

Rosneft & Crescent Eying Southern Iraq



Rosneft could become the first Russian oil company to enter Iraq after launching a landmark oil and gas project in the Middle East with Crescent Petroleum.

A private Emirates-based energy company, and Rosneft will announce a partnership to develop a gas project in the United Arab Emirate of Sharjah, marking what will be the first time a large Russian company has developed hydrocarbons in the Middle East. The Sharjah gas development is part of a strategic partnership Rosneft signed with Crescent Petroleum last month to build a presence in the Middle East after months of diplomatic exchanges between the UAE and Russia.

Badr Jafar, Crescent Petroleum's executive director, said Crescent Petroleum Company and Rosneft were looking at several opportunities in the Middle East and North Africa, including southern Iraq. "We are currently under discussion about other opportunities in the region," Jafar told the Financial Times.

"Southern Iraq is an area of considerable interest to both companies, especially once the petroleum law is passed in the country and there is clear legal framework for considerable investments to be made."

A Rosneft spokesman declined to comment on the plans, but said that Sergey Bogdanchikov the company's president, had previously said Rosneft was not interested in entering Iraq. Bogdanchikov, along with Russia's deputy prime minister, is scheduled to attend the official signing of the Sharjah gas project. "This is the first time a Russian oil and gas company has commenced operations in the Middle East," Jafar said.

"This is not just an investment for Rosneft, but the establishment of operations to share expertise and to build a presence in the region. This is a partnership that can have significant results, which is what is needed to meet the oil challenge ahead of us."

Unlike Baghdad-controlled Iraq, the Kurdish region of the country has petroleum laws in place established by the Kurdistan regional government. However, no oil or gas can be exported from the region because of negotiations still going on between the regional administration and Baghdad over payment mechanisms for operators. Lukoil, Russia's largest privately owned oil company, bid for oil concessions in Iraq in auctions last year, but the results of the process are not yet public.

Rosneft will hold 49% of the Sharjah gas concession and will make an initial investment of US\$60 million to drill two wells. If the drilling is successful, the budget for the project could rise to US\$400-US\$600 million. – Zawya.