



The Arab Gulf States  
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From Newcomer to Dominant Player

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October 23, 2024

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He is currently working on a German Foreign Ministry project on being a member of parliament in Iraqi Kurdistan.

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## Executive Summary

Chinese energy companies emerged as dominant players in the Iraqi Oil Ministry's May licensing rounds to auction 29 oil and gas blocks, securing 10 out of 13 oil and gas blocks. Shell was the only Western international oil company to participate, and it did not win any bids. Other Western and U.S. international oil companies showed no interest in bidding, despite improved fiscal terms of the contracts. The resounding success of Chinese firms underscores a significant shift, solidifying Beijing's already strong position in Iraq's energy landscape and presenting a substantial challenge to Washington's strategic position in the region.

The increasing Chinese dominance comes amid a seemingly contradictory development: In April, Iraqi Prime Minister Mohammed al-Sudani signed numerous memorandums of understanding with U.S. energy companies, particularly focusing on gas development and power generation. This focus aligns with Washington's strategic goals of diminishing Iran's political influence in Iraq and, by extension, blunting China's push to dominate Iraq's hydrocarbon sector. The stark contrast between the memorandums of understanding signed by U.S. companies and the contracts awarded to China demonstrates a significant mismatch between the aspirations of Washington and the realities of the investment environment in Iraq.

## Introduction

Iraq's vast oil reserves, estimated at 145 billion barrels, transformed the country into a magnet for international oil companies following the overthrow of Saddam Hussein in 2003. This shift wasn't merely economic – it marked a return to a bygone era. Oil nationalization in 1972 severed ties with Western energy companies, cutting the country's oil industry off from Western investment and expertise; that isolation, together with subsequent decades of war and crippling sanctions, left Iraq's economy and energy infrastructure in shambles. Desperate for financial resources and technical expertise after the U.S.-led invasion, Iraq reopened its doors to both Western and Chinese oil companies. This strategic move was essential to breathe new life into oil production and generate much-needed revenue for reconstruction.

Western and Chinese energy companies swiftly took advantage of Iraq's investment potential. While Western oil companies were primarily motivated by the prospect of profits from Iraq's vast untapped reserves, China viewed investing in the sector as crucial for energy security and a means to gradually increase its presence in a country historically dominated by Western interests.

In 2008, industry giants, such as Shell, BP, Exxon Mobil, Chevron, and Total Iraq, were awarded no-bid contracts to develop major oil fields over a one-year period. However, Iraq later revoked those contracts under pressure, as these companies were perceived as unfairly advantaged by the U.S.-led invasion of Iraq and beneficiaries of insufficiently competitive contracting procedures. The Western oil companies already found themselves under a cloud of suspicion, their actions often viewed through the lens of perceived ulterior motives because of their

destabilizing role in the politics of the Middle Eastern countries over the previous century.<sup>1</sup> According to a 2003 poll, 80% of Arabs believed that oil was the primary motivator behind the U.S. war effort.<sup>2</sup> Thus, the awarding of no-bid contracts exclusively to the big five oil companies served to fuel these suspicions.

While the Western oil companies were taking a reputational hit for overreach that caused some erosion in their dominant position, China took a different approach. In 2007, as a gesture of goodwill and to build confidence with Iraq's new leadership, China wrote off \$6.7 billion of Iraq's outstanding debt obligations. China forgave the debt incurred during Saddam's regime to facilitate access to bidding for oil and infrastructure projects.<sup>3</sup>

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Simultaneously, China embraced a policy of diplomatic restraint toward the United States,<sup>4</sup> refraining from overt criticism of its invasion of Iraq and emphasizing China's desire to contribute to Iraq's reconstruction.<sup>5</sup> By walking this tightrope, China aimed to pursue its national security and commercial interests in Iraq while deftly managing tensions with the United States. In essence, China's outwardly nonpolitical and cooperative demeanor masked strategic maneuvers aimed at securing access to Iraq's oil sector and reconstruction projects.

This strategy paid off – in 2008, Baghdad and China National Petroleum Corporation revived a 1997 oil deal to develop the Ahdab oilfield. Most activity on the Ahdab field in the late 1990s, given economic sanctions in place at the time, was limited to initial surveys. The China National Petroleum Corporation also pursued the Halfaya field, but no contracts materialized.<sup>6</sup> With gradual implementation as sanctions were lifted, the Chinese deal on the Ahdab oilfield became the first significant oil contract fulfilled by the Iraqi government after Saddam's regime fell. The Ahdab field significantly surpassed production goals, generating a windfall of \$10 billion for Iraq's reconstruction efforts.<sup>7</sup> However, as indicated by a Chinese oil executive in 2009, the profit was less of a primary motive initially – the deal was more about getting “a foot in the door” of the Iraqi oil industry and fields that were much larger than Ahdab.<sup>8</sup>

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<sup>1</sup> Netanel Avneri, “The Iraqi Coups of July 1968 and the American Connection,” *Middle Eastern Studies* 51, no. 4 (2015): 649–63.

<sup>2</sup> Shibley Telhami, “Arab Public Opinion on the United States and Iraq: Postwar Prospects for Changing Prewar Views,” *Brookings*, June 1, 2003.

<sup>3</sup> “Chinese Government Cancels \$6.7 Billion of the Government of Iraq's Outstanding Debt Obligations,” Aid Data Project, William & Mary University, accessed August 29, 2024.

<sup>4</sup> Yitzhak Shichor, “Decisionmaking in Triplicate: China and the Three Iraqi Wars,” in *Chinese National Security Decisionmaking Under Stress*, ed. Andrew Scobell and Larry M. Wortzel (Strategic Studies Institute War College, 2005), 191–228.

<sup>5</sup> “China Wants Deals With Iraq to Remain,” *Al Jazeera*, August 8, 2003.

<sup>6</sup> “Oil, Business, and the Future of Iraqi Sanctions,” *The Washington Institute for Near East Policy*, November 24, 1997.

<sup>7</sup> Tang Tianbo, “Chinese Reconstruction Investment in Iraq and How It Is Being Misunderstood,” *Manara Magazine*, July 2, 2022.

<sup>8</sup> Haider Hamood Radhi Al-Shafiy, “CNPC, CNOOC and SINOPEC in Iraq: Successful Start and Ambitious Cooperation Plan,” *Journal of Middle Eastern and Islamic Studies (in Asia)* 9, no. 1 (2015): 78–98.

Chinese companies secured additional contracts in Iraq in the 2009 international bidding process, along with ExxonMobil, BP, Eni, and Shell.<sup>9</sup> To minimize risks, most of these companies entered the Iraqi energy sector as consortiums and in most cases in partnership with Chinese companies.<sup>10</sup> Yet only BP and Italy's Eni have remained active in the country. Exxon and Shell have divested their stakes to Chinese and other companies due to unfavorable contract terms, red tape, an unwelcoming investment environment, and, most important, political divergence between Washington and Baghdad, which has translated into tremendous financial and security risks for Western oil companies.<sup>11</sup>

Iraq's alliance with China took off in late 2014 amid the fight against the Islamic State in Iraq and the Levant. At the time, Baghdad desperately needed U.S. security and financial assistance to stop ISIL's expansion in the country. Even though the newly elected prime minister, Haider al-Abadi, was seen as close to the United States, his trip to China that year laid the groundwork for a strategic relationship.<sup>12</sup>

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Iraq's pro-China direction picked up steam in 2019 under Prime Minister Adel Abdul Mahdi, who actively deepened ties with Beijing. A key part of this partnership was a unique deal in which Iraq exported 100,000 barrels per day of oil to China in exchange for reconstruction assistance.<sup>13</sup>

As part of the Iraqi-Chinese framework agreement, in October 2023, Prime Minister Mohammed al-Sudani's Cabinet increased Iraqi exports to China to 150,000 b/d from 100,000 b/d.<sup>14</sup> Although this was likely in part a commercial calculus by Iraq, Sudani's move, sanctioned by the framework agreement, underscored Baghdad's commitment to bolstering strategic projects in collaboration with Chinese counterparts while sidelining Western interests.<sup>15</sup> Currently, Chinese firms are active in 24 oil and gas fields throughout Iraq, and the 10 contracts recently awarded to Chinese companies will bring the total to 34, giving Beijing unprecedented leverage over Iraq's hydrocarbon sector.<sup>16</sup>

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<sup>9</sup> Keith Bradsher, "As Iraq Stabilizes, China Bids on Its Oil Fields," *The New York Times*, June 30, 2009.

<sup>10</sup> Kirsten Korosec, "Iraqi Oil Auction: Asian, European Countries Snap Up Contracts," *CBS News*, December 11, 2009.

<sup>11</sup> Simon Watkins, "China Replaces Western Energy Firms in Iraq's Supergiant Oil Field," *Oilprice.com*, August 30, 2024.

<sup>12</sup> Zana Gul, "The New Era in the Continuum of China and Iraq's Relationship," *Asian Journal of Comparative Politics* 8, no. 1 (December 5, 2022): 348-63.

<sup>13</sup> Ibid.

<sup>14</sup> "The Cabinet Decisions During Tuesday Session," *Iraqi News Agency*, October 17, 2023.

<sup>15</sup> Yerevan Saeed, "An Attack in Iraq Sends a Message: Closed To Western Energy Business," *New Lines Institute*, July 24, 2024.

<sup>16</sup> Kate Dourian, "Chinese Firms Snag Iraqi Oil and Gas Blocks," *Arab Gulf States Institute in Washington*, May 31, 2024.

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## Shared Anti-Colonial Sentiments

China has become increasingly attractive to the Iraqi political elite, particularly Shias, due to a confluence of historical, geopolitical, and governance factors. These factors have fostered a highly favorable environment for Chinese investment in Iraq's energy sector, eclipsing the interests and influence of Western oil companies. China's readiness to invest in large-scale infrastructure projects, coupled with its ability to offer financial packages without stringent political conditions, further cements its appeal.

China's noninterventionist approach contrasts sharply with Western powers' more intrusive policies and resonates with Iraqi leaders' desire to enhance Iraqi sovereignty. This particularly plays very well in the hydrocarbon sector. For Iraqis, this is especially the case with oil, which is deeply rooted in the country's history and nationalism, a perspective informed by a long tradition of anti-colonialism. Resource nationalism became a defining feature of the Iraqi Constitution in post-2003 Iraq, with Article 111 explicitly stating that the Iraqi people own the country's oil and gas resources. Accordingly, financially conservative technical service agreements awarded to international oil companies in 2009 were shaped by a strong sense of oil nationalism.

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The persistent tensions between Iraq's Shia ruling elite and the United States have fostered a climate that is increasingly unfavorable for Western investment. Shia leaders in Iraq perceive Washington's actions as attempts to erode their authority, leading to deep-seated mistrust and skepticism toward U.S. intentions. This apprehension is rooted in a series of actions by the United States that have been interpreted as undermining their governance and influence, including the Department of the Treasury's sanctioning of Iraqi banks and Shia individuals for violating sanctions and money laundering,<sup>17</sup> low intensity warfare and drone attacks against Popular Mobilization Forces militia leaders,<sup>18</sup> and the promotion of plans to create a Sunni region in western Iraq.<sup>19</sup> As a result, lack of political trust has translated into lack of investment opportunities for U.S. companies.

U.S. firms, particularly oil companies, are viewed as extensions of U.S. foreign policy.<sup>20</sup> To avoid potential political and diplomatic repercussions, the Iraqi ruling elite prefer to exclude U.S. firms, thereby mitigating the risk of confronting their substantial lobbying power.<sup>21</sup> Thus, a historical intertwining of U.S. military interventions and the controversial reputation of Western international oil companies – rooted in a legacy of resource exploitation and political

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<sup>17</sup> "Iraq Bans 8 Local Banks From US Dollar Transactions," *Reuters*, February 4, 2024.

<sup>18</sup> Qassim Abdul-Zahra and Abby Sewell, "Airstrike in Central Baghdad Kills Iran-Backed Militia Leader as Regional Tensions Escalate," *AP*, January 4, 2024.

<sup>19</sup> Suadad al-Salhy, "US Seeking to Carve Out Sunni State as Its Influence in Iraq Wanes," *Middle East Eye*, January 23, 2020.

<sup>20</sup> Antonia Juhasz, "Why the War in Iraq Was Fought for Big Oil," *CNN*, April 15, 2013.

<sup>21</sup> Tim Wheeler, "Control of Oil Fuels Bush War Against Iraq," *People's World*, September 20, 2002.



meddling in the Middle East – has severely undermined Western firms’ standing in Iraq. A lack of trust has colored the interactions between these companies and Iraq, hindering the development of mutually beneficial relationships.

In contrast, history favors China, not only because it is a new player in the Iraqi energy sector without a history of political interference but also because the Shia political elite increasingly draw parallels between their own “centuries of oppression”<sup>22</sup> and China’s “century of humiliation” from the 19th to 20th century that was marked by foreign domination, exploitation, and oppression.<sup>23</sup> For them, China’s ability to liberate itself from the yoke of imperialism serves as a model for ensuring Shia survival and power in Iraq. This worldview, whether accurate or not, has contributed to the strengthening of political and economic ties between the Shia elite and Beijing.<sup>24</sup> These dynamics have also instilled a sense of security and confidence in Shia leaders when negotiating with Chinese counterparts who also don’t have a reputation for aggressively maximizing profits like their Western counterparts.

## Geopolitics

Geopolitically, the United States is increasingly perceived as a retreating power in the Middle East, while China is seen as a rising force. In this shifting landscape, Iraqi officials, like many in the region, are seeking to strengthen their political and economic ties with China as part of a broader strategy to diversify their economic and foreign relations in pursuit of political and economic stability. They view China as a reliable partner capable of fostering economic development without political interference and imposing restrictions.

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The United States is also viewed as taking actions that subvert Iraqi sovereignty, further undermining U.S. reliability and leaving it open to conspiracy mongering focused on purported hidden agendas. U.S. Federal Reserve banking and currency restrictions imposed on Iraq are seen as “weaponization” of the U.S. dollar,<sup>25</sup> and the imposition of U.S. sanctions on Iraqi companies, individuals, and groups have reinforced the conviction among the Shia ruling elite that Washington is not a reliable ally. In April, the leader of Asaib Ahl al-Haq, an Iranian-allied Shia militia, accused the United States of using economic leverage to preserve its military presence in Iraq.<sup>26</sup>

<sup>22</sup> Ranj Alaaldin, “The Shia and the Battle for Survival,” *RUSI*, August 2, 2013.

<sup>23</sup> Alexander Rafatjoo, “A Century of Humiliation,” in *Modern China*, ed. Cary Krosinsky (Palgrave Macmillan, 2020), 75–79.

<sup>24</sup> Sardar Aziz, “Past Grievances Draw China and Iraq Closer Together,” *Doha Institute*, August 12, 2024.

<sup>25</sup> Zaher Mousa, “The US Holds Iraq Hostage With the Dollar,” *The Cradle*, January 22, 2023.

<sup>26</sup> Ahmed Mohammed, “Asa’ib Ahl al-Haq Leader Calls on Iraqi PM to Push for Greater Control Over Dollar Funds in US Visit,” *Channel 8*, April 10, 2024.

Others have urged Iraq to diversify international financial transactions away from the dollar to mitigate the risks of future punitive actions by Washington. Thus, Shia leaders see China as a more favorable alternative for supporting Iraq's development. This sentiment was strongly echoed by former Iraqi Prime Minister Adel Abdul Mahdi, who remarked, "Together with our Chinese friends, we tried to seize this historic opportunity of development in Iraq."<sup>27</sup>

In May, Sudani signed an \$8 billion deal with China National Chemical Engineering Company for the construction of the Faw refinery<sup>28</sup> and awarded several significant oil and gas contracts just after he returned from a weeklong trip to Washington in late April.<sup>29</sup> In a meeting with the chairman of the China National Petroleum Corporation in June, Sudani also emphasized the potential integration of China's Belt and Road Initiative with Iraq's Development Road, which aims to connect the Gulf to Turkey and, subsequently, Europe.<sup>30</sup> These initiatives, despite Sudani's pro-Western investment attempts, reflect a strategic pivot by Iraq's Shia ruling elite to strengthen ties with Eastern powers and reduce reliance on Western alliances.

## Security

Persistent political instability and the influence of militia groups are security concerns for Western companies. The risk of attacks, kidnappings, and extortion deters many companies from venturing into the Iraqi market.

The Iraqi government's plan to hold its fifth and sixth licensing rounds for oil and gas exploration, initially slated for April, were delayed until after Sudani's April trip to Washington. His primary objective was to project Iraq as a country ready to welcome Western investment, particularly in energy, and to secure partnerships with U.S. companies specializing in gas capture and power generation. During the trip, Sudani signed numerous memorandums of understanding with U.S. energy companies, such as Honeywell, General Electric, KBR, TransAtlantic Petroleum, Baker Hughes, Emerson Electric Co., and Ark Energy, hoping to entice them or convey a positive message to other Western energy companies to participate in the licensing rounds in May.<sup>31</sup>

However, an April 26 drone attack by Shia militia groups on the Khor Mor gas field in Iraq's Kurdistan region proved a devastating blow to Sudani's efforts to convince U.S. oil companies to invest in Iraq.<sup>32</sup> The attack, which claimed the lives of four Yemeni workers, underscored that Iraq remains an insecure environment for U.S. energy investments, as Shia militia factions possess the potential to inflict significant casualties and financial detriment.<sup>33</sup>

These factions hold significant political influence within the Sudani administration and are likely to be amenable to collaboration with enterprises that they perceive as politically neutral. As such, these companies may encounter a more favorable climate for investment opportunities.

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<sup>27</sup> Adil Abdul-Mahdi, "China's Modernization Enlightening for Iraq," *China Daily*, November 22, 2022.

<sup>28</sup> "Iraq Finalizes \$8 Billion Fao Refinery Deal," Gulf International Forum, August 6, 2024.

<sup>29</sup> Amr Salem, "China's CNCEC to Build Al-Faw Investment Refinery Project in Southern Iraq," *Iraqi News*, May 15, 2024.

<sup>30</sup> Amr Salem, "Baghdad Plans to Link China's Belt and Road With Iraq's Development Road," *Iraqi News*, June 10, 2024.

<sup>31</sup> Yerevan Saeed, "An Attack in Iraq Sends a Message: Closed To Western Energy Business," *New Lines Institute*, July 24, 2024.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

Conversely, entities that come from countries that are regarded as antagonistic toward these groups might experience considerable difficulties. In contrast to Western multinational oil corporations, the recent oil and gas agreements suggest that Chinese enterprises have become entrenched within these intricate power dynamics. This has posed a significant obstacle for Sudani in his efforts to secure U.S. investments in Iraq's energy sector as part of his overarching strategy to diminish the country's reliance on foreign gas and electricity imports.

## Corruption

Corruption is a significant economic concern in Iraq, particularly for foreign investors. Bribery often plays a crucial role in securing contracts, where kickbacks and connections with influential individuals or groups entrenched in the system can be decisive. Such endemic corruption within the Iraqi government raises significant concerns for Western companies. The fear of unfair practices, bribery, and difficulty enforcing contracts makes them wary of investing heavily.

This practice poses substantial risks under the Foreign Corrupt Practices Act, which prohibits U.S. companies and individuals from engaging in such activities to secure business. Similar legal restrictions apply to other Western companies, preventing them from participating in corrupt practices to further their interests. On May 19, German Ambassador to Iraq Christine Hohmann disclosed to Al Sharqiya TV that German companies, primarily in the electricity and health sectors, in Iraq have been solicited for bribes by officials.<sup>34</sup>

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Iraq's political economy is deeply entrenched with corruption, fueled by the interplay of political elites, parties, and armed factions. The Popular Mobilization Forces have established "economic offices" to access the formal economy – securing government contracts, participating in reconstruction efforts, and investing in various sectors. Leveraging their significant influence over government institutions, the PMF ensures that these contracts and investment opportunities are awarded to companies associated with their affiliates.<sup>35</sup>

While this political-economic model, enhanced by a culture of connections and corruption, discourages Western firms, it seems to be proving advantageous for Chinese investment. Chinese companies leverage this culture of nepotism to further their business interests at the expense of Western international oil companies. In an interview on an Iraq HD 24 TV program focusing on business, crisis management expert Ali Al-Jabar claimed that kickbacks and fixed contracts helped Chinese companies win most of the recent contracts in the licensing rounds.<sup>36</sup> He said Chinese companies offer bribes, hire local tribes, and collaborate with militia

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<sup>34</sup> Al Sharqiya TV, "Game of Thrones: Christine Hohmann – German Ambassador to Iraq," accessed September 30, 2024, 42:13.

<sup>35</sup> Rima Mansour, "Networks of Power: Mapping the Influence of Political and Economic Elites," *Chatham House*, February 25, 2021.

<sup>36</sup> Ali Al-Jabar crisis management expert interview, Iraq 24 HD TV, May 31, 2024, 2:24.

groups' economic offices as part of their strategy to win contracts and in their overall business operations.<sup>37</sup> As a result, Chinese enterprises have significantly expanded their presence across various sectors of the Iraqi economy. Meanwhile, the apparent backing of the current political structure by China is seemingly appreciated by Iraqi elites who stand to gain from it politically and economically.

## Regulatory Environment and Contracts

Iraq's regulatory framework for investments also remains unclear and complex. Businesses continue to face significant bureaucratic challenges and legal hurdles. A lack of transparency and inconsistent application of regulations, contractual terms, and laws have undermined investors' confidence in the Iraqi regulatory environment as a fair arbiter. Such irregularities have manifested in payment delays and unresolved contract disputes with the Iraqi government, for example. Thus, unreliable financial commitments have created significant financial risks and eroded investor confidence in the Iraqi investment environment from the perspective of Western international oil companies.

As mentioned, Iraq was cautious when it opened its hydrocarbon sector to international oil companies, largely because Iraqi bureaucrats' perspectives were shaped by a history of oil nationalism that scrutinized Western international oil companies as potential exploiters of the country's natural resources. Consequently, in the initial four rounds of oil and gas bidding, Iraqi oil contracts predominantly took the form of technical service contracts, an extraction arrangement generally viewed as significantly protective of sovereignty and long-term protection of resources. Under these agreements, the Iraqi state pays a flat rate to oil companies for every barrel of oil produced.<sup>38</sup>

The fiscal terms of the contracts, even for already well-developed fields, such as Rumaila, Zubair, and Majnoon together boasting over 60 billion barrels of proven reserves, were not sufficient for Western international oil companies to maintain profitability post-investment.<sup>39</sup> Thus, the economic impracticality of the contracts contributed to the withdrawal of Western international oil companies when negotiations for improved terms stalled. This hampered Iraq's ability to attract investment and ramp up targeted production, especially from Western companies, including some U.S. firms.<sup>40</sup> Moreover, in subsequent bidding rounds, the unattractive financial terms, in addition to other factors, further dampened interest among Western international oil companies, leading many to abstain from participating in the bidding processes.<sup>41</sup>

To appeal to international oil companies, the Iraqi Ministry of Oil pivoted by introducing a more attractive development and production contract model during the fifth round of bidding in 2018 to award 11 new oil and gas fields. This profit-sharing model is designed to be acutely

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<sup>37</sup> Ali Al-Jabar crisis management expert interview, Iraq 24 HD TV, May 31, 2024, 2:24.

<sup>38</sup> Mayah Shabib Al Shammari and Ahmed Sajjad, "Oil Policy and Investment licenses Contracts in Iraq (Analytical Study)," *Gharee for Economics & Administration Sciences* 16, no. 2 (2019): 1.

<sup>39</sup> Robin Mills and Luay al-Khatteeb, "Iraq 5th Bid Round Analysis," *Iraq Energy Institute*, May 19, 2018.

<sup>40</sup> Ibid.

<sup>41</sup> Kate Dourian, "Chinese Firms Snag Iraqi Oil and Gas Blocks," *Arab Gulf States Institute in Washington*, May 31, 2024.

responsive to variations in crude oil prices and production costs. When oil prices are elevated and production costs are minimized, this typically benefits both stakeholders; conversely, diminished prices coupled with increased costs tend to skew the advantage toward the governmental share.<sup>42</sup>

However, enhancing fiscal terms and overhauling contracts still fell short of convincing Western companies to invest in Iraq. For instance, major companies, such as ExxonMobil, Total, and ENI, qualified to bid in the fifth round, but only ENI submitted bids, and these bids were ultimately unsuccessful.<sup>43</sup> This lack of competition created an advantageous bidding environment for Chinese companies, resulting in two smaller Chinese firms, Geo-Jade and United Energy Group, along with the UAE's Crescent Petroleum (which previously had interest in the Kurdistan region), winning six contracts while the rest of the blocks remained unawarded.

To attract international oil companies to participate in the fifth-plus and sixth oil and gas licensing bidding rounds, the Iraqi Ministry of Oil again enhanced terms, including offering contractors a more generous revenue-sharing model.<sup>44</sup> Nonetheless, a pattern reminiscent of the 2018 bidding round reemerged, albeit on a larger scale. Once again, the lack of competition from Western firms significantly benefited Chinese energy companies, enabling them to capitalize on the opportunity and achieve substantial victories in securing contracts.

## Conclusion

While Iraqi leaders consistently emphasize the importance of Western investment in their energy sector, their actions instead are increasing Iraq's dependence on Chinese markets and oil firms. Rhetoric suggesting resistance to China's growing involvement often falls short of concrete action. In reality, efforts to curb China's influence have had minimal or no impact. Instead, Iraq has emerged as an increasingly pivotal energy source for China, with Chinese energy companies exerting significant influence over Iraq's hydrocarbon sector. Although this shift enhances Chinese energy security, it simultaneously aligns with and promotes Iranian economic interests and geopolitical goals by reducing U.S. economic influence in Iraq.

The continued lack of interest from Western, profit-driven companies in Iraq goes beyond mere financial considerations. The Iraqi investment environment simply isn't worth the immense political, legal, and security risks to these companies. While revised fiscal terms are a step in the right direction, Baghdad needs to improve political stability and provide a robust legal framework, streamlined bureaucracy, and better security to attract Western international oil companies' investments. Such factors mitigate risks and assure companies of the long-term viability of their investments. Conversely, Chinese companies seem less deterred by such concerns. For now, they appear to be prioritizing energy security and bolstering their geopolitical influence in the Middle East over profit, aligning with the tenets of Beijing's Belt and Road Initiative. This comes at a time when U.S. influence in Iraq and the broader region is perceived to be diminishing.

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<sup>42</sup> Robin Mills and Luay al-Khatteeb, "Iraq 5th Bid Round Analysis," *Iraq Energy Institute*, May 19, 2018.

<sup>43</sup> Ibid.

<sup>44</sup> Mahmood Baban, "Iraq Finalizes Fifth-Plus and Sixth Rounds of Oil and Gas Contracts, Yielding Over 30% Profit for Participating Companies," *Rudaw Research Center*, May 15, 2024.

