Al - Gharee Journal of Economic and Administration Sciences
Volume (1), Issue. (2) Jun, 2019.

Oil policy and investment licenses contracts in Iraq (analytical study)

Prof. Dr. Mayah Shabib Al Shammari
College of Administration & Economics
University of Kufa

Researcher
Ahmed Sajjad

Abstract

As it is known, oil is one of the most important economic resources in Iraq, therefore the oil policy is the cornerstone for the investment of this vital resource, where it contributes to the revenues of the Iraqi budget were more than 90%. Since the discovery of Baba Gharghar field in Kirkuk at the beginning of the twentieth century, the retreat of the Ottoman Empire authority, the British occupation of Iraq began, and after Sykes-Picot Agreement in 1916, the right of exploration and exploitation of oil became for the British with 25% as a share for the French, so Iraqi oil was monopolized by the Iraqi Oil Company (IPC), under the concession agreement granted since 1928. The British and French monopoly companies exploited oil and extracted in large quantities and randomly to increase profits with a small share for the country which owns the resources. This resulted in the issue of Act No.80 for 1961 in the Republican era, which enabled Iraq to recover 99% of the land that was under the control of foreign companies. The National Oil Company was established under Act. No. 11 for 1964, and in the 1970s the operations of Iraq Oil Company Limited were nationalized, giving the National Oil Company the opportunity to explore, exploit and produce oil. In fact, nationalization constituted a significant qualitative leap in terms of increasing oil revenues, in addition to the prosperity and development, especially after the rise of oil prices in the seventies. But after 1980 and the entry of Iraq in fruitless wars, reflected on the nationalization achievements; production of oil declined significantly, especially after 1990 and the invasion of Kuwait till the occupation of Iraq in 2003, which led to the looting of oil fields and the destruction of some of them, therefore the oil sector was in a serious situation, prompting the operators in this sector in 2009 to resort to rounds of licenses to reinvest investment and production in this sector, in fact this option is a justification for the advancement of the Iraqi oil sector at present, but it is no longer the best option to promote it.

Hence, the research problem is the ambiguity and the varied opinions upon defining the advantages and disadvantages of investment via

licenses contracts.

The study aim is to highlight the oil policy in Iraq in general and its role in promoting it, with reviewing the role of licensing rounds as an oil policy to increase exploration, exploitation and production; assuming that oil policy in Iraq did not achieve the desired goals in general, and that licensing rounds could be a suitable immediate option but not the ideal option in the future. To reach the research goals we adopted a descriptive, analytical reviewing approach for the important stages in oil policy in a brief focusing on analyzing and clarifying the role of licensing rounds investment in investing the Iraqi oil.

The structure of the research includes an introduction and two topics; the first dealt with oil policy and its development horizons, while the second reviewed oil investment through licensing rounds in Iraq. The researchers submitted a number of conclusions and recommendations.

The first topic: The reality and prospects of the development of oil policy in Iraq

First: - The concept of oil policy

The great importance that oil occupies at the global level results in that each oil state has followed a specific strategies in the implementation ensuring the achievement of its goals. This depends on the philosophy and orientation of the political system(regime) in this country. It also depends on the nature of the economic orientation of each country, as it determines the essence and nature of that oil policy of the concerned state. In general the oil policy could be defined as: the initiative of the government or the ministry of oil in this or that country to develop realistic and practical plans, perceptions and studies in terms of how to dispose of the country's oil resources and wealth in a way that allows it to optimize the investment of its resources to achieve its objectives and interests.(1)

Oil policy is defined as a set of means and procedures that regulate the various stages of the oil sector, including exploration, drilling and reclamation of wells, production of crude oil, gas isolation, transportation, classification and storage of petroleum materials, the necessary investments for the development of oil sector and exploitation of the national oil wealth, on one hand, and on the other hand oil policy, due to its effectiveness, is defined as a set of rules and procedures followed by some countries with specific methods and tools in their policies to achieve certain goals consistent with sharing with each other, as well as harmonizing them within a practical framework or practical strategy.(2)

It is worth mentioning that oil policy is linked to the ability of the state to control its oil resources and its economic decision regarding the oil sector and related operations, thus contributing to economic development.(3)

As one of the most important oil countries, Iraq has strategic aims attempts to achieve by following oil policy depending on certain bases and principles, in this regard, the Iraqi Ministry of Oil has developed an oil policy to achieve the country main goals and interests, represented by the following points:(4)

1-Developing an oil policy based on balanced principles that can preserve oil wealth sources, as well as achieve development and efficient investment of resources to ensure payment of the state's financial commitments and development plans.

2-Strengthening the position of Iraq, supporting its impact on the world oil markets, and obtaining a fair price for oil in world markets.

3-Formation of an efficient national oil industry capable of supporting the national economy, and securing the local needs of oil and its derivatives with the other available sources of energy .

The researcher believes that oil policy in Iraq is a set of measure, tools and means used in the optimal investment of oil wealth in Iraq and related to exploration and investment, extraction and export, as well as the resettlement and development of oil and gas industry and petrochemicals to maximize the exploitation of this wealth, in order to increase revenues and sources of income to legitimize growth and development in general .

Second: Development of Iraq's oil policy

The interest of Iraqi oil began with the entry of the first mission of experts sent by the German Bank for a preliminary search of oil in Iraqi territory in 1871, when Iraq was under the authority of the Ottoman Empire, and the subsequent entry of another mission in 1901; these two missions confirmed the existence of oil in Iraq in an optimistic character that indicates abundance. This stimulated the external ambitions to exploit oil in Iraq, specifically in the area where the search was concentrated (Mosul), and on this basis the Germans were able to obtain the approval of the Ottoman authority to the right of exploration for oil. In 1906 the German Bank, through its, companies, obtained the right of search and investment the Iraqi oil. Then the competitive conflicts began by the British and the United States and other advanced industrial countries to obtain a share of Iraq's oil. Iraq becomes a clear region and point of conflict among between countries that attempt to control oil wealth through companies and unfair agreements.[5]

The attempts of the big powers to control Iraq's oil continued, yet, Britain was the biggest and the winner by imposing full control on the Iraqi land as an occupier in 1914 to put Iraq under its influence. This, in turn, had enraged France, which controlled the Mosul area at the time. As the two countries had acquainted with the wealth of Iraq and for the resolution of disputes, an agreement was concluded between Britain and France under the title of San Remo Agreement on 24 June 1920 to divide the regions of influence and resolve disputes over oil-rich areas of Iraq. After that, the Iraqi government had concluded agreements with Britain under the influence of a number of revolutions and tnternational pressures in favor of Iraq for the control of Iraq on part of its oil territory, but the British companies and contracting companies remained dominant the production, transport and marketing of oil to world markets. In the nineties and fifties of the last century, the monopolistic companies, known as (Al-Akhwat Al-Seba`a= The Seven Sisters) which were the seven largest monopoly companies in the field of oil industry, were the dominant of oil production and marketing in Iraq.[6]

The changes and events world had witnessed, especially in Iran and Saudi Arabia, had affected Iraq and encouraged to take serious steps to control its oil wealth; the Saudi agreement on the principle of the division of profits jointly with the Arab American company Aramco in 1951and nationalizing the oil industry in Iran for the same year, had a clear role in the changes of oil policy approach to Iraq.[7]

Thus, the foundations of the Iraqi oil policy were established in the early beginning of 1960s for the first time in the history of Iraq's oil, specifically in 1961 with the issue of Act No. (80) issued by Iraq on the insistence and intransigence of foreign oil companies, as well as their continued exploitation of Iraq's oil and non-response to Iraq demands. With this Act the Iraqi government was able to impose its control over a very large part of the oil land covered by the investment of foreign companies, it is considered as the beginning of the conflict between Iraq and monopolistic companies, it was a devastating blow to the interests of these companies and their presence in the region. This Act paved the way for a serious beginning in the pursuit of a clear Iraqi oil policy that resulted in the establishment of the Iraqi National Oil Company in 1964, which had undertook its role by investing Iraqi oil as a direct national investment .[8]

In the terms of what had been mentioned previously, oil policy in Iraq was unclear and very weak concerning controlling the Iraqi oil sector, so the Iraqi economies were under the domination and control of the foreign companies.

Oil policy in Iraq had witnessed a great and serious change in 1972; the Iraqi government had nationalized oil weal by nationalizing (IPC) and Mosul Petroleum Company which were under the control of the capital countries. Their operations were handed to the Iraqi company of operations that had been founded by the Iraqi government, with the nationalization, for this purpose.

In 1973, during the Arab war with the aggressor Zionist entity, the Iraqi government nationalized the quotas belonging to the Dutch and American companies in the Basra Oil Company, leaving only the shares of French and British companies in Basra Oil Company. By 1975, Iraq nationalized these quotas, so the oil industry in Iraq, in all its fields and branches, became under the control and supervision of the Iraqi government .(9)

After the great of Iraq in the seventies of the last century, due to the impact of following successful oil policy, in addition to the structural changes in the global oil market, which were in favor of the producing countries, Iraq entered a dark historic period resulted in the destruction of the Iraqi oil sector and the destruction of the Iraqi economy in general. This period was known as the period of wars and international economic sanctions: the first war was with Iran 1980-1988, then Kuwait occupation in 1990, where the entry of Iraqi military forces to Kuwait led to the imposition of economic sanctions on Iraq in 1990 by the UN Security Council, which was a ban on all types of Iraqi trade and in particular the ban on the export of Iraqi crude oil, as well as freezing of Iraqi financial assets abroad, in addition to many other sanctions imposed on Iraq as a suspension of flights and prohibiting the financial transactions with Iraq.(10) Throughout these events, most of the infrastructures had been destroyed. Shortly after the removing the ban, Iraq passes another disaster represented by its new occupation by the United States of America 2003.

After this year, the Iraqi oil policy passed different stages, according to its relation with the political authorities changes, each has its effect on putting oil policy. The occupier authorities had re run and reform the oil institutions to export petroleum and to get use of its revenue, according to the interests of America. In 2004 the temporary government of Iraq had been formed under the supervision of America, following a policy that aimed to develop the oil sector by referring to the international companies, contracting with them to develop the oil fields with the advantages of the American and British companies.

The transitional government had been formed in 2005, it opened Iraq to foreign oil and energy companies, and in 2006 the preeminent Iraqi

Al - Gharee Journal of Economic and Administration Sciences
Volume (1), Issue. (2) Jun, 2019.

government had been formed with the consent of the Iraqi people, and has changed the approach of the Iraqi oil policy in the interest of Iraq and its people aimed at maximizing production and increasing exports by encouraging foreign investment and taking advantage of the expertise and technological techniques introduced by foreign investment companies.(11)

The second topic:

Investment of Iraqi oil in accordance with licensing rounds contracts

First: What are the licensing rounds

Licensing rounds represent a major development and a serious turn in the course of Iraq's oil policy. The introduction of licensing contracts and their transparency and clarity through competitive and public tenders for foreign companies have not been common in the history of Iraq's oil policy(12)

In general, licensing rounds are an agreement or a contract whereby the oil state gives a competitor a right to explore and produce crude oil in a specific area. The oil state offers some areas for competitive investment among foreign companies and the offers are presented by both parties. Contracts are less complex than other investment contracts. It does not require deep experience or technical support, as in other contracts. It is possible to focus on the specific terms of trade. If oil commercial production is reached, the hosted country will get the revenue, in turn the company that win the contract shall recover the financial costs incurred on the investment in addition to the project profit.(13)

The Iraqi government has taken the licensing rounds in order to achieve a number of objectives, namely the development of existing oil fields and their productive capacities and the development of discovered and untapped fields and seeking to eliminate the features of the apparent underdevelopment in the Iraqi oil industry resulting from the effects of wars and sanctions and isolation from the world through the introduction of advanced technology in order to increase Iraq's production capacity to a high level in order to enhance Iraq's global standing and increase its financial resources, as well as ensuring the continued flow of oil into world markets(14), in addition to absorbing the increased unemployment in Iraq, as these projects will run a large number of Iraqi labor, and other ,goals which is in favor of Iraq politically, economically and socially.

The main conditions for licensing contracts can be described as following:(15)

1-The Iraqi National Oil Company and its subsidiaries are the owners of the contract and represent the employer, and the foreign contracting companies as the contractor with the government partner, It is responsible of providing the capital and technology accompanying the technical expertise to achieve the objectives stipulated in the contract.

2-The foreign companies (contractor) shall implement the minimum work requirements within a period not exceeding three years from the date of entry into force. These requirements are represented by preparing a rehabilitation plan, preparing a comprehensive plan and work program, preparing the annual budget, initiating oil exploration and reclaim the wells that could be reclaimed.

3- The duration of the license contract is 20 years from the effective date of the contract. The contracting company may extend the contract for an additional 5 years according to new conditions.

4-Contracting companies, after studying the reservoir sites, are committing to work with the latest technological systems that will extract the highest possible percentage of oil reserves. These companies would be responsible for all the project development costs to be recovered later from the produced oil.

5- Contracting companies are obliged to employ Iraqi workers at least 85% of the total project employment. In case of lack of Iraqi trained manpower, foreign companies shall undertake training and developing them in or outside Iraq within a maximum period of 6 months from the date of entry into force of the contract.

6- Contracting companies must adhere to the application of the finest safety systems and take into account the protection of the environment from the pollutants resulting from the project.

7- Companies Contracting must commit to exploit gas associated with oil in an optimal manner and prevent burning it.

8-The responsibility for determining the level of oil production lies exclusively on the Iraqi Ministry of Oil. Contracting companies receive specific fees in the contract for each barrel actually produced.

9- The ownership of all assets processed by foreign companies would be transferred to the Iraqi company ownership immediately after entering Iraq.

10- The contract concluded between the Iraqi company and foreign oil companies shall be subject to all applicable laws and regulations in Iraq.

11- Assuming a tax of 35% of the total annual profits on the companies winning the contract.

12- The Iraqi company must carry out oil operations during the first year of the contract, and the work is transferred to the contracting companies and their bodies after completing their equipment for work within a maximum of one year from the date of entry into force of the contract.

13- A Joint Administrative Committee shall be formed, whose members shall be equal members of the Iraqi Company and foreign companies, to supervise and manage oil operations.

Second: - First and second oil licensing rounds

In June 2009, the Iraqi government held the first round of licenses, which included the presentation of eight fields, six of which are for oil and two for gas. These fields are West Qurna, Al- Zubayr, Al- Rumaila, Maysan, Kirkuk, By-Hasern, Akkas and Al-Mansoura gas fields. After the negotiations that took place between the companies and the Iraqi government, the approval has been granted to for foreign companies to invest three fields under the international conditions of the Iraqi government and identified in the licensing round stipulated in the contract; these fields are the Al- Zubair, West Qurna Phase I, And Rumaila fields. For the other fields displayed in this round, the approval had not been obtained because the conditions of the Iraqi government do not agree with that of the foreign companies.(16)

Table (1) The details of the first licensing round

Field	Reserve size/ Billion barrels	Investor company / nationality	Company percentage	Company reward for each additional barrels	Primary production Million barrels/day	Targeted production Million barrels/day	Contract fees or reward Million dollars
Al-Rumailah	17.8	British Petroleum(BP)	38	2 dollars	1.066	2.850	500 A loan
		Chinese National Petroleum(CNPC)	37				
Al-Zubair	4	ENI, Italian	32.81	2dollars	0.182775	1.200	100
		American Nitral Petroleum Oxide	23.44				
		Korean Gas	18.75				
West Qurna(1)	8.7	American Mobile	60	1.9 dollars	0.244	2.325	100
		Dutch Shell	15				

Source: The Iraqi Ministry of Oil / Department of Petroleum Contracts and Licenses, from the official website on the Internet https://www.moo.oil.iq The Effect of Foreign Investments in the Oil Sector on the Iraqi Economy, Master Thesis unpublished, Faculty of Management and Economics, Wasit University, 2012, p. 57.

The first table shows that the first round of licenses resulted in the investment of three important oil fields in Iraq. The investment of Al-Rumaila field, which is considered one of the largest oil fields in Iraq, with an estimated oil reserves of about 17.8 billion barrels had been granted to the coalition of British Petroleum BP and China National Petroleum Corporation CNPC; the British company share was 38% of the contract, and the Chinese company 37% of the contract, the remaining

25% was the share of the Iraqi government and its national company. The contract stipulated that the foreign companies invested reward ($ 2) for each additional barrel produced from Al-Rumaila for the production exceeded the initial field limit, which amounts to 1.066 million barrels / day. The contract aims to develop the production capacity of the Al-Rumaila field to reach 2.850 million barrels / day. It is worth mentioning that the Iraqi government has waived its right to the reward of signing the contract that should have been obtained from the investment companies in return for these companies to provide the Iraqi government a loan of 500 million dollars without benefits.

Al- Zubair field is the second field invested in this round; the right of investment had been granted to three cooperating companies represented by the Italian ENI, the American company Oxide Ntal Petroleum and Korea's gas company. The proportion of the Italian company was 32.81% of the contract, the American 23.44%, and the Korean 18.75%. The remaining 25% represents the share of the Iraqi national partner. The reserves of this field is estimated to be 4 billion barrels. The proportion of companies reward did not differ from the previous field ($ 2) for exceeding the initial production limit of the field of 0.182775 million barrels / day. By this contract, it is aimed to make the production Al-Zubair field 1.200 million barrels / day. The Iraqi government received $ 100 million from the investment companies as a reward for signing the Al-Zubayr investment contract.

With regard to the third field of this round, West Qurna Phase 1 with oil reserves estimated at 8.7 billion barrels, the right of investing it had been granted for ExxonMobil and the British Dutch Shell, 60% for ExxonMobil, 15% for Shell and 25% for the partner . The reward obtained by the Iraqi government as a result of the signing of the contract is $100 million. The reward obtained by the companies for each additional barrel produced after the initial production of West Qurna phase1 of 0.244 million/ barrels slightly less than that of the previous two fields, to be $ 1.9 The contract raised production to 2.325 million barrels / day.

At the end of 2009, the Iraqi Ministry of Oil launched the second round of licenses, which included ten oil fields. These fields are discovered and undeveloped, many foreign companies from 32 countries had competed for the investment, and eventually was contracted on seven contracts including: West Qurna phase 2,Majnoon, Al- Halafia, Al-Gharraf field, Badra, Najma , and Al-Qayara field.[(17)1] as shown in the

[1] Haidar Hussain Awadah, A Calender for Oil Licensing Tours, previous source, p. 132.

following table:

Table (2) Details of the Second round of licenses

Field	Reserve size/ Billion barrels	Investor company / nationality	Company percentage	Company reward for each additional barrels	Primary production Million barrels/day	Targeted production Million barrels/day	Contract fees or reward Million dollars
West Qurna 2	12.9	Russian Lukoil	56.25	1.15 dollars	0.120	1.800	150
		Norwegian Statoil	18.75				
Majnoon	12.6	Dutch Shell	45	1.39	0.175	1.800	150
		PetroNas/Malaysian	30				
Al- Halafia	4.1	Chanese(CNPC)	37.5	1.40	0.070	0.535	150
		French Total	18.75				
		PetroNas/Malaysian	18.75				
Al- Gharraf	0.9	PetroNas/Malaysian	45	1.49	0.035	0.230	100
		Japanese /Jabix	30				
Badra	0.1	Russian Gasbrum	30	5.5	0.015	0.175	100
		Korean CoGas	22.5				
		PetroNas/Malaysian	15				
		Turkish T.P	7.5				
Al-Qayara	0.8	Anglian SunGold	5	75	0.30	0.120	100
Nagma	0.9	Anglian SunGold	75	6	0.020	0.110	100

Source https://www.moo.oil.iq The Iraqi Ministry of Oil / Department of Petroleum Contracts and Licenses, from the official website on the Internet, The Effect of Foreign Investments in the Oil Sector on the Iraqi Economy, Master Thesis unpublished, Faculty of Management and Economics, Wasit University, 2012, p.

Saif al-Din Muhammad al-Hadithi, Oil in Iraq between the facts of history and political and economic variables, Journal of the Iraqi Dinar / University of Iraq, Volume 1, No. 3, 2013, pp. 90-91

The second round of licenses has resulted in the investment of eight oil fields, the first in the West Qurna phase (2) with an oil reserve estimated at 12.9 billion barrels, where the Russian company Lukoil in cooperation with the Norwegian company Statoil had won the investment license, the shares were 56.25% and 18.7518.75, respectively, while the remaining 25% was for the Iraqi national partner, as the share of the Iraqi government in the second round of licenses did not change from the first round and for all fields. It is aimed to raise oil production in this field to 1.800 million barrels / day, while the figure is the initial production of the field was 0.120 million barrels / day and the investment companies get $ 1.15 for Eeach additional oil barrel produced above the initial production. The second field in this round was Majnoon field, which was won by the Dutch Shell consortium with 45% of the contract and the Malaysian Petro-Nass Company by 30% with $ 1.39 as reward for each additional barrel produced after exceeding the initial production limit of Majnoon field of 0.175 million barrels / day, knowing that the target production is 1.800 million barrels / day. This field is one of the fields with large reserves as its capacity is about 12.6 billion barrels. The third field Halfaya, with a reserves of about 4.1 billion barrels, the investment was for a coalition of three companies, namely the Chinese company CNPC and the French company Total and Petro NAS The ratio of Chinese chop was 37.5% of the contract, 18.75% for French and the same for Malaysia. The reward of the additional barrel is $ 1.40 exceeding the production limit of 0.070 million barrels / day. The contract aims to develop the production capacity of the field to reach 0.535 million barrels / Day.

Al- Gharraf field is the fourth field of this round and has an oil reserve of 0.9 billion barrels. The right to invest in this field has been granted to Malaysian company Petro Nass, 45% of the contract and Japanese company Japex with a 30% share. The companies have the right to get $ 1.49 per barrel additional output exceeding the initial production limit which is 0.035 Million barrels / day, it is aims to reach a daily production capacity of about 0.230 million barrels / day.

Badra field is the fifth in this round, four companies won the right to invest in it:- the Russian company Kazprom and 30%, the Korean company CoKaz 22.5%, the Malaysian company Petro Nass 15%, and the Turkish company TB 7.5% %. The reward of companies for the additional oil quantity produced by the field after exceeding the initial production limit was greater than the rewards of the previous contracts, amounting $ 5.5 for each additional barrel. The last two fields of this round are Al-Najemah field and Al-Qayara, their investment right is won by the Angolan company Sun Gold right to invest with a share of 75% of the contract for the both fields, and the reward obtained by the Angolan company for each additional barrel produced after the initial production is $ 6 for Al-Najemah and $ 5 for Al-Qayara. The initial production of Al-Najemah field was 0.020 million barrels / day and 0.30 million barrels / day for the field of Qayara, and target is to raise production to 0.110 million barrels / day from the field of Al-Najemah and 0.120 million barrels / Day of the Al-Qayara field. The reward obtained by the Iraqi government for signing of contracts, was150 million dollars for each license 0c0ontract field West Qurna phase (2), Majnoon, and the field of Halfaya, and 100 million dollars for Al-Gharraf and Badra, Al-Najemah and Al-Qayara.

Third: Advantages and disadvantages of licensing rounds for oil investment in Iraq

The contracts of oil licensing rounds have been met with a number of criticisms that showed the negative side of the contracts and showed weaknesses in the contract terms, this could be can be explained as follows:

1-Concluding oil licensing contracts with foreign companies is contrary to the provisions of the draft law of oil and gas in Iraq, which defined the investment and development of these fields in the Iraqi national companies, rather than to be invested by a number of foreign companies. Writing of licensing contracts had been done through referring the expertise of international companies specialized in the texts of contracts, but the implementation of the terms of contracts were under the supervision and follow-up of the Iraqi Oil Ministry and its affiliated institutions, and this in its turn has a negative impact on Iraq as it indicates that the ministry and its institutions lacks for the competence required to do so, especially with the phenomenon of brain drain and the security situation in Iraq.(18) Therefore it is possible for contracting companies to exploit this aspect to achieve their interests at the expense of Iraq's interests.

2-The fields put forward by the Iraqi Ministry of Oil in the first round of licenses are considered of the most important Iraq's huge oil fields with a very large reserves, the Iraqi cadres had worked for several years to study assisted by specialized foreign companies to be briefed on all the details of these fields by the support of the specialized foreign companies to be acquainted with all their technical and non-technical aspects. So the Iraqi cadres is able to manage and develop them in order to raise their productive capacity. These cadres need only the government support of and the expansion of their authorities to work on the rehabilitation of these fields through contracting agreements with the foreign companies for a limited period rather than long-term license contracts.(19)

3- Working with licensing contracts would reduce the profits obtained by the Iraqi government by raising the cost of production of Iraqi oil barrels from the fields within the licenses. The employment of foreign workers by contracting companies in Iraqi sites requires the provision of many high-level services and commodities. Moreover, increasing oil production according to the licensing contracts would be done after 3 years from the date of entry into force of the contract, so that Iraq will bear additional costs and the development process would be delayed, with the urgent need for oil revenues.(20)

4- To calculate the reward obtained by the investor foreign companies the Iraqi Ministry of Oil depends on the success of the companies in increasing the production of oil fields comparing with the initial production limit, and this is fraught with weakness, as the primary production was based on technological development and technical capabilities in Iraq, so the initial production is weak in light of the technological backwardness and the political and economic conditions experienced by Iraq, as well as the obsolete machinery used in the oil operations in a manner that does not keep pace with global developments(21)

In spite of the criticisms and negative aspects of the previous contracts, oil licensing rounds are considered successful and indispensable necessity, they represents important transition in the development of the oil sector reality in Iraq. The investment in accordance with the terms of licenses set by the Iraqi government is successful in the way of achieving the Iraqi benefits. Since its beginning, licenses rounds show a number of positive aspects and benefits that could be explained by following(22):

1-Iraqi Ministry of Oil would have a full control on the oil wealth by supervising and directing the foreign companies and their representatives to achieve the interests of Iraq.

2-The rounds of licenses, and the resulted entry of expertise and advanced technology through specialized foreign companies, led to modernize the Iraqi oil industry in all its branches, which used to be described as a dilapidated before going into licensing. Recently a significant improvement is observed in the performance of Iraqi cadres which works directly with foreign cadres, as a result of acquiring technical expertise.

3-Increasing oil production rates resulted in increasing oil revenues.

4-The licensing rounds have helped in absorbing a large part of the Iraqi unemployment, as it has provided tens of thousands of jobs.

5-Development and improvement of the cadres of contracting through acquisition new foreign skills and experience.

6-The licensing rounds and their consequences of maximizing the financial revenues resulted in the stimulation of other economic sectors in Iraq, as well as the construction of infrastructure, the provision of public services and the improvement of living standard.

It is worth mentioning that the licensing contracts mainly aimed at raising oil production in Iraq and exporting it abroad, but OPEC sets specific production and export borders for its member states. This is an obstacle to increasing the Iraqi oil production, and thus make licensing contracts useless and make them benefits to foreign companies at the expense of the wealth of Iraq, therefore review the licensing contracts and reforming is an urgent necessary to make them in accordance with the treatment of the disadvantages mentioned previously and achieve the interests of Iraq in the first place.

Conclusions and recommendations

Conclusions

1- Oil policy in Iraq has been affected by the wars that Iraq has fought for a long period of time, especially the imposed sanctions, which created many obstacles for the development of the Iraqi oil sector .

2- The oil policy in Iraq did not achieve the desired objectives of investing the Iraqi oil wealth optimally.

3- Licensing rounds represent an appropriate investment pattern for Iraq in light of Iraq's current economic and political conditions

4-The selection of oil fields that were raised in the first and second licensing rounds is an unsuccessful choice, as most of these fields are huge and considered by the National Company of Iraq and for a long time with the use of foreign companies competent, therefore the Iraqi government could invest these fields without resort to licensing contracts, rather, it would be a national investment with the use of international companies in short-term contracts.

5- Despite the many benefits of licensing rounds, they contain many disadvantages and complexes involve review them, and attempt to reformulate them in order to address the disadvantages and put them in a position that serve the benefits of Iraq

Recommendations

1- To work on the formulation of an Iraqi oil policy aimed at developing oil sector and oil industry in an optimal manner to achieve the interests of Iraq.

3- To develop the means of dialogue and cooperation between Iraq and the international energy organizations, especially OPEC.

3-To supervision and follow-up the foreign companies operating in Iraq within the rounds of licenses to put them on the right way of applying the contract terms to achieve the benefits of Iraq.

4- Licensing contracts contain many weaknesses and negatives, and this should be reconsidered.

5-To invest the Iraqi oil fields nationally and to contract with the international companies in short-term rather than long-term contracts such as licensing contracts.

Search margins

(1) Iyad Abdul Karim Majid, Nigeria's Oil Policy - Reality and Ambition, Journal of International Studies / Published by the Center for Strategic and International Studies, Iraq, Issue 38, 2008, p.

(2) Atef Lafi Marzouk and Mustafa Rafef Abdul Razzaq, Surpluses and Oil Policy in the United Arab Emirates and Iraq, Al-Ghari Journal of Economic and Administrative Sciences - University of Kufa / Faculty of Management and Economics, Volume X, No. 33, 2015, p. 25

(3) Mohammed Radhi Al-Sudani and Adnan Daoud Mohammed Al-Athari, The Role of Traditional Energy and Non-Conventional Energy in the Global Market and Future Prospects, Dar Al-Methodia Publishing and Distribution, Amman, 2018, p. 39

(4) Atef Lafi Marzouk and Mustafa Rafiq Abdul Razzaq, former source, p. 37

(5) Ghosun Mezher Hussein, Oil Privileges in the Iraqi Council of Representatives, 1950-1954, Al Mustansiriya Journal of Arab and International Studies, University of Mustansiriya, p. 226, p. 227.

(6) Jafar Talib Ahmed and Kawther Mohammed Dheim, Iraqi Oil Policy and its Role in Economy (Comparative Study), Al-Kout Journal of Economic and Administrative Sciences / Wasit University, No. 7, 2012, pp. 140-142.

(7) Taha Khalaf Mohammed al-Jubouri, The Importance of Iraqi Oil in International Strategy After World War II until 1952, Journal of Historical and Civilizational Studies, University of Tikrit, Vol. I, No. 1, 2009, p. 121.

(8) Faris Mahmoud Faraj al-Jubouri, Nationalization of Oil in Iraq in 1972 and the position of the Arab Gulf States, Journal of Literature Farahidi / University of Tikrit, No. 2, 2010, pp.

(9) Mohammed Ali Zinni, The Iraqi Economy Past and Present and Future Options, Dar Al Malak for Arts, Literature and Publishing, 3, 2009, p. 129.

(10) Khudair Abbas Ahmed Al-Ndawi, Foreign Investment in the Oil Sector in Iraq after 2003, Journal of the College of Education for Girls / University of Baghdad, Volume 25, No. 3, 2014, p. 667.

(11) Yahya Hamoud Hassan al-Boali, the characteristics of oil policy in Iraq, Gulf Economic Journal / University of Basra, Volume 31, No. 25, 2015, pp. 98-98.

(12) Haidar Hussain Awadah, A Calender for Oil Licensing Tours, Al-Muthanna Journal of Administrative and Economic Sciences / Al-Muthanna University, Vol. VII, No. 1, 2017, p.

(13) Yahya Hamoud Hassan al-Boali, The International Oil Market and its Implications for Iraqi Oil Policy, Ph.D. Thesis, University of Basra, Faculty of Management and Economics, 2010, p.

(14) Hamdiya Shaker Muslim, The importance of foreign direct investment in the development of the Iraqi oil industry for the period 2003-2010, Journal of Economic and Administrative Sciences / University of Baghdad, Volume 18, No. 69, 2012, p.

(15) Rahim Hassouni Ziadeh, The Oil Industry in Iraq: Local Investment and Licensing Tours, Journal of the Iraqi Dinar, Vol. 1, No. 3, 2013, p. 103.

(16) Mohammed Mohsen Khangar, Methods of Oil Investment in Iraq, Journal of the Iraqi Dinar / University of Iraq, Vol. 1, No. 8, 2016, p.

(17) Haidar Hussain Awadah, A Calender for Oil Licensing Tours, previous source, p. 132.

(18) Rahim Hassouni Ziadeh, The Oil Industry in Iraq between Local Investment and Licensing Tours, previous source, pp. 117-118.

(19) Maan Aboud Ali Al-Hassani, The International Oil Market and the Possible Implications for Iraqi Oil Policy Using the Theory of Games, PhD Thesis, University of Kufa / Faculty of Management and Economics, 2012, pp.

(20) Ibid., P62-p63

(21) Zaman of narrator Sultan Jubouri, the reality of oil policy and ways of reform in

Iraq, a master's thesis, University of Kufa / Faculty of Management and Economics, 2010, p

(22) Taghreed Dawood Salman Dawood, The Impact of Oil Revenues on the Development of the Iraqi Economy, Journal of the University of Babylon / Pure and Applied Sciences, Vol 24, No. 4, 2016, p. 1042

References:-

1- Iyad Abdel Karim Magid, Nigeria's oil policy - reality and ambition, Journal of International Studies / published by the Center for Strategic and International Studies, Iraq, No. 38, 2008.

2-Atef Lafi Marzouk and Mustapha Rafef Abdul Razzaq, Surpluses and Oil Policy in the United Arab Emirates and Iraq, Al-Ghari Journal of Economic and Administrative Sciences - Kufa University / Faculty of Management and Economics, Vol 10, No. 33, 2015.

3- Mohammed Radhi Al-Sudani and Adnan Daoud Mohammed Al-Athari, The Role of Traditional Energy and Non-Conventional Energy in the Global Market and Future Prospects, The Methodical Publishing and Distribution House, Amman, 2018.

4- Ghusoon Mezher Hussein, Oil Privileges in the Iraqi Council of Representatives, 1950-1954, Mustansiriya Journal for Arabic and International Studies / Mustansiriya University

5- In Economics (Comparative Study), Al-Kout Journal of Economic and Administrative Sciences / Wasit University, No. 7, 2012.

6-Taha Khalaf Mohammed Jubouri, The importance of Iraqi oil in international strategy after the Second World War until 1952, Journal of Historical and Cultural Studies / University of Tikrit, Volume I, No. 1, 2009.

7- Faris Mahmoud Faraj al-Jubouri, Nationalization of Oil in Iraq in 1972 and the Position of the Gulf States, Journal of Literary Literature / University of Tikrit, No. 2, 2010.

8- Mohammed Ali Zinni, the Iraqi economy past and present and future options, Dar Al Malak for Arts, Literature and Publishing, 3, 2009.

9- Khudair Abbas Ahmad Al-Nadawi, Foreign Investmet in the Oil Sector in Iraq after 2003, Journal of the College of Education for Girls / University of Baghdad, Volume 25, Issue 3, 2014.

10- Yahya Hamoud Hassan al-Boali, The Features of Oil Policy in Iraq, Gulf Economic Journal / Basra University, Volume 31, Issue 25, 2015.

11-Haidar Hussain Awadha, A Calender for Oil Licensing Tours, Al-Muthanna Journal of Administrative and Economic Sciences / Al-Muthanna University, Vol. VII, Issue 1, 2017.

12-Yahya Hamoud Hassan Al-Boali, The International Oil Market and its Implications for Iraqi Oil Policy, unpublished doctoral thesis, Basrah University / Faculty of Management and Economics, 2010.

13-Hamdiya Shaker Muslim, The importance of foreign direct investment in the development of the Iraqi oil industry for the period 2003-2010, Journal of Economic and Administrative Sciences / University of Baghdad, Volume 18, No. 69, 2012

14- Rahim Hassouni Ziadah, The Oil Industry in Iraq, Local Investment and Licensing Tours, Journal of the Iraqi Dinar, Vol. 1, No. 3, 2013.

15- Mohammed Mohsen Khangar, Methods of Oil Investment in Iraq, Journal of the Iraqi Dinar / University of Iraq, vol. 1, No. 8, 2016.

16- Maan Aboud Ali Al-Hassani, The International Oil Market and the Possible Implications for the Iraqi Oil Policy Using the Theory of Games, unpublished doctoral dissertation, Kufa University, Faculty of Management and Economics, 2012.

17- Time of narrator Sultan Jubouri, the reality of oil policy and ways of reform in Iraq, unpublished Master thesis, University of Kufa / Faculty of Management and Economics, 2010

18-Taghreed Dawood Salman Daoud, The Impact of Oil Revenues on the Development of the Iraqi Economy, Journal of the University of Babylon / Pure and Applied Sciences, Vol 24, No. 4, 2016.

19-Nour Abdul Sattar Ibrahim Mohammed Al-Shammari, The Impact of Foreign Investments in the Oil Sector on the Iraqi Economy, Unpublished Master Thesis, Faculty of Management and Economics, Wasit University, 2012.

20-Saif al-Din Muhammad al-Hadithi, Oil in Iraq among the facts of history and the variables of politics and economics, Journal of the Iraqi Dinar / University of Iraq, Volume 1, No. 3, 2013.

21- Iraqi Oil Ministry / Department of Petroleum Contracts and Licenses, from the official website https://www.moo.oil.iq