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Kirkuk oil field development agreement – BP’s strategy shift and Iraq’s intention to rapidly utilize its petroleum resources align

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On March 10 Iraq’s Ministry of Oil and UK major BP formally signed an agreement on developing the Kirkuk oil field in northern Iraq. Both parties concluded an MOU in the summer of 2024, and also agreed upon the final details of the agreement in February. At that juncture, BP Executive Vice President William Lin said “This agreement ...delivers access to a material new resource opportunity, within one of the world’s most prolific hydrocarbon provinces.” “This opportunity is fully in line with our priority of pursuing new growth opportunities for bp as we strengthen and high-grade our portfolio across the world.”¹

In outline, the agreement includes carrying out the rehabilitation of existing wells and facilities in the Kirkuk oil field (a major oil field located in northern Iraq) along with oil fields in its vicinity, the construction of new infrastructure, new drilling and exploration, gas expansion projects, and the construction of a 400-MW power plant. BP will not form a consortium with other companies; it will undertake the work in cooperation with Iraqi state-owned enterprises such as the North Gas Company (NGC) and North Oil Company (NOC).

The Kirkuk oil field was discovered in 1927 and is one of Iraq’s oldest oil fields. It is also one of its largest. In its heyday, it was producing 1.4 million b/d but due to the impact of war damage, insufficient maintenance, and a lack of investment, production is currently

¹ BP press release, February 25, 2025 <https://www.bp.com/en/global/corporate/news-and-insights/press-releases/bp-and-iraq-reach-final-agreement-for-redevelopment-in-kirkuk.html>

sitting at 200,000-plus b/d. BP has a deep relationship with the Kirkuk field, and when the Turkish Petroleum Company discovered the field in 1927, BP's predecessor, the Anglo-Persian Oil Company, was a co-owner of that company. Iraq's petroleum industry was nationalized in the 1970s but following the Iraq War in 2003 entries by foreign players moved forward once again. BP too has been serving as an operator of the Rumaila oil field in southern Iraq since 2009. Where the Kirkuk field is concerned also, in the 2010s BP carried out a reserve survey and entered a preliminary agreement to expand the field's production, but it had yet to reach the point of a full-fledged development agreement.

The timing of BP's decision to make serious inroads at the Kirkuk oil field is not unrelated to a strategy shift at the company. Murray Auchincloss, who was officially appointed as BP's CEO in January 2024, is pursuing a policy shift toward reappraising petroleum and gas assets, away from the company's proactive devotion to renewable energies up to now, and prioritizing projects that can be expected to generate earnings in the shorter term. Although Iraq's Kirkuk oil field is ageing, it is a field that BP is well-familiar with and is a major field with remaining reserves of 9 billion barrels as of 2010. As it is located on level ground, conceivably the production costs are comparatively low, and if a pipeline to Turkey that is currently suspended reopens it will be possible to secure an export route. BP appears to have concluded that even if global petroleum demand begins falling in the future, it will be able to secure sufficient earnings up to then. Even within Iraq, the vicinity of Kirkuk is a region where it would be difficult to argue that security challenges have been eliminated even today, but nevertheless, the security situation has improved dramatically compared to the 2010s when terrorist attacks were a frequent occurrence. Coupled with the fact that the political environment has also settled down, BP no doubt judged this to be a good opportunity to enter Iraq.

For Iraq also, this agreement represents an important project toward making prompt and effective use of its petroleum resources. The Iraqi government is reliant on revenue from petroleum exports to cover 90% of its public finances. Although the country is steadily making progress with developing structural gas fields and solar power generation projects in order to rid itself of this overreliance on petroleum and promote a decarbonization strategy, that move has only just begun, and Iraq is still at the consideration stage when it comes to many non-carbon energy sources such as hydrogen and nuclear power. As a new economic pillar, the Iraqi government has come out with the

Development Road project, which involves establishing a road and rail network from the southern Port of Basra to the Turkish border to the north, in order to build a major logistics route as an alternative to the Suez Canal, but inevitably, it will still be a long time before this can be realized. In order also to move forward with freeing itself from this reliance on petroleum and diversifying its economy, it will be essential for Iraq to promptly make effective use of the petroleum assets it has directly on hand, as an important source of capital. BP's entry can thus be expected to present Iraq with a valuable opportunity as well.

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