

SHELL ANNOUNCES \$11 BILLION PETROCHEMICAL PLANT FOR IRAQ: WHAT COULD GO WRONG?

Today's entry in the "What Could Go Wrong?" sweepstakes is quite a beauty, courtesy of Reuters:

Royal Dutch Shell (RDSa.L) has signed a deal with Iraq worth \$11 billion (7 billion pounds) to build a petrochemicals plant in the southern oil hub of Basra, Industry Minister Nasser al-Esawi said on Wednesday.

Esawi told a press conference in Baghdad the Nibras complex, which is expected to come on line within five to six years, would make Iraq the largest petrochemical producer in the Middle East.

"The Nibras complex will be one of the largest (foreign) investments (in Iraq) and the most important in the petrochemical sector in the Middle East," Esawi said.

Proponents of the deal undoubtedly will point to the fact that Basra is in the far southeastern part of Iraq, far from the swathe of territory controlled by ISIS. Others will even point to the apparent defeat of ISIS in Kobane and how that might signal a turning of the tide in the battle against them. And yes, oil output in Iraq has been steadily rising since that little blip in 2003. As of the time of that linked report from the US Energy Information Administration from 2013, there were other plans for another \$24 billion or so in new refineries in Iraq's oil-producing regions, so why not jump on this

Shell plan?

It turns out that there is plenty of fodder for fans of Lee Corso to shout “Not so fast, my friend!” when it comes to this deal. Back in June, there were already rumblings that the big uptick in Iraq violence could threaten expansion of Iraq’s oil sector. Even that article, though, attempted to support the notion that the Basra area remained relatively safe:

As grim as the worst-case situations may be, most analysts still say there is no immediate threat to Iraq’s southern oil fields, which account for approximately 90 percent of the country’s production and oil export. Basra, the heart of Iraq’s oil economy, is situated in an area strongly dominated by Shiites who generally support the central government and are implacable enemies of the Sunni forces on the march in the north.

Badr H. Jafar, chairman of Pearl Petroleum, a consortium that operates in Iraqi Kurdistan, said it was “highly unlikely” that terrorists could disrupt production and operations in southern Iraq.

The New York Times article containing the quote above is dated June 13, 2014. Just a couple of days later, though, we have this:

Turkey’s consulate in the Iraqi city of Basra has been evacuated due to security concerns, Foreign Minister Ahmet Davutoğlu announced June 17. The 18 staff members at the consulate, including the consul general, were taken to Kuwait, Davutoğlu wrote via his Twitter account.

And that wasn’t just a one-off thing. Consider this tweet from October:

Basra security continues to decline

<http://t.co/HRflA3t2oI>

– Iraq Oil Report (@iraqoilreport)

October 25, 2014

A number of airlines discontinued flights to Baghdad because a civilian airplane was hit by bullets there yesterday while landing, but coverage of that halt notes that flights continue in and out of Basra. There was a report January 12 of a plot to attack the port just 20 miles or so from Basra.

There is one more situation that suggests future problems around Basra:

Thousands of Iraqis are living in penury and running out of money after fleeing fighting and settling in the south of the country, the UN's food agency said on Tuesday, warning that the situation was becoming critical for families in Najaf, Kerbala and Babil.

Jane Pearce, the World Food Programme's (WFP) country director for Iraq, said structures had not yet been put in place to cater for the people fleeing into the three southern provinces.

WFP is distributing food to 50,000 displaced families in Basra, Dhi Qar, Qadisiya, Missan, Wasit, Muthanna, Najaf, Kerbala and Babil.

/snip/

WFP needs \$292m for its operations in Iraq this year, and has a shortfall of \$200m.

Imagine that. Yet another region where the US has no trouble finding funds for bombs, weapons and "training" and yet the WFP is facing a shortfall of hundreds of millions of dollars. But never fear, I'm sure my adorable little troll will be around shortly to stamp his foot

and inform us how disaster responders in all their glory have the situation safely in hand and the US can continue its work to create even more refugees because sufficient scraps will be found just in time to avert the worst.

And of course, folks living on the edge of starvation and death from exposure will never, ever be radicalized by such an experience. Sure, go ahead and build that \$11 billion petrochemical plant. The US war-industrial complex will be happy to spend hundreds of times more than that amount defending the facility.