Iraq Officially Retreats from Ambitious Oil Plans

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BAGHDAD (AP) — Iraq officially stepped back on Wednesday from its ambitious plans to more than triple its oil production by 2017, but it remains more optimistic than the world's leading global energy monitor about how fast and how high it can boost output.

Baghdad's latest targets show that Iraq, which is now pumping some 3.4 million barrels a day, is eager to be a major player on the world energy map despite decades of wars and sanctions. It recently nudged out Iran as OPEC's second-largest

producer, and further production gains would solidify its place behind the bloc's top producer, Saudi Arabia.

Speaking at a ceremony in Baghdad to mark the release of the International Energy Agency's less rosy outlook for Iraq's energy sector, Iraq's Deputy Prime Minister on energy Hussain al-Shahristani predicted that the country's oil production will reach 5 million to 6 million barrels per day in 2015. He envisions that rising to 9 million to 10 million barrels per day by 2020, a level that could be sustained for 20 years.

Iraq had previously been targeting production capacity of 12 million barrels per day by 2017. Many experts consider that target unrealistic.

"The conclusion of our studies and those of the independent consultants engaged in the Ministry of Oil are that it is feasible and desirable for Iraq to raise its oil production to about 9 to 10 million barrels per day by 2020," al-Shahristani added, without giving reasons for adjusting the oil targets.

The Paris-based IEA issued Tuesday a mid-range forecast envisioning oil production of 6.1 million barrels a day by 2020 and 8.3 million barrels a day by 2035.

Encouraged by improvement in the security situation, Iraq started in 2008 to attract international oil companies to develop its vast untapped oil and gas reserves to bring in sorely needed cash for postwar reconstruction. Top among major oil companies are the U.S.'s Exxon Mobil, Anglo-Dutch Royal Dutch Shell, the U.K.'s BP, China's CNPC and Russia's Lukoil.

Since then, Iraq has awarded 12 oil deals to develop about 65 percent of its 143.1 billion barrels of proven oil reserves. Three other deals to develop major gas fields were also awarded. As a result, Iraq's daily production and exports have jumped to levels not seen since the late 1970s or early 1980s.

It is now producing 3.4 million barrels a day, up from nearly 2.4 million a day in 2009, and its daily exports averaged 2.6 million barrels a day last month. Oil revenues make up nearly 95 percent of the budget.

But the IEA said Iraq needed to sort out internal issues in order for its predictions to come true. Among the most troublesome is the lack of oil-related infrastructure like pipeline networks, storages and export terminals. Another is the dispute between Iraq's central government and the self-ruled northern Kurdish region over rights to develop natural resources.

The IEA report also noted that boosting Iraq's oil production is crucial for international markets, as Iraq is expected to account for nearly half of the expected growth in global oil output in the current decade. A more pessimistic IEA forecast in the same report sees Iraqi oil output rising to just 4 million barrels a day in 2020 and to 5.3 million barrels in 2035. In its high case, IEA says that oil production could reach 9.2 million barrels in 2020.

The monitor reported that Iraq's annual revenues from energy exports could double to an average of $200 billion annually over the next 20 years. That optimistic scenario would make Iraq's economy the same size as that of Saudi Arabia now by 2035.

The IEA is a policy adviser to 28 member countries, mostly industrialized oil consumers. The group's predictions are important because they are seen as key benchmarks for energy markets.

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