

تحليل إنتاج النفط العراقي منذ ١٩٧٠ مع صياغة تصورات حول السيناريوهات المستقبلية

لإدارة عائدات النفط

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الخلاصة

يحاول المقال إعطاء رؤية واضحة حول إنتاج النفط في العراق ، بالإضافة إلى مناقشة الطريقة المثلى لإدارة العوائد المالية للنفط بناءً على تجربة النرويج والإمارات العربية المتحدة لاستثمار أموال النفط.

من الواضح أن إنتاج النفط يتأثر سلباً أو إيجاباً بالظروف السياسية والاقتصادية وأن العلاقة بين هذين المتغيرين علاقة مباشرة. كلما تحسن الوضع السياسي والاقتصادي للبلاد ، سيؤدي إلى زيادة إنتاج النفط ، وتشمل التنمية جميع القطاعات النفطية. علاوة على ذلك ، تؤدي زيادة الإنتاج إلى المزيد من رؤوس الأموال والاستثمارات التي تساهم بشكل فعال في التنمية الاقتصادية. بل على العكس من ذلك ، فإن أي تدهور أو توتر سياسي أو اقتصادي أو عسكري سيؤدي إلى تقلب الإنتاج ووقفه. لذلك ، سيتم شل جميع القطاعات الأساسية بما في ذلك قطاع النفط. إنتاج النفط يعني استخراج زيت خزانه إلى نقطة التسليم ، سواء كان المستهلك أجنبياً أو مصفاة.

الكلمات المفتاحية : إنتاج النفط ، الإيرادات ، الإدارة ، أوبك ، صندوق الأسكا الدائم ، النفط الخام ، البرلمان العراقي ، قانون النفط ، التجربة النرويجية. احتياطي النفط.

Analysis of Iraqi Oil Production Since 1970 with Formulation of perceptions about Future Scenarios of Oil Revenue Management

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Abstract

The article attempts to give a clear vision about oil production in Iraq , In addition to discuss the perfect way to manage the financial returns of oil based on the experience of Norwegian and the United Arab Emirates to invest the oil money.

It is clear that oil production is influenced, negatively or positively by political and economic conditions and the relationship between these two variables is direct. Whenever the country's political and economic status is improved, will lead to increased oil production, and development includes all oil sectors. Moreover, production increase leads to more capitals and investments which contribute effectively to the economic development. On the contrary, any political, economic or martial deterioration or tension will lead to production fluctuation and stop. Therefore, all essential sectors will be paralysed including oil sector. Oil production means extracting the oil of its reservoir to the point of delivery, whether the consumer is a foreigner or a refinery.

Keyword: Oil production, Revenue, Management, OPEC, Alaska Permanent Fund, Crude Oil, Iraqi Parliament, Oil Law, Norwegian Experiment. Oil Reserve.

Despite the huge Iraq's oil reserve, which is estimated by 143.100 billion barrels, its production is still low and does not exceed 3 million/day. It is the same level of production since seventies of the last century.

Iraqi oil production in 2011 reach about 2.652 million barrels, it represents about 7.9 % of OPEC total production in 2011. Iraq occupied fourth place according to oil production after Saudi Arabia, Iran, Venezuela, Kuwait

Oil revenues represent are the basis to finance economic and social plans in these countries. It plays a major role to identify the direction and nature of development since early seventies till the present time. Oil importance, as a strategic commodity in industry because it is used in different aspects of economic, financial, bank and investment activities. Moreover, it is an important material in international trade and a main income for producing countries and in less degree for consuming countries through taxes revenues.

Financial returns of export the oil in 2011 reached about 87 billion dollars it represent 60% of GDP 'Gross Domestic Product ' , but there are several elements prevent Iraq to use the oil revenue to support the economic development like corruption , security tension , wars... etc.

Iraq needs to find the best way to manage the oil revenue and use it to improve the economic situation in the whole country.

Oil revenues depend on two factors: quantity of produced and exported crude oil, and percentage of government's share from foreign companies shares and taxes in addition to crude oil prices in international market.

There are several models presented for Iraq's oil future depending on previous experience in different regions around the world. Generally, it can be limited to four models: Alaska solution, Norwegian experiment which based on funds of oil stability and saving, oil revenues under the legislative authority instead of executive authority. Finally, a fourth trend pushes towards the new law of oil and gas.

Questions:

The study has two main questions as follow:

1. Are there any changes have been happening to the quantity of Iraqi oil production during 1970 - 2013?
2. What is the best model which can Iraq adopt to invest oil revenues , related on the experiences of oil-producing countries?

Hypothesis:

Iraq achieved a significant growth of the daily or cumulative oil production during the period 1970-2011, Iraqi oil wasn't used to support the economic development, several reasons prevented it like: wars, Corruption in Oil Sector, Security Situation, International conflict on oil, Iraq's relationship with OPEC, decrease the foreign investments...Etc.

Absence of political and economic stability in Iraq since 1970 until nowadays, The new Iraqi government trying to solve these problems, but the economic development process remained at a standstill.

There are several models for investing the oil funds, Iraq can adopt it depending on previous experience in different regions around the world like (Alaska's Permanent Fund, Norwegian experiment).

Introduction

Before shedding light on oil production development during the period (1970-2011), it is necessary to summarize the historical phases of Iraqi oil production, its beginnings, the most important incidents that faced it. Because there are some previous factors which are still hinder production operations in the present time as undeveloped oil establishments, the nature of contracting between Iraq and international oil companies and the exporting ports which some are closed due to political and economic reasons. We will try to recognize the stage that preceded 1970, the period from 1930-1969 to understand the oil production stages before 1970s.

The situation did not change in the following years (1966 and 1967) and slow oil production continued. Several reasons and factors were behind this status as the conflict between the Syrian government and Iraqi Oil Company in 1966 regarding traffic fees and shipping in Baniyas port. Also, Israeli aggression on June 5th 1967 where Iraqi oil exports halted to foreign markets except some countries which are the friends for Iraq (Nechola Sarckis,1966: 12).

I. Growing of oil production in Iraq :

Since 1970 the negotiations with the foreign companies which working in Iraq to raise oil production. The negotiations failed and the Iraqi government took the decision No. 69 of 1972 to nationalize the Iraqi oil company. The 1970s of the last century is considered the golden era of crude oil exports and the oil industry in general. Oil production fluctuated especially in the first years because of the intricate negotiations with the foreign companies which lasted for 12 years. Consequently, Iraq eliminated the foreign companies control on his petroleum and imposed his dominance after 50 years of struggle with the companies (Abbas Al-Nasrawi ,1973: 188-207).

After nationalization, Iraqi government through national oil company developed exploration and drilling operations. Also, Iraqi government contracted with some foreign companies like French company (Airab) which developed Misan oil fields (Bazrgan, Al-Faka and Abu-Ghraib) and the Brazilian company (Petrobras) which explored Majnon huge oil field.

After October war broke out in 1973 between Egypt and the Zionist entity, the Arab governments decided, except Iraq, to minimize production and ban exports to the USA. This step created two factors helped Iraq maximize its production(Abbas Al-Nesarawi, 2010: 24)

1. The first factor is the low supply of world crude oil.
2. The second factor is the oil hiking prices from 3 dollars to 5.12 dollars, then 11.65 dollars in 1974.

One of the results of nationalization decree is the government's control on this important resource which leads to production increase. It reached in 1973 to (9.367.404) barrels where it exceeded production of the year 1972 about (736.606) thousand barrels. The oil production of 1972 was about (8.630.798) barrels. But the increase in production did not continue till 1974 especially daily production, which decreased to (1.970.6) barrels where it was about (2.018.1) in 1973, see table No.(1). The reason was the measures that Iraq took to restore world equilibrium of supply and demand, and to maintain oil prices and avoid prices dropping. A report prepared by the Economic Committee of OPEC organization referred to that some countries minimized, voluntarily, of their production to maintain prices. These countries were (Iraq, Kuwait, Qatar, Libya and Venezuela). The conference discussed the arrangements that would help these countries to make a comprehensive scale-down of OPEC production(Journal of Oil World, 1974: 4) . In addition, there was a ban on oil exports after the war of 1973 and price hiking and to secure warm winter for the imported countries; all these reasons lead production decrease.

Table No.(1) Iraqi daily crude oil production for the period (1970-2011) :

Year	Cumulative crude oil production thousand barrels / year	Rate of change in the daily oil production %	Average for production thousand barrels / day
1970	7.476	١,٨	1.548
1980	15.826	-23.9	2.646
1990	22.246	-24.2	2.112
2000	952.049	3.3	٢.٨١٠
2010	35.565	0.9	٢.٣٥٨
2011	36.642	12.5	٢.٦٥٢

Resources/ researcher depend on:

1. Annual Statistical Bulletin OPEC, Iraq-cumulative crude oil production,2008, tab. 38 (oil and gas data), p.54.
2. Annual Statistical Bulletin OPEC,2009, daily and cumulative crude oil production in OPEC members, table 3.6 and 3.7 (oil and gas data), p. 29-30.

3. Annual Statistical Bulletin OPEC, daily and cumulative crude oil production in OPEC members, 2010-2011, table 3.6 and 3.7 (oil and gas data), p. 29-30.
4. Annual Statistical Bulletin OPEC, daily and cumulative crude oil production in OPEC members, 2012, table 3.6 and 3.7 (oil and gas data), p. 29-30.

Fig. 1: the daily Iraqi oil production during 1970-2011
Source : Data in table No. (1)

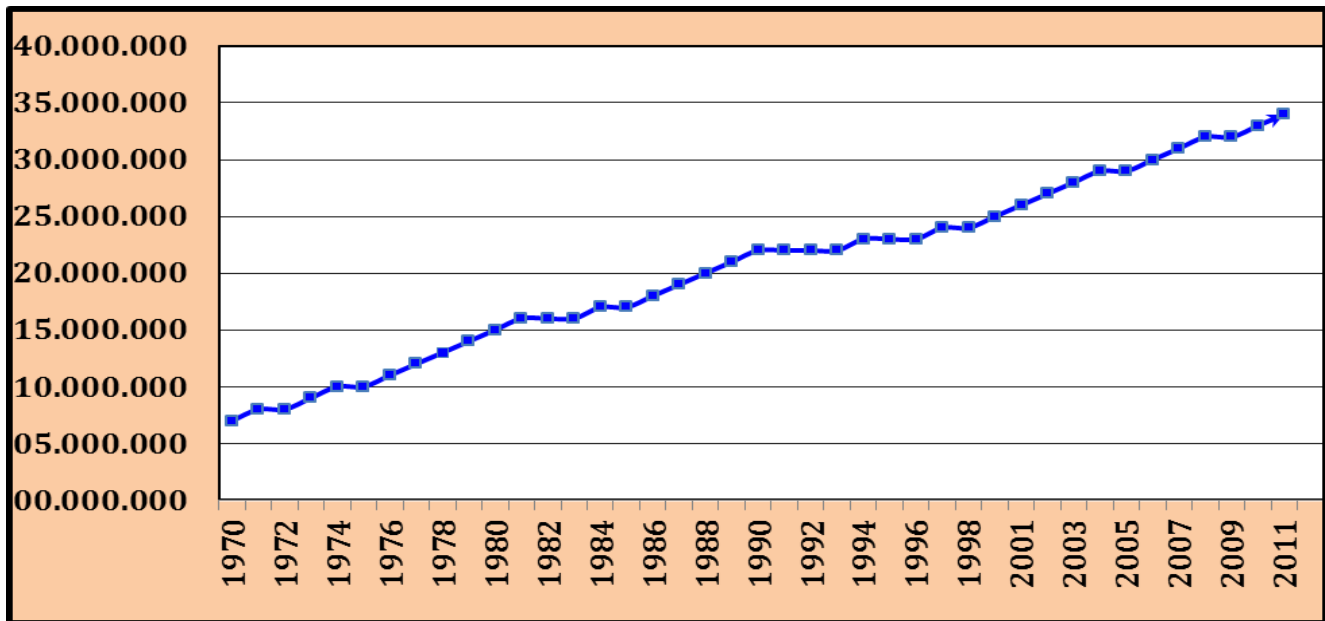
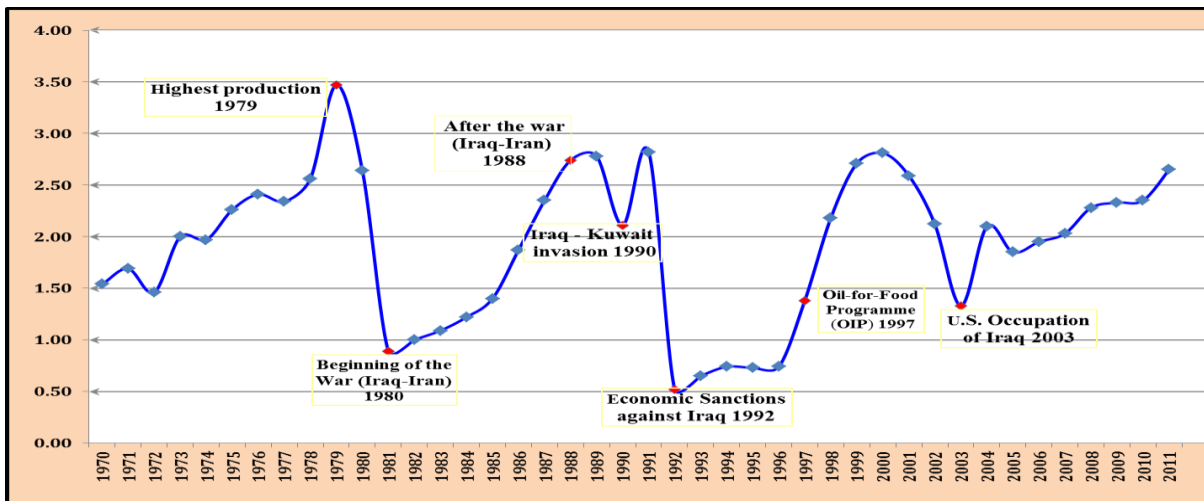


Fig. 2 : cumulative crude oil production during 1970-2011
Source: Data in table No. (2)



After 1974 Iraqi oil production increased to reach (10.086.673) then daily production ceiling raised to (2.261.7) million barrels in 1979 which accompanied by continuous price hiking. Production reached to the highest levels during the period (1970-2011). Daily production reached to

(3.476.9) million barrels while the annual production was (14.857.556) million barrels. In 1980s, daily production minimized because of the war and reached to (15.826.165) million barrels.

Regression of Iraqi daily production continued especially with the intensity of the Iraqi-Iranian war which destroyed Iraqi infrastructure and most of the industrial and oil establishments which located in southern part of Iraq and recruiting technicians, engineers and other specialists to army and popular army. Moreover, oil revenues were spent on buying weapons and military equipment. In 1982, OPEC decided to decrease its daily production to (18.5) million barrels when Saudi Arabia claimed that it was afraid of excessive increase in production which led to much supply and less demand. Consequently, there was a crucial fall of prices which caused an oil glut (Journal of the World of Oil, 1982). Iraq renewed its oil supplies contracts with old consumers then Iraq offered to decrease its prices by (0.25) \$/barrels.

Iraqi oil production in 2011 reach about 2.652 million barrels, it represent about 7.9 % of OPEC total production in 2011. Iraq occupied fourth place according to oil production after Saudi Arabia, Iran, Venezuela, and Kuwait.

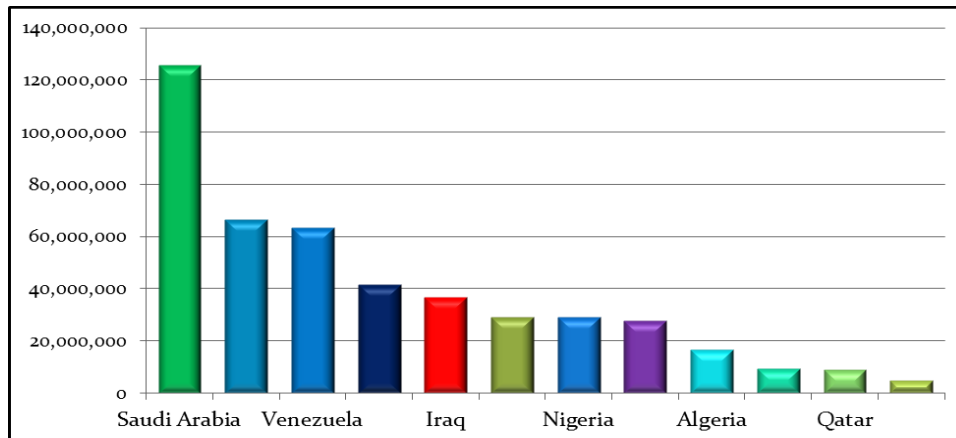
Table No.(2) Cumulative annual production of OPEC members for the period 1970-2011

OPEC Members	1970	1980	1990	2000	2011	% of OPEC oil production 2011
Saudi	13.283	42.306	61.814	91.266	125.78	27.4
Iran	12.357	29.969	38.410	51.367	66.457	14.5
Venezuela	26.301	36.046	42.528	51.772	63.415	13.8
Kuwait	13.028	21.993	25.857	32.092	41.518	9.0
Iraq	7.476	15.826	22.246	26.918	36.642	7.9
UAE	1.160	7.164	11.921	19.785	29.201	6.3
Nigeria	1.138	8.389	13.656	20.572	28.919	6.3
Libya	5.476	12.810	16.929	21.993	27.773	6.0
Algeria	2.569	6.404	8.974	11.837	16.503	3.6
Angola	76,423	623.359	1.681	3.972	9.408	2.0
Qatar	1.428	3.199	4.334	6.032	8.986	1.9
Ecuador	26.191	617.927	1.526	2.843	4.730	1.0
Total OPEC	84.325	185.352	249.88 1	340.45 3	458.26 6	100

1. Resources/ the researchers depends on:
2. Annual Statistical Bulletin OPEC Cumulative crude oil production up to and including year ,2011 , Table 3.6 (oil and gas data), p.29.
3. Annual Statistical Bulletin OPEC Cumulative crude oil production up to and including year ,2013 , Table 3.6 (oil and gas data), p.29.

Fig. 3: OPEC members oil production in 2011:

Source: Data in table No. (2)



II. The Future Scenarios of Oil Revenue Management in Iraq:

There are several models presented for Iraq's oil future depending on previous experience in different regions around the world. Generally, it can be limited to four models: Alaska solution, Norwegian experiment which based on funds of oil stability and saving, oil revenues are subjected to legislative authority instead of executive authority. Finally, a fourth trend pushes towards the new law of oil and gas.

- **First scenario Alaska's solution:** The western academics after US occupation in Iraq 2003 have called to apply Alaska's Model * to distribute part of oil revenues on Iraqis through establishing what is called "Iraqis fund." The fund supposedly based on allocating part of oil revenues to distribute directly to citizens. The first one who suggested to apply this model is the American economist Steven Clemons vice-president of Institute of New America for Researches. The proposal stipulated that Iraq allocates a fixed share of its oil revenues about 40% of total revenues to distribute on the Iraqi citizen. It is supposed that annual oil revenues are about 20 billion dollars, Iraqi government gets 12 billion dollars and 8 billion dollar deposited to a "Iraqi fund" which is used by Iraq to invest its money in different global investments. Then revenues of the investment are distributed to the citizens equally (Johnson, Jor Don and Al-Hiti, Majeed, 2006: 60-61).

Thomas Bally suggested a modification on this model, he called to establish a deposit of Iraqi oil revenues and to start distributing money through allocating 25% of revenues instead of saving a part of the revenues in a deposit or to wait for economic development. In addition to establishing another fund, this allocates and distributes a part of oil revenues in the local and regional administration, according to population (Thomas Bally, 1982: 282).

* Oil was discovered in Alaska in 1967, Prudhoe Baythe is the biggest oilfield in north America, oil reserve estimated (120 billion barrels). In 1976, Alaska's citizens voted to modify the constitution and establish Alaska's permanent fund to invest 25% of the state's revenues. The fund is the first of its kind that distribute the profits out of oil investment. In 2002, the capital of the fund was 23.5 billion dollar. The fund distributes in every year the profits on every person who could prove that has residency of one year in the state. In 2002, each citizen of the state received 21902\$, for more information look: Steven C. Clemons, 2003 April 9. Also: Marshall, Joshua Mica, 2003 July 17.

The fund of distributing oil revenues may contribute to achieving several economic and political futures: (Thomas Bally, 1982: 291-293).

1. The fund may help to solve some political problems through creating a feeling of ownership of the citizens. This feeling motivates citizens to protect this property.
2. Establishing such a fund will minimize the share in the hands of the officials which decreases the intensity of political conflicts because of the parties' struggle to control natural resources revenues.
3. The fund encourages on increasing the efficiency of the oil industry. Payment to citizens depends on the efficiency of the oil industry, this relationship should increase the political pressure to develop this efficiency.
4. The fund allows develop borrowing markets. The distribution of revenues may contribute to organize a stable income which can be used a guarantee of borrowing. Lack of loans limits the possibilities of developmental and commercial works. These allocations can be as a guarantee to commercial banks to get loans necessary for such works.
5. The fund leads to minimizing the government's revenues flow rather than to decrease the dominance of the government on the economy, especially if the local income depends on oil revenues by 50% or more. Consequently, corruption and plundering revenues are undermined, especially if the government lacks the ability to absorb or spend these revenues efficiently.

Starting in 1982, dividends from the fund's annual growth have been paid out each year to eligible Alaskans, ranging from an initial \$1,000 in 1982 equal to three years' payout, as the distribution of payments was held up in a lawsuit over the distribution scheme to \$3,269 in 2008, which included a one-time \$1,200 Resource Rebate. Every year, the state legislature takes out 8% from the earnings, puts 3% back into the principal for inflation proofing, and the remaining 5% is distributed to all qualifying Alaskans.

To qualify for the Permanent Fund Dividend, one must have lived in the state for a minimum of 12 months, maintain constant residency subject to allowable absences, and not be subject to court judgments or criminal convictions which fall under various disqualifying classifications (Alaska Permanent Fund Division, 2010, P.1).

The Alaskan Permanent Fund is managed by a quasi-independent state entity, the Alaska Permanent Fund Corporation (APFC). A six-member, governor-appointed Board of Trustees oversees and is ultimately responsible for the performance of the APFC. While two of the Board members are incumbent Government Ministers, the remainder is appointees from the private sector selected for their competence and expertise in finance and investment management. To maintain independence, appointments are staggered over four year terms (Alaska Permanent Fund 2005 - An Alaskan's Guide to the Permanent Fund).

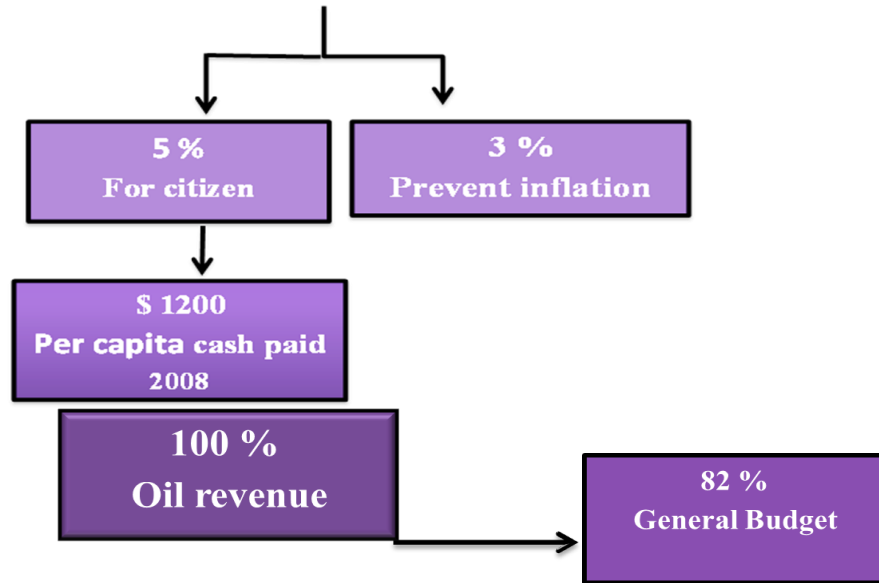


Figure 4: How Alaska has used its oil revenues

Source: Alaska Permanent Fund Division. (2010 April 20). *Pfd. State, Ak.USA. Archived from the Original, USA. P.1.*

The proposal has a special importance to Iraq as it transforms the country from a society where government buys allegiance through distributing benefits to a community of shareholders that finance its government by paying taxes on income and shares and makes it responsible before society. Through these shares Iraqis from different races, religion and sects can enjoy equal shares from their country's resources, local government can participate in the taxes generated from these arrangements. The proposal may obtain consent of a big sector of unemployed persons (Faleh Abdul Jabbar, 2004:12). But this proposal faces real problems on the level of practical application. Because the necessary infrastructure is unavailable in the country as a political stability and security, the integrated information system and a developed bank system which is able to contain oil money inside Iraq instead of outside the country is in search of profits in addition to small oil revenues due to decrease of exported oil to outside.

- Second Scenario: Apply the Norwegian Experiment (Funds of Oil Stability and Saving)

A Norwegian experiment on establishing a fund of oil stability and saving which distributes between oil revenues, other revenues and non-oil public expenditures. The fund is running by a sub - establishment belonging to the central bank. The fund may contribute to the increase of the amount of oil revenues, non-oil deficit and to the borrowed money or the re-invested in case of surplus in the development of the country's resources. It helped to invest fund's in getting rid of the Dutch disease (Al-Hikma Journal, 2005:12). The reason behind why the Norwegian example is successful is because it is able to build active democratic institutions based on the open market economy even before its oil exploration. Market economy stands on the idea of contract and contracting, private property protection and the establishments that limit and define these rules in addition to the basics of financial commitments. These conventions helped Norway to properly manage of surplus of oil revenues through the mechanism of anti- periodical expenditure in case oil prices decreased, which are known for their historical fluctuations (Birdsal, Nancy, 2007: 377).

In contrary to Iraq, which doesn't have this feature, its economy is deformed and depends on autocratic rule, plundering and corruption. But the international crisis group supports this option, it sees that there should be real consideration to establish a separate fund, away from national budget, where its administrative structure is independent on for daily political decision-making (International crisis group, Brussels, 2004: 21).

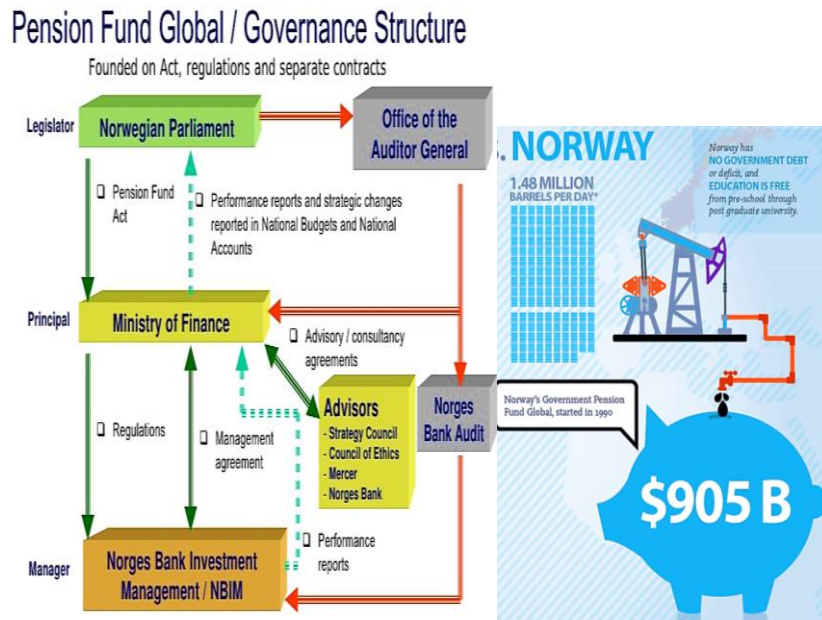


Figure 5: Structure of Norwegian Oil Fund

Source: Norwegian Ministry of Finance (2008). *Sovereign Wealth Funds and Norway's Government Pension Fund*.

- Third Scenario: Submission Oil Revenues to the Legislative Authority "Iraqi Parliament"

Other parties want to support the motion that the submitting of oil revenues to legislative authority instead of the executive one because of financial independence, which provide revenues to the government, especially if this sector needs more knowledge, accuracy, experience and flexibility to deal with the unpredictable world market. It is fair that oil revenues and expenditures which related to the federal budget should be under representative assembly supervision (Al-Zubaidi, Hassan, Latif, 2007: 76).

- Fourth Scenario: Management of Oil Sector According to the Federal Oil and Gas Law.

The draft Federal Oil and Gas Law was agreed on, in principle, in February 2007, Which is also referred to as the Hydrocarbon Law It had submitted to the Iraqi Council of Ministers, and then to the Council of Representatives for approval.

The draft law contains a package of interconnected and overlapping standards on top of many legislation, legal texts (Such as related with distribution of revenue sharing and taxes costs), designed for the reconstruction and rehabilitation of the Iraqi oil and gas sector (Al-Janabi, Ahmed Salih, 2010: 2).

Given the political conflicts which were taking place in Iraq at the end of the year 2011, did not specify a deadline to apply this law until 2015, In fact, the system of the dissolved Baath Party 1970 - 2003 and the ruling political parties in Iraq in the period of 2003-20011, caused the management of the oil sector to fail miserably. The reason for this is because they were all looking for a law which achieves their personal benefits and provides them with huge financial returns, which would cover its financial expenses through administrative and financial corruption.

Overall the oil and gas law is supported at the present time. Management of the oil sector in Iraq, as mentioned in article 3 of the Iraqi constitution, establishes a management system of oil operations in Iraq and defines the basics of cooperation between the concerned entities in the federal government and builds a base of coordination and consultation among federal authorities, regional authorities, oil producers and governorates*. The draft contains 43 articles in four chapters in addition to four appendices involving a list of explored oilfields in three appendices and the last appendix is specific for exploratory spots. The draft calls for establishing the organizational structure of the law which involves the federal council of oil and gas, the cabinet, ministry of oil, regions commission, representative assembly and national oil company. The article can be clarified as follows: The draft of oil and gas identify in the first article oil and gas ownership. It's stipulated on that "the ownership of oil and gas belonging to all Iraqi people in all regions and governorates" (Republic of Iraq, 2007, draft of oil and gas law, February 15, article 1).

This article conforms with the article 111 of Iraqi constitution, which mentioned that "oil and gas are possessed by all Iraqi people in all regions and governorates" which confirms the public ownership of oil and gas and that it cannot be divided, and any region or governorate cannot act with this property on the basis that its members are a part of Iraqi people so they can deal with the governorate's or region's share. The only entity which has the right to act in this wealth is the representative assembly according to the article No. 149 of constitution, representatives assembly is the representative of all Iraqis, based on that, the assembly has the right to act through its enacted laws. While the article No. 112 is stipulated that the management of oil and gas is by the federal government, region's government and produced governorates.

It is provided as follows: First, the federal government manages extracted oil and gas from the present oilfields in participation with the regions' governments and producing governorates. Oil and gas revenues are distributed fairly in accordance to population distribution all over the country, and identify a limited share for aggrieved regions which were unjustly deprived from their rights by the ex-regime to ensure parallel development for different regions in the country where this should have been regulated by a law. Second: The federal, regional governments and producing governorates work together to draw necessary strategic policies to develop oil and gas wealth to ensure the highest benefits for Iraqi people depending on the modern techniques of market principles and investment encouragement (Republic of Iraq constitution 2005 articles 111,112,149). These two articles have raised strong disputes between political parties and oil experts. There is a wide gap between Kurdistan Region* and Central Government about interpretation of the article No. 111 of constitution, the region's stand depends on an extremist position to interpret this article. The regional government considers oil and gas in Kurdistan as property of its people but not for all Iraqis in the regions and governorates. Also, the Kurdish adopted a specific interpretation for the article No. (112), Siven Daza'I, manager of international relations office in democratic Kurdistan party presided by Mr. Masaod Barazani said that in case of Kirkuk, the production and not invested oilfields will be under exclusive control of Kurdistan authorities after joining Kirkuk to Kurdistan in 2007 referendum (International crisis group, 2005: 5).

Despite of the technical competences that regions and governorates enjoy, it cannot exceed federal authority abilities. As long as the law gives regions the power to propose plans and activities to federal authorities, what is the justification if the regions cooperate with federal authorities to implement federal plans? Consequently, achieving the ultimate aim to get the highest revenues for the state. This cannot be achieved only through identifying efficient, specialized and authorized legislative entities which have the right to negotiations and contracts with foreign investors (Al-Basri, Kamal, 2007:14) The aim of the draft of oil and gas law submitted by the central government is to accomplish the best investment for this sector in a way that ensures getting the highest income and consolidate national unity and social texture for all Iraqi sects. The law will be applied in all regions and governorates equally. Kurdistan's interpretation of the law will weaken the state authority to manage this vital sector and disassemble national unity. The Kurdistan's view clinches to federal view in explaining legal and constitutional texts, and the Kurds are eager to make contracts with foreign companies. It includes a compromise for the opposing future visions for Iraqi oil, it ensures an

* The Governorates which produce oil more than 100 thousand barrels / day.

* On August 9, 2006, Kurdistan Government published the draft of oil and gas law to discuss it and lay down the regional independence in oil policies away of the central government and puts the " areas under dispute" at regional government disposal till reaching a final agreement according to article (140) of the constitution. While the federal government issued the first draft of oil and gas law on January 15, 2007 then the amended second draft on February 15, 2007 with its four appendices. On August 6, 2007, Kurdistan regional parliament approved Kurdistan law of gas and oil No.(22) for 2007 (Al-Ameer, Fuad Qassim,2008: 9-11).

unknown amount of privatization relates to the nature of contracts which will be ratified with individuals and or companies. Also, it includes an amended form of Norwegian solution through establishing "oil revenues fund" to deposit oil revenues. In addition, there is another fund called Future fund to deposit part of the oil revenues (Al-Zubaidi, Hassan Latif, 2007: 12).

Opinions collide on the subject of this law; positives Views see that the law deepens dissension and hatred between Iraqi people constituents. Because topics like federalism gives regions and governorates important roles that cannot be applied in the present time, these topics are still out of the current culture in the country so it increases the complexity of the situation. Federalism can be applied gradually through getting these concepts into oil industry, which is covered by severe political sensitivity. Oil is for all Iraqis as long as the constitution is stipulated but there should be one central entity that is able to set oil policies, ratification agreements, follow up signed contracts, develop oilfields and reserve management. There is no technical institution that can guarantee the interests of Iraqis everywhere, only a national oil company or federal ministry of oil can do that. The tasks mentioned above can be achieved in cooperation with the region or governorate on the condition that the final word will be in favor of the ministry or federal council of gas and oil. The ministry should also be utterly sovereign on top of that. In all federal systems in the world except the US; oil is managed centrally and the region contributes to the center to run productive operations where the center has the upper hand, and contracting is exclusive to the central authorities as in Britain, Scandinavian countries, India, Malaysia, Indonesia and all Latin American countries which have federal systems.

It has been noticed that this law gives authorities to the region conclude initial agreements that should be submitted before federal council to review. If it is not reviewed within three months, the contract is considered approved (Republic of Iraq, 2007: article 10) so the law stipulates that the law is invalid until approved by a federal council of oil and gas. Also, it has to be stipulated, whether to approve it or not because there are many reasons which prevented the council to convene.

The law of oil and gas will be a topic of heating discussion and dialogue inside and outside assembly of representatives unless they reach a compromise either to agree or disagree on it because this law is not fit for political procrastinations. The argument about the law will be a mark of dissension among political blocs and sects.

The application of the Norwegian example, or Alaska needs deep studies and investigations for their stages of development and application of the countries which are different from Iraq in their political, social and economic systems. So these experiments cannot be applied only after years of political and economic stability in Iraq and using a gradual method to achieve the best for the Iraqi people (Al-Chalabi, Esam, 2005: 165). Also, the two experiments depend on constitutional arrangements to prevent governments from using oil funds and assets for any purposes other than for the aims that these funds were originally established for. The success of such a policy requires an independent judicial system that is able to fight corruption and accepts transparency in the budget with relatively independent banks and absence of urgent situations (Len, Terry Karl, 2007: 138).

Regarding this issue, the first and the second scenario would be very useful to help Iraq to create its economic development through investing oil revenues and distributed it in a fair. Otherwise; applying the third and fourth scenario under legislative authority, the federal oil & gas law will be useless and will not achieve a real advantage which Iraq seeking. Because apply both these two solution in management of the oil sector, it means Iraq will get many problems as following:

Applying one of these models means more bureaucracy which crashes the development, it would be an obstacle facing the development processes.

- A. Increase the financial and administrative corruption in all economic sectors, also loss of money and poor management of oil revenue.
- B. Applying one of these models will increase the absence of responsibility and transparency.
- C. Adopting one of these models will increase the rate of poverty and unemployment among the Iraqi people, because of loss of money between economic sectors and companies, which are managing the oil sector all these resulted to huge corruption, so that We find that there is a very rich class in Iraqi society they are politicians and managers, while the rest of people are poor and disadvantaged. From another aspect may increase the tension between the Iraqi governorates or we can say the conflict among governorates in order to

get a bigger share from the joint oil fields between: Kirkuk-Arbil, Salah Al-Deen-Baghdad, Karbala-Al-Najaf, Diyala- Sulaymaniyah, Wasit - Al-Qadisiya, and Erbil-Ninwa.

Although all these problems, I think political parties in Iraq will not allow to apply the Alaska experiment or Norwegian way to invest oil revenues, but for sure they will support the other solutions like use the Gas and Oil Law or put the oil sector under authority of parliament, in order to continuously get more money through financial corruption.

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