

Financing the Developing of the Oil Industry



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Financing the Developing of the Oil Industry

- 1. What is the current status of upstream production?*
- 2. What is the current state of the economy/finance?*
- 3. What is the current state of the investment environment*
- 4. What are the models for investment/financing*



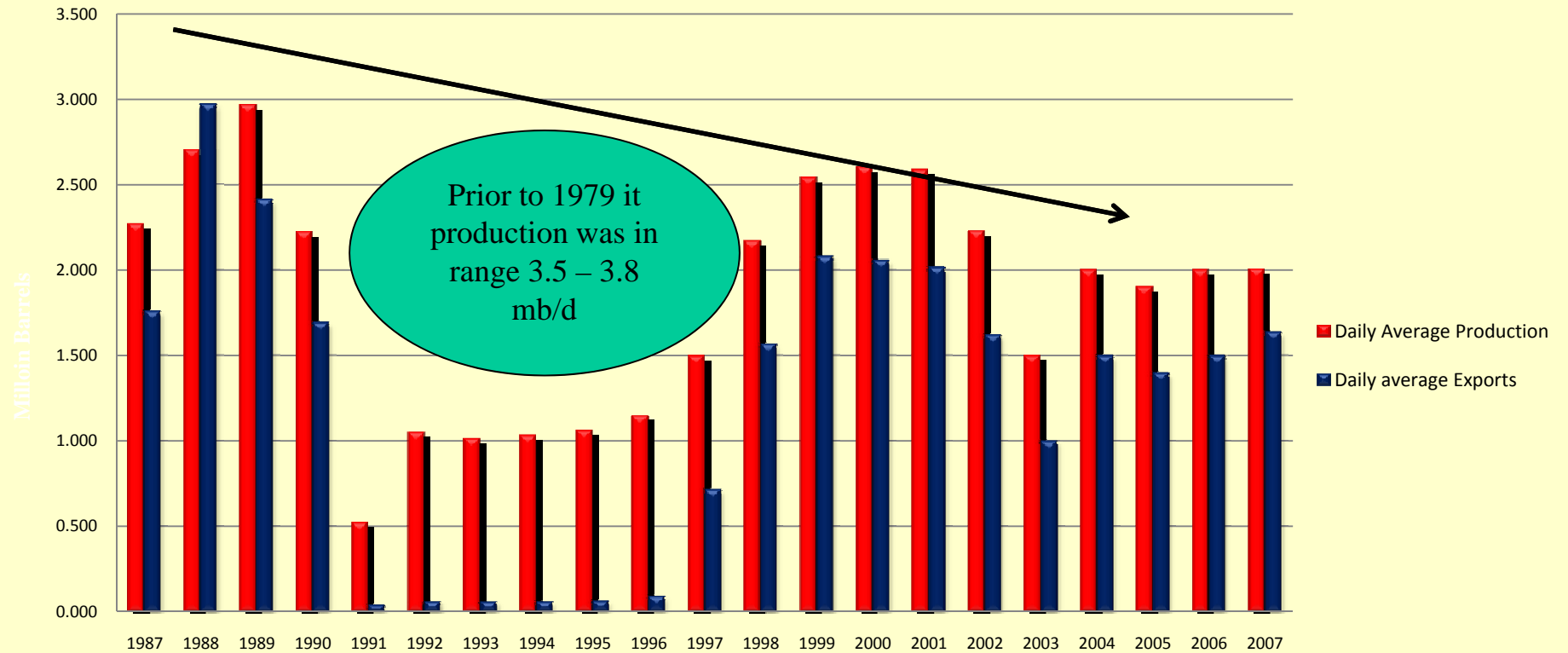
What is the current status of upstream production ?

- *Devastating damage caused by military action and looting,*
- *Inadequate investment, neglect, lack of proper maintenance,*
- *Deficiency of spare parts and other shortages for nearly three decades,*
- *Shortages of know how & experts*

Current Statue of Production

Average Production & Exports

Million Barrels



Export of Crude Oil 2008 -2009

<i>Month</i>	<i>Southern Exports</i>	<i>Northern Exports</i>	<i>Total</i>
Jul-08	1.513	0.384	1.897
Aug-08	1.44	0.306	1.754
Sep-08	1.323	0.323	1.646
Oct-08	1.384	0.319	1.703
Nov-08	1.45	3.31	1.76
Dec-08	1.4	0.413	1.813
Jan-09	1.381	0.51	1.891
Feb-09	1.345	0.45	1.804
Mar-09	1.394	0.423	1.817
Apr-09	1.413	0.41	1.823
May-09	1.384	0.522	1.906
Jun-09	1.397	0.527	1.924
Jul-09	1.49	0.545	2.035
Aug-09	1.49	0.519	2.009
Sep-09	1.46	0.496	1.956

Source: SOMO, Expect for MMES Southern Exports estimates

Export
volume with
high volatility

Investment fund required to increase production up to 3.5 mbd

(in billions \$)

\$36
billion

<i>Project</i>	<i>Years</i>			
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
<i>Oil extract</i>	4.70	4.80	5.20	5.30
<i>Developing gas fields</i>	0.45	0.50	0.55	0.50
<i>Gas treatment and fill</i>	0.50	0.50	0.50	0.50
<i>Oil refinery</i>	1.25	1.35	1.40	1.50
<i>Pipelines projects</i>	0.70	0.70	0.80	0.8
<i>Maintain production in current fields</i>	0.50	0.50	0.50	0.50
<i>Maintaining production in manufacturing sector</i>	0.20	0.25	0.25	0.30
<i>Oil explore</i>	0.10	0.10	0.10	0.10
<i>Total</i>	8.40	8.70	9.30	9.60

Source: National Economic Strategy 2006

Assessment, Solution & Legal Structure

There is a comprehensive need for a qualitative and quantitative **assessment** of the problems, in order to provide technical **solutions** supported by an adequate **legal** structure driven by a technical team of experts



Current State: Financial & Economy

Current State: Financial & Economy

- *Population: 28 million*
- *Unemployment 18%*
- *Average life expectancy: 58 years*
- *Poverty: 23.5% of the population under the poverty line*
- *Central Bank Reserves: \$45 billion (in 2008),*
- *Federal Budget 2009: over \$58 billion*

Current State: Financial & Economy

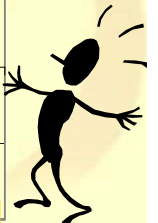
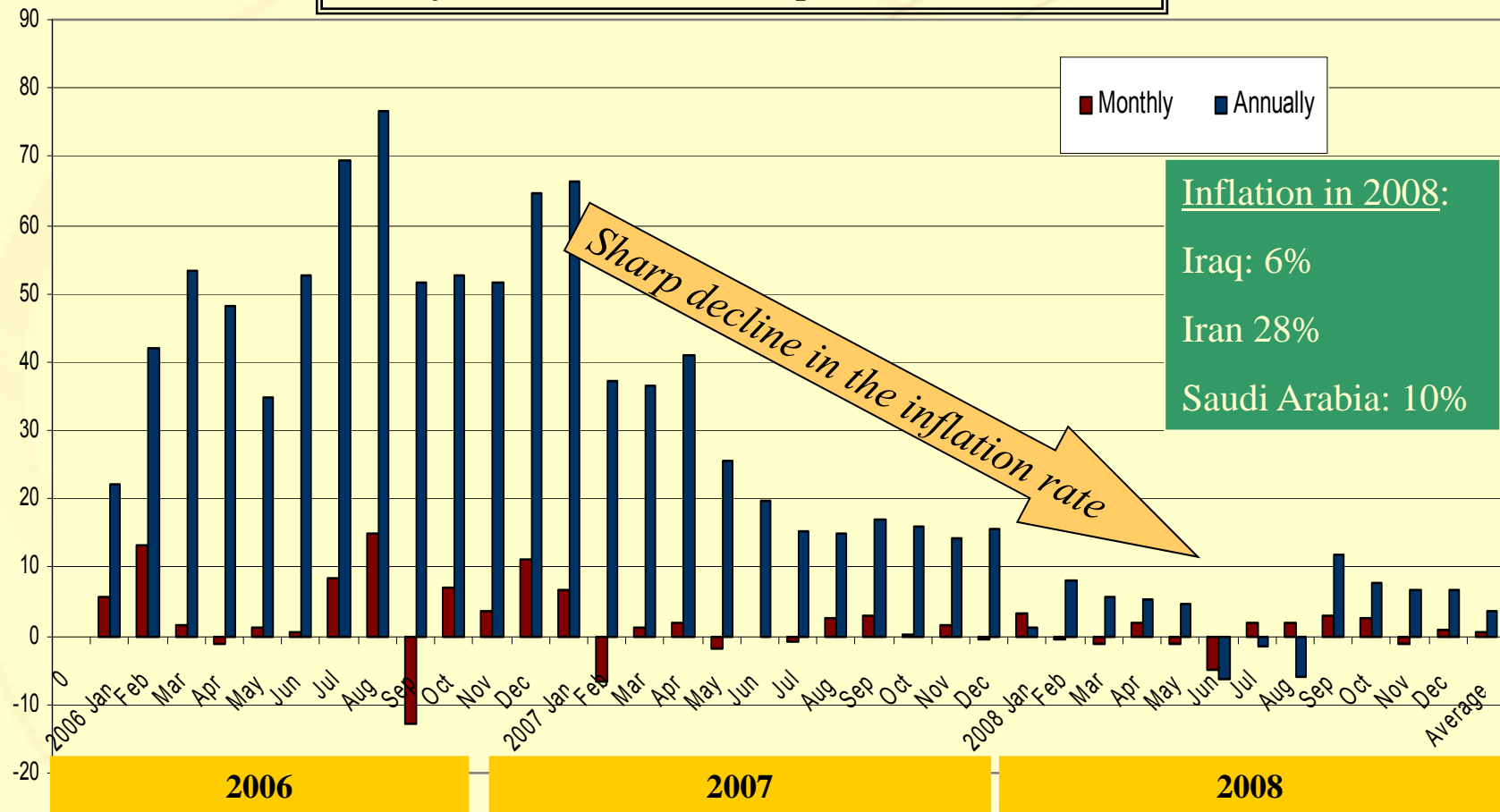
GDP (purchasing power parity): *\$113.9 billion (2008 est.)*

GDP - per capita (PPP): *\$4,000 (2008 est.)*

GDP - real growth rate: *5.8% (2009 est.)*

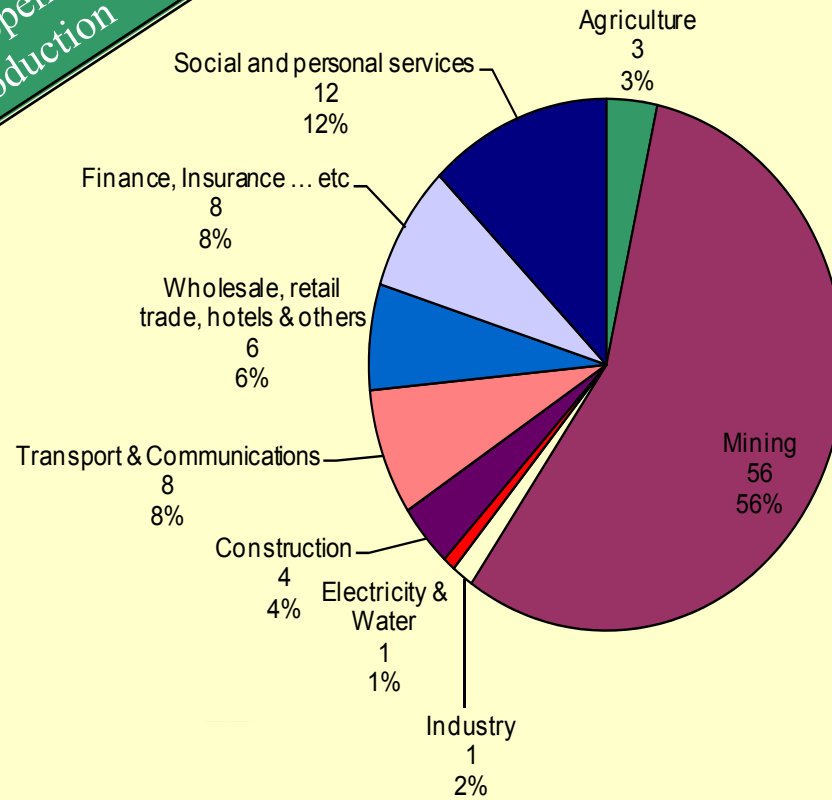
Current State: Financial & Economy

Inflation rate (consumer prices) 2006-2008



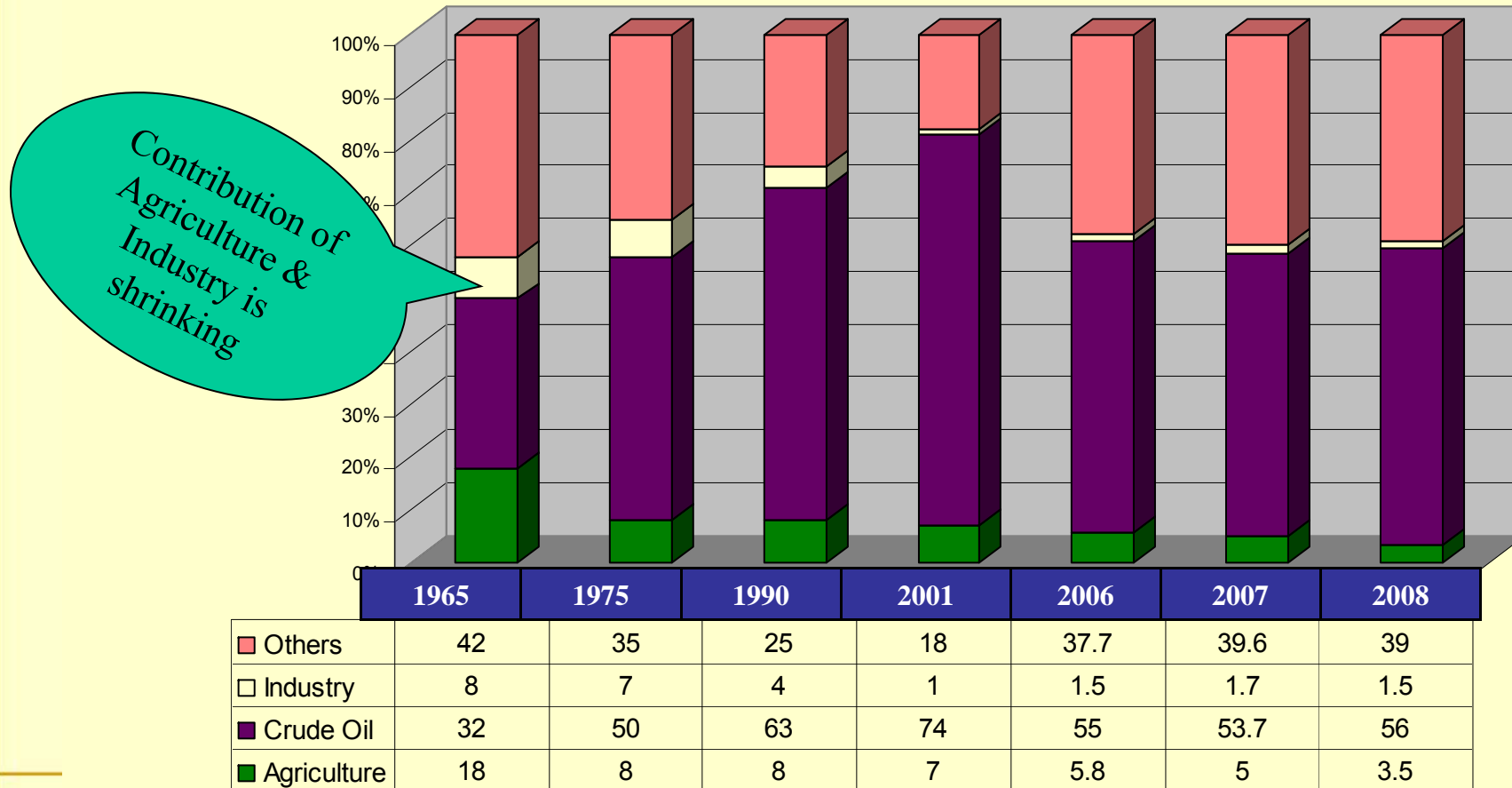
Current State: Financial & Economy

The Economy is dependant on crude oil production



Current State: Financial & Economy

GDP 1965 - 2008



Current State: Financial & Economy

Iraqi infrastructure has been completely damaged. A team of UN and Iraqi officials have made assessments of needs,

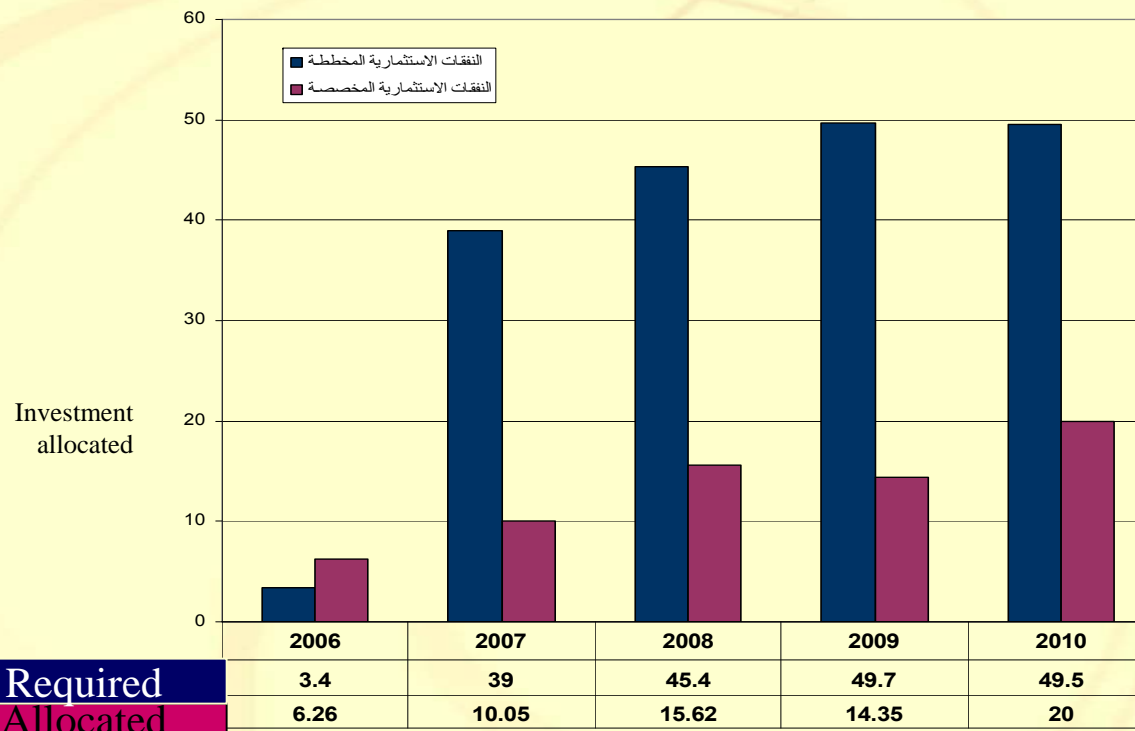
Based on current figures we can simulate that it would require 20 years to pay off the reconstruction costs.

Sectors	2006	2007	2008	2009	2010	Total
Industry		0.3	0.2	0.2	0.1	0.8
Communication		0.3	0.3	0.2	0.2	1
Education		0.6	0.6	0.6	0.6	2.4
Agriculture		1.1	1	1	1	4.1
Irrigation		1	1.5	1.5	1.2	5.2
Constructions		1.5	1.5	1.5	1.5	6
Water &		1.4	1.9	2.5	2.7	8.5
Regions & provinces		2.5	2.5	3	3	11
Health		2.5	3.3	4.4	4.5	14.7
Electricity		6	4.4	3.5	2.6	16.5
transport		7.5	7.5	7.5	7.5	30
Oil	3.4	8.4	8.7	9.3	9.6	36
Housing		10	12	15	15	52
Total Investment	14.9	43.1	45.4	49.7	49.5	187.7

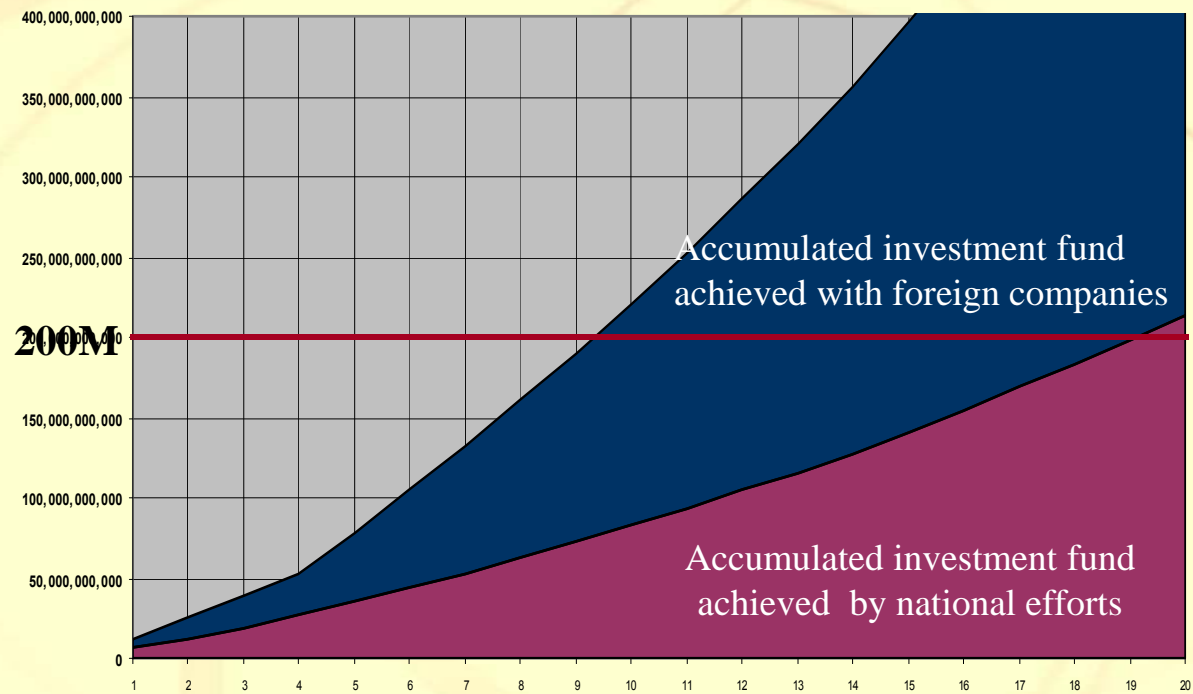
Investment required by various sectors in \$ billion

Current State: Financial & Economy

Iraq badly needs foreign investments



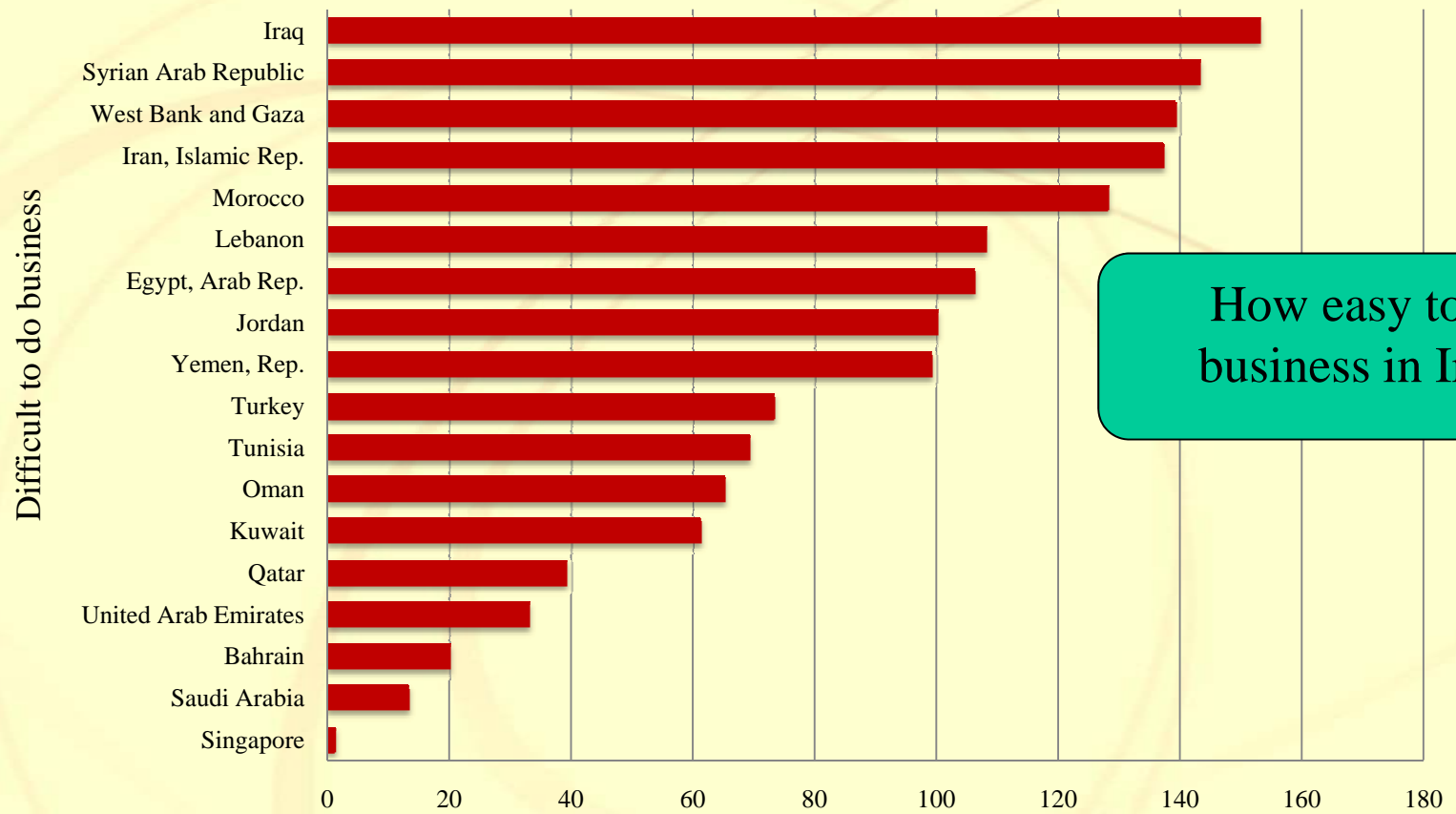
Simulation of Oil Returns





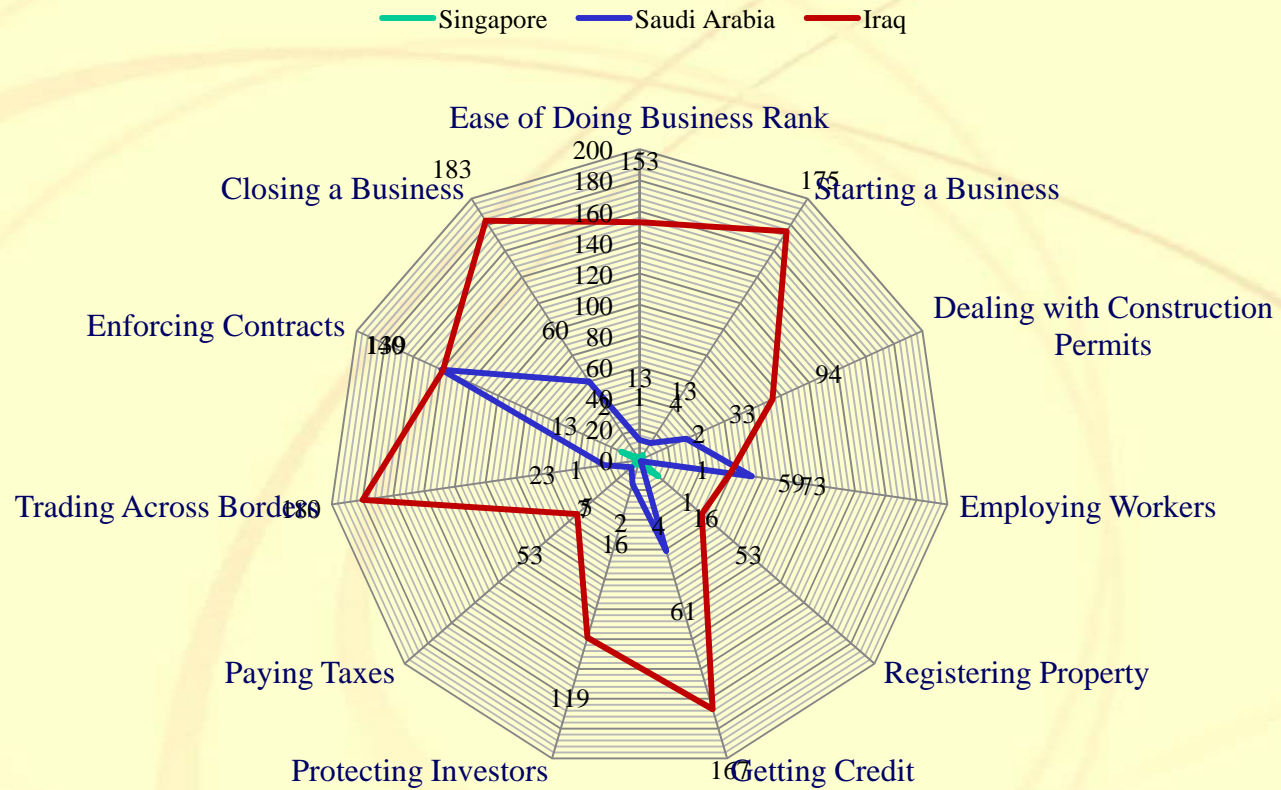
What is current Investment-Environment?

Current Investment Environment



How easy to do business in Iraq?

Investment Environment



Execution of federal investment budget

Due to internal & external factors:

In 2007 the excursion of federal investment budget was %63

In 2008 the excursion of federal investment budget was %67

Investment Mode to Development of Oil Industry

It is not appropriate to decide which model of investment should be implemented .

Different circumstances require different solutions.

The legal system should be flexible to ensure that.