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Problems of Economics

Original article

PROBLEMS ANALYSIS IN PLANNING OF IRAQI FUEL AND ENERGY SECTOR: CASE STUDY IN MIDLANDS OIL COMPANY (BAGHDAD)

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Abstract. In this article, the authors try to analyze the problems of planning in the Iraqi fuel and energy sector, focusing on the example of one enterprise (company) of the Iraqi oil industry. The main problem lies in the weak planning of an effective oil policy in Iraq in the field of oil and gas production and export, weak development of oil infrastructure. This leads to fluctuations in Iraqi oil and gas resources under price pressure, despite the huge volume of these resources and the huge revenues generated from them. The problems of planning are considered on the example of the Midlands Oil Company. Based on the results of the analysis, measures are proposed to improve the efficiency of Midlands Oil Company.

Keywords: Iraqi oil sector, planning, oil enterprises, planning in oil and gas industry

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Проблемы экономики

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АНАЛИЗ ПРОБЛЕМ В ПЛАНИРОВАНИИ ИРАКСКОГО ТОПЛИВНО-ЭНЕРГЕТИЧЕСКОГО СЕКТОРА: ИССЛЕДОВАНИЕ В MIDLANDS OIL COMPANY (БАГДАД)

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Аннотация. В статье авторы анализируют проблемы планирования в иракском топливно-энергетическом секторе, сосредоточив внимание на примере одного предприятия (компании) нефтяной промышленности Ирака. Основная проблема заключается в слабом планировании эффективной нефтяной политики в Ираке в области добычи и экспорта нефти и газа, слабом развитии нефтяной инфраструктуры. Это приводит к колебаниям иракских нефтяных и газовых ресурсов под давлением цен, несмотря на огромный объем этих ресурсов и огромные доходы, получаемые от них. Проблемы планирования рассмотрены на примере Центральной нефтяной компании. По результатам проведенного анализа предлагаются мероприятия по повышению эффективности работы Центральной нефтяной компании.

Ключевые слова: нефтяной сектор Ирака, планирование, нефтяные компании, планирование в нефтяном и газовом секторе

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Introduction

The Ministry of Oil "MoO" is the Iraqi ministry responsible for all activities related to Iraqi oil. All Iraqi governmental oil companies are directly linked to it and operate under its control. The decrease in oil prices and the accompanying economic and financial problems, especially in a country like Iraq, brought back talk about oil as a depleted wealth and the challenges of alternative energy. If we focus on talking about oil as a depleted wealth associated with a specific time for each oil-producing country, then we in Iraq remain the last interested in the depletion of oil and the fate that we do not want to face when the oil ends. For decades, specialized experts in different regimes remained with them, repeating that the last barrel of oil produced in the world will be Iraqi, based on the fact that Iraq will continue to keep the last oil reserves in the world under its soil. It stated in the energy conference held in Kuwait on January 21, 2015. A percentage occupied by fossil energy sources, the demand for them will rise during the next ten years. Based on current estimates, the demand on oil, it will continue to rise at a rate of 1.2-1.5 million barrels-day annually, and the world demand may be reached to (105-110 million barrels) per day in 2025. The transportation sector, freight cars, and private cars will take an important role in increasing consumption. According to previous estimates.

Authors can be agree that Planning in upstream oil and gas includes the following key activities: Taking stock of all existing and potential projects available to the company. Selecting which projects to invest in, which to divest, and which to put on hold. Determining the timing for selected projects, energy (Oil and gas) sector consists of three main activities - upstream (exploration and production), midstream (transportation and processing) and downstream (distribution and sale to end users/consumers) [1].

Iraqi oil enterprises

Today, Iraq facing a severe crisis in the decline of oil prices is often impractical and can be imagined as a way to get rid of the responsibility of facing more important and more dangerous facts that affect the essence of the economic and financial system based entirely on oil as a primary source of income. It was more useful to search for radical solutions in the face of such crises, according to long-term perception [2].

In fact, Iraq hasn't advanced scientific and industrial level that qualifies to engage in these circumstances with inappropriate talk about alternative energy. Iraq wants new sources of energy for continues improvement in all sectors.

Generally, Iraq has 16 enterprises of oil industry. There are many affiliated companies and training institutions as following[1]:

1 - Iraq Oil Company
2 - Oil Projects Company (SCOP)
3 - Oil Exploration Company (OEC)
4 - Iraqi Oil Tankers Company (IOTC)
5 - Oil pipeline company (opc)
6 - Oil Marketing Company (SOMO)
7 - Petroleum Products Distribution Company (OPDC)
8 - Iraqi Drilling Company (IDC)
9 - North Oil Company (NOC)
10 - Midwest Oil Company (MDOC)
11 - South Oil Company (SOC)
12 - Missan Oil Company (MOC)
13 - North Gas Company (NGC)
14 - South Gas Company (SGC)
15 - Gas Filling Company (GFC)

[1] The official web site of Midlands Oil Company (Baghdad). (https://mdoc.oil.gov.iq/, accessed on 04.01.2023).

16 - North Refineries Company (NRC)
17 - Midlands Refineries Company (MRC)
18 - South Refineries Company (SRC)
19 - Heavy Engineering Equipment Company (HESSCO)
20 - Petroleum Research and Development Center (PRDC)
21 - Baghdad Petroleum Training Institute
22 - Basra Oil Training Institute
23 - Kirkuk Oil Training Institute
24 - Baiji Petroleum Training Institute

Problems of the oil industry in Iraq

Authors can be summarized the following problems according to facts of oil industry in Iraq and some of publications [3–4]:

- weak organizational strategy to explain steps and making decisions to develop Iraqi oil industry within a specific time, volume and digital marketing framework;

- no productive interdependence between the activities of the oil industry and other sectors of manufacturing in Iraq;

- technical and administrative training in the oil industry sector is weak. These skills must expand his skills or provide new skills and future planning.

We can support of priorities in Iraqi suborn addiction professed by on edge and repair of Iraqi pay fields and meet, loan a beforehand of ground-breaking pay fields, conclusion of suborn revelation and disclosure programs, blood of unserious air in the broadest wind of the fiscal division, line-up of advanced refineries for secular voiding and export, Habituate and repair revolutionary buy off owners, in a holding pattern the move onward of the original chilly category, and distinguish the standing of succinct a conspicuous and piece of baggage petroleum sketch divagate recognizes Iraq's immeasurable hydrocarbon proficiency. Avow of mishap and oversight and insufficiency of fiscal wealth disturbing the relevancy. And everywhere is a telephone to wish in the deep-freeze adjacent to Iraqi attributes both medial and oil.

There are attached services with crude oil production process, such as exploration and drilling operations, establishment of laying pipelines, refineries, marketing, networks of distribution and refining services [5]. They can be privatized in whole or in part, especially that Iraq needs an active oil industry that is characterized by a competitive environment that has the capacity of rapid technical growth. And it can respond quickly to changing circumstances. The lack of clarity of the approach in this regard has made the mechanisms and means of investment in the oil sector absent until now, The fluctuation of the economic decision and the lack of a clear reference body that can take the appropriate decision due to the ambiguity of the political scene and its overlaps, and the succession of a group of governments that are not stable in time and do not have sufficient powers to take long-term decisions.

Midlands Oil Company – Baghdad

A company's work areas included the provinces (Baghdad, Wasit, Diyala, Karbala, Babil, Najaf and Anbar) cities to carry out the activities of extracting crude oil and natural gas from its fields in the aforementioned provinces, as well as carrying out transport and disposal of fossil natural resources available in The company's various sites through export outlets and local consumption through conveyor pipe networks, which are owned by the company[1].

Midlands Oil Company has a strategic importance among the national extractive companies affiliated to the Iraqi Ministry of Oil. It is represented in its distinguished geographical location and the natural resources it possesses of crude oil and natural gas in most of the governorates of Iraq. Its pioneering role as a primary source of financing the process of sustainable economic and social development in Iraq. clarify the waste and depletion that occurs in the Midland Oil Company for suppliers (crude oil and natural gas),

[1] The official web site of Midlands Oil Company (Baghdad). (https://mdoc.oil.gov.iq/, accessed on 04.01.2023).

while defining the strategies used and necessary to deal with these resources. Problem is diagnosed by the lack of effective oil policies in Iraq in the field of production and export, despite the huge volume of crude oil and natural gas resources and the huge revenues derived from them, which negatively affects economic performance and the pattern of sustainable development in it[1].

The Midlands Oil Company is distinguished among the national extractive companies affiliated to the Iraqi Ministry of Oil, with its oil reserves estimated at 604 748,139 million barrels, and gas reserves estimated at 23 604.48 billion standard cubic feet. The company carries out its activities for the production of crude oil and natural gas from its oil and gas fields, which are distributed in most of the governorates of Iraq. Therefore, it is imperative to manage, maintain and develop these depleted natural resources in a manner that guarantees their sustainability over future generations. By Authors opinions , any oil enterprises needs comprehensive review of the organization's conditions with a diagnosis of its activities and events in light of the many variables and complexities governed by financial policies, organizational programs, human resources, economic conditions and technological developments, which makes the organization able to diagnose each of (strengths and weaknesses) in its internal environment, and points (Opportunities and Threats) that the organization faces in its external environment, with the aim of investing all strengths to reduce weaknesses and exploiting all available opportunities to face the risks and challenges surrounding the organization[2].

In this case study, strategic analysis is also the second step after planning stage for formulating the right strategy and strategic decisions based on the results of analyzing the internal and external environment, and then developing the appropriate strategy that would direct the administration towards achieving the strategic goals. It is imperative for the oil policy to start from a set of basic pillars if it wants to achieve its goals, foremost of which are the following [4]:

1 - Increasing the production capacity of suppliers of crude oil and natural gas, which allows achieving the largest possible financial returns from them.

2 - Promoting the use of the natural gas resource with both associated and free quality according to scientific bases through developing the discovered fields and investing in the gas resource that has been burning for decades.

3- Don't relying on the crude oil resource only as a sole axis for financing the central government treasury, but rather adopting new systems in the production of natural gas and oil derivatives in commercial quantities through which revenues can be developed and diversified.

Conclusions

There are many problems in Iraqi Midland oil enterprise as following:

1. A decision making to choose a specific strategy for the exploitation of available natural resources differs from one resource to another, while it is possible to follow the logical sustainability pattern for the exploitation of the crude oil resource and the natural gas resource, and that the current economic situation necessitates choosing the optimal strategy that achieves the full and optimal exploitation of resources depleted fossil and the highest efficiency and effectiveness.

2. The produced and non-producing oil fields of this enterprise contain a large reserve of crude oil resource compared to other national extractive companies. Unusual does not come from the quantities and capacities of oil contained in these oil wells, but rather from the nature and quality of the crude oil in them.

3. The gas oil fields of the Midland Oil Company have the highest gas reserves in Iraq, which puts them at the forefront of the national extractive companies in terms of production rates for the natural gas resource of both associated and free types. Therefore, decision-makers must overcome all difficulties and skip routine procedures, by providing. All material capabilities and financial allocations of the company, in order to reach and achieve peak production rates from the natural gas resource and within the specified time periods.

[1] The official web site of Midlands Oil Company (Baghdad). (https://mdoc.oil.gov.iq/, accessed on 04.01.2023).
[2] Ibid.

4. Most government institutions suffer from obvious sagging and significant distortion in their structure and organizational structure, and one of the important causes for this sagging and distortion is due to the large number of positions and decision-making centers in the company, which increases their financial burdens due to the volume of expenditures and the large financial privileges that they receive. It will be enjoyed by the occupants of those positions, which leads the company to deplete its financial resources by moving towards the occurrence of the phenomenon of financial causation.

Recommendations

Authors suggest some solutions to improve the work of Iraqi midland oil enterprise:

1. Idea of carrying out any successful investment process must take place in a sound investment environment and free from any manifestation of administrative and financial corruption that impedes the development and implementation of investment plans, by providing a sound legal investment environment based on the application of the law and Penalties for violations indicated by the Office of Financial Supervision, the Office of the Inspector General and the internal auditor office in the Iraqi Ministry of Oil [3].

2. Choosing the leaders working in the company on the basis of experience and mental, scientific and field competence, and not on the bases based on political, national, sectarian quotas or party affiliation.

3. Paving the way for the natural gas resource through the establishment of huge transformational industries to manufacture natural gas products of both the associated and free types instead of burning it, and this is done through diversification in the production structure while providing financial support and expanding and developing the role of the private sector to advance and realize projects Successful investment, leading to actual participation in achieving economic development in the country, through the establishment of companies by adopting legal frameworks that simplify administrative procedures and financial transactions, while ensuring the protection of public and private property alike.

4. Investing in the natural gas resource accompanying the crude oil extraction operations in the oil fields of the Midland Oil Company, by providing new systems for compressing, desalination and drying of the gas with the rehabilitation and development of the old ones. To feed and operate the electric power generation stations through joint coordination with the Ministry of Electricity to establish electric power generation stations that operate on gas fuel, while providing all logistical requirements for delivering gas quantities to those stations from extending pipe networks carrying gas and water, and setting programmed maintenance programs It is done by self-effort by the qualified engineering and technical cadres working in the company after they have obtained the necessary training and development courses at the highest levels.

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