

مشروع الكويت

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MPs discuss legality of controversial mega oil project

By B. Izzak

KUWAIT: Members of the National Assembly financial and economic affairs committee met with the government for the third time yesterday over a controversial project to develop the northern oilfields, with questions focussing on whether the investment is in conflict with the constitution. "The most serious question asked by committee members was

whether there is any conflict with the constitution," chairman of the committee MP Abdulwahab Al-Haroun said.

Energy Minister Sheikh Ahmad Fahd Al-Sabah and top oil executives explained to the committee the economic model and the legal aspects of the multi-billion-dollar investment. "They provided us with answers about the differences between the old draft law which was withdrawn by the government and the new one,"

Haroun said. The government explained that the project is like a contract and not a participation in the oil wealth because investors will get their agreed pay regardless if oil prices increase or decrease, he said. He added that more meetings will be held in the near future to finalise the issue.

The investment, known as Project Kuwait, stipulates to develop four oilfields in the north with the help of international oil companies (IOCs) over a period of 20

years that can be renewed for 10 more years. Earlier estimates put the required investments at around \$7bn, but Haroun said two weeks ago the amount could be higher. Last week, Ahmad Al-Arbeed, the head of Kuwait Oil Projects Company, a new government company entrusted with Project Kuwait, said the project would require some \$9bn.

Sheikh Ahmad said the new proposal stipulates a technical service contract

which is completely different from the previous proposal. He said the oil sector has explained to the committee the technical, economic and financial and contractual aspects of the project but is prepared to meet with the committee again for any explanation. The minister hoped the committee will complete its discussion on the project next month.

He said the government was flexible on several issues including the presence

of a local agent for foreign companies and the status of the proposed law. "We told them the government does not mind whether there is a local agent for the foreign company or not and whether there is one law for the whole project or one law for each contract," Sheikh Ahmad said. He expected that there will be one or two more meetings before the discussion is completed.

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Project Kuwait primarily aims at developing the secondary (so-called difficult) reservoirs in the northern oilfields to boost its current production from 40,000 barrels a day to 350,000 barrels. Current daily output of the northern oilfields is 600,000 barrels, including the 40,000 barrels, and the target is to increase total output of the four fields to 900,000 barrels a day. The cost of the project is based on the cost of producing a barrel of oil by Kuwait Oil Company

which is \$1.5 for primary oil and \$2.5 for secondary oil.

The project seeks highly advanced technology to develop secondary reservoirs which Kuwait does not have and is only owned by international companies. In previous meetings, Sheikh Ahmad told the committee that the project does not violate the constitution or other Kuwaiti laws.

The project was initially discussed some 10 years ago but was delayed due to opposition by the Assembly due to concerns that it allows foreign companies

to own part of the Kuwaiti oil resources.

The proposed legislation governing the investment stipulates that national oil resources will remain the sole property of the state which will remain in total control of production. The bill also allows foreign companies to operate in the project without the need of a local sponsor or agent, contrary to Kuwaiti law that requires any foreign company to appoint a local representative. The committee will present a detailed report to the National Assembly for a full debate. The Assembly decision is crucial for the project.