

A Wasted Resource

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[?apc_state=heniicr&s=i&o=0924bc46b814c17502bf6d34640e9d5f">IWPR Special Report on Oil Exploitation in Iraq](#)

Chaos, violence, graft and smuggling are wrecking Iraq's oil business, with the revenue it generates vanishing into the pockets of extremists and corrupt officials, a new IWPR special report reveals.

Even where the news is good, such as in Kurdistan where relative peace has allowed oil companies to record new finds, officials are squabbling over who controls the new wealth.

Officials in Basra, the southern city near Iraq's richest oil fields, admitted to IWPR reporters in the city that oil worth five million US dollars went missing just last April. They call it waste. But locals call it smuggling and say Shia militias and political parties are complicit.

"Under Saddam, the oil ministry generally had a good reputation. It was seen as staffed by competent technocrats who got on with the job," wrote IWPR editor Christoph Reuter in a comment piece for the special report.

"That is not the case any longer. As with other ministries, an experienced staff has often been replaced by less qualified, political appointees."

An oil-smuggling infrastructure already existed in Saddam's time. During the Nineties, when United Nations sanctions were imposed on Iraq, illegal oil shipments were the easiest way to earn cash and smuggling was officially condoned. The people in charge may have changed, but the system remains.

"We use the same methods that we used during Saddam," said one veteran smuggler. "Instead of Ba'athists and generals, it is now Shia militias and their cronies who are doing the business."

Each stage of the export process is controlled by militias and political figures - from extracting the oil from the refineries or terminals, to bringing it safely past the border guards and navy vessels.

"You need someone to protect you," said a captain, who specialises in smuggling. "You need influence; otherwise you will be killed immediately."

The local smugglers' main fear, he said, is being stopped by British naval patrols, because they cannot be bribed, while the Iranian coastguards and the Iraqi navy are involved in the business.

When chased by Iraqi coast guards, the smugglers run into Iranian waters, where Iraqi police cannot follow.

On April 26 this year, two policemen were killed and seven others were arrested when they came under

fire from Iranian coastguards while trying to apprehend suspected oil smugglers at sea.

In Kurdistan, report IWPR correspondents, the picture is stable but far from perfect. Geologists say oil is gushing out the ground wherever they dig and the relative peaceful environment means production has soared.

But that has irked oil officials in the central government in Baghdad, however, and the autonomous region's windfall is far from secure. It is threatened by uncertainty surrounding a new national law on Iraq's oil reserves; and by pressure from rival ethnic groups whose territories are not so blessed with natural resources.

And they have to get the oil to market, which is easier said than done, according to IWPR reporters in Kirkuk. In the villages west of the northern city, which the Kurds want to claim as their own, tribesmen bomb the pipelines and steal the oil.

"The insurgents usually come at night and plant a bomb to detonate the export pipeline," said Qais al-Mifraji, a 34-year-old farmer in the village of al-Safra, 63 kilometres west of Kirkuk. "But if they want to steal, they just break it and fill their tankers. No one can stop them."

The riddled pipes partially explain why four years after the US invasion, Iraq has not been able to match its pre-war crude production level of 2.5 million barrels a day. In 2006, production averaged 2.1 million barrels per day, mostly from oil fields near Basra.

Kirkuk now produces just 180,000 barrels a day. It could produce at least 400,000 more a day which, at current market prices, would net Iraq seven billion dollars in revenue per year.

Over the second half of last year, one stretch of pipeline connecting Kirkuk with the Turkish Mediterranean port of Ceyhan - the main outlet for Iraq's northern oil exports - pumped oil for only 43 days. The rest of the time, the pipeline lay idle, leaking crude through dozens of holes drilled along its 320-km run through the Iraqi desert.

Officials are coming up with new measures to protect the pipelines but, because the people hired to protect them are often from the same groups that sabotage the pipes, and tribal bonds are often stronger than national loyalty, the illegal drilling is expected to continue.

Sheikh Ziyad Hasan, who formerly served as a contractor protecting the pipelines, confirms that people from the area sabotage the pipelines and profit from the oil. Many locals, he said, lack the motivation to prevent thefts.

"They believe that this oil serves the Americans and the new government, and that it does not benefit the people," he said.

Location: [Iraqi Kurdistan](#)

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