

Study: Iraq must overcome logistical, political challenges to become oil leader

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Iraq's large oil-production potential could put it in a position to vie for leadership with Saudi Arabia in the world oil scene in the coming decades. But a new energy study released today by Rice University's Baker Institute for Public Policy finds that in the near term, both Baghdad and Riyadh may have difficulty meeting rising demand for oil.

The study, "Iraqi [Oil](#) Potential and Implications for Global Oil Markets and OPEC Politics," argues that ambitious targets set by the government of Iraq may not be reachable in the short-to-intermediate term while international oil companies operating in southern Iraq continue to experience [infrastructure development](#) problems.

"Political decentralization inside Iraq, social tensions and electricity shortages remain barriers to large-scale repair and construction of infrastructure that is needed before export levels can rise," said author Amy Myers Jaffe, the Wallace S. Wilson Fellow for [Energy](#) Studies at the Baker Institute. "Failure to progress quickly on water injection, pipeline, electricity and natural gas facilities will limit the ability of independent oil companies to translate upstream oil-field expansion successes into continued export increases."

While these operational and logistical factors will play a large role in whether Iraq reaches its energy potential, political factors will be equally important, the study concludes. The resolution or management of several political issues – including ongoing challenges to political stability, difficult power-sharing arrangements at the national level between

political parties and growing pressures for provincial empowerment – is essential to the smooth development of Iraq's energy potential.

Iraq's logistical and political challenges come at the same time that the costs for Saudi Arabia to continue to expand and maintain sufficient spare capacity to influence global markets have increased dramatically, according to the study. Future investment in a new tranche of Saudi production capacity is likely to be even more expensive because the kingdom will have to shift to areas that have more complex geology and require greater technological intervention. But Saudi Arabia is also facing competing priorities with higher spending requirements on social services and defense in light of new regional and internal challenges, which calls into question whether sufficient spending on spare oil production capability will be maintained.

The study notes that Iraq's ability to reach its energy potential should be of broad regional and international concern, given how the country's development has major implications for global energy security. "The health of Iraq's energy sector will likely be a major determinant in setting Iraq's overall trajectory," said study author Meghan O'Sullivan, the Jeane Kirkpatrick Professor of the Practice of International Affairs at Harvard University's Kennedy School.

Provided by Rice University

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