

# Electricity | Investment Overview of Iraq

## Open for Business

### Key Stats and Figures

**Current Electricity Demand:**  
13,000 MW est. – Summer 2009

**Existing Power Generation  
Capacity:**  
Approximately 6,000 MW

**Capacity of Identified Future Plants:**  
24,000 MW

**Value of Additional Electricity  
Investments Needed:**  
\$4.5 B USD/year over four years



*Photo credit: Thomas Hartwell/USAID*

*“The long term plan involves the creation of new power stations, rehabilitation of existing plants and improving the single cycle gas turbine which operated on N.G. to combine cycles; and the medium term plan involves importing power supply from neighboring countries.”*

Thamir Al-Ghadban  
Prime Minister Energy Advisory Committee Chairman

Currently, Iraq's power system barely meets half of peak demand. The Ministry of Electricity (MoE) has sought to increase capacity, and achieved impressive productivity gains at some plants over the last 12 months. But as stability has returned, Iraqis have bought large quantities of electronic goods, which together with expanding economic activity indicates that consumption is growing furiously and outstripping supply.

While total kilowatt hour generation and delivery over the national grid has doubled since the 2003 pre-invasion period, rapidly growing demand continues to exceed supply. Since 2003, electricity consumption has grown by 15% each year to 11,000 MW. In contrast, the maximum generation capacity in Iraq is about 6,750 MW; however, actual production is closer to roughly 5,300 MW. The majority of this power comes from thermal power generation plants using crude oil. While this is the primary energy source, the country also uses gas and hydroelectric power.

The MoE is struggling to reduce electricity rationing, which still leaves ordinary Iraqis with an average of 14 hours of power per day, and less in some areas of Baghdad. To meet the growing demand and supply shortfalls, the MoE is undertaking one of the world's most ambitious electricity system expansion programs. This program has seen some success; the average daily generation in the spring of 2009 was about 155,000 MW/day, an improvement of over 50% compared to the same period in 2008. The majority of the unmet demand is being served by individual private and neighborhood private off-grid generation.

## The Role of Government in Electricity

The MoE is responsible for Iraq's electricity policy and planning, and management of the Iraqi electrical system, including generation, transmission, and distribution. Various branches of the government of Iraq have undertaken several initiatives to encourage the development of the private sector.

### Electricity Laws

Iraq's Council of Representatives is currently considering a draft law to grant authority for the MoE to engage domestic and foreign private companies in the production of electricity.

**Electricity Regulatory Law** – This pending measure would provide an open and transparent framework for the relationship between the MoE and private power generators. The new Regulatory Office will house all regulation and contract work for Independent Power Producers (IPPs) and Public Private Partnerships (PPPs). This is the expectation of international private investors and will give investors regulatory certainty.

**Licensing of Private Power Plants** – The Iraqi Investment Law was amended in the spring of 2009 to allow the NIC to license ownership and operation of power plants larger than 30 MW.

**MoE-NIC Committee** – The MoE and NIC have established a joint committee to develop an approach to recruit developer-investors for 4,000 MW of generation.



## Opportunities for Investment in the Iraqi Electricity Sector

The MoE is embracing the importance of actively inviting private sector investment into traditionally state run activities. Over the coming decade, the MoE's General Plan identifies 24,000 MW of generation projects, along with a range of transmission and distribution initiatives. The Ministry has also identified some fuel related projects like the construction of methane gas gathering, treatment, and delivery facilities.

Investment by the private sector is essential in order to meet the demand of Iraq's constituents in the near and long term, to balance supply and demand and to meet levels of reliability desirable for sustained economic growth and a modern quality of life.

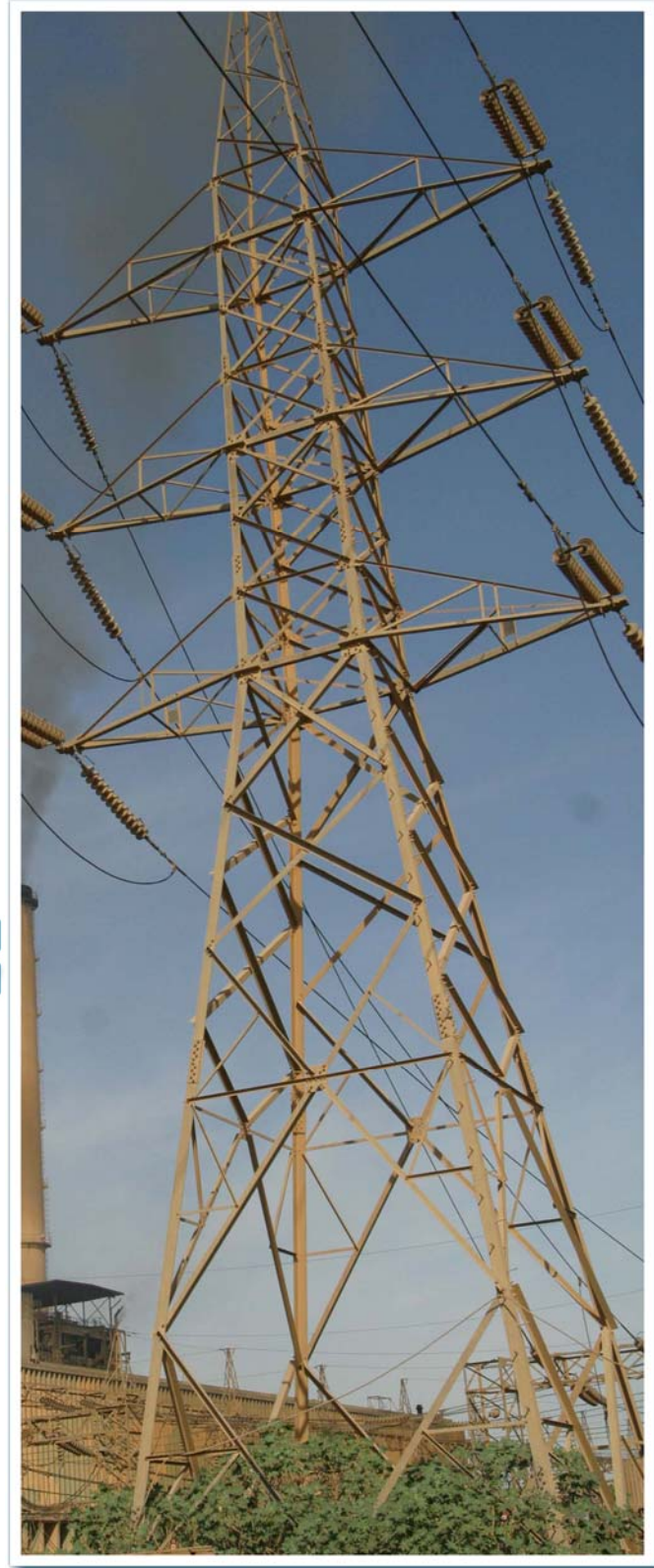
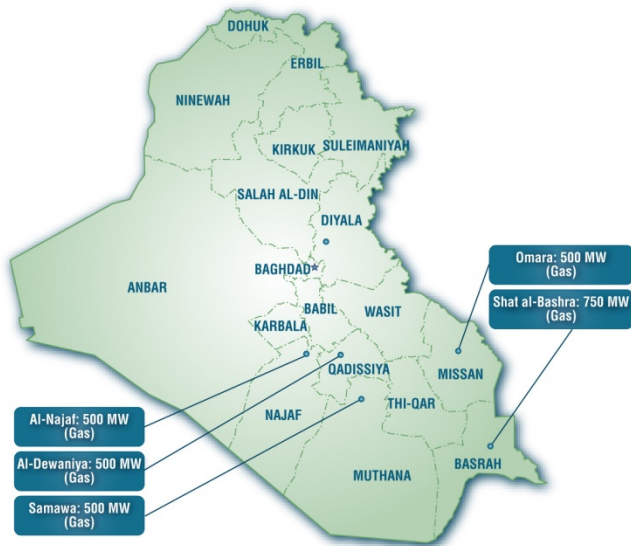


Photo credit: Thomas Hartwell/USAID

In the past year, Iraq has entered into contractual arrangements with GE and Siemens for 10,840 MW of new generation equipment, with financial commitments of about \$5B USD. These contracts provide only for the delivery of the core generating equipment, such as turbines and generators, and do not account for balance of plant construction, related fuel facilities, commissioning, and transmission expansion. The Government of Iraq anticipates that about \$7B USD in additional investment is needed, and is looking to the private sector to actively participate in the long term investment in the sector. This balance of plant equipment offers huge potential for international equipment suppliers.

The MoE has considered several different models for international investors to enter Iraq's electricity sector and is actively exploring these options. The MoE recently executed a contract with an international consulting firm to develop a model solicitation for development of a privately-owned power station that would sell its output to the MoE. This demonstrates an unprecedented and formal commitment to attracting private investment in the sector.

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