

Shell's Iraqi Gas Venture May Be Ratified Next Year (Update1)  
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(Adds Iraq Oil Ministry's comments in second paragraph.)

By Eduard Gismatullin

Dec. 7 (Bloomberg) -- Royal Dutch Shell Plc's plan to collect so-called associated gas in Iraq may be ratified next year as the country seeks to reduce the amount of fuel that's burned off into the air, a government spokesman said.

The government that takes office following parliamentary elections in February will be able to advance talks with Shell on the joint venture, spokesman Ali al-Dabbagh said today, adding that the Oil Ministry wasn't "technically ready" to sign an agreement this year.

Shell has been in negotiations with Iraq South Gas Co. and Japan's Mitsubishi Corp. since last year on creating a venture to collect about 700 million cubic feet of associated gas a day.

Most associated gas, which is pumped in conjunction with crude oil, is currently flared, or burned off into the atmosphere.

"We are flaring a huge quantity of gas and this is a big loss for Iraq," al-Dabbagh said in an interview in London. The final agreement "will be postponed to the next government."

Shell, Europe's largest oil company, said last month it completed several gas-collection projects in southern Iraq as it seeks to reduce flaring and use the fuel as liquefied petroleum gas. It's producing enough LPG to replace a third of imports.

These projects are able to collect 135 million cubic feet of gas a day in the region and process it into 500 tons of LPG a day, according to Malcolm Brinded, Shell's executive director for international production and exploration.

Shell, based in The Hague, and Iraq signed a memorandum of understanding on the joint venture in September last year.

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