



IRAQ OIL REPORT

IRAQ OIL AND FINANCIAL DATASET ANALYSIS: MARCH 2017

INTRODUCTION

This edition of the IOFD monthly analysis covers the following topics:

- A new comparison of various sources' estimates of Iraq's crude production
- The introduction of our own tracking of country-wide crude production
- An explanation of our methodology on tracking production
- An explanation of our production estimate for March 2017

NEW IN THE IOFD IN MARCH

Now that Iraq is constrained by an OPEC quota for the first time in a few decades, there is renewed interest in the country's total, actual production. In response, we have updated the Iraq Oil and Financial Dataset (IOFD) spreadsheet to track this controversial number.

First, we have added two rows of data, going back to the beginning of 2016, reflecting the country-wide production levels (inclusive of Kurdistan) that Iraq has directly reported to OPEC (row 9 in the IOFD 2016 and 2017 spreadsheets that are accessible to subscribers), as well as the average assessment of OPEC's so-called secondary sources (row 10 in the 2016 and 2017 spreadsheets), which has typically been lower than Iraq's self-reported assessment.

Second, we have made new efforts to produce our own independent estimate of Iraq's actual production (row 11 in the 2017 spreadsheet). Subscribers also have access to comprehensive field by field monthly production data.

Our methodology is simple: using our network of reporters and sources in all of Iraq's oil-producing provinces, we have gathered data for March on a comprehensive field-by-field basis. Then, we have added those numbers together. This approach has several virtues, but it also comes with a couple important caveats.

The virtues:

Compared with other third-party sources, we think our method is more reliable. They tend to estimate Iraq's oil production by starting with the Oil Ministry's stated monthly export figures, and then adding up the major types of domestic consumption: refinery demand, direct crude use in power plants, and pumping into storage. In theory, this should provide a complete picture of Iraq's production. However, in practice, there are a couple of broad problems. First, while Iraq has generally installed good metering equipment to track export volumes, the same cannot be said for domestic consumption -- so even official Oil Ministry data are likely to have a significant margin of error. Second, the Oil Ministry has stopped releasing domestic consumption data, as of last fall. Third, the Kurdistan Regional Government has never released official domestic consumption data on a monthly basis, and stopped publishing monthly export data at the end of 2016. As a result, many of these numbers are hard to find on a reliable basis.

Our estimate also has an important advantage over the Oil Ministry's official figures, which do not include any data reported directly from the Kurdistan region. Indeed, senior SOMO officials have said publicly they have no visibility into KRG production levels. The Oil Ministry does have visibility into how much oil flows through the KRG-controlled pipeline system to Ceyhan, Turkey. But their past efforts to estimate KRG production and local consumption have shown a large variance from our own reporting. As a result, we believe that our account of KRG production is more accurate.

The caveats:

Our field-by-field numbers are not all coming from the same category of source – and some sources are more authoritative than others. The Oil Ministry generally declines to release its field-by-field data.

Instead, we have to ask other sources who work closer to the oil fields. In some cases, these sources might know what a field was targeting in a given month but not precisely what it achieved – and there is usually a slight variance. In other cases, sources are able to report the minimum and maximum daily production that a field achieved in a given month, but not a precise monthly average. (In these cases, we tend to use the lowest supplied number for our estimate.) The upshot is that most of our field-by-field production figures are inexact – albeit well informed – approximations of the actual monthly average.

A look at our March numbers:

Our March estimate of total Iraqi production based on field-by-field reporting is 4.586 million bpd. This is significantly higher than the 4.402 million bpd estimated by the OPEC secondary sources, so it's worth applying some scrutiny to make sure our number makes sense (subscribers can find a full breakdown of field by field production, located in rows 63-80 and 135-146 of the 2017 spreadsheet).

One factor supporting the reliability of our number is that it tracks closely with Iraq's own direct reporting to OPEC of its January and February production, of 4.630 million and 4.566 million bpd, respectively. (Iraq did not report a March figure in time for the April publication deadline of OPEC's Monthly Oil Market Report.)

We can also try to corroborate our March production number by adding up other data we have collected on exports and consumption, to compile a separate production estimate:

- 3,259,086 bpd in federal exports (source: published Oil Ministry figure)
- 520,373 bpd in KRG pipeline exports (source: official figure from Oil Ministry official)
- 459,000 bpd in federal refinery consumption (source: published Oil Ministry figure for September 2016)
- 194,000 bpd in federal power plant consumption (source: published Oil Ministry figure for September 2016)
- 36,000 bpd in KRG trucking exports (source: Iraq Oil Report independent reporting)
- 102,000 bpd in refinery consumption in KRG territory (source: Iraq Oil Report independent reporting)

TOTAL = 4,570,459 bpd

This alternative estimate is not perfect, most glaringly because we are using data from September 2016 to extrapolate current federal refinery and power plant consumption of crude. But for the purpose of corroborating our overall production estimate, it gives us some confidence: our two estimates differ by about 16,000 bpd, or about 0.35 percent.

Iraq Oil and Financial Dataset (IOFD)

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