



IRAQ OIL REPORT

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Flames emerge from flare stacks at the oil fields in Basra, Jan. 17, 2017.

Iraq to redraft national oil company law

A major initiative to restructure Iraq's oil sector appears to be on hold as the new government prepares to rework the legal foundation of the Iraqi National Oil Company.

Ever since the passage of a new law to reconstitute the Iraqi National Oil Company (INOC), in March, oil sector investors have been wondering whether the new state-run entity will change the way they do business in Iraq.

For now, the answer is: not yet.

The leaders of Iraq's new government, including Prime Minister Adil Abd al-Mahdi and Oil Minister Thamir Ghadhban, have voiced support for the INOC project in

principle, which is designed to improve and depoliticize the management of the oil sector. But they see significant defects in the law – some of which are also the subject of an ongoing legal challenge at the Federal Supreme Court – which could require the legislation to be revised by the Parliament or redrafted by the Cabinet.

"I'm a firm supporter for the reestablishment of INOC," said Ghadhban. "Certainly the current text has many serious

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Iraq ramps up gas supply after years of delay

New gas production could help Iraq improve electricity service and wean itself off of Iranian energy imports.

Iraq is on track to gain about 340 million standard cubic feet per day (scf/d) of domestic natural gas supply from southern fields this year, which the country urgently needs in order to help meet unsatisfied electricity demand.

Domestic gas production is especially important now that the U.S. has reimposed sanctions against Iran, which has recently supplied about 1,250 million scf/d of natural gas and more than 1,200 megawatts of electricity to Iraq.

Iraq has received an exemption to some sanctions, given its dependence on Iranian energy, which U.S. negotiators agreed to if Iraq can formulate plans for quickly raising its own domestic gas and electricity supply, and wean itself from Iran.

New supply is coming this year from at least three main projects in southern Iraq:

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DELIVERING THE FUELS THAT ENERGIZE PROSPERITY

Pipeline and payments fuel Kurdistan's oil sector revival

Kurdistan's oil sales are steadily growing; a Rosneft-funded oil pipeline has finally reached the 1 million bpd capacity benchmark; and oil companies are getting paid.

Kurdistan's oil sector is on the upswing, with increasing volumes of crude flowing into a newly expanded 1 million barrel per day (bpd) capacity export pipeline, just one year after the regional government lost nearly half of its production capacity.

Production has rebounded to around 450,000 bpd, according to an Iraq Oil Report analysis based on data gathered from each of Kurdistan's fields. Last November, in contrast, production was below 350,000 bpd, following a federal Iraqi military operation to reclaim control of Kirkuk and its oil fields.

Production is likely to rise further. With steady payments from the Kurdistan Regional Government (KRG), oil companies are increasingly putting money into field development - both boosting production at long-running projects and bringing new fields online. By the end of the year, the KRG's overall output is expected to surpass 500,000 bpd.

Before the Kirkuk offensive, the KRG had been depending on two Kirkuk assets - the Bai Hassan field and the Avana Dome formation of the Kirkuk field - for as much as 280,000 bpd, or roughly 45 percent of its total oil production. The fields, then operated by the Kurdish company KAR Group, had been functioning as an essential source of government revenue to pay salaries and provide basic public services.

Losing the fields undermined the KRG's cash flow and its ability to function with economic independence from Baghdad. Protests by angry public sector workers later filled the streets of Erbil and Sulaimaniya, threatening social stability and shaking public confidence in Kurdish leaders.

Now, the KRG finds itself on much stronger financial footing, thanks to both rising production and higher global oil prices.

For example, Kurdistan exported just \$380 million worth of oil in November 2017, according to an audit summary released by the KRG; this past October, the

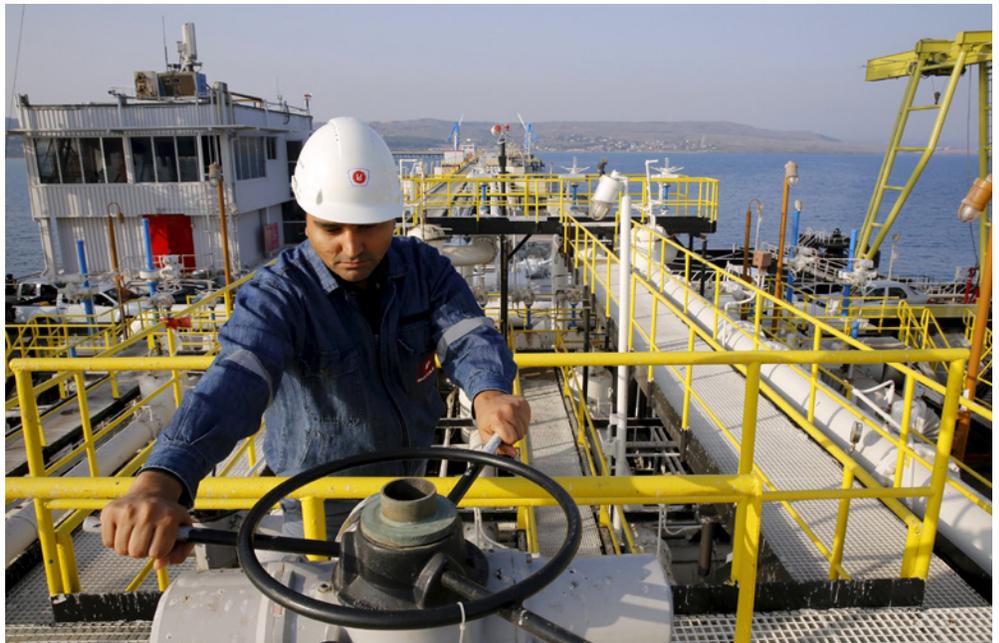
KRG's 418,000 bpd of oil sales garnered about \$914 million, according to an Iraq Oil Report estimate.*

Although the KRG is still saddled by billions of dollars' worth of debt accrued during years of financial crisis, the partial recovery of its oil sector gives the KRG badly needed leverage in ongoing negotiations with Baghdad over the federal budget and oil issues.

financial self-sufficiency, it can hold a tougher line - and Kurdish parties have already signaled strong opposition to the draft budget.

Rosneft to the rescue

Significantly, Kurdistan's oil sector recovery received a major boost by the entry of Russian state oil firm Rosneft. In early 2017, Rosneft began committing billions of



A worker checks the valve gears of pipes linked to oil tanks at Turkey's Mediterranean port of Ceyhan.

Recent budget laws have enabled the federal government to withhold budget transfers to the KRG if the regional government does not contribute a certain amount to the federal government's oil exports - a condition that has largely ensured the two sides keep their finances and oil sectors separate. The current draft budget contains such a provision.

If the KRG were unable to fund its own budget, it would be under significant pressure to meet Baghdad's conditions out of desperation to unlock federal funding. But now that the KRG is again approaching fi-

dollars - buying oil, agreeing to exploration contracts, and committing to build a gas pipeline.

It's the Rosneft purchase of 60 percent of Kurdistan's oil export pipeline, with KAR Group owning the remaining 40 percent, that is currently reaping rewards for the KRG.

New pumping station investments increased capacity from 700,000 bpd to 1 million bpd, enough to accommodate all of Kurdistan's oil export growth.

That's also given the KRG stronger footing in ongoing negotiations with Baghdad



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to facilitate federal oil exports from Kirkuk, despite Baghdad's Federal Supreme Court lawsuit against Kurdistan's independent oil exports and IOC contracts, and an international arbitration case against Turkey for violating the terms of the Iraq-Turkey Pipeline agreement.

"This extra capacity will accommodate future production growth from KRG producing fields, and can also be used by the federal government to export the currently stranded oil in Kirkuk and surrounding areas," the KRG's Ministry of Natural Resources (MNR) said in a statement announcing the pipeline's capacity increase.

Roughly 200,000 bpd of North Oil Company (NOC) production capacity has been shut in because there was no open route to market. But under a new political deal between Baghdad and Erbil, a portion of that crude is flowing through the KRG-controlled pipeline to Turkey.

More money, fewer problems

With more revenue, the KRG has also been paying down debts to contractors and IOCs, and has launched initiatives to restructure public sector wages. For example, the KRG's Finance Ministry is due to release \$100 million to contractors across the region to complete projects halted dur-

ing the height of the financial crisis in 2014, according to Sheikh Naji, head of Sulaimaniya's branch of the Contractor's Union.

"The KRG still owes contractors across Kurdistan \$200 million. We have received three major installments at this scale from the KRG since 2014," Naji said.

The perception of an economic upswing has also helped the ruling Kurdistan Democratic Party (KDP) recover from the aftermath of its campaign to hold an independence referendum, in September 2017, which heightened tensions with Baghdad and prompted the federal military operation that resulted in the loss of Kirkuk.

The KDP, led by former KRG President Massoud Barzani and his nephew, current KRG Prime Minister Nechirvan Barzani, was by far the largest winner in regional elections on Sept. 30.

Kurdistan's production boost has come overwhelmingly from a few projects, including the Tawke license, operated by Norway's DNO; the Sarqala field, operated by Gazprom Neft; and the Khurmala Dome of the Kirkuk field, operated KAR Group.

For DNO, the rapid development of the Peshkibir field has offset natural declines at the Tawke field. Production at the block has risen from 115,000 bpd to 130,000 bpd

since the beginning of the year.

Sarqala had been producing an average of about 5,000 bpd for more than two years when Gazprom Neft made a new push, starting last year, to bring more wells online. Now the field is producing over 20,000 bpd.

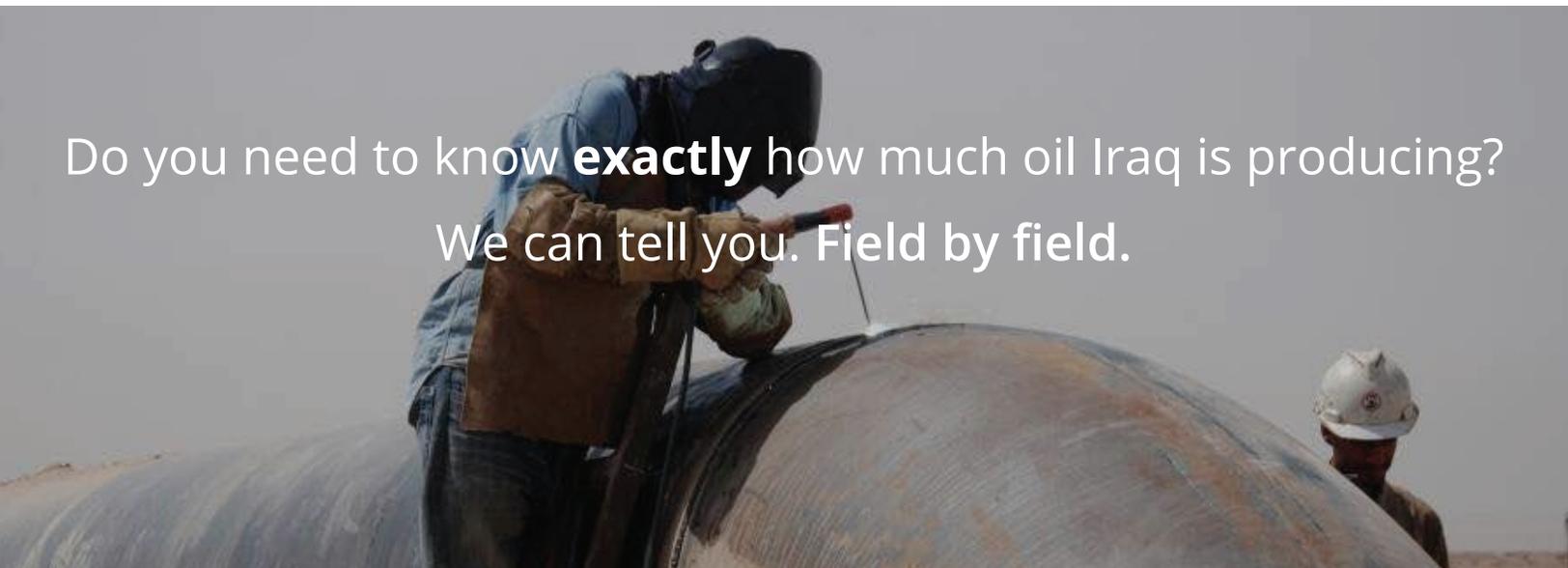
And Khurmala has also seen major gains, from about 120,000 bpd to roughly 175,000 bpd currently.

Although the operator does not publish official data on the field - KAR Group is not a publicly traded company - the field's development plans were made public when Wikileaks published emails stolen from Turkey's energy minister. According to those plans, Khurmala was expected to produce 200,000 bpd by the end of 2018. ♦

** EDITOR'S NOTE: The KRG does not release information about oil exports and revenues on a monthly basis. Iraq Oil Report's estimate of the KRG's October 2018 oil revenue is based on independently gathered export data and an estimate of the KRG's average sale price compared to the Brent benchmark, which is informed by past government disclosures.*



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Iraq ramps up gas supply after years of delay

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the Basra Gas Company (BGC), which is capturing associated gas from three super-giant Basra oil fields; the Nassiriya oil field, where newly installed facilities are processing increasing volumes of associated gas; and the Siba dry gas field, which started production this summer.

Those projects have already added a combined 180 million scf/d this year, and they are projected to add another 160 million scf/d by the end of 2018, according to an Iraq Oil Report analysis based on information supplied by officials involved in each project.

The biggest gains are coming from BGC, a joint venture of Royal Dutch Shell, Mitsubishi, and the state-run South Gas Company (SGC), which is responsible for collecting and processing associated gas, generated as a byproduct of crude oil production, at the Rumaila, West Qurna 1, and Zubair fields.

Before the start-up of BGC in 2012, most of the associated gas at those fields was wastefully burned off, or "flared." The BGC project aims to collect gas at those the fields; compress it and send it through pipelines to Natural Gas Liquids (NGL) processing plants; and separate the raw gas into usable products - dry gas and liquid condensates.

Federal Iraq flares 1.657 billion scf/d of the 2.953 billion scf/d it produces, according to the Oil Ministry. More than 90 percent of the gas flared is associated gas produced by the Basra, Missan, and Dhi Qar oil companies.

In 2017, BGC averaged 680 million scf/d of dry gas production, according to BGC Commercial Director Jaafar Oklany. In the first quarter of 2018, gas production rose to an average 803 million scf/d.

Further progress is expected soon, Oklany said during a recent presentation at the CWC Basra Mega Projects conference in Istanbul. By the end of 2018, BGC will have finished two compression projects capable of sending an additional

120 million scf/d to its NGL plants; and in the first quarter of 2019, another two compression projects will add 140 million scf/d.

Oklany in his presentation said that in 2021, BGC will handle an estimated 1.4 billion scf/d of Rumaila, West Qurna 1 and Zubair fields' associated gas. The contractual capacity target of BGC is 2 billion scf/d.

tives have been slow to come online due to years of financial crisis.

"The problem with gas is 2014," said Ihsan Ismaael, the director general of the state-run Basra Oil Company (BOC) and former director general of the SGC, in a recent interview. "When the oil price went down, sorry to say, the government had to stop gas projects.... The field study, the early production, the long-lead-time



The Nassiriya oil field's associated gas treatment facility on Sept. 27, 2018.

Flaring reduction at state-run fields

While the BGC project was designed to capture associated gas at just three fields operated by international oil companies, the Oil Ministry is also ramping up efforts to reduce flaring at state-operated fields.

In late September, the Nassiriya field, operated by the Dhi Qar Oil Company (DQOC), started testing a newly installed facility capable of processing 50 million scf/d, according to multiple field officials.

In the short term, the facility's initial production target is 36 million scf/d, which will ramp up to full capacity "over a period of several months," a DQOC official said.

The Oil Ministry is also planning to capture associated gas at several other state-operated fields, but most of those initia-

items, all of this was cancelled.... So now we are trying to fill this gap of three years delay."

Ismaael said that, outside of BGC, other southern Iraq oil projects currently supply between 200 million and 300 million scf/d of gas - and that the Oil Ministry is pursuing several projects that will raise production.

Negotiations are ongoing with Orion, a Houston-based firm, which is pursuing a project to capture associated gas at the state-run Nahr Bin Omar field.

That field, along with Ratawi, is also at the heart of negotiations between the Oil Ministry and a consortium consisting of ExxonMobil and the China National Petroleum Corp. (CNPC), for the multi-billion-

dollar Southern Iraq Integrated Project (SIIP). If they can finalize terms, the consortium would develop the fields, capture associated gas, and also build infrastructure necessary to support production increases at other fields around Basra.

Ismaael said the ministry is envisioning a gas processing facility at Ratawi with an initial capacity of 300 million scf/d, which would ultimately expand to 600 million scf/d.

Along with notional plans to increase associated gas capture at the Majnoon and West Qurna 2 oil fields, Ismaael said that southern Iraq is targeting a total of 2 billion scf/d of gas processing capacity at central and southern Iraq NGL plants by 2022.

Dry gas fields

The Oil Ministry's third contract licensing round with international oil companies, in 2010, awarded three dry gas fields - Siba, Mansuriya, and Akkas - but only Siba is coming online as expected.

Mansuriya, in northern Diyala province, and Akkas, in Anbar province, were both too dangerous to develop after the self-proclaimed Islamic State (IS) militant group entered the territory in 2014. Now, even though those areas have been reclaimed by Iraqi security forces, the contracts remain frozen.

"The big issue making [gas] shortages is really because of Mansuriya and Akkas," Ismaael said. "Planned production was 600 million scf/d - planned - but the projects were delayed."

The Siba field, in Basra province, remained safe from the IS militant threat. It has been operated by Kuwait Energy, which was just purchased by Hong Kong-listed United Energy Group.

Multiple officials at the field said it started producing from two wells in August, averaging about 25 million scf/d of dry gas and generating about 5,000 barrels per day (bpd) of liquid condensates. It contains 1.083 trillion scf of reserves, according to Kuwait Energy.

The second phase of development, expected within three months, is supposed to raise production to 50 million scf/d. As of early October, three wells were in the process of being completed, according to multiple field officials.

The field was initially projected to hit its plateau target, of 100 million scf/d, by the end of 2018, but that timetable has likely been delayed due to protests in Basra, which caused temporary evacuations of expat staff at several fields, including Siba.

The Oil Ministry has also announced plans to develop the Mansuriya field via state-owned oil companies, targeting production of 75 million to 100 million scf/d within a year.

But multiple officials familiar with the issue say Iraq has not finished negotiating an end to its contract with the consortium, led by Turkish state company TPAO, which was supposed to develop the field. ♦

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Iraq to redraft national oil company law

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repercussions that need to be addressed.”

Iraq’s Parliament passed a law in March to resurrect INOC, which was founded in 1964, and disbanded in 1987 by Saddam Hussein. The new company is supposed to assume operational authority of the oil sector, leaving the Oil Ministry with only its regulatory duties.

But the law has faced both political delays associated with the formation of a new government and legal challenges from technocrats who believe it was poorly drafted.

Those obstacles converged in November at the Federal Supreme Court in Baghdad, where Chief Justice Medhat al-Mahmoud said he believes the new government is planning to pass a new INOC law - and suggested that could affect the course of an ongoing case regarding the constitutionality of the current law.

“We heard there is a new INOC draft law at the Council of Ministers, which is different from the current law that is being challenged,” Mahmoud said during a Nov. 13 hearing. “This new one will avoid the disputed issues in this current law. According to that, the court is requesting to be provided with... the new INOC draft law for the next session.”

The next hearing is scheduled for Dec. 23.

A second person, who is familiar with the Cabinet’s internal deliberations on the issue, said Ghadhban wants to amend or replace the current INOC law, though the prospective new law has not been drafted yet.

That person also said Ghadhban was strongly opposed to the current law, and would “never accept [it] in its current shape.”

The unresolved legal challenge - combined with the evident lack of political support from the oil minister - suggests that INOC will not wield concrete power any time soon, despite the best efforts of former Oil Minister Jabbar al-Luiebi.

Shortly before the end of Prime Minister Haider al-Abadi’s administration, in early October, the Cabinet named Luiebi as the inaugural president of the new INOC.

Luiebi, who was also still acting as oil minister, soon issued an order for Iraq’s state-run oil companies to report to INOC rather than the ministry - a move which would have given the new national oil company direct authority over most day-to-day operations of the oil sector.

But Prime Minister Adil Abd al-Mahdi, who at the time had been designated but not formally confirmed, publicly rebuked Luiebi’s order and effectively prevented INOC from assuming any formal power.

It remains unclear whether Luiebi - whose tenure as oil minister ended on Oct. 24, when Ghadhban was confirmed - is still nominally leading INOC. The presidency of INOC is legally defined as a Cabinet-level position, requiring confirmation by the Parliament, and Luiebi has received no formal endorsement or nomination from Abd al-Mahdi, nor has he been confirmed.

In the meantime, Iraq’s oil sector appears to be operating no differently than it did before the INOC law was passed.

Even before Ghadhban’s initiative to redraft the law, INOC’s fate was in doubt because of legal challenges brought by several veterans of Iraq’s oil sector.

The plaintiffs, who say they support the creation of INOC in principle, took issue with several fundamental provisions of the law. Their lawsuit questions both the wisdom and the constitutionality of the way the legislation defines INOC’s powers, assigns the company’s leadership, and structures the management of oil revenues.

Missan province subsequently joined the lawsuit, complaining the INOC law does not adequately respect constitutionally guaranteed rights of the provinces to share authority with the federal government in managing oil resources.

In response to the complaints, Mahmoud sought the advice of a technical

expert, Hamza al-Jawahery, who has now submitted a 21-page report.

“He covered all the articles of this law,” Mahmoud said at the hearing Tuesday. “And we noticed that he focused on the articles that have been challenged on constitutional grounds. We have also asked the parties to this lawsuit to give their opinion on this report.”

Mahmoud noted that Ahmed Mousa Jiyad, a prominent critic of the INOC law - whose arguments informed the plaintiffs’ case - had also written an unsolicited letter to the court.

“The court is asking all the parties if any of you know this person, Ahmed Mousa Jiyad?” Mahmoud said at the hearing Tuesday. “Did any of you see this letter? What do you think about its contents?”

“Mr. Chief Justice, yes, I do know this person,” Jawahery replied. “I’m not in contact with him, but I did read through his letter.... I think what he wrote - part of it is right, and part of it isn’t.”

A lawyer representing the Oil Ministry, who did not identify himself, subsequently raised what seemed to be a concern about Jawahery’s impartiality, showing the court an official order, dated Oct. 18, 2018, nominating Jawahery to be a board member of INOC.

At that time - just before the end of Luiebi’s tenure - the court had already asked Jawahery to provide a technical opinion on the INOC lawsuit.

“Mr. Chief Justice, yes, I did hear that I’m a candidate,” Jawahery said. “But it’s not official, as it needs an approval from the Council of Ministers. Honestly speaking, if I become a member of INOC, I’ll be paid much less than what I’m getting now as a consultant for several companies. Right now I’m making five times more than what I’ll be paid by INOC. But I’d like to serve my country, and I prioritize the interest of the Iraqi people over my own interests.” ♦

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Islamic State incursions highlight Iraq's counter-insurgency challenges

As border forces scramble to stop IS fighters coming from Syria, a Pentagon assessment warns of systemic Iraqi military shortcomings - and the need for a long-term U.S. presence.

An influx of militants from Syria is fueling the self-proclaimed Islamic State (IS) militant group's ongoing guerrilla war in Iraq - underscoring the extent to which Iraqi security forces are struggling to make a strategic transition from their victory in a conventional land war into a new phase of counter-insurgency.

Iraq's persistent security problems have caused the U.S. military to conclude it is "years, if not decades" away from being able to withdraw from the country without compromising its mission to defeat the IS group, according to a recent report from the Pentagon's Inspector General.

"According to the DoD [Department of Defense], the ISF [Iraqi security forces] remains heavily reliant on Coalition forces to gather intelligence and conduct surveillance and reconnaissance operations," the report said. "The DoD also reported that it will take 'a generation of Iraqi officers with continuous exposure to Coalition advisers' to change cultures and institutions that inhibit the establishment of a self-reliant Iraqi fighting force."

While the IS group no longer administers control over populated territories, it has shown a steady capability to move freely in rural areas, launch bombings in major cities, and undermine the efforts of security forces - many of the same tactics it used to degrade the major load-bearing structures of the Iraqi state prior to its 2014 offensive to seize one-third of the country.

IS has launched attacks in the past few months in several areas that had been considered relatively peaceful since the Iraqi government declared the country fully liberated last year. The group's capabilities are a result of several factors, including changing military dynamics in Syria that are enabling IS fighters to cross into Iraq.

"It's undeniable that Daesh terrorists are crossing into Iraq from Syria," said a senior Iraqi security official operating in Anbar province. "The scale of the infiltration is not that significant, but the threat cannot be underestimated."

IS militants launched at least 10 attacks in Anbar in late October and November, according to reports gathered from a variety of security officials in the province.

people had been killed.

Syrian spillover

IS militants have been crossing the border into Iraq partly because of evolving military dynamics in the multi-dimensional Syrian conflict.

Syrian Democratic Forces (SDF) had created something of a buffer zone in eastern Syria between the Euphrates River and the Iraqi border, but in late October the Turk-



Paramilitary troops operating under the Iraqi government's al-Hashid al-Shabi program launch a mortar toward Islamic State militants north of Fallujah on July 6, 2015.

In one incident, on Nov. 12, at least a dozen gunmen dressed in military uniforms invaded the homes of tribal sheikhs in the Karma district north of Fallujah.

According to a security official in the area, the militants, who are believed to be members of IS, were searching specifically for people with relatives serving in the Iraqi security forces.

"They executed them by firing squad," said the official, who confirmed at least 19

ish military's shelling of Kurdish territory in Syria caused the SDF to stop its offensive against IS.

As a result, IS militants were quickly able to retake a string of villages on the eastern side of the Euphrates, in al-Baghoz, Shahfa, and parts of Hajin, while also advancing in Deir Ezzor.

Iraqi forces in western Anbar province quickly recognized they were dangerously exposed to infiltration, according to an officer stationed in Anbar, and went

on high alert along the border, especially in areas northwest of Qaim, where the Akkas gas field is located, and north of Rawa.

"IS has managed to loot a lot of weapons and ammunition from the Syrian Democratic Forces," said another Iraqi Army officer, who serves in the Badiya and Jazeera Operations Command. "The biggest fear is from the sleeper cells that are in the desert areas, which IS seems to be trying to activate to create disorder before it actually wages its attacks."

A senior official in the Kurdistan Region Security Council (KRSC) said their intelligence networks had recently tracked at least two significant border incursions in Anbar. On Oct. 28, a convoy of suspected IS militants entered Iraqi territory in the desert near Qaim, and on Nov. 3 a "significant number" of fighters crossed the Syrian border in the desert area on the Ninewa-Anbar border south of Baaj.

Following orders from newly confirmed Prime Minister Adil Abd al-Mahdi, additional security forces have been deployed, though the precise number of reinforcements is unclear.

According to data published by the U.S. military, coalition air strikes were conducted along the border on an almost daily basis from Oct. 14 to Oct. 27 - especially Hajin and Abu Kamal - targeting IS supply routes, vehicles, IED facilities, and command centers. Recent coalition air strikes have also targeted insurgent positions as far east as Diyala province.

The combination of reinforcements and air strikes have led Iraqi military officials to claim in public statements that the situation has stabilized.

Brig. Gen. Walid Ka'abi, commander of the Iraqi Army's 73rd Brigade, stationed at the border in Anbar, said local media reports suggesting the border was unstable were "false and misleading."

"There has not been any breach of our defense lines so far, and we are maintaining a strong grip on the border," he said. "We have adequate forces on the ground to hold our positions across the borders, and the coalition surveillance drones are constantly scouring the skies."

But other security officials, speaking on the condition of anonymity in order to give their candid assessments, painted a less optimistic picture.

"The sheer vastness of the territories across the Iraqi-Syrian border is derailing our military capacities to keep a tight grip on the border lines," said one Iraqi Army officer. "The security turmoil in Syria has always had negative ramifications on Iraq. It's almost an impossible task to prevent infiltrations across the border."

Overstretched military

Even before their recent border incursions, insurgents have sustained the momentum of their guerrilla-style war across a band of northern Iraqi territory that IS used to control, which stretches west-to-east from Anbar and Ninewa through Salahaddin, Kirkuk, and Diyala provinces.

Their attacks have prevented resettlement into nominally liberated areas and threatened energy infrastructure, including oil fields and electricity lines. In recent months, insurgents have even shown a consistent ability to attack some territory that was considered safely under government control during the IS group's heyday in 2014 and 2015.

Part of the problem is that security forces are stretched thin.

Right as the Iraqi government declared the country had been fully liberated, in October 2017, then-Prime Minister Haider al-Abadi ordered a military operation to seize control of Kirkuk province from the Kurdistan Regional Government (KRG). As a result, thousands of federal troops fanned out across a vast area that had previously been fortified by Peshmerga, and further thousands of federal troops engaged in a volatile front-line standoff with Kurdish forces.

Over the summer of 2018, the Iraqi military was further distracted by protests in Basra and other southern provinces, which erupted into riots that were only quelled after the arrival of backup forces redeployed from northern Iraq.

Given their limited manpower, Iraqi security forces are attempting to fortify rural

insurgent strongholds by establishing outposts, which theoretically enable the military to conduct patrols, respond to militant threats, and launch raids in response to intelligence.

But in practice, security forces cannot establish a deterrent presence in remote villages and along smaller roads, and insurgents enjoy significant freedom of movement. In many areas of northern Iraq, the Iraqi military cannot patrol at night because they cannot defend against likely insurgent ambushes.

The recent report by the U.S. Defense Department's Inspector General highlighted the extent to which Iraqi forces are not up to the challenge of the growing insurgency.

Despite training by the U.S. military and other coalition members, "systemic weaknesses remain, many of which are the same deficiencies that enabled the rise of ISIS in 2014," the report said. "The ISF continues to suffer from poor management of intelligence; corruption and 'ghost soldiers'; overlapping command arrangements with conflicting chains of command; micromanagement and insufficient and inadequate systems for planning and transmitting orders."

One of Iraq's most acute challenges is its limited capacity for intelligence gathering and analysis, according to the Pentagon report - which is especially problematic given that the Iraqi military's current counter-insurgency strategy depends so heavily on conducting raids based on intelligence tips.

"The DoD reported 'it is not possible' to enable the ISF's intelligence apparatus to analyze and combine intelligence to produce actionable information," the Inspector General report said. "Instead the coalition gathers this intelligence and shares it with the ISF. While this has provided the ISF with intelligence for the fight against ISIS, it also demonstrates the complete reliance of the ISF on coalition forces for counter-ISIS intelligence." ♦

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