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Lukoil Halts Iraqi Operations After Sanctions, Declares Force Majeure – Reuters

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Lukoil has declared force majeure at a major oilfield in southern Iraq after Western sanctions disrupted its operations, Reuters reported on Monday, citing people familiar with the matter.

West Qurna-2, one of the world's largest oilfields and Lukoil's most valuable foreign asset, is located 65 kilometers (40 miles) northwest of the port of Basra and produces around 480,000 barrels per day, accounting for about 9% of Iraq's total oil output.

According to Reuters, Iraq's state oil authorities have frozen all cash and crude payments to Lukoil in compliance with U.S. and British sanctions imposed last month. One Iraqi official told the news agency that payments owed to Lukoil will remain frozen until Baghdad can find a way to proceed through non-sanctioned intermediaries.

Lukoil was said to have informed Iraq's oil ministry last Tuesday that "force majeure

conditions" prevented it from continuing normal operations at the West Qurna-2 oilfield. An Iraqi official said the contract allows such a declaration, effectively giving the company legal protection from penalties.

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A senior Iraqi industry official said Lukoil could shut down production entirely and exit the project if the issue is not resolved within six months, according to Reuters. The news agency did not specify which options were available to resolve the causes of the force majeure.

In addition, it said the sanctions forced Iraq's national oil company SOMO to cancel three crude shipments from Lukoil's share of production last week. Around 4 million barrels of crude previously allocated to Lukoil as in-kind payment for November have been reportedly canceled.

Separately, Lukoil was said to have terminated all contracts with foreign staff at the field last Friday, leaving only Russian and Iraqi employees on site.

Lukoil first began production at West Qurna-2 in 2014, with a 75% stake in the project and one-time plans to invest more than $30 billion.

Lukoil, Russia's largest private oil company, has not publicly commented on the force majeure declaration in Iraq.

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