

OILCHANGEUSA



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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.

The proposed Iraq hydrocarbon law has some noble intentions for revenue sharing and preserving the central government of Iraq. But there is a strong suspicion among people in Iraq and elsewhere that control of oil resources was a major motivation for the Bush administration in going to war, and that this law is the proof of that intent.

An oil law that could benefit international oil companies and arguably disadvantage the Iraqi people is not in the long term interests of peace and stability in Iraq.

There are two critical areas of controversy regarding the oil law. First, are the details surrounding revenue sharing, which despite a general commitment to revenue sharing that is guaranteed in the Iraqi Constitution, and referenced in the current law, are still vague. This lack of detail is of enough concern to the Kurdistan Regional Government that they are currently threatening to block passage of the law.

“The KRG still awaits the Federal Government to authorize its representatives to meet with the KRG at the earliest opportunity to discuss the draft Federal Revenue Sharing Law. This is obviously a critical piece of legislation without which the Oil and Gas Law cannot progress.”¹

Second, is the provision that will enable foreign investment in Iraq, and the terms under which this investment by international oil companies will be allowed to proceed. 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.”²

¹ Statement From Minister Of Natural Resources Kurdistan Regional Government – Iraq Sunday, April 29, 2007
http://www.oilvoice.com/Statement_From_Minister_Of_Natural_Resources_Kurdistan_Regio/9455.htm

² 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>

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?"*³

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

- 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.⁴
- The law sets no minimum standard for the extent to which foreign companies would 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*⁵. 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.⁶

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 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.

The US Congress must 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.

**For more information, contact Oil Change at www.priceofoil.org,
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³Transcript of Diane Rehm show, April 26th, 2007, available at:

http://priceofoil.org/wp-content/uploads/2007/05/DRS_04_26_07_Iraqi%20Oil.pdf

⁴The 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.

⁵ Although in the latest draft of the law they have been renamed .Exploration and Production Contracts.

⁶Muttitt, Greg, Crude Designs, November 2005, www.cruededesigns.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.