
The Significance of BP's Return to Kirkuk's Giant Oil Fields

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Summary : Beyond the importance of the disputes between Erbil and Baghdad on this issue, there are two other important questions: Iraq's perspective on energy issues (oil and gas), and the importance of Kirkuk's oil reserves and BP's continuous efforts to invest in Kirkuk's oil fields during the era of net zero and transition to renewable energy

Overview

As part of the Iraqi delegation's visit to London, led by Prime Minister Mohammed Shia Al-Sudani, a milestone event unfolded on the evening of January 14, 2025. The Iraqi Prime Minister's Office announced a significant development in the nation's energy sector: under the guidance of the Iraqi Oil Minister, a ceremonial signing took place for a Memorandum of Understanding (MoU) between British energy giant BP and the North Oil Company. This landmark agreement aims to evaluate the development potential of four strategic oil fields in Kirkuk, setting the stage for a transformative era in Iraq's oil industry.

In fact, the relationship between Kirkuk Oil and British Petroleum (BP) has a history of more than 100 years, dating back to the early stages of oil discovery in all of Iraq and the Middle East. At that time, the company managed to discover reserves of 12 billion barrels of oil from the Baba Gurgur oil field within three months, making it one of the largest oil fields at that time and still in the energy sector.

Since oil production began in 1934 until now, without any development or technological modernization of production in the four oil fields of Kirkuk where oil is produced, along with investment in two other fields, the reserve level of Kirkuk's oil fields has decreased from over 20 billion to 10 billion barrels of oil, and the production level has dropped from one million barrels of oil per day to 350 thousand barrels of oil per day.

The company that made the discovery and introduced the oil field to the world has now returned to modernize the technological equipment and correct the poor management of the reserves of Kirkuk's oil fields, increase oil production levels, prevent associated gas flaring, and produce gas for the city's power station.

Since 2003, Kirkuk and other areas have been designated as disputed areas or Article 140 areas in Iraq's permanent constitution. However, after two decades and the end of the promise by the last Iraqi government cabinet to enact the oil and gas law in its first six months of work - which has now passed 3 years with 9 months remaining - all issues related to oil and gas in Iraq remain unresolved.

Beyond the importance of the disputes between Erbil and Baghdad on this issue, there are two other important questions: Iraq's perspective on energy issues (oil and gas), and the importance of Kirkuk's oil reserves and BP's continuous efforts to invest in Kirkuk's oil fields during the era of net zero and transition to renewable energy

Kirkuk Oil: A Century Later, Still a Source of 10 Billion Barrels

The oil fields of Kirkuk are recognized as the oldest oil fields in the Middle East and the world, and oil was first extracted in this region from Kirkuk. Kirkuk's oil fields consist of six fields, of which only four have been invested in or explored so far, and due to poor management from the beginning until recently, its oil reserves and production levels have decreased significantly.

In fact, [British Petroleum \(BP\)](#)'s history in Iraq and Kirkuk dates back to the early discovery of oil in all of Iraq, when in the 1920s the Anglo-Persian company began searching and drilling for oil in this region.

In the early 1920s, the Turkish Petroleum Company (which later its name was changed to Iraq Petroleum Company) began exploration, and their fourth test well was drilled near Kirkuk and named "Baba Gurgur," which means "Father of Fire." In fact, the name comes from the fires that continuously burned from the oil and gas seeping from these lands in Kirkuk.

During the company's three months of operation, at 3 AM on October 14, 1927, when the team reached their drilling depth, oil and gas gushed. The oil gusher was so high that it rose 42 meters above the oil field tower and not only covered the field area and its surroundings but spread across 400 acres, spilling 90,000 barrels of oil daily until it was controlled (Ellen R. Wald, 2018).

According to the same source, in the following year (1928), the company drilled more wells and revealed that there was an oil field extending approximately 48 km under a thin layer of rock in the Kirkuk area. Later, it was found that this field alone contained about 12 billion barrels of oil reserves, which was and still is one of the largest oil fields in the world. Oil production from the field was delayed until 1934.

Now, according to the latest Global Energy data, the total oil reserves of Kirkuk's oil fields that have been drilled and invested in have reached 8.9 billion barrels of oil. Recently, according to a [study by the Directorate of Reservoirs and Field Development](#) at the Iraqi National Oil Company, two new field structures in Kirkuk province named Ghadir and Tel Ali were newly discovered, containing a total of 1.3 billion barrels of oil, with over 400 million barrels of these two new structures being technically and economically viable for investment.

Furthermore, [SOMO](#) (Iraq's oil export company) reports indicate that in November 2024, Kirkuk's oil fields contributed 266,715 barrels per day to Iraq's total oil exports, and currently, the [oil production level](#) from these four fields in Kirkuk ranges between 350,000 to 360,000 barrels per day, which is minimal compared to its reserves.

Baghdad's Stance on Oil and Gas Issues in the Context of the New Iraqi Constitution

The city of Kirkuk is mentioned in both the temporary and permanent Iraqi constitution as a disputed area, and it was expected that under the new Iraqi administration after the fall of Saddam Hussein's regime, this issue would be resolved in a way that the indigenous people of the city would vote in a referendum to determine whether this province should be part of the sole region of the federal state or directly be a province of the federal state. However, nearly two decades after writing the solution to this problem in Article 58 of the temporary constitution and Article 140 of the permanent Iraqi constitution, it has still not been implemented, and whoever has had the power has administered the oil of this city.

Mohammed Shia Al-Sudani, Iraq's Prime Minister, on the same day of his visit to the UK, wrote in The Telegraph, "In my discussions with the British Prime Minister and senior officials, I will focus on ways to support infrastructure rehabilitation and development of productive sectors, especially energy, which remains the backbone of Iraq's economy. British major companies have played a key role in developing important oil fields such as Rumaila and Kirkuk for many years. Recently, this partnership was further strengthened through a new understanding with one of Britain's largest companies (BP) to establish a major gas project, which includes the rehabilitation of North Oil Company fields and the construction of extensive infrastructure for the oil industry."

In response, the Kurdistan Regional Government, before Sudani's departure to London, indicated through a [statement](#) that "now the Iraqi government is preparing to unilaterally take the oil and gas of these areas," and that "the federal government is trying to sign oil and gas contracts." This already shows the Kurdistan Regional Government's disapproval."

Another reality in this issue is Iraq's unchanged perspective on managing oil and gas issues from day one until today, which involves strong central administration and weak internal management of the region and provinces in Iraq, while after 2003 and in the new Iraqi constitution, the opposite is stated, which is a form of decentralization that has strengthened the role of the region and provinces and weakened the authority of the central government (Kamal Al-Mahdi, 2006).

BP's Return to Kirkuk: Introducing a New Model of Oil Contract

After the regime's fall and in early [2005](#), Iraq's Oil Ministry gave the Kirkuk oil field to British Shell Company and the Rumaila oil field to British Petroleum for scientific research and to determine how to develop and increase oil production levels in these two major Iraqi fields, but BP had its eye on Kirkuk.

In fact, the return of British Petroleum (BP) to Kirkuk after a century and the signing of several agreements over the past decade is an important matter. According to the [previous understanding](#) between Iraq's Oil Ministry and BP, the new contract includes the Bay Hassan oil field (Baba Dome and Avana), Jambur and Khabbaza oil fields, which are currently managed by the North Oil Company (NOC) of the Iraqi government.

The British company has been a partner in oil production at the Rumaila oil field since 2010 through an investment service contract, and since 2013 has had a consulting agreement for the Kirkuk oil field. However, due to events from 2014 to 2017, it did not operate there. Again in January 2018, it signed a new agreement to study the enhancement of field infrastructure and development, and in May of the same year, the agreement was expanded to include the Khurmala oil field, which was under the Kurdistan Regional Government's control, but this also did not enter into implementation.

Furthermore, at the beginning of this year, [discussions intensified](#) to the point where they continued even during holidays until reaching the drafting of the final points and changing the contract from a service contract to a profit-sharing contract.

The newly signed Memorandum of Understanding (MoU) focuses on the rehabilitation and development of four key oil fields: the Bay Hassan oil field, encompassing both the Baba Dome and Avana, as well as the Jambur and Khabbaz fields. Previously operated by the North Oil Company, these fields are now entrusted to BP to enhance production and achieve optimal target rates for oil and gas output.

Moreover, the new contract format, which is a profit-sharing model, is closer to a Production Sharing Agreement (PSA) than a Service Contract (SC), which demonstrates that after two decades, Iraq has turned to international oil companies to increase production levels, renovate field equipment capabilities, prevent associated gas flaring, increase oil production levels, and repair the poor management of oilfield reserves.

In fact, Iraq's new contract format for oil and gas, which was adopted for this contract and rounds five-plus and six, differs from the Production Sharing Agreement (PSA) in one point: the company does not become an owner or partner in the discovered oil and gas but rather shares in the profits of the produced and sold oil and gas at varying rates. In previous contracts of this type, companies' shares reached [32%](#) for the investing company, and we'll have to wait to see what BP's share will be for Kirkuk.

BP is one of the world's largest energy sector companies which, according to its strategy, was supposed to reduce investment in conventional energy (oil and gas) and reach net zero by [2050](#), transferring all its investments to renewable energy. However, this agreement in Iraq and its previous agreement in Kuwait shows that both the company and the world still need conventional energy, at least for the next decade.

Conclusion

The oil fields of Kirkuk are among those fields in Iraq that have been producing oil since 1934 without any investment and development to increase oil production until now, which has led to a decrease in both production levels and reserves. This new contract between Iraq and BP for reorganizing well capacity and restoring the natural level of well reserves with new

technology and field development in terms of using water or gas for the wells can take production levels from these fields to a new stage.

According to the new memorandum of understanding, the British company will start drilling 16 new wells and installing the necessary equipment to prevent associated gas flaring, separating the gas from the produced oil, and transferring it to power stations. Additionally, it aims to restore Kirkuk's oil production level to approximately half a million barrels per day, as [these four fields](#) that the British company is set to invest in through a profit-sharing contract constitute 98% of Kirkuk's proven oil reserves.

Additionally, in terms of technical and economic viability for investment, Kirkuk oil has the highest rate across all of Iraq, with its [recovery factor](#) reaching 58% of the total resource, while the West Qurna oil field in Basra has an economic viability of 42%.

Finally, a notable point in this new BP contract in Iraq is the return to conventional energy, whereas the company's 2020 strategy report, it had indicated ending investment in conventional energy and allocating money for investment in renewable energy and reaching net zero by 2050 or earlier. However, this shift has implications for oil and gas in the future, just as the return to Kirkuk after a century has other dimensions beyond its economic aspect.

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