEC+ cuts will be implemented starting October, which will see member countries cutting production by 100 kb/d.
				<ul style="list-style-type: none"> Federal Iraq's production accounted for most of the increase, reaching 4.31 Mb/d in August from 4.26 Mb/d in July. Meanwhile, output from KRG fields fell slightly to 429 kb/d, down from 435 kb/d in July. Majnoon, and the Zubair fields, operated by an Eni-led consortium, saw the biggest rise in southern production, up by 30 kb/d each to 150 kb/d and 480 kb/d, respectively.
				<ul style="list-style-type: none"> Production resumed at the state-operated Amara and Nur fields in Missan, producing a combined 9 kb/d in August, following total shutdown for over two years. The fields' August production is down 11 kb/d from their pre-pandemic levels. Meanwhile, production at Kirkuk field was steady at 330 kb/d in August, unchanged from July levels. Most of northern production has been directed to refineries to meet domestic demand.
				<ul style="list-style-type: none"> The country's September quota is set at 4.663 Mb/d which will fall back to August's quota in October, part of OPEC+'s agreement to reverse the policy of

¹ World Bank

			loosening quotas. Production should continue to increase in September and remain steady for the rest of Q4 2022.
Oil exports	●	↑	<ul style="list-style-type: none"> • Iraq's countrywide oil exports in August dipped further to 3.667 Mb/d, down from 3.701 Mb/d in July. Federal Iraqi exports averaged 3.286 Mb/d, up from 3.225 Mb/d in July, while sales from the KRG fell to 381 kb/d. • With volumes effectively capped due to infrastructure constraints, and with oil prices falling below US\$ 90/bbl, Iraq reported lower revenues in August. The Federal government earned US\$ 9.784 B in oil sales last month, while the KRG pocketed around US\$ 976 M. • An oil spill occurred at the Basrah Oil terminal on September 15, halting loadings from the facility and curbing around 1 Mb/d of exports. The spill forced BOC to reduce the jetties' pumping rates by over 25% to around 54 kb/hr from previous levels of as high as 70 kb/hr. The ministry announced that Basrah Oil Co. (BOC) fixed the issues that led to the oil spill, with loadings and exports back to normal levels after 24 hours of stoppage. BOC intends to pump extra volumes in the coming days to compensate for lost crude so that planned export levels are not impacted. • The terminal has long been a major risk for an oil spill, with two ageing sea lines laid in the late 1970s due for replacement for decades. Maintenance work has never been performed due to financing problems, political gridlock and other delays. • Iraq is also facing competition from discounted Russian oil in its key Asian market, while struggling to sell crude to European buyers due to a rise in the sulphur content² of the crude exported via the Mediterranean. The decline in exports is also due to high temperatures above 45°C requiring more crude and fuel oil to be used for power generation for cooling. • Iraq has gained US\$ 71.2 B from oil sales in the first seven months of 2022, on track to exceed the US\$ 75.65 B of total oil revenues in 2021. Though Iraq appears to have enough cash to invest in export infrastructure upgrades, the government is stymied by political paralysis, preventing already delayed projects from being completed in time to allow for higher export capacity. Most of the country's oil is sold via its Basra Gulf outlets, which never sustained more than 3.54 Mb/d over a three-month period. The terminals handled 3.26 Mb/d of crude exports in June, implying that there is around 300 kb/d of additional export capacity, allowing Iraq to bring about two-thirds of its spare production online. We expect export capacity to become a constraint by Q4 2022 as temperatures and oil burn reduce, allowing more volumes for export. • Exports are likely to increase as Iraq installed new pumps at Basrah Oil Terminal, which would facilitate up to 250 kb/d, taking export capacity to 3.5 Mb/d.

² SOMO sold 600-700,000 tons batch of straight run high sulphur fuel oil (SRHFO) contaminated with chlorinated organic compounds (COC)



Water Injection Pilot at Majnoon	●	↑	<ul style="list-style-type: none"> Output from Majnoon fluctuated wildly since the start of the year, falling to 40 kb/d in January then jumping to 210 kb/d in February before falling back to 80 kb/d in April and May. On September 7, Basra Oil Co. (BOC) said that a water injection project had been launched at Majnoon to maintain reservoir pressure, hence, ramping up production to reach a target of 600 kb/d by 2026. Anton Oil is overseeing the water injection facility which is a pilot project with a capacity to inject 80 kb/d of water drawn from the Shatt al-Arab waterway, targeting three different reservoirs at Majnoon. The project involves constructing pipelines and storage tanks with a capacity of around 100,000 m³ and 50,000 m³, respectively. The facility will be expanded after test results are completed on the pilot, with future plans to drill wells to extract water for injection. The existing plans will see Majnoon production jump to 220 kb/d in 2022, 350 kb/d in 2024, and 400 kb/d in 2025, requiring 500 kb/d of water injection by 2025.
Eridu oilfield development	●	↑	<ul style="list-style-type: none"> Following a meeting with Lukoil's VP for Central Asia, Middle East and north Africa, Stepan Gorgi, Oil Minister Ihsan Abdul-Jabbar Ismaael said that Iraq is planning to push ahead with the development and production operations at Eridu oilfield. This is the largest of the discoveries made from the fourth bid round, with an estimated 7-12 billion bbl of reserves, and an important contributor to future production growth. However, development has been held up by disagreements over fiscal terms, with Lukoil at one point threatening to withdraw. The ministry is awaiting approval from the cabinet on the joint development program with the Russian company.
Iraq Offshore exploration	●	↑	<ul style="list-style-type: none"> Iraq will implement seismic surveys of the marine blocks in its territorial waters. The ministry had signed a contract for a joint study with China's CNOOC in 2019 to determine the hydrocarbon prospects. These plans go in line with Iraq's ambitions to raise production capacity to 7 Mb/d by 2027 and 8 Mb/d by end-2027/early 2028. The Khalij Al Arabi offshore block was offered for exploration in the fifth bid round but received no bids.
Iraqi Drilling Company drills 7 th well at Zubair field	●	↑	<ul style="list-style-type: none"> Output at Zubair has been averaging just over 500 kb/d since February before it dropped to 450 kb/d in July. Iraqi Drilling Co. (IDC) recently completed drilling the seventh of a programme of wells and the rehabilitation of another, completing 8 wells at Zubair. In November last year, IDC signed a contract with Schlumberger to provide drilling services for 37 oil wells at Zubair for Italy's Eni, the field's operator.
TotalEnergies divests 18% in Sarsang oilfield	●	↑	<ul style="list-style-type: none"> TotalEnergies completed the divestment of its 18% interest in the Sarsang oilfield the Kurdistan region of Iraq to ShaMaran Petroleum Corp. for US\$ 155 M. Depending on future production and oil prices, an additional contingent consideration of US\$ 15 M is payable. In 2021, Sarsang contributed 3,500 b/d to Total. The Sarsang oilfield was discovered in 2011 and operated by HKN (62%) with KRG owning 20% interest. Total acquired its stake when it bought Maersk,

		●	↑	<p>but the asset has been non-core for the French supermajor, which is concentrating on southern Iraq.</p> <ul style="list-style-type: none"> Adel Chaouch, ShaMaran's CEO, announced that the deal transformed the company from being a single asset company to one owning a portfolio of stakes in three giant fields including Atrush, Swara Tika and East Swara Tika. HKN aims to bring online a new 25 kb/d at Swara Tika by end-September, which would raise the block's output to over 30 kb/d in Q3 2022. Output is likely to reach 48-50 kb/d once production ramps up in 2023. This would see ShaMaran's 18% stake netting around 11 kb/d, up from its current 5 kb/d.
Refinery Updates	Karbala Refinery start-up	●	↑	<ul style="list-style-type: none"> Iraq has begun pumping crude to its new 140 kb/d Karbala refinery, marking the start of its trial operations. The long-awaited expansion project is expected to reduce 60% of oil product imports when fully operational next year. Official data show that Baghdad in Q1 2022 paid US\$ 1.54 B for 1.514 Mt (130 kb/d) of middle distillate and gasoline imports. The figure is nearly half of that for the whole of 2021, when the country paid US\$ 3.3 B for 104 kb/d of imports.

● Very positive
● Positive
● Neutral
● Negative
● Very negative
↑ Improvement in last month
↔ No change
↓ Deterioration in last month

OPEC has reduced its forecast for 2022 world oil demand by 260 kb/d to account for some regional revisions. World oil demand is expected to average 100.03 Mb/d, "still healthy growth" which includes the recently observed trend of burning more oil in power generation. The agency expects recovering gasoline and diesel demand in the US and a steady increase in industrial activity in non-OECD regions will support demand figures above 100 Mb/d. 2023 demand is projected to reach 102.7 Mb/d, due to expected improvements in the containment of CoVid-19 in China.

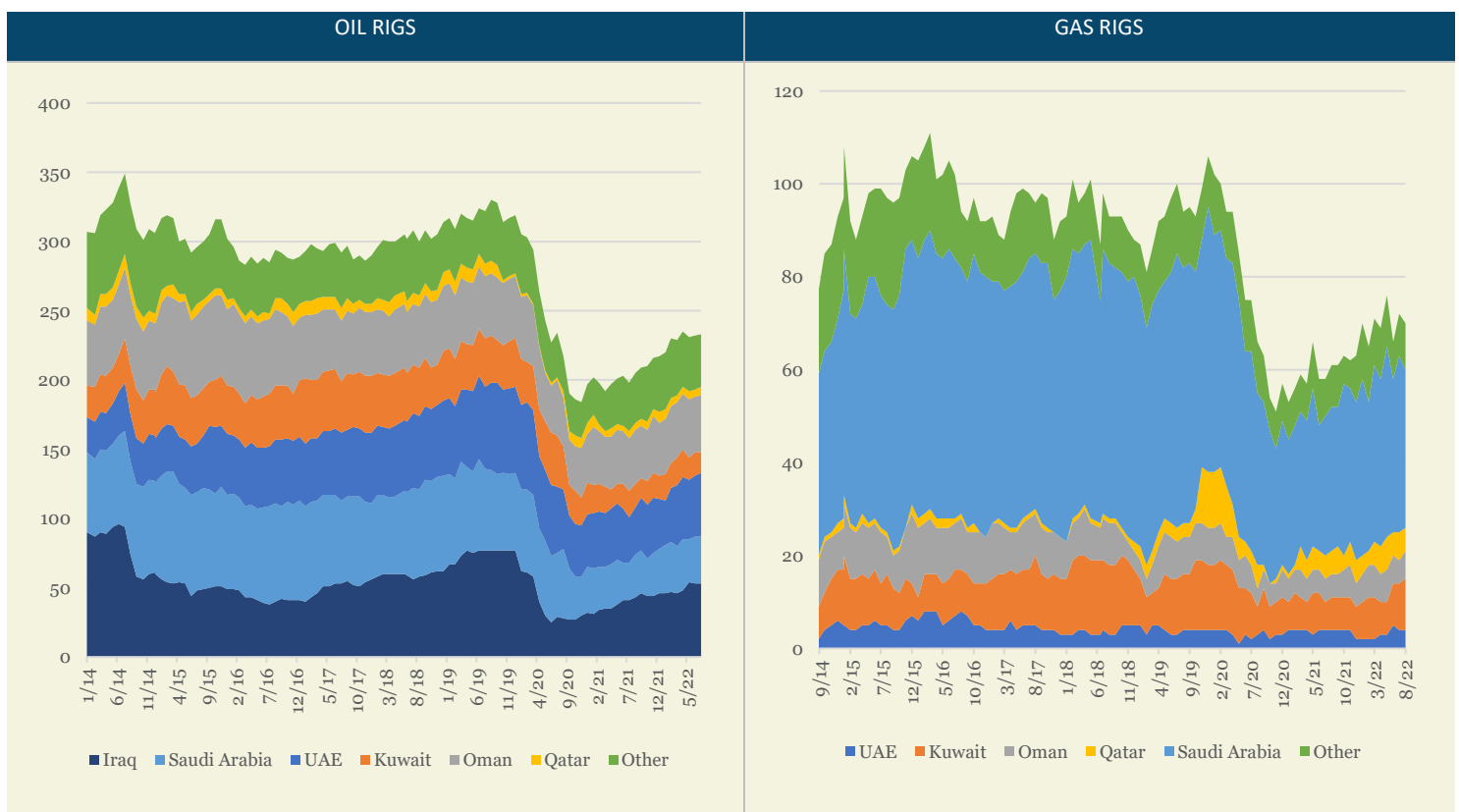
Middle East oil demand declined by 183 kb/d in July from June levels, though demand for diesel and jet fuel remain strong. Middle East oil demand in Q4 2022 is expected to reach 8.22 Mb/d on the back of rising demand for fuel oil and diesel in the transport and industrial sectors.

TOP ENERGY DEALS IN THE REGION

PROJECT	SUMMARY	CLIENT / BUYER	CONTRACT OR / SELLER	IMPLICATIONS
UAE's New Ammonia Export Terminal	Proton Ventures is awarded a contract to design and build an ammonia terminal in The UAE		Proton Ventures	The project has kicked off in January 2022 and will be finalised by Q3 this year. The company will build "the biggest ammonia tanks in the Middle East," though Saudi Arabia has already announced its own ammonia tanks to be the largest in the world for its NEOM Helios green NH ₃ project. The UAE has signed a number of green hydrogen export agreements with Japan, South Korea, Germany and India. ADNOC has already sent shipments of blue

ammonia to Japan and Germany, demonstrating its export potential. The terminal would allow the country to become a large exporter of low-carbon hydrogen and ammonia as demand for cleaner fuels picks up and hydrogen projects start production by earliest 2026. The capacity and location of the ammonia terminal are yet to be announced, but we expect it to take place at KIZAD, which will house several green hydrogen and ammonia projects and is already equipped with logistics and manufacturing facilities required for exports.

REGIONAL RIG COUNT³: OPEC+ COMPLIANCE HAS KEPT IRAQ RIG COUNT LOW



- Middle East oil drilling has still not fully recovered from the sharp drop induced by the pandemic and the related OPEC+ production cuts. However, it is likely to start expanding as quotas increase and production growth plans in the UAE and Iraq get underway.
- Iraq has 53 active rigs as of August 2022, all drilling for oil. This number has not increased since the start of 2022, but is up 2 on December 2021, and 11 on April 2021. In 2019, prior to the pandemic, Iraq had 77 active rigs targeting oil.

³ Baker Hughes International Rig Count

- Middle East gas drilling is starting to show a moderate recovery, supported by the beginning of Qatar's LNG expansion projects and renewed efforts by Saudi Arabia towards its 2030 gas ambitions.

Note: Iraqi gas rigs are not reported by Baker Hughes, likely because Iraq reports gas rig figures clubbed with oil rigs and/or lack of response from contractors (drilling for non-associated gas is at minimal levels compared to oil, although it should pick up as Sinopec's development of Mansuriyah and the Pearl Petroleum consortium's expansion of Khor Mor, and potentially work by Halliburton at Akkas, move forward).

Iraq Oil Market Highlights

Crude Oil Prices

Closing prices, October 3rd 2022

Brent: USD 89.20

WTI: USD 83.95

Iraq Rig Count

As at month end

Aug 2022: 53

Jul 2022: 53



Iraq Oil Exports

For the month of

Aug 2022: 3.667 Mbpd

Jul 2022: 3.701 Mbpd



Oil Exports Revenue

For the month of

Aug 2022: 9.784 USD bln

Jul 2022: 10.608 USD bln



Get in Touch

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