

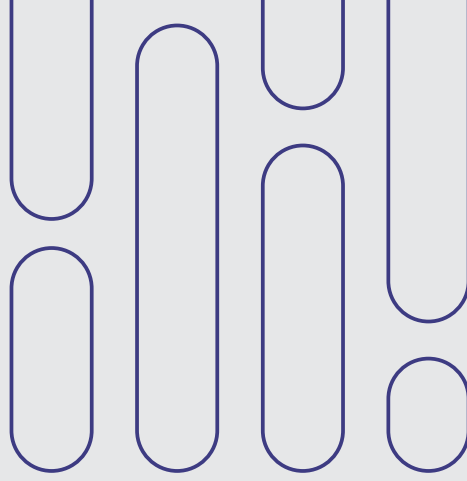
Position Paper

The Ramifications of Iraq's Electricity Crisis and the Iranian Dimension

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Iraq's national electricity grid was totally shut down on the dawn of July 2, 2021, causing a tremendous power shortage and a sudden crisis in power production — declining from 16,000 megawatts to 4,000 megawatts. The power outage impacted the main power supply line connecting the capital Baghdad to the southern provinces. Iraqis, in many governorates, were plunged into darkness, especially those living in the Shiite-majority ones. A few days later, given the scorching temperatures, vandalism and arson attacks were launched against power transmission buildings and stations, raising concerns about the revival of widespread protests leading to destabilization and a security crisis across the country.

This total power shutdown exposes one of the most complicated crises that Iraq is facing. It is the second largest exporter in OPEC and has the second largest oil reserves in the Arab world. The power crisis has always been a critical test for all Iraqi governments. It is exacerbated during the summer months as unbearable heatwaves hit the country with scorching temperatures soaring to 50 degrees in the shade and 60 degrees under direct sunlight. Iraq's snowballing power crisis is because of a shortage in supply and an increase in demand (especially in the summertime). In addition, it has been exacerbated by an ever-increasing population. This raises questions about identifying the dimensions of the crisis, the extent of Iran's role in complicating it, and the role of the Gulf states in mitigating its impact via supplying power to Iraq.

I-Key Causes of Iraq's Power Crisis

Iraq's electricity crisis has been present for a long while. The country has been suffering from an electricity shortage since the 1990s. The shortage was exacerbated tremendously post 2003. Iraq witnessed Iranian intervention and infiltration into its sovereign institutions — under a precise stratagem devised by Iran to add Iraq to its expansionist plans and vital spheres of influence,

therefore, Iraq is a top priority for Tehran. The power crisis, apparently, is getting more complicated for the following reasons:

A- Relying on Iran's Power Supply (Gas and Electricity)

Iraq's total electricity production capacity (including Iran's supply) is estimated at approximately [16,000 megawatts](#), according to former Minister of Electricity Majd Mahdi Hantoush. Yet Iraq is massively in need of 30,000 megawatts to meet its daily demands of power, i.e., the current shortage of power is nearly 14,000 megawatts (49 percent). This shortage led to power outages which lasted for about eight hours each day, raising fears of massive protests erupting across Iraq.

Iraq imports one [third](#) of its power supply (gas and electricity) from Iran. For example, Iran's power exports to Iraq in 2019 were approximately less than one third of Iraq's total electricity production, according to the US Energy Information Administration (EIA). In 2019, Iraq's electricity capacity was dependent on Iran in the following way: 23 percent was generated from Iran's natural gas, and 5 percent was imported from Iran, estimated at 5,000 megawatts to 6,000 megawatts. Iran, therefore, has had a strong bargaining chip against Iraq's executive governments since 2003. The major cause of Iraq's ongoing power dilemma is because of Iran decreasing its power supply to Iraq since October 2020 and halting it completely in [June 29, 2021](#) due to Iraq's accumulating debts and Tehran's need to address its own domestic energy crisis. As mentioned above, one third of Iraq's power sector depends on Iran's exports and its power deficit has reached nearly 50 percent. Thus, Iraq's power production fell sharply to unprecedented levels in just a few years, with the country generating barely less than 10,000 megawatts on normal days because of various reasons.

B-Iran's Politicization of the Crisis

Iran is fully aware of the crisis and its impact on Iraq's political equations, especially in the summertime, and has exploited it since 2003 as a bargaining chip against the Iraqi government to

keep Baghdad within Tehran's spheres of influence. Amid Iraq's rising demand for electricity and a growing population, the crisis has been exacerbated further. Iran supplied four Iraqi power stations in the south: Nasiriyah, Basrah, Diyala, and Samawah. These stations are of great value for Iran as they can be used to provide power to the Shiite-majority provinces.

The crisis can be interpreted as having political dimensions because of its timing and the benefits accruing to Iran's proxies. Iran completely halted electricity exports to place further pressure on Iraq's Prime Minister Mustafa al-Kadhimi, who has tilted towards forging a balance of power in the country's foreign relations and prioritized Baghdad's return to its Arab fold. Iran aims to inflame people's dissatisfaction and anger, paving the way for the eruption of protests against Kadhimi — similar to the protests in 2018 and 2020 against the governments of Haider al-Abadi and Adel Abdul Mahdi.

These Iranian moves come against the backdrop of Tehran's increasing escalation against the West to pressure it to lift the sanctions and with Iraq's parliamentary elections looming which are scheduled for October 2021. In addition, Iranian moves come at a time when Iraq is making moves to return to the Arab fold and the Gulf states are attempting to secure the region's energy supply. Finally, the tripartite summit between Egypt, Jordan and Iraq in Baghdad to push forward economic and trade integration between the three countries raised concerns in Tehran. Iran is perplexed by Iraq's intentions to be independent from its sphere of influence. Iran realized Baghdad's divergence from its spheres of influence, so Tehran's policy is to create domestic instability through complicating the crisis.

Iraq realizes Iran's role in exacerbating its power crisis. During his meeting with a member of the Emergency Crisis Cell on July 3, 2021, Kadhimi wondered why the previous Iraqi governments [had linked](#) the country's electricity grids to Iran for 17 years, while other countries across the world diversify their electricity

sources. In response, the Iraqi government proposed a project to link Iraq's electricity grids with the Gulf states, Jordan and Egypt to diversify its power sources.

C-Spread of Corruption

According to the "Corruption Perceptions Index (CPI) 2020" published by Transparency International, Iraq is [ranked 160 out of 180 countries in terms of corruption levels](#). The pervasive corruption in the country denies the Iraqi people of their basic rights such as access to electricity, and other vital commodities.

Iraq's former Minister of Electricity Hantoush stated in May 2021 that the cost of electricity production in Iraq is extremely high, pinpointing corruption in the country. The state had spent nearly [\\$80 billion on electricity](#) from 2003 to May 2021 as an operational and investment budget for the oil sector. Moen al-Dulaimi, an Iraqi electrical engineer [said](#): "People have the right to wonder on what this tremendous amount of money was spent. Was it spent on the electricity sector? Did it vanish due to the winds of corruption, nepotism, waste, and phantom deals?" According to a probe by a parliamentary committee headed by Hassan al-Kaebi, vice speaker of Iran's Parliament, the amount of money spent on the electricity sector over the last 17 years is record-breaking, adding that some countries spent less than a quarter and were able to generate electricity, exceeding [30,000 megawatts such as Egypt and Morocco](#).

A main cause behind the pervasive corruption in Iraq's government apparatuses is Iran's growing influence. Iran's policy has intended to suspend qualified Iraqis from taking part in Iraq's decision-making process, especially when forming governments. Further, Iran has supported under-qualified officials who are loyal to Tehran and implement its agenda. This is to maintain Baghdad within Iran's expansionist stratagem. Fighting various forms of corruption starts first with fighting political corruption, and financial and administrative corruption exist under this dimension.

It also starts with uprooting the Iran-backed militias mushrooming in Iraq, a difficult challenge which cannot be achieved in just a few years — considering this political reality, the Iraqi crisis will exacerbate and deepen further. .

D-Targeting the Electrical System as a Bargaining Chip

Iran-backed militias and other terrorist organizations have a common goal: to systematically target Iraqi electricity stations and power transmission networks. This is to place pressure on the Iraqi government to make concessions in their favor or to undermine its performance in front of the Iraqi public. They also want Iraq to fall into the abyss of chaos and instability, so that they can implement their plans.

The attacks targeting Iraq's power grid have equaled approximately 35 attacks since the beginning of 2021. Some of these attacks were carried out by ISIS (Daesh), which on [June 27, 2021, claimed responsibility for launching Katyusha rocket attacks](#) against Salah al-Din Power Station in the city of Samarra. Other attacks were carried out in the territories liberated from ISIS such as the Salah al-Din, Karuk and Diyala governorates — where the militant group faced a sequence of defeats, according to Iraq's Security Media Cell.

Some attacks were launched by other militias. A security source told Iraq News Network that the Popular Mobilization Forces (PMF) targeted power transmission towers in response to Iranian orders for achieving certain political and economic objectives. Neither the Iranian statements nor the ISIS claims of responsibility are accurate because [the power transmission towers under attack were located within the PMF's spheres of influence](#) in Salah al-Din, Karuk, Diyala and Mosul. The Katyusha rockets used in the attacks belong to the PMF, according to security sources.

The blowing up and sabotage of multiple power stations caused a spike in the number of blackout hours, prompting multiple local residents to switch to power generators. This gave rise to the phenomenon of “small generator” traders who have profited

and benefited from the power crisis. Perhaps the systematic attacks on the power transmission towers and stations is a message to Iraq's Arab Gulf partners in the field of electricity supply that their stations will face attacks and sabotage. The aim is to push them to reconsider their supply of electricity to Iraq, and for the country to remain under Iranian influence.

E-Iraq's Weak Policies in Power Crisis Management

Iraq's Ministry of Electricity lacks a national strategic vision to benefit from the country's resources to address its electricity crisis. Consecutive Iraqi governments have not depended on the country's locally-produced gas nor on its associated petroleum gas and free gas — to resolve the electricity crisis. This has led to an excessive waste of money and corruption in Iraq's electricity file. Iraq's associated petroleum gas makes up 70 percent of the country's gas reserves. However, over 60 percent of it has been wasted because of burning over the past years and due to the lack of much-needed infrastructure to drill rock formations. It is a paradox that Iraq burns nearly tenfold the amount of gas it imports from Iran, according to the Washington Institute for Near East Policy. [It can secure up to 75 percent of Iraq's gas needs](#) if it is drilled properly. The report, issued by the World Bank's Global Gas Flaring Reduction Partnership (GGFR) in 2020, said that [Iraq is one of the world's leading countries in burning gas](#). It is the second-biggest worldwide, with only Russia burning more associated petroleum gas than Iraq. World Bank figures indicated that in 2016, Iraq burned 17.73 billion cubic meters of gas. In 2019, it rose to 17.9 billion cubic meters of gas. On the other side, the free gas in Diyala and western Anbar accounts for nearly 30 percent of the available gas in Iraq. But it is hard to depend on due to the high cost of drilling, prospection, and extraction, which renders investment unattainable. It is a huge waste of money worth billions of dollars at a time when Iraq imports gas from Iran worth millions of dollars. Germany's Siemens indicated in 2020 that Iraq could [save \\$5.2 billion](#) over the coming four years

in case it reduces the percentage of burned gas and achieves self-sufficiency in gas to operate its power stations.

Iraq's Minister of Electricity Qasim al-Fahdawi said that there are outside actors — in reference to Iran and its proxies — who are working to prevent Iraq from utilizing associated petroleum gas. He said: [“There are disputes that made the stability of the electricity infrastructure a pawn in the Iranian agenda,”](#) adding that the former Minister of Electricity Jabbar Alluaibi had attempted to drill for associated petroleum gas in Nahran Omar field, but he faced tremendous difficulties and challenges because of vested interests and external influence. He noted that this field [“would have saved 75 percent of the amount of gas imported from Iran at a very low cost.”](#)

There has been a lack of coordination between Iraq's consecutive electricity ministers since 2003 and the Iraqi Ministry of Oil particularly to pinpoint which resources to exploit in the best way possible and how to prevent the huge energy waste that reaches nearly 40 percent because of the country's aging networks, grids and transmission/distribution lines.

Among the paradoxes is that Iraq's electricity production capacity is close to 32,000 megawatts while it produces only half of this amount (16,000 megawatts) because of aging transmission and distribution supply lines, according to a report by the International Atomic Energy Agency in 2019.

Kadhimi indicated on multiple occasions that Iraq's electricity transmission supply lines lose 40 percent of production because of the country's aging networks and its inability to develop sophisticated transmission and distribution supply lines.

II-Arab and Gulf Interconnection as a Prospective Solution to Resolve the Electricity Crisis

In the context of its efforts to mitigate the negative impacts of the electricity crisis on the Iraqi people on the one hand and develop workable solutions on the other hand, the Iraqi Ministry of Electricity in 2019 signed with the Gulf states an agreement to

supply Iraq with electricity. Kadhimi announced the beginning of electricity interconnectivity with the Gulf states and that Iraq has accomplished 85 percent of the work, adding that it [will be completed in 2022](#).

In August 2020, spokesman for the Iraqi Ministry of Electricity Ahmed al-Abadi revealed that the technical workings related to the interconnectivity of electrical grids with Saudi Arabia have reached an advanced stage, and the first interconnectivity grid between Iraq and Saudi Arabia will extend towards Basra and provide it with 500 megawatts. The second grid will extend towards Samawah and provide it with nearly 300 megawatts to help in overcoming the power outages in the two provinces.

The Iraqi-Saudi electricity interconnectivity project falls within Saudi Arabia's plan to develop Iraq and strengthen its Arab depth. It is one of the most important mutual development projects. It aims to mitigate Iraq's electricity crisis, bolster its ability to meet growing demand and help in dealing with the suffering facing the Iraqi people because of the constant power outages, particularly in the summer. As for electricity interconnectivity with Jordan, the spokesman for the Ministry of Electricity revealed that 26 months is the timeframe to complete the first phase of the interconnectivity project with Jordan. It shall secure 150 megawatts of energy to the western provinces, and it will increase to 900 megawatts in the subsequent phases. In addition, the Jordanian Ministry of Energy and Mineral Resources revealed that an agreement has been signed to provide Iraq with electricity from Jordan. The first phase of the project has started, in which 1,000 megawatts will be exported to Iraq from Jordan.

When it comes to the electricity interconnectivity project between Egypt and Iraq, the Egyptian Minister of Electricity and Renewable Energy Mohammed Shaker revealed that the project was agreed upon during the tripartite summit. Egypt already has electricity interconnectivity with Jordan. A source in the Egyptian Ministry of Electricity said that the capacity of the electrical grid with Jor-

dan will be boosted to 2,000 megawatts and 3,000 megawatts instead of the current capacity of 150 megawatts, so it can supply Iraq in the future.

The Arab and Gulf states' moves to establish electricity interconnectivity with Iraq face challenges particularly due to Iran-backed militias rejecting these plans and sabotaging them. These moves will have a major impact on Iran's influence in Iraq on the one hand. On the other hand, these moves will deprive Iran and its militias from benefitting financially as to date they have reaped rewards by providing Iraq with electricity at high prices.

Dr. Abdulrahman al-Mashhadani, an economics professor at Al-Iraqia University, pointed to the huge gap in the price of exporting a unit of electricity to Iraq. While Iraq imports the unit from Iran at 9 cents, [Saudi Arabia offered exporting the unit at 2 cents](#), which explains the multiple visits of Iranian officials to Iraq in recent times to dissuade Iraq from its electricity interconnectivity projects with the Arab and Gulf states. Hence, it is likely that the Iranian parties will be negatively impacted, leading them to create political and security challenges.

III- The Alternative Solutions to Mitigate the Crisis

The Arab and Gulf projects to supply electricity to Iraq are likely to be completed by the summer of 2022, at the earliest.

But these projects are insufficient to address the electricity crisis in Iraq as the deficit that needs to be covered to resolve the crisis is nearly half of Baghdad's total production (16,000 megawatts). Hence, there are some solutions that have been suggested to mitigate this crisis, however, their execution could need at least one year to reap the fruits and address the crisis, given its complicated causes and realities. These solutions include:

- The Iraqi government needs to prepare a time-bound plan to use associated petroleum gas and free gas as alternatives to depending on gas imports from neighboring countries, hence depriving Iran of its bargaining lever. This means that the agreement with Germany's Siemens to invest in associated petroleum

gas must be reactivated. It is less costly and less time-consuming than establishing gas pipelines for import purposes. For example, importing gas from Russia or Kazakhstan is highly costly compared to utilizing the gas available in Iraq.

- Increase the Ministry of Electricity's investment and financial allocations for 2022 to carry out maintenance and repair faults at non-operative power stations and towers and fix old transmission and distribution lines, while putting in effort to establish new power stations that depend on renewable energy sources and domestic resources.

- Explore multiple alternatives through balancing foreign relations rather than depending on one alternative only. In addition, Iraq must overcome its subordination to certain regional countries, and work on a comprehensive government-run national program, regardless of the different political alliances.

- Reach out to influential tribal leaders so that they cooperate with Iraq's security bodies to secure power stations and transmission lines. These leaders must inform the security bodies of any plans by militias to target power stations, towers or generators.

- Multiple government entities are responsible for the electricity crisis in the country. The Ministry of Electricity cannot be solely blamed. Hence, the importance of coordination between ministries such as between the Ministry of Electricity and the Ministry of Finance to secure the appropriate financial allocations and with the Ministry of Oil to develop a plan regarding how best to use domestic resources and the Ministry of Interior to secure the grid from repeated attacks and acts of sabotage.

The execution of alternative solutions such as using associated petroleum gas or possessing nuclear energy to generate electricity needs long periods that [range from 2 years to 4 years](#) to bear fruit. Kadhim said on July 3, 2021: "Every step to resolve the electricity crisis in Iraq takes years since Iraq hasn't practically taken any steps over the past years. He added that: ["If we had](#)

[invested in solar energy, the electricity crisis would have become a thing of the past](#), and if we had invested in gas production, Iraq would have exported gas instead of importing it, and if we had invested in non-gas stations, Iraq would have become capable of securing electricity.

If we had invested in repairing the power transmission networks, no crisis would have happened. And if we had invested in electricity interconnection with all our neighbors, we would have been able to address the emergency crisis and meet the shortage, especially in summer.”

Conclusion

The Iraqi electricity crisis — due to which several Iraqi electricity ministers have resigned since 2003 — is extremely complicated, inherited and political in nature. This is because Iran and its aligned armed militias — which have the biggest role in the crisis — stand behind it as the crisis is one of the Iranian levers to exert pressure on consecutive Iraqi governments to remain subordinate and subject to Tehran’s influence.

The electricity crisis will be further complicated this summer since the shortage is now nearly double the production rate, reaching 16,000 megawatts. This shortage is despite Iraqi governments spending over \$80 billion on this vital sector. In light of the Iraqi government’s incapacity to address the electricity crisis in the short or long run, Hantoush’s resignation was preceded by similar resignations by electricity ministers. These resignations did not impact the militias and mafia that live off and profiteer from the ongoing crisis. They need to be eradicated in order to resolve Iraq’s electricity crisis.

Iraqis are enduring long hours of power outages even though they live in a country that is one of the world’s biggest oil producers and exporters. It is the second-biggest oil producer in the region behind Saudi Arabia. Iraq also possesses billions of cubic meters of associated petroleum gas which is burned along with free gas. It is supposed that Iraq — given these realities — should

have been a gas and electricity-exporting nation. But corruption and the Iran-aligned militias stand as a major obstacle to this.

The sabotage and systematic blowing up of electrical infrastructure as well as the politicization of the crisis, means that the Iraqi people are likely to lose patience with their leaders. Mass protests in different provinces, especially the Shiite-majority southern ones — will be staged to find a solution to the chronic electricity crisis in light of rising demand and temperatures soaring to record levels.

