Overview of

The Iraq Strategic Basra – Aqaba Crude Oil Pipeline Project

By: Iraqi Business Council / Abu Dhabi
Preface

The project has been extensively introduced to the Oil and Gas Communities and Government Officials through official invitations from the Iraqi Oil Ministry and at the London Road Show Conducted by the Iraqi Oil Ministry & SNC-Lavalin International in London 2013.

Most of the information are available in the media.
References:

- **London Road Show** – London – Dec. 14th 2012

- **Basra – Aqaba Pipeline Conference** – Amman – April 9th 2013

- **Media coverage:**
  - Iraqi Ambassador in Amman
  - The Jordan Times
  - Petra News Agency
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Summary

Iraq’s crude oil production will increase from today’s 3.4 million barrels per day (bpd) to approximately 8.0 million bpd by 2018.

The Project will constitute:
- A 2.25 million bpd pipeline from Basrah (PS1A) to Haditha (K3) in the North of Iraq; and
- A 1.0 million bpd pipeline from Haditha, Iraq to the Port of Aqaba, Jordan.
Iraq’s MoO has committed to the 17 IOCs to have the required infrastructure in place by 2018, to support the export of the crude oil produced under these contracts.

The financial need to develop a new export pipeline, to significantly increase Iraq’s existing crude oil export infrastructure and to enhance Iraq’s hard currency revenues, which account for 80% of the country’s GDP, while mitigating the existing export concentration risk through Basrah.

The EPC Contract & BOOT Project

Given the size of the Project and its estimated cost, the Project has been split into two, an EPC and a BOOT contract, to increase contractor and potential investor’s appetite, with the CAPEX costs significantly reduced and to provide flexibility for future scheme growth.

The EPC Contract
From Basrah, the PS1A inlet collection point and pump station to Haditha, the K3 Pump Station, a distance of 680 km, with a 2.25 million bpd capacity; and

The BOOT Project
From Haditha, the K3 Pump Station to the Port of Aqaba, in Jordan, approximately 1,000 km, with a 1 million bpd capacity.

Basrah (PS1A) to Haditha (PS5A or K3)

- The EPC Contract will be designed, procured and installed to transport 2.25 million bpd of stabilized crude oil, received from five (5) new fields in and around Basrah, including West Qurna-I and West Qurna-II, to the node point or collection hub at Haditha PS5A (K3).

- There will be 2 parallel pipelines:
  - A crude oil pipeline, with a 56” diameter; and
  - An associated fuel gas pipeline.

- The approximate length of the pipeline is 680 km.
The Iraq Jordan pipeline section will be tendered under a build, own, operate and transfer (BOOT) scheme, where the engineering, procurement and construction will be coupled with a 20 year operational concession period.
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Parties to the BOOT Project

The SPV (the “Owner”)
A new entity, owned by the MoO, and specifically established to grant the BOOT Project’s concession to the Operating Company and to receive ownership of the pipeline at the maturity of the BOOT Project Agreement. The owner will enter into the HGAs and pass through benefits under the HGAs to the Operating Company under the BOOT project agreement.

South Oil Company (“SOC”)
SOC owns and operates the southern oil fields, on behalf of the Government of Iraq, and will be responsible for shipping the crude oil, to be transported through the BOOT Project’s pipeline. SOC will have the primary obligation to pay the BOOT Project’s Service Charge, which will comprise of the Capacity Charge and the Throughput Charge, to the Operating Company.

Parties to the BOOT Project

State Oil Marketing Organization (SOMO)
SOMO is responsible for the sale of crude oil to the international market and may enter into long-term off take contracts, specifically for the BOOT Project and in relation to the crude oil flowing through the pipeline.

The Operating Company
The Operating Company will be responsible for the engineering and design, financing, construction, ownership, operation and maintenance of the Pipeline, in accordance with the terms of the BOOT Project Agreement.

The Ministry of Oil
The MoO will represent the Government in entering into the Host Government Agreement in Iraq with the Operating Company and the Owner.

Parties to the BOOT Project

The Ministry of Finance

The MoO will provide a BOOT Project specific guarantee, confirming that the Service Charge payments will be made to the Boot Project’s Operating Company.

South Gas Company ("SGC")

SGC will be responsible for supplying the fuel gas required to generate power for the BOOT Project’s pump stations for a price to be agreed under the Fuel Gas Supply Agreement. The gas will be transported through the gas pipeline running parallel to the Project’s crude oil pipeline. The gas pipeline will be operated and maintained by Operating Company.
Iraqi Ambassador in Amman: *(The start of the implementation of the Basra - Aqaba Pipeline before the end of the year)*

05/08/2013

A statement by the Ambassador for "tomorrow", that the talks between the Iraqi and the Jordanian governments to start work before the end of this year.

The cost of extending oil pipeline Iraq between Basra and Jordan about $ 18 billion.

The Iraqi side signed late last month an agreement between the principles of the Republic of Iraq and Jordan to implement the project.
To implement a project pipeline design capacity of one million barrels per day.

Implementation of the line design capacity of 358 million cubic feet per day to secure the natural gas needed as fuel to run the pumping stations.

The agreement also included the Jordan Petroleum Refinery supply in Zarqa about (150 thousand barrels / day) of crude oil through the D branch.
Nihad Mossa, Director general of the Ministry of Oil’s State Company for Oil Projects (SCOP), told The Jordan Times on Monday that Jordan and Iraq have signed an $18-billion agreement to build a double pipeline that will supply Jordan with crude oil and natural gas. She added that the Iraqi government is keen to proceed with the plan and will begin immediately. The 1,680-kilometre double pipeline will pump one-million barrels of oil a day from Basra to Aqaba Port, and around 258 million cubic feet of gas.
From this, 150,000 barrels of oil will be used in Jordan, with the rest exported through Aqaba, generating an estimated $3 billion a year in revenues for Jordan. Approximately 100 million cubic feet of natural gas will fulfill Jordan’s gas requirements, with “the excess gas [being] used in pumping stations along the double pipeline”.

In the first quarter of 2014, a tender will be floated to build the pipeline from Haditha to Aqaba.
Thamer Ghadban, chief adviser to Iraqi Prime Minister and former oil minister, said, the Iraqi government will finance the building of the section from Basra to Haditha on a EPC (engineering, procurement and construction) contract, while the Haditha-to-Aqaba section will be built on a “build, operate, transfer” basis.

The project, which includes extending a sub-line to Jordan’s sole refinery in Zarqa, will be operational by the end of 2017, and will create about 10,000 jobs in Iraq and Jordan.

(Source: Al Bawaba)
Jordan and Iraq sign Aqaba-Basra pipeline agreement

Petra News Agency, Posted on April 17th, 2013

Jordan's Minister of Energy and Mineral Resources Malek Kabariti said that Iraq on Monday signed an agreement on basic principles to build a pipeline to export crude oil from Basra to Aqaba. The agreement Jordan signed recently aimed at implementing the 1,680-kilometre double pipeline which will pump one-million barrels of oil a day and around 258 million cubic feet of gas.

Regarding the financing of the project, Kabariti said that the pipeline will be built at the expense of the Iraqi government on the “build, operate, transfer” basis.