

May 18, 2007

The Honorable Nancy Pelosi  
The Honorable Harry Reid  
United States Congress

Dear Speaker Pelosi and Senator Reid,

We recognize and applaud your escalating efforts to bring peace to Iraq and to bring our troops home. However, we are concerned about the proposed Iraqi hydrocarbon law and the benchmark in the Iraq supplemental urging the Iraqi government to pass this law as soon as possible.

Americans are counting on your efforts in Congress to end the war and bring the troops home in a way that rebuilds the credibility of our nation and reaffirms America's position as a force for freedom and democracy in the world. However, if Democrats are perceived to be advocating withdrawal only after access to Iraqi oil has been assured this will do little to reassure critics.

The proposed Iraqi Oil Law will open up Iraq to international oil companies for the first time in decades, and potentially rob the Iraqis of billions of dollars. We are therefore joining Hasan Jum'a Awad, Head of the Iraqi Federation of Oil Unions urging you "*not to link withdrawal with the oil law*".<sup>1</sup>

As you know, Iraq has at least 115 billion barrels of known oil reserves - 10 per cent of the world total. Oil accounts for more than 70 per cent of Iraq's GDP and 95 per cent of government revenue.

There is a strong opinion among Iraqis and many Americans that control of oil resources was a major motivation for the Bush administration in going to war. Passage of an oil law that could benefit international oil companies and arguably disadvantage the Iraqi people is therefore not in the long term interests of peace and stability in Iraq.

According to a recent statement by the combined leadership of Iraqi Unions:

*"Iraqi public opinion strongly opposes the handing of authority and control over the oil to foreign companies, that aim to make big profits at the expense of the people. They aim to rob Iraq's national wealth by virtue of unfair, long term oil contracts that undermine the sovereignty of the State and the dignity of the Iraqi people."*<sup>2</sup>

The oil law is a critical and delicate piece of Iraq's future. It deserves time to be fully debated, and for consensus to develop. As current oil industry consultant and former Reagan Administration appointee J. Robinson West said recently on NPR's Diane Rehm show:

*"I think, frankly, it's a mistake that this be one of the benchmarks for the performance of the government. This is like saying for the United States - well why don't you solve states rights or slavery in six-week period?"*<sup>3</sup>

In sum, our concerns about this law as currently drafted are as follows:

---

<sup>1</sup> See the full text of Hasan Jum'a Awad's Letter to Congress at: <http://priceofoil.org/2007/05/12/iraqi-oil-workers-address-us-congress/>

<sup>2</sup> Statement issued by the Iraqi Labor Union Leadership at a Seminar held from 10 to 14 December 2006, in Amman, Jordan – available at: <http://www.carbonweb.org/showitem.asp?article=222&parent=4>

<sup>3</sup> Transcript of Diane Rehm show, April 26<sup>th</sup>, 2007, available at: [http://priceofoil.org/wp-content/uploads/2007/05/DRS\\_04\\_26\\_07\\_Iraqi%20Oil.pdf](http://priceofoil.org/wp-content/uploads/2007/05/DRS_04_26_07_Iraqi%20Oil.pdf)

- The details on revenue sharing, which are a central and key component, have yet to be agreed.
- The law could effectively take the majority of Iraq's oil out of the exclusive hands of the Iraqi government and open it to international oil companies for a generation or more.<sup>4</sup>
- The law sets no minimum standard for the extent to which foreign companies would not have to invest their earnings in the Iraqi economy, partner with Iraqi companies, hire Iraqi workers or share new technologies.
- International oil companies could be offered some of the most corporate-friendly contracts in the world, including what are called *production sharing agreements*<sup>5</sup>. These agreements have been rejected by all the top oil producing countries in the Middle East because they grant long-term contracts (20 to 30 years in the case of Iraq's draft law) and greater control, ownership and profits to the companies than other models. In fact, they are used for only approximately 12 percent of the world's oil.<sup>6</sup>

Iraqis may very well choose to use the expertise and experience of international oil companies. They are most likely to do so in a manner that best serves their own needs if they are first freed from the tremendous external pressure being exercised by the Bush administration, the oil corporations — and the presence of 150,000 members of the American military.

Please drop the Iraqi Oil Law Benchmark, and oppose the Bush administration's ongoing efforts to pressure the Al-Maliki government to pass the law in the near future.

Signed,

20/20 Vision  
 AfterDowningStreet.org  
 Avaaz.org  
 Center for Corporate Policy  
 CodePink  
 CounterCorp  
 Democrats.com  
 Global Exchange  
 Global Response  
 International Forum on Globalization  
 Iraq Veterans Against the War  
 MoveOn.Org  
 Oil Change International  
 Organic Consumers Organization  
 Peace Action  
 PeaceVoter  
 Polaris Institute  
 Progressive Democrats of America  
 Public Citizen  
 Rainforest Action Network  
 True Majority  
 U.S. Labor Against the War  
 United for Peace and Justice  
 Voters for Peace

---

<sup>4</sup>The Iraq National Oil Company would have exclusive control of just 27 of Iraq's 78 known oil fields, leaving two-thirds of the known and probable reserves open to foreign control under production sharing agreements.

<sup>5</sup> Although in the latest draft of the law they have been renamed "Exploration and Production Contracts".

<sup>6</sup>Muttitt, Greg, *Crude Designs*, November 2005, [www.crudedesigns.org](http://www.crudedesigns.org) Iraq's neighbors Iran, Kuwait and Saudi Arabia maintain nationalized oil systems but all hire international oil companies as contractors to provide specific services as needed, for a limited duration, and without giving the foreign company any direct interest in the oil produced.