

Plenty of Oil But No Petrol

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Insurgents blowing up pipelines add to technical hitches that prevent Iraq refining its oil and keep petrol queues long.

Although Iraq is thought to have the world's second-largest oil reserves, it is still having to import petrol because insurgent attacks and creaking technology are hampering production at fuel refineries.

Two big refineries, al-Dora in Baghdad and al-Beiji near the northern city of Kirkuk, should between them be producing at least 475,000 barrels per day of refined products such as petrol and kerosene, but in reality they are pumping out one-third that amount.

The shortfall is typical at facilities across the country, such the Basra plant which as one of the three biggest refineries, with al-Dora and al-Beiji.

Because not enough fuel is coming out of the domestic refineries, Iraq is forced to spend 200 million US dollars a month on imports from its neighbours.

Insurgents have consistently targeted the vulnerable pipeline network, disrupting supplies. Last year, attacks on pipelines averaged one a day, and acts of sabotage continue. Oil ministry spokesman Assim Jihad said four pipelines taking crude oil for refining at al-Beiji and al-Dora were among those destroyed recently.

Production drops when the supply of crude is cut by an explosion, and many see the attacks as the major obstacle facing the industry.

"The main problem is the destruction of the oil pipelines that deliver crude oil to the refinery; this sometimes halts work here," said an engineer at the al-Dora refinery, who asked not to be named.

But the refining industry is also held back by the worn-out technology currently in use, and an inability to replace it with modern equipment.

A maintenance engineer at the Iraqi oil ministry told IWPR he believed deteriorating equipment at the refineries was more of a problem than attacks on pipelines.

Agreeing with this point, Hassam Shams, an engineering assistant at the low-capacity Thi-Qar refinery in southern Iraq, said one reason why things were falling apart was that the funds meant to keep the refining plants running were being stolen.

"Corruption and the theft of money allocated to maintain the production process are other reasons why one production line [at Thi-Qar] has ground to a halt," he said.

Whatever the cause - violence, obsolete machines or theft - the result is the same: daily shortages of petrol and other fuels for the average Iraqi.

Driver Akram Adnan complained, "I'm obliged to come to the petrol station every day and wait in long lines because I use my car as a taxi. I lose business."

The shortages affect people's lives in other ways, too. For example, deputy minister of electricity Rad al-Haris said the single biggest obstacle facing the electricity generation industry is the shortage of fuel used to drive the power stations.

The oil ministry is trying to free the bottleneck with plans to build a brand-new refinery with a capacity 300,000 barrels refined petrochemicals a day. The ministry is currently in talks with 17 international oil companies to build the two billion dollar facility.

As well as being costly, the supply of imported fuels cannot be relied on. Deliveries from Syria and Jordan, which border on the volatile Anbar governorate, have come to a halt because of the instability.

Again because of the attacks, only 50 fuel trucks a day are coming in from Saudi Arabia. According to Ali al-Allaq, inspector general at the oil ministry, that represents half the required number of vehicles which should be bringing in three million litres of refined products daily.

Hizam al-Qahtani, general manager of the al-Harbi Transportation Company, the main contractor for transporting refined products, said the tanker drivers sometimes do not travel at all when the security situation is bad.

Al-Allaq said Iraq's consumption needs run at eight to ten million litres of petrol every day. The ministry buys petrol at 650 Iraqi dinars (about 44 US cents) a litre, but sells it to the general public at the subsidised price of 20 dinars a litre.

Industry experts say the price differential only encourages smuggling and a black market in fuel products – including illegal re-exporting of the cheap fuel.

An IWPR contributor saw this from himself recently when he accompanied a smuggler taking petrol out of the country through the southern port of Basra.

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