

Central Intelligence Agency



Washington, D.C. 20505



DIRECTORATE OF INTELLIGENCE

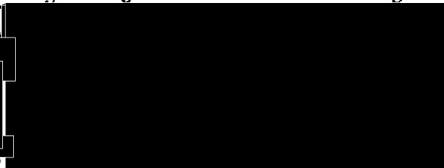
1 February 1984

Iraqi Export Pipeline Options: [A Comparison]

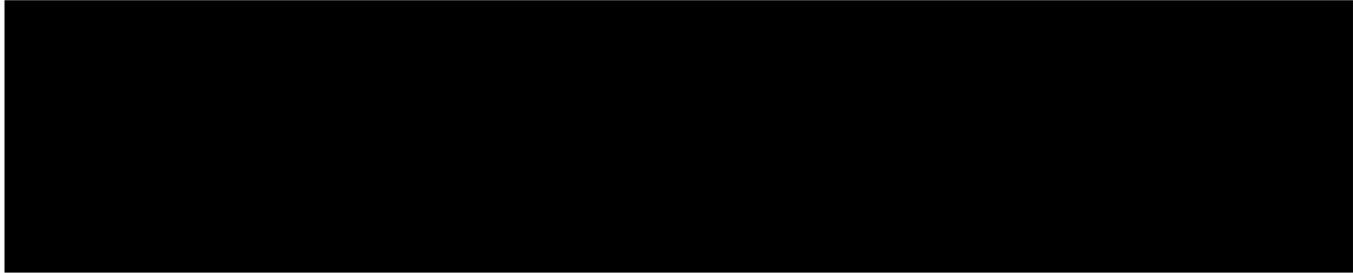
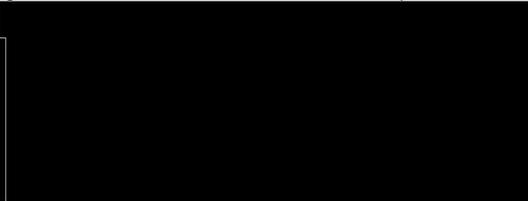


Summary

Iraq's agreement in principle to proceed with construction of a pipeline through Jordan could go a long way toward easing Iraqi financial worries and frustrations



The Petroline spur is Iraq's most economical and expeditious pipeline alternative because it is the shortest route and could begin generating critical revenues in 1985. Other alternatives could not generate revenue until 1986



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Iraqi Export Pipeline Options: [A Comparison]

Introduction

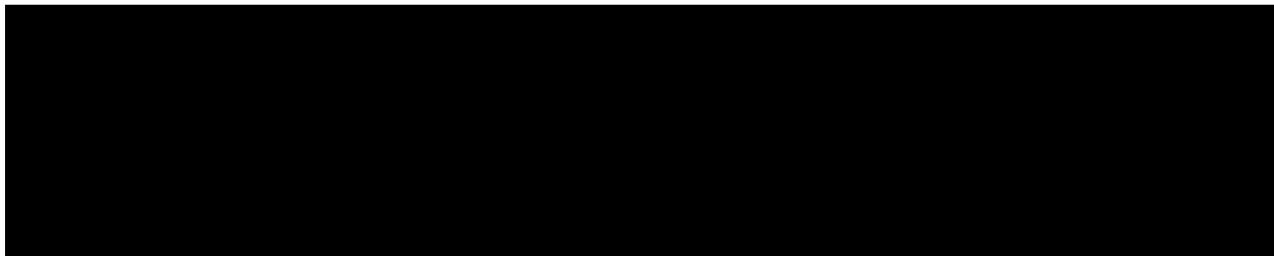
Iraq's economic difficulties have prompted Baghdad to seek ways to expand its crude oil exports to earn the revenues it needs to continue its war of attrition with Iran. A number of proposals have been presented to Baghdad and discussed in the West, including new export pipeline alternatives through Jordan, Turkey, and Saudi Arabia. Each option provides Iraq with varying economic opportunities and has different strategic and security implications for countries in the region and the United States.

Iraqi Export Pipeline Alternatives

The Jordanian Option. Amman and Baghdad have reached agreement in principle on a 1.5 million barrel-per-day (b/d) pipeline that would follow the right-of-way established by the old Iraq Petroleum Company (IPC) lines from Kirkuk to a point north of Amman and then proceed south to al Aqabah over new right-of-way.

The Turkish Option. While not under current consideration by the Iraqi government, looping of the 1 million b/d Turkish pipeline or construction of a second parallel line could be completed in a year and a half at a minimum cost of \$1.5 billion.

- o Looping the entire pipeline--construction of a pipeline that passes through the existing pump stations--would raise the capacity of the expanded Mediterranean outlet to 1.3-1.5 million b/d.
- o Construction of a parallel 48-inch pipeline along the route would add 1.5 million b/d capacity to the route. As with the Jordanian option, use of the new pipeline would be limited to less than 1 million b/d,



IRAQ: CRUDE PIPELINE EXPORT OPTIONS



<u>Option</u>	<u>Capacity (thousand b/d)</u> ¹
Iraq-Saudi Arabia (Petroline spur)	500-750
Iraq-Jordan (new line--K-3 to Al Aqabah)	1,500
Iraq-Turkey (looping existing line) ³ (new parallel pipeline)	300-500 1,500

¹ based on a 48" pipeline diameter

²



³ incremental addition to existing pipeline

Economics of the Pipeline Alternatives

Baghdad's efforts to achieve prompt new sources of oil revenue, have focused largely on exploring pipeline options through Saudi Arabia and Jordan. In recent months key Iraqi officials--including Iraqi President Saddam Husayn--have publicly stated their preference for the construction of a spur to Petroline in Saudi Arabia. This project has the potential to provide an additional \$5 billion in annual revenue beginning in 1985, assuming exports of 500,000 b/d. [REDACTED]

By virtue of its relative brevity and simplicity, the Saudi spur pipeline would be the most economical and expeditious pipeline alternative to construct. The Jordanian and Turkish pipelines, which would each require 7 to 10 pump stations and include at least 300 additional kilometers of pipe, are essentially of equal economic merit. Iraqi profits on oil shipments from Turkey could run as much as 50 cents per barrel higher than those through Jordan as a result of Suez Canal transit fees, but this could be offset by differences in pipeline transit fees between the countries and use of VLCC's from the Red Sea. The larger export capacities of the Jordanian and Turkish pipelines will result in greater revenues for Iraq over the longer term and offer the West access to larger crude volumes. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

the pipeline, however, would parallel the existing oil and planned LPG pipelines and run through territory close to Iran and periodically controlled by Kurdish tribesmen, whose sabotage has temporarily disrupted oil flows on several occasions in the past. (S NF)

Amman [REDACTED]

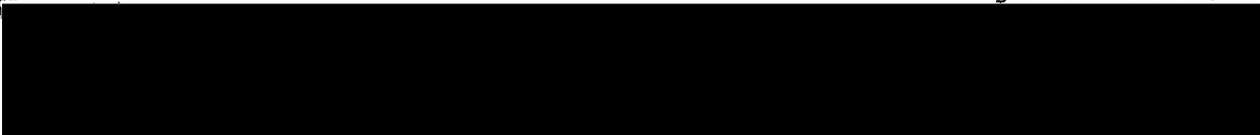
[REDACTED] oil transit fees would give the government much needed additional revenue. An Iraqi pipeline would also provide an alternative to Saudi Arabia's Tapline--tentatively scheduled to close in 1986--as a source of crude oil for Jordan's Zarga refinery, and offers promise for the development of a petrochemical industry within the country. In addition, a project of this magnitude would strengthen Jordanian economic ties with Baghdad. [REDACTED] an opportunity for his country [REDACTED]

[REDACTED]



Prospects and Implications

Without a resumption in oil exports through the Persian Gulf, only a major new export pipeline will provide Iraq with the revenue needed to maintain its current war effort against Iran.



current account deficit in 1985 while the Jordanian option can not be completed until 1986. Given the prospects for continued weakness in the oil market, construction of any pipeline that allows Iraq to expand exports in the next two years or so could bring added downward pressure on oil prices. (S NF)

