



## Japan Firms Set to Win \$10 Billion Iraq Oil Deal

NIPPON OIL, NASSIRIYA OILFIELD, INPEX, JGC CORP, ENI, REPSOL, IRAQ  
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A group of Japanese companies led by refiner **Nippon Oil** is in the final stage of talks to win a \$10 billion development contract for Iraq's huge Nassiriya oilfield, a Japanese newspaper reported on Friday, the biggest foreign oil deal since the fall of Saddam.

Nippon Oil together with top oil explorer **Inpex** and plant engineering firm **JGC Corp** had been vying with Italy's **Eni** and Spain's **Repsol** in the race for the engineering, procurement and construction contract, but industry sources had said Repsol was no longer in the running.

Iraq's Oil Minister Hussain al-Shahristani said on Thursday that the Oil Ministry has selected a company to develop Nassiriya and has sent its choice to the cabinet for approval. He had declined to identify the company.

The Yomiuri newspaper, which did not cite sources, said an agreement could be reached as early as next month.

The EPC deal comes just ahead of next week's unrelated tender for service contracts in six already producing oilfields and two undeveloped gas fields, the first open contest since the U.S. invasion for foreign companies to gain direct access to acreage in a country that holds the world's third-largest oil reserves.

Nippon Oil and Inpex said no decision has been made. A JGC spokesman declined comment.

The paper said oil output would be 150,000 barrels per day (bpd) for two years after the drilling begins and is targeted to increase to 600,000 bpd after that, equivalent to about 15 percent of crude imports by the world's No. 3 oil consumer.

Officials have said in the past that it could produce 100,000 bpd within 18 months, while ENI estimated it might eventually pump up to 1 million bpd.

"It is a meaningful move for Japan's longstanding efforts to diversify its sources for oil supplies," Shun Ohashi, an energy analyst at Sumitomo Corporation, said.

"In light of a longer-out view, it may be also not a bad time to secure such a contract, given current market levels."

The project, which will include oil refining and power-generating facilities, is expected to cost around 1 trillion yen (\$10.4 billion), and the government would provide support via the state-backed Japan Bank for International Cooperation, the paper said.

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The Nassiriya contract was initially scheduled to be awarded in late April or early May, but was delayed as Iraq asked for the bids to be revised and resubmitted.

Iraq oil reserves are severely underexploited after decades of war, sanctions, underinvestment and most recently sabotage during the sectarian slaughter and insurgency.

It hopes to boost flagging oil production of 2.3 million to 2.4 million barrels per day to 6 million bpd within five years by bringing in foreign capital with tenders and engineering deals.

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