

Project Kuwait debate rages on

*Officials insist
state will keep
full control of
northern oilfields*

By Jamie Etheridge & Ahmed Al-Khaled

KUWAIT: Opposition to the controversial northern oilfields project came into focus yesterday during a lecture on the subject at the Kuwait Economic Society. Jassem Al-Saadoun, head of the Kuwait-based investment firm Al-Shall, slammed the \$8.5bn 20-year 'Project Kuwait' which will allow foreign oil majors to invest in the country's strategic upstream energy sector.

Al-Saadoun argued that production estimates were overstated and that no one with true technical expertise on the Kuwaiti side has studied the project. "There has never been an oil minister in Kuwait who actually understands the oil sector or has any kind of technical information about the sector," Al-Saadoun pointed out. He also argued that the project will not substantially reduce Kuwaiti unemployment nor create long-term benefits for Kuwait's economy. Opening Kuwait's upstream to foreign firms for such a short-term, small production boost is "not worth it," said Al-Saadoun. The history of the project is a twisted maze of politics, economics and oil policy. Begun when the Supreme Oil Council initiated a study to expand production in the northern oilfields in 1997, the project has triggered a lengthy debate over the participation of foreign oil firms in Kuwait's strategic upstream energy sector. Kuwait's constitution forbids foreign firms from having an ownership interest in Kuwait's natural resources. Kuwait has 99 billion barrels of estimated proven oil reserves, around 8 per cent of

the world total. But it has banned foreign firms from participation in upstream production since the 1970s.

Abdulwahab Al-Haroun, MP and former finance committee chair presented the pro side of the debate. He argued that Kuwait's sovereignty will not be impinged by Project Kuwait. "We tell the contractor how many barrels of oil he can get a day. It would only be in four oilfields in northern Kuwait and in specific areas," he said. He added that the country will benefit fairly. "There will be no agents this time...and we also insisted that 70 per cent of employees be Kuwaiti and I suggested that a Kuwaiti company be included in the consortia, with a 5 per cent stake. Kufpec has been chosen and it will oversee the consortium and help transfer technology into a Kuwaiti company.

The issue over foreign firms took a new turn when Al-Saadoun listed a tripartite recommendation for garnering wider approval. He said that in order to make the project viable, "firstly, you need to have a technical team that understands the oil sector to prepare the project. Secondly, there should be an exchange of truth about the project and transparency between the government, parliament and the team and thirdly, they should not give this project to one consortium. There should be two consortiums and one of them should be an Asian consortium because Kuwait exports the majority of its oil to Asia."

Currently, there are three major consortia vying for the project, ChevronTexaco (along with Total, PetroCanada, Sibneft and Sinopec); ExxonMobil (along with Shell, ConocoPhillips and Maersk); and BP (along with Occidental and ONGC/Indian Oil Corp). Hashim El-Rifai, the executive assistant managing director for Project Kuwait, answer questions at the end of the lecture. He argued that the project was needed to inject new life into the Kuwait oil sector and to provide new technology and management expertise. The parliament is scheduled to vote on the contentious project within the coming days.