Republic of Iraq
Ministry of Higher Education and Scientific
Al-Mustaqbal University College
Chemical Engineering and Petroleum Industries Department

Subject: Petroleum Economics

Second Class

Lecture Seven

Types of oil investment:

Oil investment: The method or method by which oil wealth is exploited in a place and time appointed by a group of companies and investors. Since its inception in the nineteenth century, the global oil industry has experienced a set of patterns according to its historical development, namely:

1 - the traditional oil concessions.

2- Sharing or distributing the profits.

3- Oil contracting.

4- National direct investment.

5- Oil participation and total ownership.

First - (traditional) oil concessions: It is considered one of the classic forms or patterns in oil investment, and it prevailed in the oil industry in

Under international, political and economic conditions that are now fully known, where companies have taken control

The world oil company (the seven sisters) is responsible for most of the oil interests and investments in the countries of the world

crude oil producer.

Second - Participation or parity in profits: This pattern is based on the participation of the oil-producing country and the oil monopoly company, and it began to work in

The Arab region at the beginning of the fifties of the twentieth century.

Third - Oil Contracting: It is considered one of the types of oil investment that countries began to adopt after the nationalization movement that

It took place in some oil countries. This pattern is based on the contracting of a national party in the national countries with a foreign party to carry out

Some oil activities in exchange for a share or a share of the oil revenues. has been adopted

This type of oil-producing countries to improve the conditions for exploiting its oil wealth. This form first appeared in Mexico in 1948, in Indonesia in 1962, in Iran in 1966, and in Iraq in 1967.

Fourth - National Direct Investment: This pattern is based on the government's establishment, through one of its oil institutions, to exploit the country's wealth

independently, or benefit from some national and foreign experiences. Since the country owns

Wealth is the one who will exploit it, the investment, the exploited space and the beneficiary parties,

As well as the returns go back to the state.

Fifth - Oil participation and total ownership: This type of regulation of the investment relationship between oil countries and foreign companies is one of the formulas

The new ones that took part in some Arab Gulf countries, with some countries nationalizing their oil industry

Such as Libya, Algeria and Iraq, although this pattern traces its roots back to the nature of participation in

Previous periods of time, but his proposal came with formulas corresponding to or alternative to nationalization.

Monopolistic concentration in the oil industry:

The nature of monopolistic concentration:

Most economists agreed that the oil industry falls within the framework of the oligopoly model, and this shows

Through the behavior of the monopolistic oil companies, especially after the Acnacri Agreement in 1928, one of its most important principles is to make all the companies affiliated with the cartel follow a unified policy to prevent excess production or threaten prices and markets. The agreement ended in 1947, but the behavior of the companies remained as if there was an agreement between them (New Jersey, Shell Anglo-Iranian). This is caused by a number of elements that are available in the oil industry, which makes it closer to a monopoly him to the competition. These elements are:

1- The nature of oil in terms of the concentration of its production in some areas and its emptiness in other areas according to its geographical distribution.

2- The high degree of risk in this type of economic activity.

3- The high volume of investments needed by the industry in all its stages.

4- The nature of the overall and detailed flexibility of demand for crude oil and its products and the low costs of production. There are many stages of oil production operations and the nature of the demand for crude oil and its products in terms of factors affecting it, whether political or economic.

Also, the seven monopolistic companies tried to distribute the burden of risk among themselves to enter into projects joint and thus helping to create a monopolistic concentration, driven by its desire for provisions control of the industry. Indeed, the international cartel was able to extend its work to all parts of the world and with various projects in the field of Oil in other industries. The monopolistic concentration rate in the oil-producing countries ranges between (70-100%) and in all stages of the oil industry.