

Al-Shall Report

Delay from 'Project Kuwait' could harm entire economy

ONCE again, and within a short period, we address the Northern Oilfield project. We aim at trying to unify or at least bridge the gap between the points of view of two groups. These views seem to be drifting more and more apart. The project is called Project Kuwait and as such should draw more agreements around it.

Though the project's idea began in the nineties driven mainly by security considerations in the post occupation era, it did not gain real momentum until its endorsement in principle by the Higher Petroleum Council in its July 30, 1997 meeting, says the Al-Shall Weekly Economic Report published by Al-Shall Economic Consultants headed by Jassem Al-Sadoun.

In its early stages, the project covered the present northern and western fields, or 'Ummi Qudair' and 'Al-Manageesh' fields, whose reserves at that time were 3.2 billion barrels and 3.3 billion barrels, respectively. The northern fields contain two important fields: Al-Rawdhatain with a reserve of 5.1 billion barrels and Sabriya with a reserve of 4.3 billion barrels, while the reserve of the remaining three northern fields, namely Retqa, Sabriya, and Bahra, is estimated at 460 million barrels. Therefore, the statements of the former Oil Minister, Saud Al Sabah, in the United States, indicated that the project's reserves were about 16 billion barrels. Without giving reasons, the present project is restricted to the northern fields with 9 billion barrels, or less than 10 per cent of Kuwait's proven and declared reserves, assuming that figure is accurate. Within 7 years leading to the present marketing campaign, the project was subject to lengthy studies and promises that were not realized. In other words, it was subject to a long gestation period that is cause for much concern. When the project was resubmitted, its marketing and political aspects were dominant at the expense of transparency and professionalism.

This should not drive us to embrace them remotely from logic. The error in endorsing or rejecting the project will be borne by the entire country. All of us are vulnerable to err more so if we do not adopt logic in debate. We propose a meeting between the two decision-making powers in the presence of relevant specialists. The meeting should continue behind closed doors to neutralize zeal and until a vision of the project is crystallized by a majority agreement. The meeting should be well prepared in terms of advanced announcement of its time frame, its respect, its management, and distributing time among specializations and speakers. We also suggest that we offer in advance a comprehensive review of our points of view and give the other party a chance to respond since the purpose is not to impose one party over another, but rather to allow the other party to present the best they got.

We present a summary of our point of view, which is considerably different from that of the project's marketers, whereby our views have not been addressed in a convincing manner, although we are ready to accept the opposing point of view:

1. We have not addressed the draft agreement since it is beyond our expertise, but it is certain that Kuwait's sovereign right to decide on the level of oil production from the northern fields has been compromised.

2. Kuwait as a country does not need money and the Kuwait Petroleum Company (KPC) not to mention the government has enough, and KPC makes a return on its investment which is less than what the oil sector offers foreign companies for investing in the project, i.e. a lower Internal Rate of Return (IRR).

3. Scenario number (1) presented by the team is not a scenario and from a professional perspective should not have been presented because it compares between two different situations, and the estimated surplus is not supposed to be used as marketing incentives.

4. The average oil production that would be generated by using foreign companies is 685,000 barrels per day and not 900,000 barrels per day and increases by 135,000 barrels per day (5.8 per cent) the current daily oil production in Kuwait. The discussions should focus on the fate of oil reserve

levels in case foreign expertise is not used.

5. The techniques in question are not new — at least a quarter of a century old — and there is no excuse for the Kuwaiti oil sector not to be able to handle them on their own. An acceptance of that is on condition that a proposal for the independence of the oil sector is put forth, whereby it operates on commercial rather than political basis.

6. The national labor force in the project, whether it be 60 per cent or 80 per cent, will be small and we should put much emphasis on its number or its ability to transfer new management techniques to the oil sector in its present state.