INTERVIEW

Oil Production in the Iraqi Kurdistan Region

I Am Confident that a Mutually Beneficial Solution Will Be Found to Enable This Oil to Be Exported,

Leo Koot, President of **Taqa Iraq**, tells **AOG**

- We are exploring opportunities within Iraq to invest in **upstream** oil and gas and in the **production of electricity and potable water**.
- The **Atrush** field should eventually be producing around **100,000 b/d** of oil.
- The full-field development of Atrush could cost more than **$2 billion**.

(Following is the text of an interview with Mr. Leo Koot, President of **Taqa Iraq**. See following page for his biography).

Arab Oil & Gas: *Taqa is an* ***integrated energy company*** *with interests in power generation, water desalination, oil and gas exploration and production and renewable energy. What are the main advantages of such a model?*

■ **Leo Koot**: This model provides several advantages, including revenue diversification for more stable revenues; operations across a larger section of the energy continuum; and the ability to gain operational efficiencies and cross-sector synergies. While power and water provide steady income, oil and gas offers exposure to large potential income upside. Energy solutions provides both steady income and access both to an important growth industry and to the significant developments happening in alternative energy and efficiency technologies.

AOG: *You said that your ambition is to build an* ***integrated business in the Kurdistan Region of Iraq****. Could you elaborate on this statement?*

■ **L. K.**: Iraq is the first MENA country that Taqa has entered under its integrated country strategy. As such, **Taqa Iraq** is exploring opportunities across both of the company's core business areas – upstream oil and gas and power and water. Our initial opportunity was in oil and gas in the Kurdistan Region, but we are exploring additional oil and gas, as well as power and water opportunities across the country. All of these operations will be overseen by the President of the Taqa Iraq business, creating an operational structure that can deliver cross-sector advantages that will benefit our customers, partners and others touched by our work, as well as our shareholders.

AOG: *The **Iraqi federal government** does not recognize contracts signed between the Kurdistan Regional Government (KRG) and foreign companies and you work in the Kurdistan Region. What is your relationship with the Iraqi authorities?*

■ **L. K.**: One of the core pillars of our business model is developing strong working relationships with the governments in countries in which we invest. This is the case in Iraq as well. Already, we have very well established relationships with the KRG, and we are already building strong relations with the central government of Iraq as well. Also, it's important to point out that while oil production is sometimes contentious, power is not, so power generation will likely drive our entry into southern Iraq, and we are in consultation with all relevant government entities in that sector.

AOG: *The **Atrush** field will come on stream by early 2015 and the initial production should be about **30,000 barrels per day**. What could be the ultimate production level?*

■ **L. K.**: We anticipate that peak production will reach somewhere around 100,000 barrels of oil equivalent per day. But peak production is just part of the story, because our involvement and investment in the Kurdish region is for the long term. We expect to be producing oil and gas from Atrush for anywhere from 25-40 years.

AOG: *Do you think that the dispute between the federal government and the KRG over **oil exports from the Kurdistan Region** could be solved by 2015? This issue has of course a great impact on the ability of foreign operators to be paid.*

WHO'S WHO

> Leo Koot

President of Taqa's Iraq Business

Leo Koot was appointed to the position of President of **Taqa**'s business in Iraq in July 2013, bringing over two and half decades of experience in the oil and gas industry to the role. Mr. Koot is responsible for all of Taqa's business in Iraq.

Prior to joining Taqa's team in Iraq, Mr. Koot held the position of Managing Director of the company's UK business where he managed the transition of four major UKCS offshore North Sea operated assets from **Shell U.K. Limited, Esso Exploration and Production (U.K.) Limited** and **BP** into the Taqa portfolio. During his time in this role, Mr. Koot took the company from a small office of seven persons to a purpose-built headquarters in Aberdeen now employing some 2000 personnel, directly and indirectly.

Mr Koot joined Taqa in 2007 from **EDP** where he held the position of Chief Executive Officer and established the company as a private equity energy fund and an E&P operation in the UK. Throughout his extensive career in the oil and gas industry, Mr. Koot has held a variety of senior positions with **Shell International** in the United Kingdom, the Netherlands, Namibia and Malaysia.

A Dutch national, Mr. Koot holds a Master's Degree in Petroleum Engineering from **Delft University** in the Netherlands. He lives with his family and is headquartered in Abu Dhabi.

Source: Taqa.

■ **L. K.**: If you look at the upstream oil and gas business around the world, you find that when there are proven reserves and production infrastructure in place, that oil will find its way to market. Solutions can always be found, given the strong economic imperatives. I'm confident that a pragmatic, mutually beneficial solution will be found that satisfies all parties, so that the production capacity being developed in Kurdistan will find an efficient road to market.

AOG: *What could be the* ***investment cost*** *of the full development of Atrush?*

■ **L. K.**: The Atrush Block will see more than US$300 million in 2014 investment for wells, facilities, pipelines and associated infrastructure. This investment will enable us to deliver the first commercial oil volumes from Atrush. There is still considerable appraisal activity occurring that will define future developments. With some success in this appraisal activity, full field development costs could be in excess of US$2 billion.

AOG: *Atrush contains oil and* ***associated gas****. Will you be able to monetize this gas?*

■ **L. K.**: We are still in the early period of Phase 1 of this project, and it will take more time to gain a better understanding of the reservoir before we can determine the economic viability of delivering the associated natural gas to the domestic market. Our early assessment suggests monetising this gas is an exciting possibility, and given the Kurdish region's hunger for natural gas, the benefits would be quite large. Initially, however, we will begin by using the associated gas ourselves to provide fuel for the onsite facilities. This will be a cleaner alternative to the diesel fuel we currently must use to generate power at this remote site.

AOG: *You are associated with* ***ShaMaran Petroleum, Marathon Oil*** *and the* ***KRG*** *on the Atrush block. Do you intend to develop your oil and gas portfolio within the Kurdistan Region and/or other parts of Iraq?*

■ **L. K.**: Yes, we are exploring opportunities across Iraq, whether in the Kurdish region, or the centre or south of the country. There are tremendous opportunities in the country, and we are eager to contribute in Iraq's economic development. ShaMaran and Marathon are valuable partners in developing the Atrush Block, but the dynamic nature of upstream oil and gas means there is no certainty regarding who our future partners might be in Iraq. That said, any additional oil and gas concessions in the Kurdish region would involve continued partnership with the KRG.

✧

✧ ✧

✧