# Iraq EITI Report
## Oil, Gas & Minerals
## 2017

The Extractive Industries Transparency Initiative 2017 report is issued in accordance with Requirement 4.8 of the EITI Standard. The Multi-Stakeholder Group (MSG) has exerted enormous efforts in supervising its preparation process and determining the standards that are applicable to the extractive sector in Iraq; mainly determining the types of revenues and payments that must be included.

Many challenges were encountered throughout the report preparation process , mainly in the information collection process from reporting entities, both governmental and private sector, due to the failure of many of the reporting entities in providing the information required for the preparation of the report on time. Such delays affected the project's schedule despite the numerous efforts exerted by the Independent Administrator, the National Secretariat and the Ministry of Oil. Nonetheless, these efforts ultimately resulted in a very high participation rate by the reporting entities, which enhanced the quality and comprehensiveness of the report and consequently its responsiveness to the transparency requirements.

Another factor impacting the project timeline was the attempt to obtain information from the Kurdistan Regional Government and the companies operating in the region to no avail, despite exhaustive efforts made by the Independent Administrator and concerned entities in the federal government to attain the KRG's participation in the IEITI reporting process. This required us to submit an adaptive implementation request to the EITI, who approved the request on 19 March 2019.

What mainly distinguishes this report from previous reports is its style of information presentation, its accessibility, identification of information sources and the inclusion of electronic links for ease of reference. Moreover, the MSG worked with the government in defining state-owned entities in accordance with Law No. 22 of 1997 (amended), as entities that are wholly owned by the government. The MSG also engaged in discussions with governmental entities for identifying the state's policy in relation to contract disclosures. With regards to contracts in the oil and gas sector, the Ministry of Oil has published on its website its policy with regards to the disclosure of petroleum contracts.

Furthermore, this report also presents crude oil reported production and export data for 2017 separately identifying licensing rounds production, national efforts production, and the total cumulative amounts paid to the licensing round companies from 2011 to the reporting year. The report outlined total gas production, quantities invested and the percentage of flaring which is an indication of the development of the gas industry and the reduction of its environmental impact, which became the basis of the new standards issued in June 2019. It also shows that the extractive industries make up the majority of Iraq's exports and is the largest contributor towards the country's Gross Domestic Product and government revenues. Also, there were sufficient details on the amount of taxes collected from the oil extractive sector with a focus on differences of over USD 31 million. The report also shows the total amounts actually allocated and disbursed in petrodollars and for the development of the regions and the reasons for non-disbursement. The report also publishes for the first time the size of Iraqi and foreign workers in licensing round fields and the proportion of foreign workers in each field. In terms of utility ownership, the report revealed a clear violation of the contracting principals in force in Iraq in one of the Basrah fields. As for the results of reconciliations, differences were identified at around one billion and 125 million US Dollars, attributed to differences in delay penalties recording mechanism, differences in the recording dates of some transactions, in addition to differences in recording data on cash or accrual basis. It is also worth noting that there are differences of approximately USD 15.9 million which the Independent Administrator could not justify.

The report includes in one of its sections recommendations aimed primarily at increasing the transparency of reporting by certain governmental entities, in addition to increasing their awareness towards the importance of the initiative and its roles in increasing industry transparency and accountability. Recommendations also stressed on the need for building open communication channels with all international companies involved with the oil and gas sector whether they are buyers or operators, with the aim of enhancing their reporting efficiency of IEITI required data, identifying solutions to the attempt of promoting the mining sector and solving the problem of preparing government employees and Iraqi and foreign workers and the adoption of a unified mechanism for the calculation of gas produced by the Ministry of Oil.

In the end, I would like to extend my sincere thanks and gratitude to all those who contributed to the preparation of this report and did not hesitate to provide us with information and advice. In particular, Mr. Thamer Abbas Al-Ghadban, Deputy Prime Minister for Energy Affairs, Minister of Oil and Chairman of the Multi-Stakeholder Group for his efforts in following up with the stages of issuing the report and in directing the concerned entities to provide the required data. Our thanks also go to Ernst & Young, which prepared the report, and the Ministry of Oil and its various departments and affiliated companies and the Ministry of Industry and Minerals, Ministry of Planning, and Ministry of Finance. As well as international companies, whether field developers or crude oil buyers.

I would also like to thank my colleagues at the MSG and my colleagues at the National Secretariat for their continued efforts to ensure that the report complies with all standards and that accurate information is received in a timely manner.

Alaa Mohie El-Deen
Chief Executive Officer

## Contents

# List of Abbreviations

| | |
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| API | The American Petroleum Institute gravity measure which indicates the specific gravity of oil at 60 degree Fahrenheit. |
| Barrel | A quantity consisting of forty two (42) United States Gallons under a pressure of 14.7 pound per square inch and a temperature of sixty (60) degrees Fahrenheit. |
| BCM | Billion Cubic Meter. |
| FBSA | Federal Board of Supreme Audit. |
| Calendar Month / Month | In respect of any month in a calendar year, a period commencing on the first day of that month and ending on the last day of the same month. |
| Calendar Year / Year | A period of twelve (12) consecutive months commencing with the first day of January and ending with the last day of December, according to the Gregorian Calendar. |
| Crude Oil | All hydrocarbons regardless of gravity which are produced and saved from the Contract Area in the liquid state at an absolute pressure of fourteen decimal seven (14.7) pounds per square inch and a temperature of sixty (60) degrees Fahrenheit, including asphalt, tar and the liquid hydrocarbons known as distillates or condensates obtained from natural gas at facilities within the field other than a gas plant. |
| CBI | Central Bank of Iraq. |
| CTI | Corporate Income Tax. |
| Destination | The place to which oil is shipped or directed. |
| DFI | Development Fund for Iraq. |
| Dinar or Iraqi Dinar or IQ | The currency of the Republic of Iraq. |
| Dollar or USD | Dollar of the United States of America. |
| Due date | The date on which an obligation must be repaid. |
| Export Oil | A standard blend of crude oil of nearest quality to the crude oil stream produced from the field, out of which a contractor may lift at the delivery point for the value of its due service fees under the contract. |
| Export Oil Price | The price per barrel of export oil that is free on board (FOB) at the delivery point. |
| FRBNY | Federal Reserve Bank of New York. |
| GCT | General Commission for Taxes. |
| GDP | Gross domestic product. |
| Government or GoI | The Government of the Republic of Iraq. |
| IAMB | International Advisory Monitoring Board. |
| IEITI | Iraqi Extractive Industries Transparency Initiative. |

| | |
|---|---|
| Internal consumption | Oil used for domestic purposes. |
| IOCs | International oil companies (international field development oil companies). |
| INOC | Iraq National Oil Company. |
| KRG | Kurdistan Regional Government. |
| LC | Letter of credit. |
| Loading Date | The date of flanges of the relevant offshore loading terminal(s) in Iraqi and Turkish seaports where a contractor may lift export oil. |
| LPG | Liquid petroleum gas. |
| MoIM | Ministry of Industry and Minerals of the Republic of Iraq. |
| MdOC | Midland Oil Company of the Republic of Iraq. |
| MdR | Midland Refineries Company. |
| MNR | Ministry of Natural Resources (KRG). |
| MOC | Missan Oil Company of the Republic of Iraq. |
| MoF | Ministry of Finance of the Republic of Iraq. |
| MoO | Ministry of Oil of the Republic of Iraq. |
| NA | Not Available. |
| N/A | Not Applicable. |
| NOC | North Oil Company of the Republic of Iraq. |
| NR | North Refineries Company. |
| OPRA | Oil Proceeds Receipt Account. |
| PCLD | Petroleum Contracts and Licensing Directorate of MoO. |
| Production Measurement Point / PMP | The point within the field as agreed by the parties, where the volume and quality of crude oil produced and saved from the field is measured. |
| RFB | Remuneration fees per barrel. |
| Signature Bonus | The payment of a fee by an IOC to a host government, upon signing a concession license agreement (or technical service contract) with a national oil company or local oil company. |
| SOC | South Oil Company of the Republic of Iraq. |
| BOC | Basra Oil Company of the Republic of Iraq. |
| SR | South Refineries Company. |
| TQOC | Thi Qar Oil Company of the Republic of Iraq. |
| SOMO | Iraq Oil Marketing Company. An Iraqi entity established under and governed by the laws of Iraq, and having monopoly on oil exports. |
| Tax Year | The period of twelve (12) consecutive months according to the Gregorian Calendar for which tax returns or reports are required according to any applicable tax laws and regulations in Iraq. |
| TPAO | Turkiye Petrolleri Anonim Ortakligi. |
| BP | British Petroleum. |
| MMSCF | Million Metric Standards Cubic Feet. |
| MMSCFD | Million Metric Standards Cubic Feet a Day. |
| IA | Independent Administrator. |

# Executive Summary

The Extractive Industries Transparency Initiative (EITI) is a global organization established in 2002 with a goal of increasing industry transparency and accountability. EY was engaged on the instructions of the Iraq Extractive Industries Transparency Initiative (EITI) Secretariat to prepare Iraq's 2017 Report. This report was prepared in accordance with the guidelines of the EITI Standard and the reporting process has been overseen by a Multi-Stakeholder Group (MSG).

The MSG is made up of 20 members; the MSG Chair, the National Coordinator, and six representatives for each of the government, industry (extractive sector companies), and civil society. The current chair of the MSG is the Deputy Prime Minister of Energy Committee/ Minister of Oil.

To establish the scope of the 2017 IEITI report, the MSG conducted a scoping study, under which the MSG assessed which provisions of the EITI Standard are applicable to Iraq, which elements needs to be included in the report, and most importantly identified the relevant revenue and payment streams.
The revenue streams identified to be related to the extractive sector in Federal Iraq, according to the scoping study, are the following:

- Crude oil exports revenue
- Corporate income tax
- State partner share in field remuneration fees
- Treasury share of State Owned Entities (SOEs) reported profits
- Signature bonus

According to the same study, the largest source of government revenue from the extractive industries is crude oil export revenue, which is realized through export sales made through the State Oil Marketing Organization (SOMO). As it relates to the mining sector, the only source of revenue to the government, is through SOE payments to the state treasury equivalent to 45% of its distributable net profits.
The revenue streams identified to be related to the extractive sector in the KRG are the following:

- Crude oil exports revenue
- Royalties
- Bonuses (signature, capacity, and production)
- Capacity Building Payments
- Road Taxes

In accordance with Requirement 4.1 of the EITI Standard, the MSG determined a quantitative materiality threshold for selecting revenue streams to be included in the scope of reconciliations. To be broadly consistent with materiality thresholds used for other EITI-compliant countries, a quantitative materiality threshold of 2% was determined by the MSG, under which revenue and payment streams that contribute 2% or more to the total revenue received by the government (federal and regional) from/to the mining and oil and gas sectors, have been reconciled. Lowering the materiality threshold would not have significantly increased coverage of the report.

In accordance with the set materiality threshold, the sole revenue stream that was reconciled was the crude oil export revenue earned by the Federal Government of Iraq. While the crude oil export revenue generated by the KRG exceeded the 2% materiality threshold, this revenue stream was not reconciled in the report as no information was received from the KRG, and the companies operating in the Kurdistan Region, despite exhaustive efforts made by the MSG and the Independent Administrator to attain the KRG's participation in the IEITI reporting process.

Accordingly, the Iraqi EITI submitted an adaptive implementation request to the EITI, as under the current circumstances no reporting was made from the KRG. Therefore, revenue information included in this report in relation to the KRG were obtained from publicly available sources. The International Secretariat approved the IEITI's request for adaptive implementation on 19 March 2019.

In addition to the crude oil export revenue (of Federal Iraq), the scope of reconciliations includes government payment streams that were considered by the MSG to be of importance and of interest to the public; which are the following:

- Cost recovery
- Remuneration fees
- Internal Service Payments

Material reporting entities, for the purpose of this report, include oil and gas companies, which contributed to the material revenue streams (excluding KRG) during the reporting period, together with state-owned enterprises (SOEs) and government entities that received or recorded payments from them. Material reporting entities also include the SOEs that receive internal service payments from the government through SOMO. A listing of reporting entities is listed in the report.

For all revenue and payment streams that do not meet the materiality threshold, contextual information was provided throughout the report. For example, although, subnational transfers were excluded from the scope of reconciliation in accordance with MSG decisions, the report includes information addressing the two types of subnational transfers that were identified in the report; petrodollar allocations and Governorate Development Program allocations. The value of subnational transfer allocations and the value of actual transfers to governorates with a display of the differences between allocated and transferred amounts were addressed.

Progress in implementation of the EITI

Notable milestones were achieved for the 2017 report:

- In its scoping study for the year 2017, the MSG has determined a quantitative materiality threshold to ensure that all revenues and payments whose "omission or misstatement could significantly affect the comprehensiveness of the EITI Report" are included in the scope of reconciliation
- The MSG worked with the Government in defining state-owned entities in Iraq, and accordingly defined SOEs in accordance with Law No. 22 of 1997, as entities that are wholly owned by the government. In accordance with the set definition, the MSG identified all SOEs operating in the mining, oil and gas sectors.
- The MSG has engaged in discussions with governmental entities for identifying the state's policy in relation to contract disclosures, as explained in more details in the body of the report. With regards to contracts in the oil and gas sector in federal Iraq, the Ministry of Oil has published on its website its policy with regards to contract disclosure
- The report provides a description of the process applied by the PCLD in awarding licenses to international oil companies, and provides a description of the technical and financial criteria used in the pre-qualification phase of the license rounds
- The MSG clarified that all government revenue is recorded in the federal budget, with the exception of revenues generated by the KRG. While the Federal Budget Act includes a fixed contribution from KRG's crude oil export revenue, the federal government, in practice, does not receive such amounts

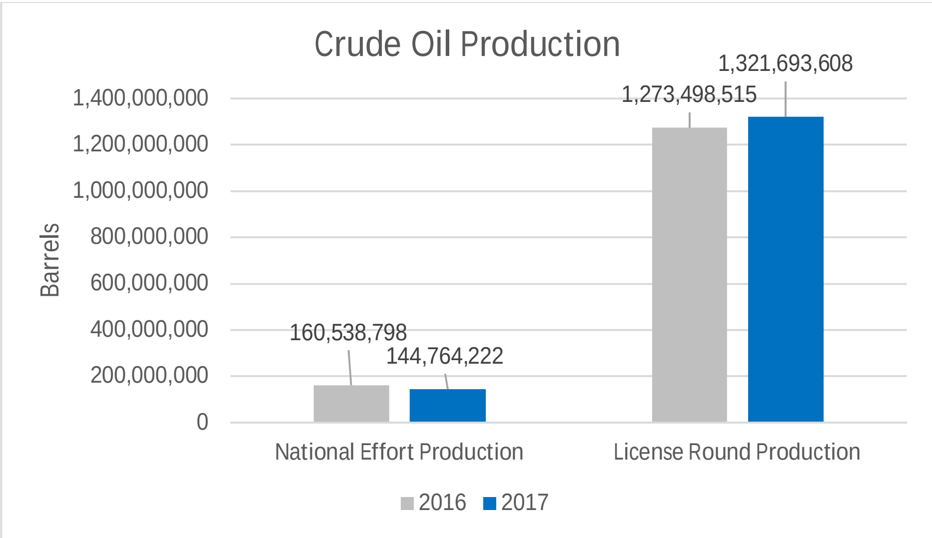
Reported production and export data for 2017

Crude oil production in federal Iraq is of two types;

- Licensing round production, which represents production by the IOCs under the licensing round service contracts
- National efforts production, which refers to the production of crude oil from the oilfields operated by the national oil companies (NOCs) independently

The following table presents crude oil production quantities reported by the national oil companies for the year 2017:

| National Oil Company | National Efforts Production (barrels) | Licensing Rounds Production (barrels) | Total Production (barrels) |
|---|---|---|---|
| Basra Oil Company | 78,602,696 | 1,105,709,308 | 1,184,312,004 |
| Midland Oil Company | 3,921,562 | 72,997,717 | 76,919,279 |
| Missan Oil Company | 3,470,720 | 142,986,583 | 146,457,303 |
| North Oil Company | 58,769,244 | - | 58,769,244 |
| Total | 144,764,222 | 1,321,693,608 | 1,466,457,830 |

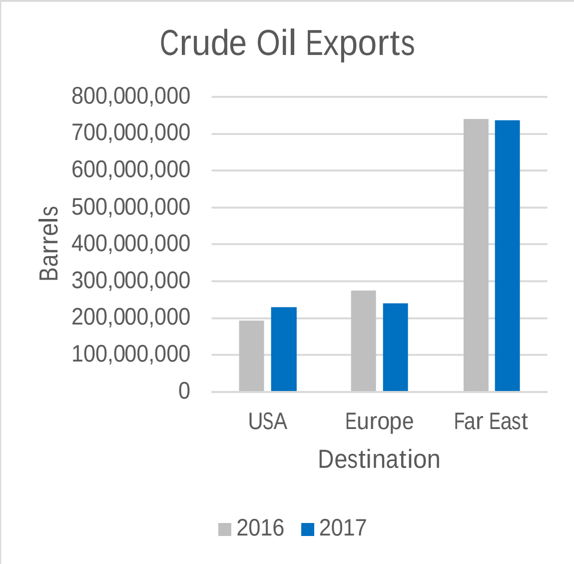


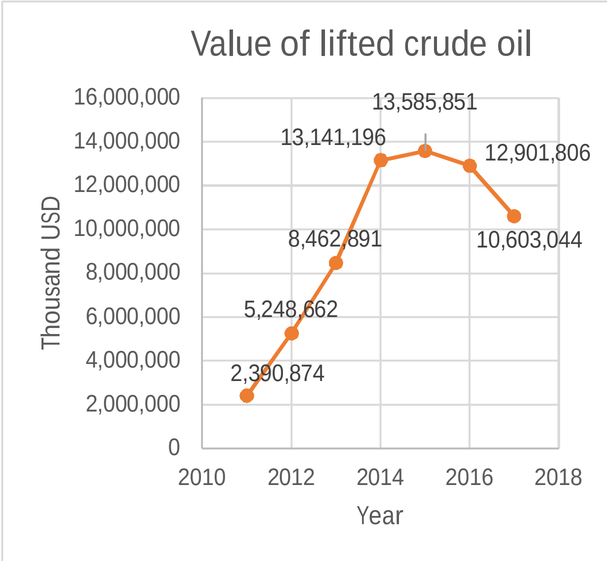

No licensing rounds were held during 2017, and therefore no new licenses were awarded during that year.

The following table illustrates the major reported data during 2017 in comparison with 2016:

(Table 1-1: Comparison of major reported data during 2017 with 2016)

| Description | 2016 | 2017 | Rate of increment (decline) |
|---|---|---|---|
| Total extracted crude oil (barrels) | 1,434,037,313 | 1,466,457,830 | 2.26% |
| Total export of crude oil (barrels) | 1,208,443,229 | 1,207,822,633 | (0.05%) |




The diagram above shows that the value of crude oil lifted by IOCs working in Iraq under license round contracts amounted to USD 10.6 billion during 2017, and that the value of crude oil lifted by these companies during the period from 2011 – 2017 totaled USD 66.3 billion. Delay penalties related oil liftings for the year 2017 amounted to approximately USD 15 million.

The average selling price of exported crude oil during 2017 was USD 48.2 per barrel, according to average monthly prices reported by SOMO. This represents a notable increase from the average crude oil export price reported in the 2016 IEITI report of USD 35.5 per barrel.

The extractive industries make up the majority of Iraq's exports, and have the largest contribution towards the country's Gross Domestic Product (GDP), and government revenues.

- Export: Crude oil and oil product exports for the year 2017 make up 99.23% of total exports in Iraq (excluding KRG exports).
- GDP :The extractive industries contribution to the country's total estimate GDP (MoP estimate) for the calendar year 2017 at current prices was IQD 89,065,057.7 million that translates into a relative share of 38.94% of total GDP (excluding KRG).
- Government Revenue: The extractive industries contribution to total government revenue is 92.31% of actual government revenue (excluding KRG revenue)

Results of reconciliation and comprehensiveness of data

A difference of approximately USD 1.125 billion was identified from the reconciliation between the data as reported by SOMO and as reported by the crude oil buyers. These differences were reviewed during the course of the reconciliation process and the detailed results are presented in the report, however, the main reason for these differences is attributed to issues such as delay penalties reporting, cut-off dates and reporting on cash basis as opposed to accrual basis by the different reporting entities. The reconciliation exercise also revealed differences in crude oil export revenue that couldn't be justified through the course of this exercise until the date of the report. These differences amount to USD 15,931,357 and are related to differences in reporting between SOMO and Saras SPA – Milano (refer to Section 4.5.1 for further details).

In the case of cost recovery and remuneration fee reconciliations, differences were noted among reporting entities and were mainly attributed to differences in reporting by SOMO and the IOCs, whereby SOMO reported figures that were approved during the year, and not necessarily what was paid during the same year.

### Reliability of reported data

The report includes a section dedicated to the reporting on the reliability of the reported data by the different participating entities. This was based on adherence of the reporting entities to the requirements set for that purpose by the MSG. It was noted that only one out of six SOEs had their financial statements audited by the Federal Board of Supreme Audit (FBSA) and was able to submit these financial statements as requested, 44.23% of international oil buyers presented their audited financial statements and 78.26% of international oil companies submitted their audited field financial statements. Other criteria used for reporting on data reliability include the presentation of properly signed and stamped reporting templates, presentation of invoices and financial reporting approved by internal audit departments and board of directors of governmental institutions. It is clear from our analysis that reporting companies favored the approach of sending signed and stamped reporting templates. Although this is acceptable according to the approach approved by the MSG, reported data would be of higher credibility if the reporting packages included copies of audited financial statements (more details in Section 4.8.5).

### Actions and recommendations

Recommendations have been included in the report (Section 7.2) reflecting the steps that are recommended for future actions by the concerned parties. These recommendations were based on the observations made during the course of data collection and reporting for 2017 report. Recommendations have primarily focused on increasing the transparency of reporting by certain governmental entities, in addition to increasing their awareness towards the importance of the initiative and its roles in increasing industry transparency and accountability. Recommendations also stressed on the need of building open communication channels with all international companies involved with the oil and gas sector in Iraq being buyers or operators with the aim of enhancing their reporting efficiency of IEITI required data.

The following is an overview of the main challenges identified and recommendations covered in this report:

- Non-cooperation or partial compliance of non-governmental reporting companies with the reporting requirement has resulted in challenges during data collection
- Information requested from the MoIM, such as details of contracts signed with private sector companies during the year 2017 were not reported. It is recommended that more efforts be exerted to increase awareness of the Mining sector about the EITI Standard and its reporting requirements
- Although the PCLD reported the technical and financial criteria used in assessing companies during licensing round bids and transfer of licenses, it did not clarify the respective weightings of such criteria. In addition, several changes in license ownership were identified during the course of our reconciliation exercises that were not reported by the PCLD. It is recommended that the PCLD increase the transparency and comprehensiveness of its reporting to bridge the gap between current reporting and EITI standard reporting requirements
- It is recommended that the MoF Increase the level of detail in reporting subnational transfers, to clearly distinguish between annual subnational allocations and balances carried forward from previous years
- It is recommended that national extractive companies operating in Iraq adopt a unified mechanism in calculating the cost of gas production by national extractive companies

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# 1. EITI in Iraq

## 1.1. About the Extractive Industries Transparency Initiative (EITI)

The EITI is an international body, established in 2002, that aims to promote the transparency of natural resource revenues and accountability of the governments of resource rich countries. The EITI Standard drafted by EITI requires the disclosure of information along the extractive industry value chain from the point of extraction, to the flow of revenues through the government, and how they benefit the public. EITI participating countries are required to publish annual reports that disclose the revenues from the extraction of the country's extractive resources, as well as information about the country's extractive sector (such as license and contract information as well as the laws and regulations governing the sector). Furthermore, EITI reports include recommendations for improving sector governance[1].

The EITI is considered a tool to identify and address weaknesses in the management of implementing countries' natural resources, whereby the international EITI Board monitors and assesses the progress of countries in meeting the requirements of the Standard. Every country that joins the EITI as a member is assessed against the EITI Standard in a process called Validation.

Encouraging greater transparency in resource-rich countries improves foreign investment opportunities by helping to create a level playing field for companies and investors, and improves the overall economic and political stability of the implementing countries. As of February 2018, there are 51 participating countries, and an estimated 2.3 trillion dollars' worth of revenue disclosed.

## 1.2. EITI Implementation in Iraq

Iraq has significant reserves of oil and natural gas; whereby it holds the fourth-largest proved crude oil reserves in the world, after Venezuela, Saudi Arabia, and Iran[2]. In addition, Iraq is OPEC's second-largest crude oil producer[3]. Iraq also has substantial gas reserves, usually found in conjunction with oil. Much of the gas is associated with oil fields as a byproduct of oil production, and consequently Iraqi gas development is largely tied to oil production[4]. However, due to years of war and international sanctions, Iraq is a largely undeveloped source of hydrocarbon resource; whereby significant oil and gas reserves remain untapped.

Nonetheless, Iraq's economy is heavily dependent on oil revenues, which account for most of the country's foreign exchange earnings, and Gross Domestic Product (GDP). Iraq's oil sector is, therefore, central to Iraq's fiscal position and critical to the vitality of the economy and the ongoing reconstruction efforts of the country, particularly with regard to oil, gas, and power infrastructure and development.

The Ministry of Oil (MoO) is responsible for the federal government's oil and gas industry including overseeing sector investments, operation of infrastructure, planning, and recommending and overseeing policies. The Ministry of Oil has incorporated several national oil and gas companies to which it has delegated some of its discretion in the upstream, downstream, and transportation, distribution and marketing sectors.

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[1] https://eiti.org/who-we-are

[2] https://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2017_13062017.pdf

[3] https://www.opec.org/opec_web/static_files_project/media/downloads/publications/AR%202017.pdf

[4] https://www.atlanticcouncil.org/images/Shaping_Iraqs_Oil_and_Gas_Future_web_0108.pdf

Iraq has been conducting a series of oil and gas licensing rounds since 2009, to award service contracts to International Oil Companies (IOCs), to explore and develop new oil and gas fields and increase production from its existing oil and gas fields.

Apart from crude oil and gas, Iraq's other natural resources include minerals such as phosphates and sulphur. The minerals sector is governed by the Ministry of Industry and Minerals, which also operates through fully owned subsidiaries.

In January 2010, Iraq's Prime Minister Nouri Maliki declared Iraq's commitment to EITI in an event launched by Iraqi Extractive Industries Transparency Initiative (IEITI), and in February 2010, the EITI International Board announced that Iraq became an EITI candidate country[5]. The implementation of the EITI is an effort to ensure that the country's oil and gas wealth is managed for the benefit of its citizens and sustained peace.

The current type of the centralized structure, where the Government through the Ministry of Oil and Ministry of Industry and Minerals owns, produces, transports, sells and accounts for all the oil, gas and minerals produced and exported or used domestically, is a comparatively unique framework amongst the current EITI countries. The centralized structure poses certain implications of how EITI is designed and implemented in Iraq, as will be discussed throughout this report.

## 1.3. EITI Governance and Leadership in Iraq

The EITI Standard requires each implementing country to form a multi-stakeholder group (MSG), which is comprised of representatives from the government, companies (industry) and civil society. The MSG is the key decision-making and oversight body for EITI implementation. The IEITI has published the names and positions of the current MSG members on its website (click here).

## 1.4. MSG Governance

The MSG issued an Internal Governance policy in April 2018 (which was approved by the MSG in its meeting No. 54 dated 6 April 2018). According to Section 2 (10) of the manual, the invitation to participate in the MSG is open to the public, whereby it should be published on the IEITI website and in a local newspaper (in Arabic) that is distributed in Baghdad and all other provinces. The following is a description of instructions related to the selection of MSG members, documented in the Internal Governance policy:

- Membership in the MSG is for a period of four years, subject to renewal
- The Chair of the MSG is selected based on an executive order, and should preferably be a minister
- The IEITI National Coordinator is selected based on an executive order, and should preferably be, at least, in a General Manager position
- The MSG is required to reach out to the different ministries and non-ministry entities involved in the work of the EITI, in order to nominate six members to represent the Government, with a condition that the nominated individuals hold a General Manager position, or a higher position
- The MSG is required to reach out to the state-owned entities involved in the work of the EITI, in order to nominate three members to represent SOEs, with a condition that the nominated individuals hold a General Manager position, or a higher position
- The MSG is required to reach out to the international extractive companies working in Iraq or international companies buying Iraqi oil, to nominate three members to represent them in

[5] https://eiti.org/news/iraq-recognised-as-eiti-candidate

them in the MSG, with a condition that the nominated individuals hold a General Manager position in the Iraqi branch of their company

- The MSG is required to organize a committee of five individuals tasked with overseeing civil society elections (with the committee president, vice-president and a third member being employees in the legal field nominated by the Union of Iraq Jurists). The following are the conditions imposed on civil society organizations wishing to participate in the MSG membership:
    - o The entity should be registered and duly authorized by law to carry out its activities in Iraq;
    - o The entity should present evidence of its knowledge and involvement in either of the following areas; Extractive Industries Transparency Initiative and its related activities, the extractive sector, integrity, transparency, and governance. This could be displayed through the entity's internal governance manuals, publications, and/or pictures of related activities and events held by the entity;
    - o The entity's nominees should hold an "Executive Director" position as per the entities' official documents with the relevant bodies governing the work of the civil societies. The nominee should have participated in courses and workshops related to the extractive industries, integrity, transparency, and good governance, and should have notable media activity in relation to these activities

The MSG meeting minutes are currently published on the IEITI website. The minutes include the signatures of the MSG's members who have attended the meetings and approved the meeting decisions.

In its meeting No. 35 dated 12 October 2015, the MSG commissioned the IEITI National Secretariat to pay an amount of IQD 500,000, to the members of the civil society representatives for each official meeting held by the MSG, with the condition of making this payment only once a month if there are multiple MSG meetings held in one month.
In its meeting No. 44 dated 17 May 2017, the MSG approved the following decisions in relation to its language policy:

- The MSG approved a decision to issue the IEITI annual progress report in Arabic
- The MSG approved a decision to issue the IEITI reports in Arabic first and then have the reports translated into English and Kurdish languages

## 1.5. MSG Workplan

According to the EIITI standard, the MSG is required to maintain a current work plan, fully costed and aligned with the reporting and validation deadlines established by the EITI Board. The purpose of the IEITI Work Plan is "to implement the EITI in an effective and efficient manner through building up the organization, structure, knowledge, skills and capacity of participants, as well as attain EITI compliant status"[6].

The workplan is updated periodically to meet EITI standards, and the latest work plan for the period from May 2018 to April 2019, is published on the IEITI website[7].

In its 52nd subscript meeting on 7 March 2018, the MSG decided to rewrite the work plan in line with the priorities of MoO and MOIM including[8]:

- National Oil Company formation
- Launching of mining licensing rounds
- Maximizing oil and gas revenues

[6] http://documents.worldbank.org/curated/en/182971468261282309/Iraq-IEITI-Work-Plan
[7] http://ieiti.org.iq/ar/details/545/%D8%AE%D8%B7%D8%A9-%D8%A7%D9%84%D8%B9%D9%85%D9%84-%D8%A7%D9%8A%D8%A7%D8%B1-2018-%D9%86%D9%8A%D8%B3%D8%A7%D9%86-2019
[8] http://ieiti.org.iq/en/details/414/decisions-of-the-52nd-msg-meeting-1520763278

- Social benefits challenges in licenses rounds
- Expanding oil exploration

As displayed in the IEITI work plan, the financing of the IEITI implementation is supported by the World Bank. The following excerpt was obtained from an "IRAQ EITI Implementation Support" report, published on the World Bank website:
"Following an official request from the Government of Iraq, the project has been successfully restructured, moving the project closing date from 29th December, 2017 to 28th June, 2019, along with an additional financing top-up of USD 450,000. The total grant amount is now USD 800,000. The restructured project:

(i) supports the production, publication and dissemination of the 8th and 9th Annual EITI Reports (covering data for the calendar years 2016 and 2017 respectively);
(ii) provides capacity support to the IEITI National Secretariat and IEITI Multi-Stakeholder Group;
(iii) provides support to operating costs of IEITI National Secretariat;
(iv) supported the establishment of an improved IEITI website; and
(v) supports 'mainstreaming' of IEITI into government and company systems through creation of a 'feasibility study' and 'workplan'".[9]

# 2. Legal Framework and Fiscal Regime for the Extractive Industries

## 2.1. National Governance Structures

Iraq has two levels of government; federal government and a regional government for the Kurdistan Region.

The federal government of Iraq is defined under the current constitution as a single, independent federal state with full sovereignty. Its system of government is republican, representative, parliamentary, and democratic[10]. The federal government is composed of the executive, legislative, and judicial branches, as well as numerous independent commissions[11]. In accordance with Article 48 of the constitution, the legislative branch is composed of the Council of Representatives and the Federation Council. In accordance with Article 66 of the constitution, the federal executive power is composed of the President and the Council of Ministers.

The Kurdistan Region is located in northern Iraq, and is made up of the three Northern provinces of Dohuk, Erbil (Hawler), and Sulaymaniyah. The Kurdistan Region forms part of the Federal Republic of Iraq, and is governed by a regional administration, the Kurdistan Regional Government (KRG). The KRG exercises executive power according to the Kurdistan Region's laws as enacted by the elected Kurdistan Parliament[12].

[9] http://documents.worldbank.org/curated/pt/433601537551993564/pdf/Disclosable-Version-of-the-ISR-IRAQ-EITI-Implementation-Support-P160274-Sequence-No-02.pdf
[10] http://ar.parliament.iq/%D8%A7%D9%84%D8%AF%D8%B3%D8%AA%D9%88%D8%B1-%D8%A7%D9%84%D8%B9%D8%B1%D8%A7%D9%82%D9%8A/
[11] http://www.irfad.org/iraq-government/
[12] http://www.gov.krd/p/page.aspx?l=12&s=050000&r=300&p=210

## 2.2. Overview of the Regulations Applicable to Extractive Industries

The legal framework for the oil and gas sector in the Republic of Iraq is set forth in the Constitution of Iraq, which was approved for by the Iraqi people in referendum on 15 October 2005. The relevant provisions of the constitution provide as follows:

Article 111:

Oil and gas are owned by all the people of Iraq in all regions and governorates.

Article 112:

First: The federal government, with the regional governments and producing governorates, shall undertake the management of oil and gas extracted from present fields, provided that it distributes its revenues in a fair manner in proportion to the population distribution in all parts of the country, specifying an allotment for a specified period for the damaged regions which were unjustly deprived of them by the former regime, and the regions that were damaged afterwards in a way that ensures balanced development in different areas of the country, and this shall be regulated by a law.

Second: The federal government, with the producing regional and governorate governments, shall together formulate the necessary strategic policies to develop the oil and gas wealth in a way that achieves the highest benefit to the Iraqi people using the most advanced techniques of the market principles and encouraging investment.

### 2.2.1. Extractive Sector Regulations in Federal Iraq

In federal Iraq, there is no single law that governs the oil and gas sector. There have been several drafts for a Federal Oil and Gas Law; however, none has thus far have been implemented[13]. Instead, the sector is governed by multiple oil and gas legislations, which will be discussed in the following sections of this report.

As per the Organization of the Ministry of Oil Law No. 101 of 1976, the MoO of the Federal Government of Iraq has central control and oversight over oil and gas exploration, production and development in Iraq. The MoO operates the sector through its different directorates and national oil and gas companies, as follows:

a) Fully owned subsidiaries of the MoO, are divided into three categories based on the sectors they operate; upstream, midstream, and downstream sectors:
   i. Sate companies in the extractive, drilling and production sector (upstream sector) are:
      - North Oil Company
      - Missan Oil Company
      - Midland Oil Company
      - Basra Oil Company[14]
      - Thi Qar Oil Company
      - Iraqi Drilling Company
      - Oil Exploration Company
      - North Gas Company
      - South Gas Company

[13] http://www.iraq-businessnews.com/2018/10/21/petroleum-policy-proposal-for-the-new-govt/

[14] Basra Oil Company was previously known as South Oil Company during 2016

ii. Transportation, distribution and marketing sector (midstream sector) SOEs are:
   - Gas Filling Company
   - State Oil Marketing Company (SOMO)
   - Oil Pipelines Company
   - Oil Products Distribution Company
   - Oil Tankers Company

iii. Downstream sector SOEs are:
   - North Refineries Company
   - Midland Refineries Company
   - South Refineries Company

b) Relevant Ministry of Oil Directorates:

i. Petroleum Contracts and Licensing Directorate (PCLD): The PCLD is a directorate within the MoO that is tasked with organizing and carrying out licensing rounds, negotiating with international oil companies in the oil and gas sector, setting model contracts, and all other related activities in the development of oil and gas fields in Iraq. The PCLD represents the MoO when dealing with IOCs and coordinating between sate oil companies (upstream and downstream) and with Ministry's directorates[15].

ii. Technical Directorate: The MoO's Technical Directorate is responsible for following up on the technical specifications of crude oil and oil products locally produced and imported. It is assigned with the oversight of the import and export activities in the Oil and Gas sector. The directorate has responsibility for reconciling quantities of crude oil and oil products between all oil companies[16].

As for the mining and minerals sector in Federal Iraq, the MOIM is the sole governing body responsible for the extraction and marketing of minerals in Iraq, and is legally authorized to make decisions in that regard. The MOIM operates the sector through nine state-owned entities, as follows:

- The State Company for Mining Industries
- The State Company of Fertilizers – Southern Region
- The State Company of Fertilizers– Northern Region
- Sate Company for Petrochemical Industries
- Phosphate Company
- Mishraq Sulphur Company
- Sate Company for Iron & Steel
- Iraq Sate Cement Company
- Iraqi Geological Survey and Mining Company (Geosurv-Iraq)

Further information on the MOIM can be found on the Ministry's website[17].

The Energy Committee of the Council of Ministers: Since the powers of the different ministries are limited, with the Council of Ministers having the higher authority, the Council of Ministers formulated an Energy Committee to undertake appropriate decisions on its behalf. The Committee is also tasked with the responsibility of supervising, and coordinating between the Ministry of Oil, Ministry of Industry and Minerals, Ministry of Electricity, and other related parties to facilitate their work towards meeting their respective objectives. The Vice-President of the Energy Committee is Thamer Al-Ghadban, current Minister of Oil and Chairman of the Board of Trustees.

[15] http://www.moo.oil.gov.iq/PCLD-EN/PCLD/

[16] http://www.moo.oil.gov.iq/Technical/Technical/

[17] http://www.industry.gov.iq/index.php?name=Pages&op=page&pid=108

An overview of the different legislations governing the mining, oil and gas sectors is presented below:

i. Organization of Ministry of Oil Law No. 101 of 1976 (as amended):

As described in Article 5 of Law No. 101 of 1976 (as amended), the Ministry of Oil is responsible for the management of the oil sector, which involves:

a. Exploration, drilling and extraction of oil and gas
b. Refining activities and the production of gas
c. Transportation and marketing of crude oil and gas and their products

The Ministry of Oil is also responsible for drafting the initial plans for the various aspects of oil and gas investment activity, and supervising their implementation after approval. It is also responsible for supervising the implementation of the sector law, and overseeing the implementation of the "Preservation of Hydrocarbon Resources" Law.

ii. Public Companies Law No. 22 of 1997 (as amended):

State-owned entities (SOEs) in federal Iraq (including those operating in the mining, oil and gas sectors) are subject to the provisions of the Public Companies Law No. 22 of 1997 (as amended). Article 1 of the law defines a public/state entity as "a self-funded economic unit which is fully owned by the state, has a legal personality, is financially and economically independent, and operates according to economic bases".

A reference and description of relevant articles of the law is described in Section 2.3.2 below.

iii. Investment Law No. 13 of 2006

Investment Law No. 13 of 2006 aims to encourage Iraqi and foreign private sector investment in Iraq in order to contribute to the economic and social development of the country, and to expand and diversify its production and service base, all while creating work opportunities for Iraqi citizens.

Article 12 of the Iraqi Investment Law No. 13 of 2006 provides that priority in recruitment and employment shall be given to Iraqi workers, and goes on to state that investors have the right to employ and use non-Iraqi workers only when it is not possible to employ an Iraqi with the required qualifications and capabilities.

iv. Crude Oil Refining Investment Law No. 64 of 2007, and its second amendment No. 35 of 2016:

The purpose of this law is to encourage the private sector to participate in the process of economic development in Iraq and contribute towards the development of Iraq's industrial base by participating in crude oil refining activities.

To encourage private sector investment in the refining sector, the Refining Law offers the following incentives:

- The Ministry of Oil is obligated to supply crude oil to the refining company at a price equal to the international FOB export price for Iraqi crude less a discount of 5 per cent; provided that the discount will not be less than USD 4 per barrel or more than USD 8 per barrel.
- The investing company is entitled to determine the prices of its oil products and sell them inside Iraq or export them to foreign markets according to the applicable regulations in the free zones

- The investing company may utilize public facilities (such as terminals, export ports and pipelines) in accordance with a contract to be signed between it and the Ministry of Oil and the relevant ministries

v. Income Tax Law No. 113 of 1982 (as amended)

A description of the tax laws applicable to the oil and gas sector is provided in Section 2.2.2 below.

vi. The Law of Income Taxation on Foreign Oil Companies Working in Iraq No. 19 of 2010 and its accompanying instructions; Taxation Instructions No. 5 of 2011 as amended by Instructions 2 of 2013[18];

A description of the tax laws applicable to the oil and gas sector is provided in Section 2.2.2.

vii. Law No. 27 of 2009 on the Protection and Improvement of the Environment;

Matters relating to the environment within mining, and oil and gas exploration activities are governed by Law No. 27 of 2009 on the Protection and Improvement of the Environment. Article 21 of the Law addresses the activities of the entities involved in the exploration and extraction of oil and natural gas, whereby it requires such entities to:

- take necessary measures to limit the dangers and risks resulting from petroleum operations
- take necessary measures to protect earth, air, water and underground reservoirs from pollution and destruction
- take necessary precautions to dispose of produced salt water through safe environmental methods
- prevent spills of oil and refrain from injecting oil into subsurface areas that are used for human and agricultural purposes
- provide the Ministry of Environment with information about the causes of any fires, explosions, breakdowns, accidents and leakage of crude oil and gas from wells and pipelines

viii. Iraqi Ministry of Industry and Minerals Law No. 38 of 2011

The Iraqi Ministry of Industry and Minerals Law No. 38 of 2011 defines the ministry's objectives, scope, and structure and explains its role in promoting the country's mineral industry sector. Article 3 of the law states that the MOIM is responsible for increasing the non-oil minerals sector's share of the GDP, organizing and developing industrial and mineral activities, and setting industrial policies and strategies in accordance with the Government's policies.

ix. Mineral Investment Law No. 91 of 1988

The Mineral Investment Law No. 91 of 1988 provides that the Iraqi Geological Survey and Mining Company ("the establishment") is responsible for supervising the enforcement of the Law, and that it is responsible for monitoring the investment in quarries and mines across the country, compiling and classifying the information pertaining to those activities for the purposes of promoting, guiding and directing investments to guarantee the maintenance of mineral wealth and protecting the environment.

According to Article 4 of the Law, the Minister of Industry and Minerals, or his nominee may allocate certain areas of land to private and mixed sector companies for investment in quarries

[18] http://www.moo.oil.gov.iq/Legal-Dir-websitee/Legal-Dir-website/PDF/LAW_NO_19_2010_EN.pdf

to execute their own projects, either with or without compensation, for a limited period and according to specific conditions including the handling of by-products[19].

Other relevant regulations identified by the MSG are:

x. Government Contracts Law No. 87 of year 2004, and its Instructions No. 2 of 2014 (as amended) and its annexes
xi. Oil Production Fees Law No. 9 of 1939 (as amended)
xii. Allocation of Investment Areas for the Iraqi National Oil Company Law No. 97 of the year 1967
xiii. Oil Products Anti-Smuggling Law No. 41 of 2008;
xiv. Law No. 84 of 1985 for preservation and protection of Hydrocarbon Endowment
xv. Law No. 37 of 2016 on Documents Preservation;
xvi. Oil Products Import and Sale Law No. 9 of 2006;

The IEITI has published on its website[20] a study of the legal framework governing the extractive sector in Iraq, in which the relevant governing laws and regulations are listed as well as the relative articles of such laws.

### 2.2.2. Overview of the Corporate Income Tax and Withholding Tax Regimes Applicable to the Oil and Gas Sector in Federal Iraq

i. Application under the Income Tax Law

Iraq's current income tax law is set out in Law No. 113 of 1982 (as amended) (the "Income Tax Law"). Per the Income Tax Law, Article 13, Paragraph 3, the general CIT rate applicable to all activities (except oil and gas activities) is a unified flat rate of 15% of taxable income. Under Law No. 19 of 2010 (the "O&G Tax Law"), a higher rate of 35% was introduced for foreign oil companies operating in the production of oil and gas in Iraq.

All companies with a formally registered business presence in Iraq must submit an annual CIT filing with the GCT, consisting of the taxpayer's audited Iraqi Unified Accounting System ("IUAS") financial statements and tax return.

Iraq's Income Tax Law and O&G Law do not provide for a specific different treatment for the tax filing and reporting requirements of a foreign oil contracting company working under a service contract. Therefore, the taxation of foreign oil contracting companies should follow Iraq's tax regime of general applicability set out in the current Income Tax Law and O&G Law (and relevant instructions).

As per the Income Tax Law, the CIT liability within the tax return should be computed by applying the applicable CIT rate (35% for a company operating in the oil and gas sector) to a taxpayer's taxable income, whereby the latter is based on the net profit as reported in the audited IUAS financial statements, adjusted for any non-deductible expenses and tax-exempt income. In addition, taxable losses should be available to offset against future taxable income up to 50% of the year's taxable income for five consecutive years.

[19] http://www.iraq-lg-law.org/ar/content/%D9%82%D8%A7%D9%86%D9%88%D9%86-%D8%AA%D9%86%D8%B8%D9%8A%D9%85-%D8%A7%D9%84%D8%A7%D8%B3%D8%AA%D8%AB%D9%85%D8%A7%D8%B1-%D8%A7%D9%84%D9%85%D8%B9%D8%AF%D9%86%D9%8A-%D8%B1%D9%82%D9%85-91-%D9%84%D8%B3%D9%86%D8%A9-1988-%D8%A7%D9%84%D9%85%D8%B9%D8%AF%D9%84

[20] http://ieiti.org.iq/mediafiles/articles/doc-561-2018_11_25_11_15_43.pdf

ii. Application under the Ministry of Oil’s service contracts

The Ministry of Oil’s standard service contract includes tax provisions that are inconsistent with the Income Tax Law in Iraq. According to Article 23 (Taxes) of a typical service contract:

“23.3 For the avoidance of doubt, it is the understanding of the Parties that the sole tax liability of Contractor under this Contract shall be corporate income tax at a rate not to exceed 35% levied on the Remuneration Fee calculated in accordance with Article 19.5. SOC shall secure that the provisions of the relevant Law are consistent with this understanding and afford Contractor such treatment under the Contract and the Law.

23.4 In the event Contractor is subject to any demand to pay other taxes (other than corporate income tax in accordance with Article 23.3) SOC shall bear and pay on behalf of Contractor all such other taxes and shall indemnify and hold Contractor harmless against any and all liabilities relating to the payment of such other taxes.”

Therefore, as per the service contract, taxable income to which the 35% CIT rate would apply is equal to the remuneration fees.

In respect of payments made under an oil service contract, the practice of the PCLD in respect of all tax filings up to financial year 2016 was to retain an amount of 35% from the remuneration fee payment approved in the first quarter after the end of the financial year. The PCLD should transfer the withheld amounts to the GCT. The GCT, in turn, is to provide the PCLD with proof of transfer of the retentions that have been deposited in the name of the contractor in order for the contractor to use the proof of transfer as support when settling with the GCT its CIT liability for that financial year.

In practice, there were always significant delays whereby the PCLD was not transferring the retentions to the GCT in a timely manner. Given that the PCLD was not transferring the retentions to the GCT in a timely manner, to facilitate the process for taxpayers to close their tax audits at the GCT, on 15 March 2018, the PCLD issued letter no. 901 indicating that no tax retention will be deducted from the 2017 remuneration fees. Instead, taxpayers are required to approach the GCT directly to settle their 2017 CIT liability.

iii. Application to payments made to subcontractors

Per Article 4 (Second) of Instructions No. 5 of 2011 (as amended), the retention rates applicable to foreign oil companies contracted to work in Iraq (or their branches), and subcontractors in the fields of production and extraction of oil and gas and related industries, including service contracts, are as follows:

- 7%, if the contract relates to the following activities listed in Article 1 (First) of Instructions No. 5 of 2011:
    a. Oil and gas fields and exploration areas' upstream development contracts
    b. Seismic surveys
    c. Well drilling
    d. Well reclamation
    e. Technical operations related to wells and including the laying down linings, cementing, wells recovery, electrical boring and wells completion
    f. Surface installations for the operations of producing and extracting oil, gas and the industries related to them
    g. Water injection facilities
    h. Flow pipes
    i. Gas treatment coefficient
    j. Cathode protection
    k. Engineering examination and quality control related to oil industries
    l. Water wells drilling

m. Activities related to extraction up to the limit at which oil or gas is ready for pumping to exportation outlets

- 3.3%, if the contract relates to other activities

### 2.2.3. Extractive Sector Regulations in the Kurdistan Region

Unlike the Federal Government, the Regional Government of Kurdistan passed an Oil and Gas Law - Oil and Gas Law of the Kurdistan Region – Iraq Law No. 22 of 2007[21], which entered into force on 9 August 2007.

According to Article 5 of the Oil and Gas Law No. 22 of 2007, the Regional Council is responsible for formulating the general principles of petroleum policy, prospect planning and field development, and any modifications to those principles, in the Region. The Law provides that the Regional Council shall be established as follows:

First: The Prime Minister - President
Second: The Deputy Prime Minister - Deputy President
Third: The Minister of Natural Resources - Member
Fourth: The Minister of Finance and Economy - Member
Fifth: The Planning Minister – Member

As stated on the MNR's website: "The Ministry of Natural Resources is the sole authorized signatory of production-sharing agreements with companies willing to invest in the exploration of hydrocarbons and mineral resources in the region. The ministry is also the authority awarding licenses for transportation and storage infrastructure, hydrocarbons and minerals production operations as well as refining, petrochemicals and retail operations[22]".

A description of relevant articles from the Oil and Gas Law is provided in Sections 2.3.1 and 2.8.2.2 of this report.

## 2.3. State Participation in the Extractive Industries

### 2.3.1. MSG Definition of State-Owned Enterprises (SOEs)

In accordance with Requirement 2.6 of the EITI Standard, the MSG has defined state-owned enterprises in accordance with the amended Public Companies' Law no. 22 of 1997, which defines a public company as:

"a self-funded economic unit which is fully owned by the state, has a legal personality, financially and economically independent, and operates according to economic bases".

The state-owned entities are therefore subject to the provisions of Law No 22 of 1997. Entities that are majority owned by the state are not included in the MSG's definition of state-owned entities, since such entities are considered mixed sector companies, and are governed by a different law – Law No. 21 of 1997. Basrah Gas Company is the only mixed sector company operating in the extractive sector, however, it has been excluded from the scope of the IEITI reporting on the basis that it operates in the midstream gas sector.

[21] http://mnr.krg.org/images/pdfs/Kurdistan_Oil_and_Gas_Law_English_2007.pdf
[22] http://mnr.krg.org/index.php/en/the-ministry

i. Federal Government of Iraq

a) SOEs operating in the oil and gas sector in federal Iraq are fully owned subsidiaries of the Ministry of Oil:

Upstream sector:

In federal Iraq, there are nine sate-owned companies in the extractive, drilling and production sector (upstream sector).

1- Basra Oil Company/ South Oil Company
2- North Oil Company
3- Missan Oil Company
4- Midland Oil Company
5- Thi Qar Oil Company
6- Oil Exploration Company
7- Iraq Drilling Company
8- North Gas Company
9- South Gas Company

Transportation, distribution and marketing sector:

1- State Oil Marketing Organization
2- Oil Pipelines Company
3- Gas Filling Company
4- Oil Products Distribution Company
5- Iraqi Oil Tankers Company

Downstream Sector

1- North Refineries Company
2- South Refineries Company
3- Midland Refineries Company

b) Sate-owned enterprises operating in the minerals and mining sector in federal Iraq are fully owned subsidiaries of the Ministry of Industry and Minerals (MOIM):

1- The State Company for Mining Industries
2- The State Company of Fertilizers – Southern Region and The State Company of Fertilizers– Northern Region
3- State Company for Petrochemical Industries
4- The State Company for Phosphates
5- Mishraq Sulphur State Company
6- The State Company for Iron & Steel
7- Iraq State Cement Company
8- The Iraqi Geological Survey and Mining Company

Mixed Sector companies:

1- Basra Gas Company (BGC)

The IEITI has published on its website information about the state-owned enterprises and mixed sector companies (click here).

ii. Kurdistan Regional Government

According to the Kurdistan Oil and Gas Law No. 22 of 2007, the KRG's MNR exerts control and oversight over the Kurdish region through the following public entities:

- Kurdistan Exploration and Production Company (KEPCO)
- Kurdistan National Oil Company (KNOC)
- Kurdistan Oil Marketing Organization (KOMO)
- Kurdistan Organization for Downstream Operations (KODO)
- Kurdistan Oil Trust Organization (KOTO)

Based on inquiries from the North Oil Company, which is based in Kirkuk and is in close proximity to the KRG, the five oil and gas SOEs referred to in the Oil and Gas Law have not yet been established. In addition, the North Oil Company explained that there are no mining SOEs in KRG, and all minerals related activities are executed through the Ministry of Natural Resources.

### 2.3.2. The Prevailing Rules and Practices in Relation to the Financial Relationship between the Government and its Owned Companies

According to Law No. 22 of 1997 (as amended), the public company's capital shall be determined in a decision by the Council of Ministers approving its establishment.

Article 11 of Law No. 22 of 1997 (as amended) requires public companies to allocate the distributable portion of net profits as follows:

- 45% to be remitted to the MoF
- 33% to be paid as incentives to company employees, including members of the Board of Directors and Ministry employees, in accordance with the percentages and controls set by the Board of Directors and approved by the Minister
- 5% to be allocated for social services
- 5% to be allocated for research and development
- Remaining amount is to be retained as the company's capital reserves

The MSG has determined that the distribution of SOEs' net profits, in practice, are in accordance with the stipulations of the Law.

Article 15 (3) of Law 22 allows Iraqi SOEs to engage in partnership agreements with Arab and foreign companies, to carry out work related to the objectives of the company inside Iraq. This provision allows SOEs to participate in oil and gas licensing round contracts as state partners in the service contracts.
Article 17 of Law No. 22 of 1997 (as amended) provides that a public company may lend, or borrow funds to finance its activities from financial institutions and national public companies, under loan agreements subject to conditions to be agreed upon, given that the loans do not to exceed 50% of the company's paid up capital.

Article 18 provides that SOEs require approval from the Council of Ministers when borrowing from outside of Iraq to finance investment activities.

However, while it is permissible by Law for SOEs to obtain and grant financial loans to and from third parties, SOEs, in practice, do not directly grant or receive third party loans, including the state.

The four material national oil companies (subject to materiality thresholds determined in Section 4.1) that were operational during 2017 (BOC, NOC, MdOC, and MOC) declared that there were no loans received or granted during 2017. In addition, the state did not obtain or grant any loans to extractive companies during 2017.

In-kind transfers between IOCs and SOEs

IOCs operating in Iraq under service contracts have no ownership of the crude oil and gas that is extracted, and are compensated in remuneration fees per barrel produced. All extracted crude oil and/or gas is transferred to the respective national oil companies (license holders) through a metering system, and quantities transferred are reconciled on daily and monthly bases in records that are signed by both parties. Any discrepancies identified are rectified through the respective IOC's entitlements at the time of submitting their financial claims from the national oil companies in the respective quarter.

Government and SOE ownership

Based on inquiries from national oil and gas companies in federal Iraq, the following companies declared that they do not have any subsidiaries or joint ventures:

- Basra Oil Company
- North Oil Company
- Missan Oil Company
- Midland Oil Company
- North Gas Company

South Gas Company declared that it has a 51% ownership stake in Basra Gas Company, and that it does not have any other subsidiaries.

The following national oil and gas companies have published their certificates of incorporation on their website. In addition, the financial statements for some of these companies have been published on the companies' respective websites, as follows:

- Basra Oil Company
  Financial data:
  https://boc.oil.gov.iq//upload/upfile/ar/251.PDF
  https://boc.oil.gov.iq//upload/upfile/ar/252.PDF
  https://boc.oil.gov.iq//upload/upfile/ar/253.PDF

- Midland Oil Company
  Statement of incorporation: http://www.mdoc.oil.gov.iq/upload/upfile/ar/121.pdf
  Certificate of incorporation: http://www.mdoc.oil.gov.iq/upload/upfile/ar/123.pdf
  Financial data: http://www.mdoc.oil.gov.iq/upload/upfile/ar/126.pdf
- North Oil Company
  Statement of incorporation: http://noc.oil.gov.iq.الشركه20%تاسيس20%بيان/pdf
  Certificate of incorporation: http://noc.oil.gov.iq.الشركات20%مسجل/pdf
  Financial data:
  http://noc.oil.gov.iq/#%D8%A7%D9%84%D9%85%D9%87%D8%A7%D9%85_%D9%88%D8%A7%D9%84%D9%86%D8%B4%D8%A7%D8%B7%D8%A7%D8%AA_%D8%A7%D9%84%D8%A7%D8%B3%D8%A7%D8%B3%D9%8A%D8%A9_%D9%84%D8%B4%D8%B1%D9%83%D8%A9_%D9%86%D9%81%D8%B7_%D8%A7%D9%84%D8%B4%D9%85%D8%A7%D9%84
- North Gas Company
  Certificate of incorporation: www.ngc.oil.gov.iq/index.html
  Financial data: http://www.ngc.oil.gov.iq/Accounts.htm
- South Gas Company: www.sgc.oil.gov.iq
- Dhi Qar Oil Company: https://toc.oil.gov.iq/ar/page/transparency-initiative

- Missan Oil Company
  Certificate of incorporation: https://moc.oil.gov.iq/upload/upfile/ar/20.pdf
  Financial data: https://moc.oil.gov.iq/upload/upfile/ar/22.pdf
- State Oil Marketing Company
  Certificate of incorporation: http://www.somooil.gov.iq/index.php/2015-11-14-05-40-7/121-2019-04-14-00-00-3
  Financial data: http://www.somooil.gov.iq/index.php/2015-11-14-05-40-7/25-2016-07-26-10-11-13/119-2019-04-14-00-00-1

- Oil Exploration Company
  Certificate of incorporation: http://oec.oil.gov.iq/ar/page/establishment_certification
  Financial data: http://oec.oil.gov.iq/ar/page/Final_Accounts2016
- Iraqi Drilling Company
  Statement of Incorporation: http://www.idc.gov.iq/bain_ar.php
  Financial data: http://www.idc.gov.iq/acount-ar.php
- South Refineries Company
  Financial data: http://www.src.gov.iq/ar/

Mixed Sector Companies

As it relates to Basrah Gas Company, which is the only mixed sector company operating in the extractive sector; the company's financial transactions are governed by Law No.21 of 1997 (as amended)[23].
According to Article 27 (Section 3) of Law No. 21 of 1997 (as amended), the company's capital shall be allocated towards the implementation of its activities as specified in its contract, and towards the fulfillment of its obligations, and may not be allocated otherwise.
Article 73 provides that the company's net profits shall be distributed; after all legal deductions have been made, in the following manner:

- at least 5% should be withheld as a statutory reserve until the statutory reserve reaches 50% of the paid up capital. A company may continue to withhold a statutory reserve through a decision by the General Assembly, with the condition that the statutory reserve not exceed 100% of the paid up capital
- The remaining profits or part thereof shall be distributed to the members according to their shares

According to Article 77, a company may borrow by way of issuing nominal bonds in accordance with the provisions of this Law, by issuing an invitation addressed to the public. The grant underwriter is issued bonds in return for the amounts lent to the company and has the right to claim certain interest payable within specified periods and recover its value from the company's funds. These bonds are of nominal value, are negotiable and indivisible and are assigned serial numbers and must be stamped by the company.

According to Basra Gas Company, the company's Board of Directors have the right to approve dividend payment and its respective percentage, retain or reinvest earnings, in accordance with Shareholders' Agreement article (8.8.3.4.iv).

The company also declared that it has the right to borrow or lend from third parties, in accordance with accordance with Shareholders' Agreement article (8.8.3.4.iii).

[23] http://wiki.dorar-aliraq.net/iraqilaws/law/20627.html

## 2.4. Fiscal Framework

The following diagram illustrates the financial relations between the federal government and extractive companies, including SOEs in Federal Iraq:

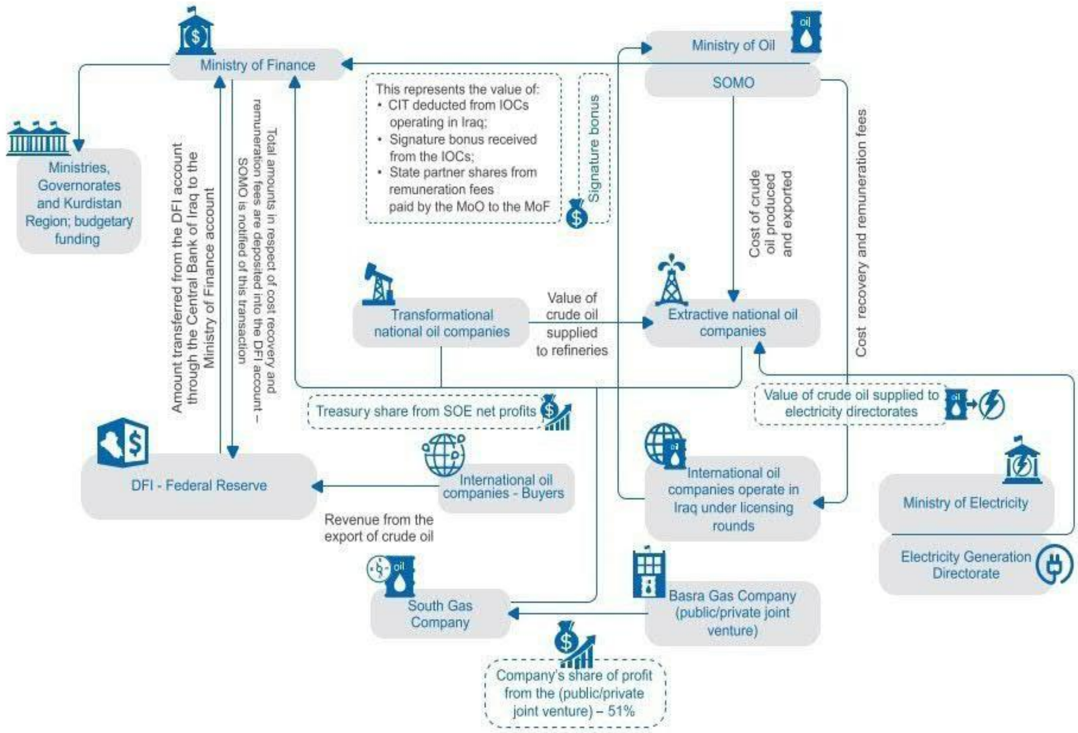


Diagram 2-1: Fiscal relationships in the oil and gas sector of Federal Iraq

- All crude oil produced by national efforts and under licensing rounds contracts (excluding Kurdistan Region) flows to:
  - SOMO for export of crude oil to external markets
  - Oil refineries for refining crude oil and the production of oil products
  - Power plants for electricity generation
- Internal Service Payments are paid on a monthly basis by the Ministry of Finance (through SOMO) to national oil companies to cover the cost of production that is exported. As of 2016, the MoO extended ISP to the Oil Exploration Company due to its involvement in the extraction activities, and therefore indirect involvement in the export process.
- The value of crude oil supplied to refineries and power plants is transferred to the national extractive oil companies.
- All proceeds from the export of crude oil are deposited by the international oil buyers into the Oil Proceed Receipt Account (OPRA), held at the Federal Reserve Bank of New York (FRBNY). Ninety five percent (95%) of the proceeds are transferred to the Development Fund for Iraq (DFI) held at the FRBNY. The remaining five percent (5%) of crude oil export proceeds are transferred to the UN Compensation Fund for Kuwait. For more details about the flow of oil revenue into the country, please refer to Section 5.1.
- Basrah Gas Company is a mixed sector company, which is 51% owned by South Gas Company. South Gas Company accordingly receives its share of BGC's net profits in accordance with its ownership interest (51%).
- All state-owned entities are required by Law to allocate 45% of the distributable portion of net profits to the Ministry of Finance as "treasury share" remittances.

- The practice of the Ministry of Oil - PCLD in respect of all tax filings up to financial year 2016 was to retain an amount of 35% from the remuneration fee payment approved in the first quarter after the end of the financial year. For the financial year 2017, the Ministry of Oil did not deduct the tax retention from the 2017 remuneration fees and instead instructed contractors to directly approach the GCT to settle the tax due.
- The MoO transfers to the MoF amounts in respect of:
    - CIT deducted from IOC's remuneration fees
    - Signature bonus amounts paid by the IOCs to the MoO
    - State partner share of remuneration fees paid during the year
- The Ministry of Finance distributes funds to the different ministries and governorates, as per budgetary allocations.

The following diagram displays the financial relations between the federal government and extractive companies in the mining sector, including state-owned enterprises in federal Iraq:

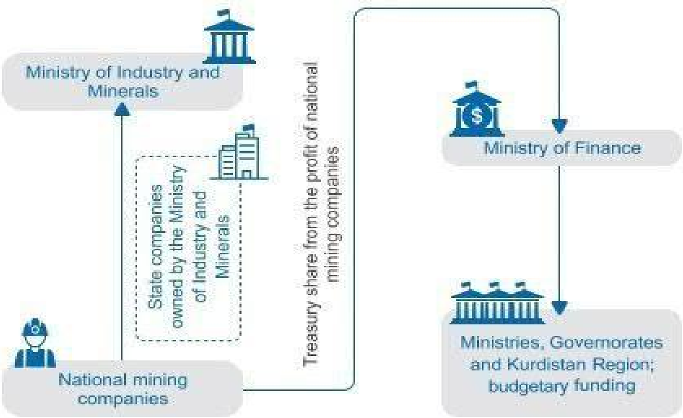


Diagram 2-2: Financial relations in the mining and minerals sector is Federal Iraq

- Revenues generated from the sale of produced minerals are paid to the accounts of the extractive industrial companies.
- All state-owned entities are required by Law to allocate 45% of the distributable portion of net profits to the Ministry of Finance as "treasury share" remittances.
- The Ministry of Finance distributes funds to the different ministries and governorates, as per budgetary allocations.

## 2.5. Reforming of the Regulatory and Fiscal Regime in 2017

The following is an overview of the recent and ongoing legal reforms in federal Iraq:

- Extractive Industries Transparency Committee Law of 2017: The Extractive Industries Transparency Committee Law was passed during 2017. The Commission's main objectives include:
    - Enhancing transparency and governance of the extractive industries by applying global standards
    - Promoting and raising levels of transparency and accountability in extractive industries

- Integrating the Initiative's standards within the operations, processes, and contracts of the Iraqi extractive industries

- Iraqi National Oil Company Law No. 4 of 2018: Iraq's Parliament passed a law in March 2018 to resurrect the Iraqi National Oil Company (INOC), which was founded in 1964 and disbanded in 1987. The new company is supposed to assume operational authority of the oil sector[24]. According the INOC Law No. 4 of 2018, the INOC aims to make the best use of the oil and gas resources in the field of oil and gas exploration, rehabilitation, field development, production, marketing and all related activities.

  The companies transferred to INOC ownership, as per the Law, are:
  - Iraqi Oil Exploration Company
  - Iraqi Drilling Company
  - Basra Oil Company
  - North Oil Company
  - Missan Oil Company
  - Midland Oil Company
  - Thi Qar Oil Company
  - State Organization for Marketing of Oil (SOMO)
  - Iraqi Oil Tankers Company

  The Law was published in the Iraqi Gazette in Issue No. 4486 dated 9 April 2018.[25] In early 2019, Iraq's Federal Supreme Court ruled that nine articles of the law were unconstitutional. To date, a board of directors has not been formed for the INOC; as all ministerial decrees related to the formation of a board of directors have been annulled. The INOC law was discussed at the Ministry of Oil, in which the MoO set the below listed possible action points:
  1. Keeping the law without the nine articles appealed by the Federal Supreme Court
  2. Drafting new articles to replace the unconstitutional nine articles
  3. Preparing of a new draft INOC law

- Service contract amendments in fifth licensing rounds: The MoO represented by the PCLD, amended the licensing round contracts (in the fifth licensing round) by adding a clause requiring IOCs to adhere to the Extractive Industries Transparency Initiative standards.

- The Ministry of Oil approved the adoption of the work plan submitted by the government representatives on the MSG in relation to direct disclosure project.

- Approval of Council of Ministers of Mineral Investment Law
- On 15 March 2018, the PCLD issued letter no. 901 indicating that no tax retention will be deducted from the 2017 remuneration fees. Instead, taxpayers are required to approach the GCT directly in order to settle their 2017 CIT liability. The letter specified:

  "- [...] the amount of Corporate Income Tax at a percentage of (35%) on the paid Remuneration Fee that Contractor is required to pay.
  \- Contractor shall pay the due Corporate Income Tax directly to the General Commission for Taxes no later than 31st May of each year and provide relevant Iraqi company (First Party of the Contract) with the receipt of payment and a copy of the same to PCLD in June of each year [...]"

Further to the legal reforms stated above, the MSG has identified the following planned reforms in the extractive sector in federal Iraq:

1- Reconsideration of the Organization of Ministry of Oil Law No. 101 of 1976 (as amended): Ministry of Oil Law No. 101 of 1976 was enacted in 1976. Due to developments in the oil sector, the

[24] https://www.iraqoilreport.com/news/oil-minister-wants-new-inoc-law-33810/
[25] https://www.moj.gov.iq/upload/pdf/4486.pdf

government and Ministry of Oil decided to redraft this law in line with developments in the oil industry.
2- Preparation of the necessary amendments or redrafting the National Oil Company Law No. 4 of 2018 after the federal court's decision to revoke the constitutionality of nine articles of the law.
3- Drafting the measurement and standardization Law relating to crude oil and other products: the draft Law has been prepared to replace the measurement and standardization instructions, to give it the force of law and to work towards standardizing the measurement mechanisms for all national oil companies.

## 2.6. Procedures for Granting Licenses

### 2.6.1. Licensing Process in Federal Government of Iraq

Iraq conducted five oil and gas licensing rounds, which were held in June 2009, December 2009, October 2010, May 2012, and most recently in April 2018. Under these licensing rounds, the Iraqi Ministry of Oil, through its wholly owned subsidiaries, signed service contracts (technical service contracts (TCSs), development and production service contracts (DPSCs), and exploration, development and production contracts (EDPCs)) with international oil companies (IOCs).

Under these service contracts, the winning consortium or company becomes a "Contractor" for the national oil company, which varies by field/exploration block. The national oil company is referred to as a Regional Oil Company (ROC) in the service contracts and is contractually defined as an Iraqi state oil and gas company, exclusively entrusted with and authorized for exploration, appraisal, development and production of the contract area, in accordance with the Law[26]. The geographical areas (fields/blocks) were originally allocated to the national oil companies in accordance with the Organization of the Ministry of Oil Law No. 101 of 1976 (as amended).

In addition, the Iraqi Government has the right to acquire a share of the consortium's/company's total participating interest in the oil and gas license, through a state-owed entity referred to as the sate partner. While licenses awarded in the first three licensing rounds included state partner participation in field licenses, contracts signed under the fourth and fifth licensing rounds did not include state partner participation. A description of the contracts under licensing rounds, including contract types and terms is included in Section 2.8 below.

The PCLD of the MoO confirmed that there were no licenses awarded through a competitive bidding process in 2017, and that there are no licenses awarded to international oil companies outside of licensing rounds. Hence, no new licenses were awarded during the year 2017. Consequently, there were no non-trivial deviations from the regulatory regime of awarding licenses. The following points summarize the phases involved in a licensing round. The detailed licensing round process applied by the PCLD has been published on the IEITI's website (click here):

1) Qualifying International Oil Companies (IOCs): In order to participate in the license round bidding, the candidate IOCs have to be pre-qualified by the PCLD. The qualification phase involves a review of the documents submitted by the IOCs and an assessment on the basis of five criteria; legal, technical, financial, training and environmental safety. A description of the five qualification criteria has been published on the IEITI website[27].
2) Announcing the licensing round
3) Preparing the initial draft of the contract and the initial tender protocol
4) Preparing the technical data packages

[26] https://oil.gov.iq/upload/upfile/ar/659.pdf
[27] http://ieiti.org.iq/en/details/732/technical-and-financial-criteria-licensing-round-allocations-and-transfers

5) Selling data packages
6) Conducting promotional conference (Roadshow)
7) Addressing Inquiries
8) Workshops
9) Issuing the model contract and final tender protocol
10) Receiving and opening bids
11) Contract award
12) Signing the contract after obtaining governmental approval

The bidding parameters and evaluation criteria for each of the bidding rounds, as presented by the PCLD, are presented below:

First Licensing Round:

The first petroleum-licensing round was announced on 30 June 2008, under which the Ministry of Oil announced the opportunity for IOCs to bid to develop six oil fields (Rumaila, Zubair, West Qurna (first stage), Missan fields, Kirkuk, and Bai Hassan) and two gas fields (Akkas and Mansuriya). Eighty five out of 120 participating companies were eliminated in the pre-qualification phase. The licensing round lasted for one year, and on 30 June 2009, four oil fields were awarded. The following two parameters were used for calculating the bid score of the bidding companies/consortium in the first licensing round:

1) Plateau Production Target (PPT): "means (a) in the case of an Oil Field, the Net Oil Production Rate, or (b) in the case of a Gas Field, the Net Dry Gas Production Rate to be achieved and sustained for the Plateau Production Period in the relevant approved Development Plan."[28] The higher the guaranteed production the better.
2) Remuneration Fee Bid (RFB): the RFB is the remuneration fee the consortium accepts per produced barrel once it reached the plateau production target. The lower the fee, the higher the company would score.

The formula used for selecting the winning bidder, which was disclosed by the PCLD, is the following:
Bid score = (PPT-IPR) * (50-RFB)

The Initial Production Rate (IPR) is the baseline production capacity of the field before awarding the field to the company or consortium, which is defined by the MoO and shared with the participants. The MoO sets a pre-defined maximum remuneration fee (MRF), and the consortium achieving the highest bid score is invited to match the ministry's maximum remuneration fee (MRF). If declines, the consortium with the second highest score is then invited to do the same. If it also declines, the contract for the field remains un-awarded.

Second Licensing Round:

The second licensing round offered by the Government of Iraq occurred during the period 11- 12 December 2009. Ten major oil fields were included in the second licensing round, which resulted in deals for seven fields (Halfaya, Majnoon, Qaiyarah, Badra, Garraf, Najmah and West Qurna 2). The three fields that were not awarded were East Baghdad, the Eastern Fields and Middle Furat. Thirty one out of 40 companies who applied for qualification were eliminated in the pre-qualification phase of the second bidding round.

[28] https://oil.gov.iq/upload/upfile/ar/660.pdf

The formula used for selecting the winning bidders in the second licensing round, which was disclosed by the PCLD for the purpose of the EITI reporting, is the following:
Bid score = RFB bid score + PPT bid score

RFB bid score = 80* (Lowest RFB/Bidder RFB)
PPT bid score = 20* (Bidder PPT/Highest PPT bid)

Third Licensing Round:
In the third licensing round, three gas fields were offered and awarded; Akkas, Siba, and Mansuriya. According to PCLD license register, 33 out of 54 participating companies were eliminated in the qualification phase of the third bidding round.
The formula used for selecting the winning bidders in the third licensing round is the following:
Bid score = RFB bid score + PPT bid score

RFB bid score = 90* (Lowest RFB/Bidder RFB)
PPT bid score = 10* (Bidder PPT/Highest PPT bid)

Fourth Licensing Round:

Iraq's fourth round of bidding was held in May 2012 and offered twelve blocks for development. Unlike the previous rounds, which focused largely on expanding existing production, the blocks offered in the fourth round were unexplored and had undetermined levels of hydrocarbons. Hence, the only criteria for scoring bidding companies was RFB per BOE (barrels of oil equivalent), whereby the lower the RFB per BOE offered by a company/consortium, the higher the score it achieved.

Fifth Licensing Round:

The fifth licensing round was announced during mid- 2017, and is therefore out of the scope of this EITI report. Under the fifth licensing round, 11 fields and exploration border blocks were offered. Five of eight new companies were qualified and a total of 26 companies participated in the bidding round. The fifth licensing round was concluded on 26 April 2018, and six of the 11 projects were awarded, as follows:

1. Gilabat-Qamar contract area was awarded to Crescent Company
2. Khashim Ahmer-Injana contract area was awarded to Crescent Company
3. Naft Khana contract area was awarded to Geo – Jade Company
4. Huwaiza contract area was awarded to Geo – Jade Company
5. Sindbad contract area was awarded to UEG Company
6. Khader Al Mai contract area was awarded to Crescent Company

The two criteria used for scoring the bidding companies are as follows:

1- Maximum Remuneration Percentage Bid (MRPB): The maximum remuneration percentage that can be granted to a company, which was determined by the MoO
2- Remuneration Percentage Bid (RPB): the remuneration percentage offered by the company where, the bidding companies' RPB should be equal to or lower than the MRPB.

The PCLD declared that while field contracts and exploration licenses for the fifth round of licenses have been signed in initials but have not yet been approved by the Council of Ministers.
The list of all bidding companies for each of the five licensing round fields, and the winning consortiums for the awarded fields (including the accepted remuneration fee) has been published on the IEITI website. (click here)

Mining and Minerals Sector
There were no licensing rounds announced or conducted in the Iraqi mining sector to date (as per MoIM declaration). According to the MoIM, Investment Law No. 13 of 2006 (as amended) and the Law of Mineral Investment No. 91 of 1988 govern the mineral sector investment in Iraq. The Iraqi Geological Survey and Mining Company (Geosurv-Iraq) is an establishment of the ministry, which is responsible for

carrying out geological surveys and mineral explorations, promoting mining projects in the private and public sectors, and conducting environmental impact studies. Geosurv-Iraq is also responsible for implementing the Mineral Investment Law No. 91 of 1988 (as amended), whereby it offers a number of investment opportunities including investments in phosphate, free sulfur, sulphate, silica sand, red clay, brick clay and others[29].

In accordance with the Mineral Investment Law No. 91 of 1988, the MoIM contracts with private and public-sector companies, by allocating specific mineral quantities to the companies through the assignment of quarries for specified periods of time.
A description of the methodology applied by public sector mining companies in contracting with private and public companies has been published on the IEITI's website (click here). The methodology adopted is in accordance with Public Companies Law No. 22 of 1997 and is based on Article 4 (section 9) of the Ministry of Industry and Minerals Law No. 38 of year 2011 (as amended). The methodology presented was formally adopted in Ministerial decision dated 16 January 2019.

### 2.6.2. Licensing Process in Kurdistan Region of Iraq (KRI)

According to a Q&A report published on the KRG's website[30], the roles of the Ministry of Natural Resources (MNR) and the Regional Council for Oil and Gas Affairs (RCOGA) are stipulated by law. The RCOGA is in charge of formulating the sector's policies and approving contracts. The MNR is responsible for the development of natural resources in the region as per Articles 6 to 9 of Chapter 4 of Kurdistan's Oil & Gas Law (Law No. 22 of 2007).

The process for signing PSCs with IOCs is briefly described on the KRG's website, as follows:

"The procurement process at the Ministry of Natural Resources involves joint input from both the oil companies and the ministry, to ensure that a competitive, fair and transparent bidding process is conducted. In line with our procurement policy, the ministry ensures that all registered bidders are invited to tender where applicable, all the while ensuring an open-door policy so that bidders, as we refer to them, or subcontractors are able to voice concerns.

The procurement process is conducted by the international oil company (IOC), however it allows for the joint management committee to monitor the process at various steps. The management committee chairman (a member of the ministry) along with his fellow members and advisers are required to approve the bid strategy, to ensure that a fair procurement procedure has been designed that involves all registered participants and does not handicap any of the tenderers without firm justification.

During the process, technical and commercial recommendations are evaluated by both the IOC and the ministry, with the management committee chairman from the ministry providing final approval. The involvement and advice of both the ministry and the IOC in the procurement process has helped to develop trust and transparency in the system, allowing for open technical and commercial discussions that ultimately promote the service sector in the region in support of oilfield operations." [31]

[29] http://geosurviraq.iq/Pages?id=1138
[30] http://cabinet.gov.krd/uploads/documents/2018/KRG_Oil_and_Gas_Sector_Frequently_Asked_Questions_ENG-AR.PDF
[31] http://mnr.krg.org/index.php/en/the-ministry/transparency/transparency-in-procurement

## 2.7. Registry of Licenses

### 2.7.1. Federal Iraq

A register of licenses is maintained at the Iraqi Ministry of Oil (specifically at the PCLD), and has been published by the IEITI on its website[32]. The tables below display the active licenses in federal Iraq during the year 2017, which were awarded under the four licensing rounds, conducted between 2009 and 2012, as reported by the PCLD and respective NOC (license holder). The license information presented below represents the status of licenses during the first quarter of 2018.

(Table 2-1: Ahdeb license information)

| No licensing round (oil and gas field) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Field | Consortium | % | State Partner | License Holder | Operator | Contract Signature Date | Contract Effective Date | Contract Period | Initial Production Rate (IPR) | Initial Production Target (10%) | First Commercial Production (barrels) |
| Ahdeb[33] | Al-Waha Petroleum Co. Ltd | 75 | SOMO (25%) | MdOC | Al-Waha Petroleum Co. | 1-Sep-08 | 10-Nov-08 | 20 years | N/A | N/A | 25,000 |

(Table 2-2: 1st licensing round field information)

| 1st round (oil fields) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Field | Consortium | % | State Partner | License Holder | Operator | Contract Signature Date | Contract Effective Date | Contract Period | Initial Production Rate (IPR) | Initial Production Target (10%) | First Commercial Production (barrels)[34] |
| Rumaila | British Petroleum (BP) | 47.63 | SOMO (6%) | BOC | British Petroleum (BP) | 3-Nov-09 | 17-Dec-09 | 25 years | 1,066,000 | 1,172,600 | 1,172,600 |
| | Petrochina | 46.37 | | | | | | | | | |
| Zubair | ENI | 41.56 | MOC (5%) | BOC | ENI B.V. | 22-Jan-10 | 18-Feb-10 | 25 years | 182,775 | 201,053 | 201,053 |
| | BOC* | 29.69 | | | | | | | | | |
| | KOGAS | 23.75 | | | | | | | | | |
| West Qurna (Phase 1) | ExxonMobil | 32.69 | OEC (5%) | BOC | ExxonMobil | 25-Jan-10 | 18-Mar-10 | 20 years (extended to 25 years) | 244,000 | 268,400 | 268,400 |
| | SHELL[35] | 19.61 | | | | | | | | | |
| | Petrochina | 32.69 | | | | | | | | | |
| | Pertamina | 10 | | | | | | | | | |
| Missan Fields (Abu Gharib, Buzurgan, Al-Fakkah) | CNOOC Iraq | 63.75 | IDC (25%) | MOC | CNOOC Iraq | 17-May-10 | 20 -Dec - 10 | 20 years | 88,000 | 96,800 | 96,800 |
| | TPAO | 11.25 | | | | | | | | | |

[32] http://ieiti.org.iq/ar/listing/reports-and-publications/contracts-licences

[33] According to MdOC, peak production for Ahdeb field is 115,000 barrels/pay. Average daily production for Ahdeb field during 2016 was 133,100.5 barrels/day

[34] The figures for the first commercial production for the four fields awarded in the first licensing round were obtained from the previous IEITI report for year 2015: http://ieiti.org.iq/en/listing/reports-and-publications/annual-report

[35] According to the PCLD, Shell sold its shares in West Qurna (Phase 1) to Itochu according to the amended contract dated 27 May 2018.

(Table 2-3: 2nd licensing round field information)

| 2nd round (non-producing oil fields) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Field | Consortium | % | State Partner | License Holder | Operator | Contract Signature Date | Contract Effective Date | Contract Period | Initial Production Rate (IPR) | Initial Production Target (10%) | First Commercial Production (barrels) |
| West Qurna (Phase 2) | LUKOIL Mid-East Ltd | 75 | NOC (25%) | BOC | LUKOIL Mid-East Ltd | 31-Jan-10 | 10-Feb-10 | 25 years | - | - | 120,000 |
| Majnoon[36] | Shell | 45 | MOC (25%) | BOC | Shell | 17-Jan-10 | 1-Mar-10 | 20 years | 45,900 | - | 175,000 |
| | Petronas | 30 | | | | | | | | | |
| Halfaya | Petrochina | 45 | BOC (10%) | MOC | Petrochina | 18-Jan-10 | 1-Mar-10 | 30 years | 3,100 | - | 7,000 |
| | PETRONAS | 22.5 | | | | | | | | | |
| | Total | 22.5 | | | | | | | | | |
| Garraf | PETRONAS | 45 | NOC (25%) | TQOC[37] | PETRONAS | 26-Jan-10 | 10-Feb-10 | 20 years | - | - | 35,000 |
| | JAPEX | 30 | | | | | | | | | |
| Badra[38] | JSC Gazprom Neft | 30 | OEC (25%) | MdOC | Gazprom Neft Badra B.V | 17-Jan-10 | 18-Feb-10 | 20 years | - | - | 15,000 |
| | Korea Gas Corporation (KOGAS) | 22.5 | | | | | | | | | |
| | PETRONAS Carigali | 15 | | | | | | | | | |
| | Türkiye Petrolleri Anonim Ortaklığı (TAPO) | 7.5 | | | | | | | | | |
| Qaiyarah[39] | Sonangol | 75 | BOC (25%) | NOC | Sonangol | 26-Jan-10 | 18-Feb-10 | 20 years | - | - | 30,000 |
| Najmah[39] | Sonangol | 75 | IDC (25%) | NOC | Sonangol | 26-Jan-10 | 18-Feb-10 | 20 years | - | - | 20,000 |

(Table 2-4: 3rd licensing round field information)

| 3rd round (gas fields) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Field | Consortium | % | State Partner | License Holder | Operator | Contract Signature Date | Contract Effective Date | Contract Period | Initial Production Rate (IPR) | Initial Production Target (10%) | First Commercial Production (barrels) |
| Akkas[40] | Korea Gas Corporation (KOGAS) | 75 | NOC (25%) | MdOC | KOGAS Akkas | 13-Oct-11 | 15-Nov-11 | 20 years | - | - | 100 MMscfd |
| Mansuriya[40] | TPAO | 37.5 | OEC (25%) | MdOC | Türkiye Petrolleri Anonim Ortaklığı (TPAO) | 5-Jun-11 | 18-Jul-11 | 20 years | - | - | 80 MMscfd |
| | Kuwait Energy Co. | 22.5 | | | | | | | | | |
| | Korea Gas Corporation (KOGAS) | 15 | | | | | | | | | |
| Siba | Kuwait Energy Co. | 0.45 | MOC (25%) | BOC | Kuwait Energy Co. | 5-Jun-11 | 1-Jul-11 | 20 years | - | - | 25 MMscfd |
| | TPAO | 0.3 | | | | | | | | | |

36 According to the PCLD, Shell and Petronas withdrew from the Majnoon field and Basra Oil Company was commissioned to develop the field under national efforts, according to the withdrawal contract dated 30 June 2018 signed by all related parties (Ministry of Oil, Basra Oil Company, Shell, Petronas).

37 License holder for Garraf field was South Oil Company during 2016 (SOC is known as Basra Oil Company since 2017). The license register received from the PCLD shows current license information, and therefore does not necessarily reflect the actual ownership status during 2017. The License was transferred to ThiQar Oil Company during 2017, after South Oil Company was restructured and Thi Qar Oil Company was established.

38 According to MdOC, peak production for Badra field is 170,000 barrels/pay. Average daily production for Badra field during 2016 was 52,114.2 barrels/day

39 According to NOC, both fields were not operational during years 2016 and 2017, and resumed operations in February 2018

40 According to MdOC, these fields were not operational during 2017, due to security reasons in Iraq

(Table 2-5: 4th licensing round field information)

| 4th round (exploration blocks) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Field | Consortium | % | State Partner | License Holder | Operator | Contract Signature Date | Contract Effective Date | Contract Period | Initial Production Rate (IPR) | Initial Production Target (10%) | First Commercial Production (barrels) |
| Exploration Block 8* | Pakistan Petroleum Ltd (PPL) | 100 | N/A | MdOC | Pakistan Petroleum Ltd (PPL) | 5-Nov-12 | 5-Dec-12 | 30 years** | N/A (Exploration blocks) | | |
| Exploration Block 9 | Kuwait Energy Co. | 60 | N/A | BOC | Kuwait Energy Co. | 27-Jan-13 | 3-Feb-13 | 30 years | | | |
| | Dragon Oil | 30 | | | | | | | | | |
| | EGPC | 10 | | | | | | | | | |
| Exploration Block 10 | LUKOIL Overseas Iraq Exploration (LOIE) | 60 | N/A | TQOC[41] | LUKOIL Overseas Iraq Exploration (LOIE) | 7-Nov-12 | 5-Dec-12 | 30 years | | | |
| | Inpex | 40 | | | | | | | | | |
| Exploration Block 12 | Bashneft | 100 | N/A | BOC | Bashneft | 8-Nov-12 | 1-Jan-13 | 30 years | | | |

* According to MdOC, this block is still in exploration phase.
** According to Article 3 of the Exploration, Development and Production service contract, the contract period shall be 30 years for an oil field and 40 years for a gas filed, extendable by 5 years. The contract sets an exploration period of five years, which is extendable by two years (through agreement between both parties).

As displayed in the tables above, the commodities produced by each field (where applicable) are listed below:
Ahdeb: oil and gas field
First license round fields: oil fields
Second license round fields: oil fields
Third license round fields: gas fields
Fourth license round: Not applicable (exploration blocks)

The PCLD was requested to provide details about any amendments made to existing service contracts during the year 2017; however, the PCLD provided contract amendment information to the extent of license share transfers only. No further information was reported by the PCLD. According to the PCLD, there were no amendments beyond the license transfers during 2017.

As it relates to the Ahdeb field which was not awarded through a licensing round, the development and production contract of Ahdeb field, was entered into on 4 June 1997, and was validated in Law No. 21 dated 1997 issued by the Revolutionary Command Council. According to the annual report for Ahdeb field presented by Al-Waha Petroleum Co. Ltd, the Ahdeb field DPC (Development and Production Contract) was frozen on 1 January 2000, due to inactivity on the ground in DPC implementation. On 23 June 2007, the Iraqi and Chinese governments signed a memorandum of understanding expressing intent to “reactivate’ the DPC.

In its meeting No. 36 held on 26 August 2008, the Iraqi Council of Ministers approved the signing of the service contract for the development and production of the Ahdeb field between the North Oil Company, Al-Waha Petroleum Co. Ltd. and the Oil Marketing Company (SOMO)[42], and on 10 November 2008[43] the

[41] License holder for Exploration Block 10 was South Oil Company during 2016 (SOC is known as Basra Oil Company since 2017). The license register received from the PCLD shows current license information, and therefore does not necessarily reflect the actual ownership status during 2017. The License was transferred to Thi Qar Oil Company during 2017, after South Oil Company was restructured and Thi Qar Oil Company was established.
[42] http://cabinet.iq/ArticleShow.aspx?ID=1428
[43] Source of the contract signature date is the PCLD

Service Development and Production Contract (SDPC) was signed between Al-Waha Petroleum Co. Ltd, SOMO (state partner), and North Oil Company (license holder). On 30 June 2010, the first party/license holder (NOC) was changed to Midland Oil Company (MdOC), an Iraqi State oil company, established and existing under the laws of the Republic of Iraq. On 25 April 2011, the Iraqi Parliament passed Law No. 3 of 2011[44], under which the Revolutionary Command Council Law No. 21 of 1997 (related to the ratification of the development contract and production of Ahdeb oil field) was officially cancelled.

Since Ahdeb field was not awarded under a licensing round process, an application date is not applicable since it was not awarded under a licensing process and was signed in 1997 and accordingly there is no clear history about the contracting process as the contract was signed before the establishment of the PCLD. However, it is assumed that negotiations related to this field were held during December 1995 as the Oil Exploration Company of the Ministry of Oil presented a copy of a proposal submitted by China National Petroleum Corporation and China North Industries Corporation[45] for the Development and Production of Ahdeb oil field dated December 1995[46].

Transfer of license ownership during the year 2017:

The following is a description of the transfers in license ownership that took place during the years 2017 and 2018, as follows:

1) The PCLD reported that during 2016, Premier Oil transferred its 30% share in Exploration Block 12 to Bashneft. However, the MSG identified that, while the contract to transfer the ownership shares in the filed license was signed during 2016, the Ministry of Oil approved the transfer of ownership on 28 May 2017, and hence the effective date of transfer is 28 May 2017.
2) According to the PCLD, Shell and Petronas withdrew from the Majnoon field and Basra Oil Company was commissioned to develop the field under national efforts, according to the withdrawal contract dated 30 June 2018 signed by all related parties (Ministry of Oil, Basra Oil Company, Shell, Petronas
3) According to the PCLD, Shell sold its shares in West Qurna (Phase 1) to Itochu according to the amended contract dated 27 May 2018.

The table below summarizes the changes in service contract ownership explained above:

(Table 2-6: Changes in service contract ownership)

| Field | Percentage ownership before transfer | | Percentages of ownership after transfer | | Date of license transfer |
|---|---|---|---|---|---|
| Block 12 | Bashneft<br>Premier Oil | 70%<br>30% | Bashneft | 100% | Effective transfer date: 28 May 2017 |
| West Qurna (Phase 1) | ExxonMobil<br>Shell<br>Petrochina<br>Pertamina<br>OEC (State partner) | 32.692%<br>19.61%<br>32.692%<br>10%<br>5% | ExxonMobil<br>Itochu<br>Petrochina<br>Pertamina<br>OEC (State partner) | 32.692%<br>19.61%<br>32.692%<br>10%<br>5% | 27 May 2018 |
| Majnoon | Shell<br>Petronas<br>MOC (state partner) | 45%<br>30%<br>25% | Basra Oil Company | 100% | 30 June 2018 |

According to the PCLD, the process of transferring shares in service contracts is done through full or partial assignment of rights and obligations, in accordance with Article 28 of the service contracts, which provides the following:
"28.1 No Company may assign its rights or obligations under this Contract, in whole or in part, without the prior written consent of ROC[47]."

[44] http://parliament.iq/wp-content/uploads/2017/04/q_1_2_7.pdf

[45] Al-Waha Petroleum Ltd is a holding joint-ventured enterprise jointly capitalized by CNPC (China National Petroleum Corporation) and China North Industries Corporation, and was founded on Dec.26,1995 (source: http://www.petroalwaha.com/gsjj.html)

[46] A copy of the proposal was provided by the Oil Exploration Company of the Ministry of Oil

[47] ROC refers to Regional Oil Company; the national oil company that holds the field or block license

“28.2 In the event that any Company wishes to assign any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a wholly-owned and controlled Affiliate, the Company shall submit to ROC a request to this effect together with documentary evidence that the said Affiliate has been qualified by the Ministry of Oil and such qualification remains in effect as of the date of the proposed assignment. ROC shall not withhold consent to assignment to a wholly-owned and controlled Affiliate if said Affiliate has been qualified by the Ministry of Oil and such qualification remains in effect as of the date of the proposed assignment. Notwithstanding the foregoing, unless expressly agreed by ROC in the written consent, such assignment shall not release the Company from its obligations under this Contract and it shall remain jointly responsible together with the assignee Affiliate for the proper and timely execution of this Contract.”

“28.3 In the event that any Company wishes to assign, in whole or in part, any of its Participating Interest, shares, rights, privileges, duties or obligations under this Contract to a third party or an Affiliate that is not wholly-owned, the Company shall submit to ROC a request to this effect giving detailed evidence of the technical and financial competence of the recommended assignee (i.e. the recommended assignee must be qualified by the Iraqi Ministry of Oil). ROC shall consider the said request and notify the Company of its consent or otherwise within three (3) months of receipt thereof. Before such assignment becomes effective, the assignee shall first provide ROC with a guarantee acceptable to ROC in the form set out in Annex F after which ROC shall, to the extent of the assigned Participating Interest, release assignor from its obligations under this Contract and any guarantee provided to it by assignor.”

Further details on the process of assigning license shares under service contracts is included in Article 28 of the model DPSC[48].

The PCLD further clarified the process applied in practice to transfer ownership shares in a license as follows:

- A request is made by the contractor, to the national oil company (license holder), to notify the national oil company of its decision to sell its shares in the field license
- In accordance with a pre-emptive rights clause, the shares of the contractor are offered to the remaining consortium companies and the national oil company, for a three-month period
- After that period, the shares are offered to external parties
- Once a decision is made, a deed of assignment is signed between the selling entity and purchasing entity (former contractor and current contractor)
- An amended contract is then signed between all concerned parties; national oil company, consortium companies (reflecting the new shares), and the state partner
- If the purchasing company is a subsidiary of another company, the parent company is required to provide the PCLD with a letter of guarantee, in relation to the obligations of the contractor under the field license

The PCLD confirmed that the same technical and financial criteria used to qualify companies during the license allocation process is used in transferring license shares. If the company wishing to buy shares of another company was among the companies previously pre-qualified by the PCLD, then the transfer procedures documented in Article 28 of the technical service contracts shall be effected.
According to the MSG’s assessment of the PCLD’s actual process of transferring participating interests in oil and gas service contracts, the MSG has determined that there were no non-trivial deviations from the process stipulated in Article 28 of the service contracts. The basis for the MSG’s assessment is that the procedures carried out by the PCLD in the transfer process were in accordance with the provisions of Article 28 of the service contract in all respects and timings. In addition, there were no complaints during the transfer process or thereafter from any of the companies involved. Furthermore, the opinion was expressed by Dr. Sabah Al-Saadi (MSG member), which was the Deputy Director General of the Contracts and Licensing Department at the time, and who is currently the legal adviser to the Ministry.

[48] https://oil.gov.iq/upload/upfile/en/98.pdf

Upon establishment of Thi Qar Oil Company, the following fields/blocks were transferred from Basra Oil Company to Thi Qar Oil Company[49]:

1- Garraf
2- Exploration Block 10 (Arido field)
3- Subba
4- Al-Nasriyah

As it related to the transfer of the above-mentioned fields and blocks from BOC to ThiQar Oil Company, the PCLD clarified the transfer rationale and process as follows:

Due to the increase in production of Garraf field, and in accordance with the law that allows for the establishment of a new public company once a field's production exceeds 100,000 barrels per day, Thi Qar Oil Company was established. To make the license transfer, a novation agreement was signed between all contract parties; BOC, TQOC, consortium companies and the field state partner. According to the PCLD, there were no amounts paid by BOC to TQOC or vice versa for these transfers, and only BOC's financial obligations were transferred to TQOC.

The coordinates and maps of oil and gas fields and mineral deposits have been published on the IEITI's website (click here).

### Contracts in the Mining Sector

A list of all contracts entered into with private sector companies in the mining and minerals sector in federal Iraq during 2017 was requested from the Ministry of Industry and Minerals, however, such information was not provided by the MoIM, which stated that this information is considered confidential. However, information related to the contracts in the cement industry was provided by the National Investment Authority through the Iraqi EITI, and has been published on the IEITI website (click here).

## 2.8. Contracts in the Extractive Industries

### 2.8.1. Policy on Contract Disclosure

The Ministry of Oil formalised the government's policy on contract disclosure in April 2019 and published it on its website[50]. The government's policy and current practice of the PCLD is to only publish petroleum contract templates, and not the signed contracts. The PCLD declared that it has published all contract templates on the website of MoO, and thus the templates are available to the public with no restrictions on access. The PCLD also stated that the templates do not differ from the signed contracts, with the exception of some information, which is disclosed separately.

While the signed contracts are not shared with the public, copies of the signed contracts and subsequent amendments are shared with the Iraqi Parliament and The Federal Board of Supreme Audit.

The links provided by the PCLD, in relation to the contract templates are the following:

- Development and Production Service Contracts (DPSC) (https://oil.gov.iq/upload/upfile/en/98.pdf)
- Exploration, Development and Production Service Contracts (EDPSC) (https://oil.gov.iq/upload/upfile/en/97.pdf)

[49] Source of information: Ministry of Oil -Reservoir and Field Development Directorate

[50] https://oil.gov.iq/index.php?name=News&file=article&sid=2290

In an announcement made by the PCLD and published on the MoO website, the PCLD stated that their practice is governed by business practices that are in line with international professional standards applied in all oil rich countries.

The PCLD also stated that the data packages prepared for each licensing round, which include technical information specific to the fields and exploration blocks offered in addition to a preliminary contract draft and tender protocol, are sold to pre-qualified companies wishing to participate in the bidding round for set fees, after signing confidentiality agreements. Among the reasons specified by MoO for signing the confidentiality agreements is to maintain confidentiality of information, since its public circulation would be detrimental to the public interest, and to the value of information. According to the MoO, it is common practice for resource rich countries to safeguard information related to their petroleum wealth[51].

Kurdistan Region

The Ministry of Natural Resources of the Kurdistan Regional Government (KRG) publishes the production sharing contracts (PSCs) signed with international oil companies on the KRG website[52]. The following table lists out the 42 fields for which the related PSCs and amendments were published on the KRG website:

(Table 2-7: List of PSCs published by the KRG on its website)

| Oil Fields | | | | | | |
|---|---|---|---|---|---|---|
| Ain Sifni | Akri Bijeel | Arbat | Atrush | Baranan | Barda Rash | Bazian |
| Chia Surkh | Mala Omar | Duhok | Erbil | Garmain | Harir | Hawler |
| Pramagrun | Pulkhana | Qala Dze | Qara Dagh | Taza | Rovi | Safen |
| Sangaw North | Qush Tapa | Sarta | Sheikh Adi | Shakal | Shorish | Sindi Amedi |
| Sangaw South | Topkhana | Central Duhok | Miran | Shakrok | Tawke | Bina Bawi |
| Ber Bahr | Kurdamir | Sarsang | Sulevani | Dinarta | Shaikan | Taq Taq |

However, the uploaded PSCs do not seem to be comprehensive. According to publicly available information, Dana Gas Company, a UAE based company listed on Abu Dhabi Securities Exchange (ADX), has been active in the KRG since April 2007. According to information published on Dana Gas Company website, Dana Gas and Crescent Petroleum entered into agreement with the KRG in 2007, for exclusive rights to develop, process and transport natural gas from the Khor Mor gas field, and to also appraise the potential of the Chemchemal gas field[53]. Production from a newly built plant began in October 2008, and in 2009, Pearl Petroleum was formed as a consortium with Dana Gas and Crescent Petroleum as shareholders, and with OMV, MOL, and RWE joining the consortium subsequently with a 10% share each[54].

In addition, the KRG entered into PSCs with Rosneft, a Russian integrated energy company, in October 2017[55] for five production blocks; Batil, Zawita, Qasrok, Harir-Bejil and Darato. According to North Oil Company, the Kurdistan Regional Government also entered into a gas agreement with Genel Energy during 2017.

[51] https://oil.gov.iq/index.php?name=News&file=article&sid=1966

[52] http://mnr.krg.org/index.php/en/the-ministry/contracts/pscs-signed

[53] http://www.danagas.com/en-us/operations/iraq

[54] http://www.danagas.com/en-us/media-center/press-releases/press-release-details?ID=298

[55] http://www.rudaw.net/english/analysis/31072018

### 2.8.2. Contracts in the Extractive Industries

#### 2.8.2.1. Contracts in Federal Iraq

In Federal Iraq, service contracts are used, under which the contractor receives a fixed fee per barrel (remuneration fee), above reimbursement of the costs it incurs (recoverable costs).
The following service contracts have been used in the petroleum-licensing rounds managed by the Federal Government of Iraq:

- Technical Service Contracts (TSCs)
- Development and Production Service Contracts (DPSCs)
- Gas Development and Production Service Contracts (GDPSC)
- Exploration Development and Production Service Contracts (EDPSC)

Contract terms:

i. Cost recovery and remuneration fees:

<u>Recoverable Costs:</u>

Under the Ministry of Oil's service contracts (TSCs, DPSCs, etc.), expenses incurred in conducting petroleum operations include petroleum costs and supplementary costs, which are generally recoverable.

- Petroleum costs: include recoverable costs and expenditures incurred and payments made by the companies in connection with or in relation to the conduct of petroleum operations.
- Supplementary costs: include recoverable costs and expenditures other than petroleum costs. These costs specifically include de-mining costs, financing and building of transportation facilities beyond the transfer point of petroleum production from the contract area, specific works or building of facilities (at the request of the regional oil company) and remediation costs.

<u>Remuneration fees:</u>

In respect of the compensation under the service contracts, the contractor (the international oil company operating in the production of oil and gas in Iraq) is paid a fixed fee per barrel known as the remuneration fee.
Cost recovery and remuneration fees are calculated in accordance with article no. 19 of the service contracts[56]. The mechanism for calculating cost recovery and remuneration fees applied by the PCLD is summarized as follows:

- A detailed statement of account, listing all petroleum costs and production data is prepared by the contractors (IOCs) and sent to the respective national extractive companies (NOCs) for audit and review
- A meeting is then conducted at the national oil company sites, which is attended by the representatives of various committees and departments (including Finance Committee, Operational Committees, License Affairs Department, Internal Control and Contract Audit Department), along with the contractors' representatives to discuss the petroleum costs, supplementary costs and remuneration fees listed in the statements of account
- The related meeting observations are documented and are sent in an official letter to a ministerial committee to review the contractors' statements of account. Subsequently, a meeting is held by the committee at the MoO site, in the presence of all representatives of the different committees and IOCs mentioned above, to discuss the observations
- The calculation of contractors' receivables (cost recovery and remuneration fees) are prepared by the PCLD (Commercial Department), in accordance with the terms of the respective service

[56] https://oil.gov.iq/upload/upfile/en/97.pdf

contracts. The process involves setting percentages for petroleum costs in accordance with a maximum recovery limit after calculating the estimate revenues based on the preliminary oil-selling price announced by SOMO. In addition, remuneration fees are calculated in accordance with the contract terms for each field

- The minutes of meeting are documented and after the obtaining the Minister's approval on the minutes, the minutes are sent in an official letter to SOMO. SOMO accordingly settles the quarterly financial obligations (cost recovery and remuneration fees) to the IOCs (contractors) in the form of crude oil (liftings), in shipments determined by SOMO (which could take up to several months)

Source: PCLD- MoO

ii. Training, technology and scholarship fund: Article 26 of the service contracts (TSCs/DPSCs etc.) in Federal Iraq requires contractors to pay certain amounts into training, technology and scholarship funds (TTS fund), which are non-recoverable costs for the contractor.
Payments made by IOCs during 2017, in respect of TTS fund are detailed in Section 6.4.

#### 2.8.2.2. Contracts in Kurdistan Region

In Kurdistan Region, the Oil and Gas Law No. 22 of 2007, allows the use of production sharing contracts (PSCs), under which the Contractor receives a percentage of the profit oil. Article 37 of the Oil and Gas Law specifies the standard terms of a production sharing contract, which include (but are not limited to) the following:

- "An initial exploration term of a maximum of five years, divided into two sub-periods, of three years and two years, extendable on a yearly basis for up to a maximum total of seven (7) years
- Relinquishment of twenty-five percent after the initial exploration term, with a further twenty-five percent of the remaining area at the end of each renewal period. If these percentages of relinquishments can only be achieved by including part of the area of a discovery, these percentages shall be reduced to exclude the discovery area. Voluntary relinquishment at the end of each Contract year is permitted
- An exploration commitment, which shall be negotiable, involving the purchase and interpretation of all existing data, including seismic data, where available, and seismic acquisition in the first sub-period, with exploration drilling in the second sub-period and a Well in each of the annual extensions
- A development period, following discovery, to be twenty (20) years, with a right of the Contractor to a five (5) year extension, on the same terms and conditions, with possible further extensions to be negotiated
- Royalty, at a rate of ten percent (10%), and paid in accordance with Article 41 of this Law
- Cost recovery from a portion of production after deduction of the Royalty, to a maximum not exceeding forty-five percent (45%) for Crude Oil; and not exceeding sixty percent (60%) for Natural Gas
- Production sharing from remaining production after Royalty and allowable cost recovery according to a formula, which takes into account cumulative revenues and cumulative petroleum costs and provides the Contractor with reasonable returns."

Payments made by IOCs in Kurdistan Region in accordance with PSCs signed with the KRG:

Bonuses: Bonuses include signature, capacity building bonus and production bonus, which are determined in the production sharing contracts with the IOCs
Capacity Building Payments: Under PSCs, international oil companies make capacity-building payments once they generate profit oil, which are used in funding large social programmes including infrastructure development
License fees: These are fees and other sums paid as consideration for acquiring a license for gaining access to an area where extractives are performed

Royalties: The contractor's production is subject to a 10% royalty rate payable to in cash or in kind as the KRG
Taxes: According to Article 41 of the Oil and Gas Law of 2007, a petroleum contract may exempt a contractor from tax by law

## 2.9. Beneficial Ownership of Material Extractive Companies

The MSG has published a roadmap for disclosing beneficial ownership information in Iraq, on the website of the IEITI (click here). In the roadmap, a beneficial owner is defined as a person who directly or indirectly exercises substantial control over a legal entity or has a substantial economic interest in, or receives substantial economic benefit from such legal entity.

Beneficial ownership disclosures required for companies operating in the extractive mineral, oil and gas sector, as per the roadmap, are:

- The name of the beneficial owner(s), in addition to any alternate names they may use.
- The names and roles of any politically exposed persons who own or practice control over a company, irrespective of the size of their ownership interest
- The related details of the owner(s), including date of birth, ID number, place of residence, and the names of first degree relatives (specifically for the politically exposed persons)
- Attachment of supporting documents for the beneficial ownership information
- Other information such as the company manager's name

The roadmap action plan requires the National Secretariat to prepare a complete database with the required beneficial ownership information for companies operating in the upstream and downstream sectors of extractive industries, and link it electronically with the companies' registrar office, Ministry of Trade, the PCLD/Mo, and the IEITI. Such database has not yet been implemented in Iraq.

For the purpose of the Iraq EITI 2017 report, national oil and gas companies were required to disclose all secondary contracts worth over USD 100 million, clarifying the name of the company, value of the contract, and the date of signing the contract. Accordingly, the IEITI would request from the Ministry of Trade (Companies registrar) the beneficial ownership information of individuals/entities with ownership stake of 10% or more in the contracting company. However, all national oil and gas companies reported that there were no secondary contracts exceeding USD 100 million signed during the year 2017, with the exception of the Basra Oil Company, which declared that two secondary contracts were signed during 2017, as follows:

(Table 2-8: Beneficial ownership information of secondary contracts exceeding USD 100million)

| Company | Year | CN Vendor Name | CN Total Cost (USD) | CN End Date | CN Start Date | CN Description | CN No. |
|---|---|---|---|---|---|---|---|
| BP | 2017 | Best Solutions Trading & Services for Oil & Gas Equipment - General Electric | 120,050,000 | 30/4/2022 | 12/4/2017 | ESP equipment & services | CN102115 |
| BP | 2017 | Best Solutions Trading & Services for Oil & Gas Equipment - General Electric | 173,700,000 | 13/6/2022 | 14/6/2017 | Wellheads, XT SYSTEMS & SERVICES | CN102144 |

According to the Ministry of Trade, Best Solutions Trading & Services for Oil & Gas Equipment does not have any registered branches within the Republic of Iraq, nor is it represented by a licensed commercial agent. Accordingly, BP contracting with the above-mentioned company, is not in compliance with local regulations as it has contracted with a non-registered company that is in violation with Article 14 of Law No. 2 of 2017 - Foreign Company Branches Law, which stipulates that Foreign companies are prohibited from engaging in any commercial activity or opening headquarters in Iraq if they do not obtain a registration license.

# 3. Extractive Industries Exploration, Production and Export Activities

## 3.1. Oil and Gas Sector in Federal Iraq

### 3.1.1. Oil and Gas Fields in Iraq

As discussed previously in this report, there are five national oil companies operating in the upstream sector of Iraq's oil and gas sector; South Oil Company (currently known as Basra Oil Company), North Oil Company, Midland Oil Company, Missan Oil Company, and Thi Qar Oil Company (not operational during 2017, as it was officially opened during 2017). These national oil companies have responsibility for the development of oil and gas fields in the provinces in which they operate. Of the fields within each company's territory, some are operated by the national oil companies independently, while others are operated by international oil companies under licensing rounds service contract.

National Oil Companies are allocated fields for national production in accordance with each company's geographical location. Upon establishment, each national company's certificate of registration defines the areas and the governorates that the company's operations span over, in accordance with the administrative boundaries of each governorate. The fields to be operated by each national oil company are declared in a Decree by the Ministry of Oil, which is determined through recommendations made by the Reservoirs and Field Development Directorate and the Legal Directorate of the Ministry of Oil.

The following tables present the producing and non-producing oil and gas fields operated by national oil companies and by IOCs under licensing round contracts, as of 1 January 2018. The data was presented by the Ministry of Oil's Reservoir and Field Development Directorate in a report related to the proven oil and gas reserves in Iraq (excluding KRG). The following data does not take into consideration events after 1 January 2018, and therefore no data is presented in relation to Thi Qar Oil Company. The methodology documented in the MoO's report explains that the approved reserves studies are based on the final development plans (FDPs and ERPs) for the fields offered in the first, second and third licensing rounds, in addition to detailed reservoir and geological studies for the fields of national efforts, and non-producing field reserves.

(Table 3-1: Basra Oil Company field information)

| Company name | Producing fields | | Non-producing fields | |
|---|---|---|---|---|
| | Fields operated by NOCs | Fields operated by IOCs | Fields operated by NOCs | Fields operated by IOCs |
| | Gas Fields | | | |
| Basra Oil Company | None | None | None | 1- Siba |
| | Oil Fields | | | |
| | 1- Bin Omar<br>2- Artawi<br>3- Tuba<br>4- Luhais | 1- West Qurna<br>2- Zubair<br>3- Majnoon<br>4- Rumaila<br>5- Block 9 (Al-Faihaa) | 1- Rachi<br>2- Jeraishan<br>3- Semawa<br>4- Abu-Khaima<br>5- Sindbad | |

Source: Ministry of Oil - Reservoir and Field Development Directorate

(Table 3-2: North Oil Company field information)

| Company name | Producing Oil Fields | | Non-producing fields | |
|---|---|---|---|---|
| | Fields operated by NOCs | Fields operated by IOCs | Fields operated by NOCs | Fields operated by IOCs |
| | Gas Fields | | | |
| North Oil Company | None | None | 1- Khanuqah<br>2- Khashab | None |
| | Oil Fields | | | |
| | 1- Kirkuk*<br>2- Bai Hassan**<br>3- Jambur<br>4- Sufaiya**<br>5- Khabaz<br>6- Ajil<br>7- Tikrit<br>8- Balad<br>9- Ain Zalah + Butmah<br>10- Himrin | Al-Qaiyarah | 1- Jawan<br>2- Ismail<br>3- Qasab<br>4- Makhmur<br>5- Judaida<br>6- Alan<br>7- Sasan<br>8- Qara Chauq<br>9- Pulkhana<br>10- Ibrahim | Najmah |

Source: Ministry of Oil - Reservoir and Field Development Directorate

The following information was documented in the scoping study prepared by the IEITI for the year 2017:

* As it relates to Kirkuk, Avana Dome is under the control of KRG since 11 July 2014 and Khurmala Dome is under the control of KRG since 2009
** These fields are under control of KRG since 11 July 2014

(Table 3-3: Missan Oil Company field information)

| Company name | Producing fields | | Non-producing fields | |
|---|---|---|---|---|
| | Fields operated by NOCs | Fields operated by IOCs | Fields operated by NOCs | Fields operated by IOCs |
| | Gas Fields | | | |
| Missan Oil Company | None | None | None | None |
| | Oil Fields | | | |
| | 1- Amara<br>2- Noor | 1- Helfaya<br>2- Missan fields:<br>* Buzurgan<br>* Al-Fakkah<br>* Abu Ghirab | 1- Abu-Amood<br>2- Kumait<br>3- Dujaila<br>4- Rifaee<br>5- Huwaiza<br>6- Dima | None |

Source: Ministry of Oil - Reservoir and Field Development Directorate

(Table 3-4: Thi-Qar Oil Company field information)

| Company name | Producing fields | | Non-producing fields | |
|---|---|---|---|---|
| | Fields operated by NOCs | Fields operated by IOCs | Fields operated by NOCs | Fields operated by IOCs |
| | Gas Fields | | | |
| Thi-Qar Oil Company | None | None | None | None |
| | Oil Fields | | | |
| | 1- Nasiriya<br>2- Subba | Garraf | Abu-Amood | Arido (Block 10) |

Source: Ministry of Oil - Reservoir and Field Development Directorate

(Table 3-5: Midland Oil Company field information)

| Company name | Producing fields | | Non-producing fields | |
|---|---|---|---|---|
| | Fields operated by NOCs | Fields operated by IOCs | Fields operated by NOCs | Fields operated by IOCs |
| | Gas Fields | | | |
| Midland Oil Company | None | None | Jaria Pika | 1- Akkas<br>2- Mansuriya |
| | Oil Fields | | | |
| | 1- East Baghdad<br>2- Naft Khana | 1- Ahdeb<br>2- Badra | 1- Nahrawan<br>2- Khashim Al-Ahmar<br>3- Injana<br>4- Gilabat<br>5- Tel Ghazal<br>6- Nau Doman<br>7- Qumar<br>8- Dhufriya<br>9- Merjan<br>10- Kifl<br>11- West Kifl | None |

Source: Ministry of Oil - Reservoir and Field Development Directorate

### 3.1.2. Oil and Gas Reserves in Iraq

The following tables present the reserves of oil and gas in federal Iraq as of 1 January 2018, as reported by the Ministry of Oil – Reservoir and Field Development Directorate, in the report discussed in the Section 3.1.1. The proven reserves include quantities that can be produced using the below listed methods which are technologically feasible within the current limitations:

1- Production by natural propulsion without water injection
2- Production by natural propulsion with water injection
3- Use of industrial lifting methods

The following table displays the proven oil reserves in federal Iraq as of 1 January 2018, presented by national oil company.

(Table 3-6: Oil reserves as of 01 January 2018)

| Company | No. of fields | Original Oil-In-Place (OOIP) Billion Bbls | Original Oil Reserves Billion Bbls | Remaining Oil Reserves Billion Bbls |
|---|---|---|---|---|
| BOC | 15 | 304.6 | 114.2 | 90.8 |
| MOC | 11 | 38.3 | 10.7 | 9.6 |
| NOC | 22 | 114.2 | 41.9 | 24.3 |
| MdOC | 15 | 52.2 | 12.2 | 11.6 |
| TQOC | 5 | 36.5 | 10.9 | 10.7 |
| Total | 68 | 545.8 | 189.9 | 147 |

Source: Ministry of Oil - Reservoir and Field Development Directorate

The following table display the proven gas reserves in federal Iraq as of 1 January 2018, presented by national oil company.

(Table 3-7: Gas reserves as of 01 January 2018)

| Company | No. of fields | Associated gas (Trillion SCF) | | | Free gas (Trillion SCF) | | | Total Remaining (associated & free gas) |
|---|---|---|---|---|---|---|---|---|
| | | Initial associated gas in place | Initial associated gas reserve | Remaining associated gas | Initial free gas in place | Initial free gas reserve | Remaining free gas | Remaining associated+ free gas |
| BOC | 15 | 247.1 | 88.2 | 73.1 | 3.9 | 2.7 | 2.7 | 75.9 |
| MOC | 11 | 21.7 | 5.7 | 5.0 | 0 | 0 | 0 | 5 |
| NOC | 24 | 39.4 | 14.6 | 7.4 | 20.0 | 16 | 14.9 | 22.3 |
| MdOC | 18 | 32.8 | 9.6 | 8.8 | 17.5 | 14 | 14 | 22.8 |
| TQOC | 5 | 21.8 | 6.4 | 6.3 | 0 | 0 | 0 | 5 |
| Total | 73 | 362.8 | 124.5 | 100.6 | 41.4 | 32.7 | 31.6 | 132.2 |

Source: Ministry of Oil - Reservoir and Field Development Directorate

The following table display the proven condensate reserves in federal Iraq as of 1 January 2018, presented by national oil company. The condensate reserve data presented in the MoO report was generated by estimating the amount of condensate expected to be produced from gas deposits over their useful (productive) lives, and adding the estimate to the initial reserve.

(Table 3-8: Condensate reserves as of 01 January 2018)

| Company | No. of fields | Condensate (million barrels) | |
|---|---|---|---|
| | | Initial condensate reserve | Remaining condensate reserve |
| BOC | 1 | 1 | 210 |
| MOC | 2 | 0 | - |
| NOC | 0 | 0 | - |
| MdOC | 0 | 2 | 110 |
| TQOC | 0 | 0 | - |
| Total | 3 | 3 | 320 |

Source: Ministry of Oil - Reservoir and Field Development Directorate

### 3.1.3. Drilling and Well Workovers Carried out by the Iraqi Drilling Company

Iraqi Drilling Company (IDC) is a SOE under the MoO specialized in drilling, and oil and gas well workovers.

The following section provides an overview of the work carried out by the IDC during the calendar year 2017 in relation to fields operated by national oil companies and fields operated by IOCs under service contracts.

The following table displays the drilling and rehabilitation work performed by the IDC during 2017 for fields operated by national oil companies independently "national efforts":

(Table 3-9: Drilling and rehabilitation activities related to national effort fields during 2017)

| Beneficiary | Location | Field | Number of wells drilled | Number of wells rehabilitated |
|---|---|---|---|---|
| South Oil Company (Basra Oil Company) | Al-Basrah | Nahr Umr, Artawi, Tuba and Al-Sindbad fields | 12.89 | 4.65 |
| Thi-Qar Company | Thi-Qar | Nasiriya and Subba fields | 7.33 | 2.85 |
| Missan Oil Company | Maysan | Amara, Qal'et Saleh, Dima and Huwaiza field | 2.05 | 3.25 |
| Midland Oil Company | Baghdad | East Baghdad field | 1.12 | - |
| North Oil Company | Kirkuk | Khabaz, Jambur, Qaiyarah and Kirkuk fields | 1 | 12.08 |
| Total activities performed for nationally operated fields | | | 24.39 | 22.83 |

Source: Iraqi Drilling Company

The following table displays the drilling and rehabilitation work performed by the IDC Company during 2017 for fields operated by IOCs under licensing round contracts:

(Table 3-10: Drilling and rehabilitation activities related to license round fields during 2017)

| Beneficiary | Location | Field | Number of wells drilled | Number of wells rehabilitated |
|---|---|---|---|---|
| ExxonMobil | Al-Basrah | West Qurna (Phase 1) | - | 26.90 |
| ENI Iraq B.V | | Zubair | 4 | 41.15 |
| BP | | Rumaila | 8.74 | 10.90 |
| LUKOIL Mid-East Ltd | | West Qurna (Phase 2) | 4 | - |
| Petronas | Thi Qar | Garraf | 4.65 | - |
| Total activities performed for IOC operated fields | | | 21.39 | 78.95 |

Source: Iraqi Drilling Company

### 3.1.4. Significant Exploration Work Carried out by the Oil Exploration Company

1- Seismic surveys: Seismic data obtained is required for updating of the fields' geological model, both for the discovered formations and prospective horizons. The following is a description of seismic surveys carried out during the calendar year 2017:

National seismic teams within the OEC conducted seismic surveys of the following areas during the year 2017, for the benefit of national oil companies and international oil companies operating under licensing rounds as follows:

(Table 3-11: Significant exploration activities during 2017)

| Program | Survey type | Beneficiary |
|---|---|---|
| West Qurna (Phase 2) | 3D | LUKOIL Russia Ltd |
| Block 9 | 3D | Kuwait Energy |
| Block 9 | 2D | |
| North-East Nasiriyah | 3D | National Extractive Companies |
| Al-Okhaider | 3D | |
| Laksh | 3D | |
| Subba – Luhais | 3D | |
| Najaf – Karbala | 3D | |
| Block 11 | 2D | |
| West Najaf | 2D | |

Source: Oil Exploration Company

The teams carried out 3D seismic surveys covering 3,654 square kilometers, in addition to 2D seismic surveys covering 1,510 linear kilometers.

a. Vertical surveys of the following wells were performed during the year 2017 as follows:
   - Well (Dima – 1)
   - Well (Nahran Umr – 33)
   - Huwaiza well
   - Contributing with (2) vibrators in the vertical survey for the well (Salman – 1) by Halliburton Company
   - Well (Artawi – 32)

2- <u>Exploratory drilling and evaluation</u>

OEC carried out geological appraisals and explorations for the following exploration and excavated wells during the year 2017:

(Table 3-12: Exploratory drilling and evaluation activities during 2017)

| Well | Beneficiary |
|---|---|
| Exploration well (Salman -1 ) of Block 12 | Bash Neft |
| Evaluation well (Arido -2 ) of Block 10 | LUKOIL |
| Evaluation well (Arido -3 ) of Block 10 | LUKOIL |
| Evaluation well (Nasiriyah -37) | Thi-Qar Oil Company |
| Exploration well (Qal'et Saleh -1) | Missan Oil Company |

Source: Oil Exploration Company

### 3.1.5. Crude Oil Production for year 2017

As briefly presented in Section 3.1 above, there are two types of production in Federal Iraq. The first type of production is the production undertaken by the IOCs under the licensing round service contracts, referred to as "licensing rounds production". The second type of production is referred to as "national efforts production" and is the production of crude oil from the oilfields that the NOCs operate independently. The following section presents crude oil quantities produced during 2017, reported by national oil companies, in respect of both national efforts production and licensing round production.

The following table presents crude oil production quantities reported by Basra Oil Company for year 2017:

(Table 3-13: Crude oil production quantities reported by Basra Oil Company during 2017)

| National Efforts Production (barrels) | Licensing Rounds Production (barrels) | Total Production (barrels) |
|---|---|---|
| 78,602,696[57] | 1,105,709,308[58] | 1,184,312,004 |

Source: Data presented was reported by BOC

The following table presents crude oil production quantities reported by Midland Oil Company for year 2017:

(Table 3-14: Crude oil production quantities reported by Midland Oil Company during 2017)

| National Efforts Production (barrels) | Licensing Rounds Production (barrels) | Total Production (barrels) |
|---|---|---|
| 3,921,562 | 72,997,717 | 76,919,279 |

Source: Data presented was reported by MdOC

The following table presents crude oil production quantities reported by Missan Oil Company for year 2017:

(Table 3-15: Crude oil production quantities reported by Missan Oil Company during 2017)

| National Efforts Production (barrels) | Licensing Rounds Production (barrels) | Total Production (barrels) |
|---|---|---|
| 3,470,720 | 142,986,583 | 146,457,303 |

Source: Data presented was reported by MOC

The following table presents crude oil production quantities reported by North Oil Company for year 2017:

(Table 3-16: Crude oil production quantities reported by North Oil Company during 2017)

| National Efforts Production (barrels) | Licensing Rounds Production (barrels) | Total Production (barrels) |
|---|---|---|
| 58,769,244 | - | 58,769,244 |

Source: Data presented was reported by NOC

[57] Quantities reported by BOC under the national efforts production include the volume of production from Al-Nasiriyah field which was transferred from BOC to ThiQar Oil Company, upon its establishment. These quantities were reported by BOC since TQOC stated that all financial information in respect of the year 2017 should be obtained from BOC for the IEITI 2017 report.

[58] Quantities reported by BOC under the license round production include the volume of production from Garraf field which was transferred from BOC to ThiQar Oil Company, upon its establishment. These quantities were reported by BOC since TQOC stated that all financial information in respect of the year 2017 should be obtained from BOC for the purpose of the IEITI 2017 report.

National effort production figures reported by the national oil companies in the tables above (for year 2017) reflects production from the following fields:

(Table 3-17: National effort production fields during 2017)

| National Oil Company | Producing fields |
|---|---|
| BOC | Al-Luhais |
| | Artawi |
| | Bin Umar |
| | Tuba |
| | Al-Nasiriya |
| NOC | Kirkuk |
| | Jambur |
| | Bai Hassan |
| | Khabaz |
| | Sifaya |
| MdOC | East Baghdad fields |
| | Naft Khana |
| MOC | Noor |
| | Amara |

The largest producing fields in federal Iraq are the Southern fields, whereby production generated by fields operated by Basra Oil Company (both independently and through IOCs) represented 80.8% of total production in federal Iraq during 2017.

### 3.1.6. Flow of Crude Oil for National Oil Companies During the year 2017

The following table presents the flow of crude oil quantities related to South Oil/Basra Oil Company for year 2017. As displayed in the table below, BOC receives crude oil produced by Midland Oil Company and Missan Oil Company. The transfer of crude oil between the national oil companies is made due to the following reasons:

- Crude oil is transferred to the national oil companies that have control over export ports such as Basra port situated in Al-Basrah
- The production of some national extractive companies is not sufficient for internal consumption in their respective provinces, therefore, they receive crude oil from other companies to cover such shortages

(Table 3-18: Crude oil flow during 2017 -Basra Oil Company)

| | | BOC (barrels) |
|---|---|---|
| Beginning Balance | | 48,188,440 |
| Crude Oil Produced | | 1,184,312,004 |
| Quantities received from MdOC | | 53,285,423 |
| Quantities received from MOC | | 139,085,477 |
| Mixed residue received from Basra refineries | | 5,312,421 |
| Crude Oil Exported | | (1,202,036,785) |
| Refineries: | | (145,458,660) |
| Basrah Refinery | 68,494,377 | |
| Al-Daura Refinery | 40,676,976 | |
| Thi-Qar Refinery | 10,380,260 | |
| Al-Samawah Refinery | 8,887,807 | |
| Najaf Refinery | 10,062,441 | |
| Diwaniyah Refinery | 6,309,255 | |
| Haditha Refinery | 554,092 | |
| Al-Siniya Refinery | 93,452 | |
| Power plants: | | (35,821,140) |
| Al-Musayyib power station | (12,432,504) | |
| Al-Nasiriyah power station | (3,752,809) | |
| Al-Khayrat power station | (11,148,142) | |
| Al-Haritha power station | (2,061,886) | |
| Al-Najibia power station | (1,467,341) | |
| Karbala power station | (2,276,633) | |
| Al-Quds power station | (2,681,825) | |
| Others | | (5,824) |
| Ending Balance | | 46,861,356 |

Source: Data presented was reported by BOC

The following table presents the flow of crude oil quantities related to Midland Oil Company for year 2017:

(Table 3-19: Crude oil flow during 2017 - Midland Oil Company)

| | MdOC (barrels) |
|---|---|
| Beginning Balance | 582,419 |
| Crude Oil Produced | 76,919,279 |
| Quantities received from the strategic line | 2,681,825 |
| Quantities received from NOC | 3,677,702 |
| Quantities received from West Baghdad felid | 1,453 |
| Crude Oil Exported | (25,341,862) |
| Refineries (Al-Daura refinery) | (608,170) |
| Power plants (Wasit and Al-Quds power stations) | (29,213,798) |
| Supplied quantities from Badra oil field to BOC | (27,943,561) |
| Loss (Wasted quantities from Neft Khana – Al-Daura pipeline) | (5,725) |
| Others | (80,830) |
| Ending Balance | 668,732 |

Source: Data presented was reported by MdOC

The following table presents the flow of crude oil quantities related to North Oil Company for the year 2017:

(Table 3-20: Crude oil flow during 2017 - North Oil Company)

| | | NOC (barrels) |
|---|---|---|
| Beginning Balance | | 3,551,725 |
| Crude Oil Produced/ national efforts | | 58,769,244 |
| Refineries: | | (30,581,311) |
| Kirkuk refinery | (13,315,747) | |
| Qayyarah refinery | (137,353) | |
| KAR refinery | (11,691,862) | |
| Bazian refinery | (5,031,110) | |
| Haditha refinery | (241,972) | |
| Al-Siniya refinery | (163,267) | |
| Power plants (Al-Quds power station) | | (3,679,615) |
| Crude Oil Exported through KRG pipelines system From IT1 | | (22,430,153) |
| Injected crude oil | | (531,193) |
| Supplied to Ceyhan port | | (2,941,000) |
| Condensate by trucks | | (167,809) |
| Ending Balance | | 1,989,888 |

Source: Data presented was reported by NOC

The following table presents the flow of crude oil quantities related to Missan Oil Company for year 2017:

(Table 3-21: Crude oil flow during 2017 - Missan Oil Company)

| | | MOC (barrels) |
|---|---|---|
| Beginning Balance | | 486,882 |
| Crude Oil Produced | | 146,457,303 |
| Mixed residue received from Missan refineries | | 2,245,323 |
| Crude Oil Exported | | (134,955,715) |
| Refineries (Missan refineries) | | (10,172,104) |
| Power plants | | (3,529,227) |
| Al-Haritha power station | (2,061,886) | |
| Al-Najibiyah power station | (1,467,341) | |
| Ending Balance | | 532,462 |

Source: Data presented was reported by MOC

### 3.1.7. Gas Production During 2017

Associated gas is gas associated with oil within oil fields, typically as a byproduct of oil production, while non-associated gas is extracted from gas fields. Three gas fields have been awarded under license rounds in Federal Iraq; Akkas (in Anbar province); Mansuriya (near the Iranian border in Diyala province), and Siba (in Basra)[59]. As stated in Section 2.7, these three gas fields were awarded under the third licensing round. However, there has been limited activity in these fields since they have been awarded. Both Akkas and Mansuriya gas fields were not operational during 2017, due to the challenging security reasons inflicted by the insurgency of ISIS in Iraq since 2014.

The following table displays the total quantities of natural and associated gas produced, invested and burnt by each of the national oil companies during the calendar year 2017:

(Table 3-22: Total gas production and consumption during 2017)

| Gas production and consumption | | | |
|---|---|---|---|
| Company | Gas produced (mmscf) | Invested gas (mmscf) | Burnt gas (mmscf) |
| NOC | 139,978.37 | 139,978.37 | - |
| BOC | 752,898.65 | 295,975.65 | 456,923.00 |
| MdoC | 68,028.30 | 29,234.57 | 38,793.73 |
| MOC | 93,959.06 | 31,157.42 | 62,801.64 |
| Total | 1,054,864.38 | 496,346.01 | 558,518.37 |

Source: Data was reported by the respective NOCs

The following tables present a detailed breakdown of the production and consumption figures reported in the table above:

North Oil Company

(Table 3-23: North Oil Company gas production and consumption during 2017)

| Gas produced (mmscf) | | Internal consumption (mmscf) | | | | | |
|---|---|---|---|---|---|---|---|
| Jambur Dome gas | Associated gas | North Gas Company | Kirkuk Refinery | Dibis Power station | Used for company purposes | KRG stations | Others |
| 45,307 | 94,671.37 | 88,200.99 | 640 | 3,408 | 11,486 | 7,143 | 29,100.38 |

Source: Data presented was reported by NOC

Basra Oil Company

(Table 3-24: Basra Oil Company gas production and consumption during 2017)

| Gas produced (mmscf) | Invested gas (mmscf) | | Burnt gas (mmscf) | |
|---|---|---|---|---|
| Associated Gas | Supplied to gas companies | Direct supply to network | Investable | Non-investable |
| 752,898.65 | 247,631.00 | 48,344.65 | 50,640.25 | 406,282.75 |

Source: Data presented was reported by BOC

59 https://www.atlanticcouncil.org/images/Shaping_Iraqs_Oil_and_Gas_Future_web_0108.pdf

Midland Oil Company

(Table 3-25: Midland Oil Company gas production and consumption during 2017)

| Gas Produced (mmscf) | Invested Gas (mmscf) | | | Burnt Gas (mmscf) |
|---|---|---|---|---|
| Associated Gas | Used | Dry gas supplied to Al-Zebadiah | Converted to LPG | |
| 68,028.30 | 5,610.85 | 21,664.12 | 1,959.60 | 38,793.73 |

Source: Data presented was reported by MdOC

Missan Oil Company

(Table 3-26: Missan Oil Company gas production and consumption during 2017)

| Gas Produced (mmscf) | Invested Gas (mmscf) | | Burnt Gas (mmscf) |
|---|---|---|---|
| Associated Gas | Supplied to refineries | Used internally | |
| 93,959.06 | 27,406.28 | 3,751.14 | 62,801.64 |

Source: Data presented was reported by MOC[60]

### 3.1.8. Oil and Gas Production Values

With regards to oil and gas production quantities included in Sections 3.1.5 and 3.1.7 of this report, the MSG has determined that the value of the reported production quantities is equal to the value of exported crude oil and the value of crude oil and gas used for domestic consumption. Domestic consumption refers to the quantities supplied to refineries plus and to power generation plants.
The following production values have been reported by the respective national oil companies:

(Table 3-27: Basra Oil Company crude oil and gas production values during 2017)

| Basra Oil Company | Value (IQD) |
|---|---|
| Total revenue from crude oil supplied to refineries | 628,252,451,854 |
| Total revenue from crude oil supplied to power generation plants | 173,523,920,573 |
| Total revenue from gas production | 5,919,512,920 |
| Total revenue from exported crude oil through SOMO | 6,304,764,483,582 |
| Total | 7,112,460,368,929 |

Source: Basra Oil Company

[60] Data reported by Missan Oil Company was reported in cubic meter. The quantities were converted to mmscf using the following online unit converter: http://www.petroleumoffice.com/unitconverter

(Table 3-28: Midland Oil Company crude oil and gas production values during 2017)

| Midland Oil Company | Value (IQD) |
|---|---|
| Total revenue from crude oil supplied to refineries | 2,322,241,800 |
| Total revenue from crude oil supplied to power generation plants (Al-Quds Station and Al-Zubaidiah Station) | 107,951,230,900 |
| Revenue from crude oil supplied from Badra field to strategic pipeline (refineries + power stations) | 131,334,736,700 |
| Total revenue from gas production | 38,783,638,928 |
| Total revenue from exported crude oil through SOMO | 243,489,855,861 |
| Total | 523,881,704,189 |

Source: Midland Oil Company

(Table 3-29: Missan Oil Company crude oil and gas production values during 2017)

| Missan Oil Company | Value (IQD) |
|---|---|
| Total revenue from crude oil supplied to refineries | 61,032,625,536 |
| Total revenue from crude oil supplied to power generation plants | 21,175,362,000 |
| Total revenue from gas production | 38,802,975,296 |
| Total revenue from exported crude oil through SOMO | 1,047,040,452,218 |
| Total | 1,168,051,415,050 |

Source: Missan Oil Company

(Table 3-30: North Oil Company crude oil and gas production values during 2017)

| North Oil Company | Value (IQD) |
|---|---|
| Total revenue from crude oil supplied to refineries | 212,417,572,748 |
| Total revenue from crude oil supplied to power generation plants | 14,258,500,375 |
| Total revenue from gas production | 44,246,507,928 |
| Total revenue from exported crude oil through SOMO | 36,077,701,148 |
| Total | 307,000,282,199 |

Source: North Oil Company

The mechanisms adopted by the national oil and gas companies in the calculation of quantities and cost of production of oil and gas has been published on the IEITI's website (click here).

### 3.1.9. Production and Supply of Petroleum Products During 2017

#### 3.1.9.1. LPG, Condensate and Dry Gas production by Basra Gas Company during 2017

The following table presents LPG and condensate produced by BGC during the year 2017:

(Table 3-31: LPG, Condensate and Dry Gas production by Basra Gas Company during 2017)

| 2017 | | | |
|---|---|---|---|
| Month | LPG (tons) | Condensate (cubic meters) | Dry gas (cubic meter) |
| January | 125,700 | 54,110 | 434,122,715 |
| February | 95,100 | 41,427 | 338,889,983 |
| March | 104,247 | 55,610 | 395,038,436 |
| April | 110,160 | 61,317 | 440,655,534 |
| May | 109,164 | 66,782 | 439,501,027 |
| June | 96,722 | 56,046 | 398,304,846 |
| July | 111,418 | 62,015 | 460,394,785 |
| August | 112,508 | 66,652 | 438,064,933 |
| September | 116,809 | 65,482 | 492,552,023 |
| October | 120,190 | 51,088 | 484,414,158 |
| November | 93,167 | 43,240 | 400,698,335 |
| December | 100,347 | 46,012 | 439,275,758 |
| Total | 1,295,532 | 669,781 | 5,161,912,533 |

Source: This information was reported by BGC

#### 3.1.9.2. Petroleum Products Supplied by Refineries during 2017

The following table presents the quantities and values of RT fuel supplied by refineries to the OPDC:

(Table 3-32: Quantities and values of RT fuel supplied by refineries to the OPDC during 2017)

| RT fuel | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| North Refineries | - | - |
| South Refineries | - | - |
| Midland Refineries | 52,773 | 10,728,581,675 |
| Total | 52,773 | 10,728,581,675 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of RT fuel supplied by refineries to the OPC:

(Table 3-33: Quantities and values of RT fuel supplied by refineries to the OPC during 2017)

| RT fuel | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| Midland Refineries | 189,809 | 33,216,587,075 |
| South Refineries | 38,240 | 6,692,000 |
| Total | 228,049 | 33,223,279,075 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of kerosene supplied by refineries to the OPDC:

(Table 3-34: Quantities and values of kerosene supplied by refineries to the OPDC during 2017)

| Kerosene | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| North Refineries | 324,383 | 40,547,875,000 |
| South Refineries | - | - |
| Midland Refineries | 401,510 | 50,188,725,250 |
| Total | 725,893 | 90,736,600,250 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of kerosene supplied by refineries to the OPC:

(Table 3-35: Quantities and values of kerosene supplied by refineries to the OPC during 2017)

| Kerosene | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| Midland Refineries | 153,452 | 19,181,426,750 |
| South Refineries | 593,431 | 80,113,185 |
| Total | 746,883 | 19,261,539,935 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of super gasoline supplied by refineries to the OPDC:

(Table 3-36: Quantities and values of super gasoline supplied by refineries to the OPDC during 2017)

| Super Gasoline | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| North Refineries | - | - |
| South Refineries | - | - |
| Midland Refineries | 652,214 | 163,053,600,000 |
| Total | 652,214 | 163,053,600,000 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of super gasoline supplied by refineries to the OPC:

(Table 3-37: Quantities and values of super gasoline supplied by refineries to the OPDC during 2017)

| Super Gasoline | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| Midland Refineries | 427,296 | 106,823,875,000 |
| South Refineries | 1,944,620 | 311,139,200 |
| Total | 2,371,916 | 107,135,014,200 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of High-octane gasoline supplied by refineries to the OPC:

(Table 3-38: Quantities and values of High-octane gasoline supplied by refineries to the OPC during 2017)

| High-octane gasoline | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| South Refineries | 1,367,679 | 218,828,640 |
| Total | 1,367,679 | 218,828,640 |

Source: This information was reported by the South Refineries Company

The following table presents the quantities and values of gas oil supplied by refineries to the OPDC:

(Table 3-39: Quantities and values of gas oil supplied by refineries to the OPDC during 2017)

| Gas Oil | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| North Refineries | 268,104 | 33,513,000,000 |
| South Refineries | - | - |
| Midland Refineries | 1,193,924 | 238,784,804,600 |
| Total | 1,462,028 | 272,297,804,600 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of gas oil supplied by refineries to the OPC:

(Table 3-40: Quantities and values of gas oil supplied by refineries to the OPC during 2017)

| Gas Oil | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| Midland Refineries | 343,007 | 68,601,433,400 |
| South Refineries | 2,024,481 | 273,304,935 |
| Total | 2,367,488 | 68,874,738,335 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of diesel oil supplied by midland refineries to the OPDC:

(Table 3-41: Quantities and values of diesel oil supplied by midland refineries to the OPDC during 2017)

| Diesel Oil | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| Midland Refineries | 190,921 | 10,118,842,521 |
| Total | 190,921 | 10,118,842,521 |

Source: This information was reported by the Midland Refineries Company

The following table presents the quantities and values of fuel oil supplied by refineries to the OPDC:

(Table 3-42: Quantities and values of fuel oil supplied by refineries to the OPDC during 2017)

| Fuel Oil | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| North Refineries | - | - |
| South Refineries | - | - |
| Midland Refineries | 3,863,549 | 231,812,967,840 |
| Total | 3,863,549 | 231,812,967,840 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of fuel oil supplied by refineries to the OPC:

(Table 3-43: Quantities and values of fuel oil supplied by refineries to the OPC during 2017)

| Fuel Oil | | |
|---|---|---|
| Company | Quantity (cubic meter) | Amount (IQD) |
| North Refineries | 905,088 | 58,830,720,000 |
| South Refineries | 2,040,339 | 122,420,340 |
| Midland Refineries | 760,212 | 60,436,830,707 |
| Total | 3,705,639 | 119,389,971,047 |

Source: This information was reported by the respective refineries

The following table presents the quantities and values of LPG supplied by refineries to the Gas Filling Company:

(Table 3-44: Quantities and values of LPG supplied by refineries to the Gas Filling Company during 2017)

| LPG | | |
|---|---|---|
| Company | Quantity (tons) | Amount (IQD) |
| South Refineries | 93,043 | * |
| Midland Refineries | 59,752 | 4,182,636,360 |
| Total | 152,795 | 4,182,636,360 |

Source: This information was reported by the respective refineries

- * Value of LPG supplied was not reported by South Refineries

## 3.2. Mining and Minerals Sector in Fedral Iraq

### 3.2.1. Mining Deposits in Iraq

The following table presents a summary of Iraq's main minerals, which was prepared in accordance with a study prepared by Geosurv-Iraq:

(Table 3-45: Summary of Iraq's main minerals)

| Mineral Deposit | Formation | Geographical Location(s) | Recorded Reserve | Uses |
|---|---|---|---|---|
| Free Sulfur | Fatha Formation (Middle Miocene) | Nineveh and Salah Al Deen Governorates | About 600 m.t 60% is extractable | Phosphatic fertilizers and chemical industries |
| Phosphates 21% -22% $P_2O_5$ (can be increased to 30%) | Akashat Formation (Paleocene), Ratka Formation (Eocene), and Digma Formation | Anbar Governorate | More than 10000 m.t | Phosphatic fertilizers industry |
| Sodium chloride (Salt) | Dhiban and Al-Fatha (Middle Miocene) formations and quaternary deposits | Nineveh and Muthanna Governorates | About 50 m.t | Nourishments, textile and textile industries |
| Sodium Sulfate (Glaubente ore) | Alshari Formation | Salah Al Deen Governorate | 22 m.t | The production of detergents, paper and other industries |
| Limestone | Rataka & Damam Formations (Eocene), AL-Furat (Early Miocene), and AL-Fatha (Middle Miocene) | Nineveh, Anbar, Muthanna, Al-Najaf and Kurdistan Region | About 8000 m.t | The industry of cement, lime, glass, ceramics, iron, steel & construction |

| Mineral Deposit | Formation | Geographical Location(s) | Recorded Reserve | Uses |
|---|---|---|---|---|
| Dolomite | Al-Mulsa & Zoro Hauran (Triassic), Hussainiat & Amij (Jurassic), Um Rudma (Paleocene), Damam (Eocene), and Euphrates (Miocene) | Anbar and Muthanna Governorates | More than 330 m.t | Production of magnesia, magnetite brick, glass industry, ceramics, iron, steel & construction |
| Gypsum | Al-Fatha (Middle Miocene) | Nineveh, Kirkuk, Salah Al Deen & Anbar Governorates | About 130 m.t | Plaster industry for decoration & cement industry |
| Silica Sand | Ga'ara (Permian), Hussainiat (Jurassic), Nahr Umar & Rutba formations | Anbar Governorate | 75 m.t | Glass and standard sand |
| Quartzite | Nahr Umar & Rutba formations | Anbar Governorate | About 16 m.t | Silicon industries & acid lining of furnaces |
| Feldspar bearing sand | Dibdibba formation (Pliocene) | Al-Najaf Al-Ashraf Governorate | About 2.3 m.t (Expandable) | Ceramic industries & filters |
| Standard Sand | Hussainiat Formation (Jurassic) | Anbar Governorate | About 30,000 ton | Construction & filters |
| Heavy Minerals Sand | Ga'ara (Permo-carboniferous) and Amij (Jurassic) formations | Anbar Governorate | - | Jewelry manufacture rutile/ source for titanium zircon / source for zirconium monazite / source for thorium |
| Sand and Gravel | Dibdibba (Pliocene) formations | Al-Najaf Al Ashraf, Karbala, Salah Al Deen, Kirkuk and Al-Basra | About 2200 million $m^3$ | Construction |
| Recent clays | Al-Fatha (Middle Miocene) and Injana (Late Miocene) formations | Governorates located in the Mesopotamian and Anbar Governorate | About 285 million $m^3$ for brick industry<br>About 450 million $m^3$ for cement industry | Brick & Cement industries |

| Mineral Deposit | Formation | Geographical Location(s) | Recorded Reserve | Uses |
|---|---|---|---|---|
| Kaolin clays | Ga'ara (Permian), Hussainiat and Amij (Jurassic) formations | Anbar Governorate | About 1200 m.t | Cement, Refractories, white cement and historical bricks |
| Flint clay | Karst deposits north of Al-Hussainiat | Western desert Anbar Governorate | About 10 m.t | White cement and refractories |
| Bentonite / Montmorillonite clay | Digma (late cretaceous) and Akashat (Pliocene) formations | Western desert Anbar Governorate | About 22 m.t (expandable) | Drilling muds for oil wells & concrete pillars |
| Attapulgite clays | Digma (late cretaceous), Akashat (Pliocene) and Injana (Late Miocene) formations | Western desert Anbar Governorate | 0.5 m.t | Salty drilling muds, color bleaching for wax & vegetable oils |
| Celestite (Strontium Sulphate) | Injana (Late Miocene) and Dibdibba (Paleocene) formations | Al-Najaf Al-Ashraf and Karbala Governorates | 0.8 m.t (not invested) | Raw materials for sugar extraction |
| Porcellanite Siliceous rocks of low density less than 1 $gm/cm^3$ | Digma (Late Cretaceous) and Akashat (Pliocene) formations | Western desert Anbar Governorate | 1.8 m.t (expandable) | Vegetable oils purification, nourishments, sulfur & light concrete |
| Bauxite | Karst deposits reserved in carbonate rocks belongs to Jurassic period north of Al Hussainiat formations | Anbar Governorate | About 1 m.t | Refractory industry and aluminum production |
| Sedimentary Iron | Ga'ara (Permian) and Al-Hussainiat (Jurassic) formations | Western desert Anbar Governorate | - | - |

Source: Data presented was based on information presented by Geosurv-Iraq

### 3.2.2. Exploration Activities in 2017

In early 2013, the mineral extraction division separated from Geosurv-Iraq, and became part of the Mining Industries Company. The mineral extraction division is specialized in the extraction and marketing of mineral raw materials and semi-finished products, which are used as raw materials in many Iraqi industries in the public and private sectors.
Due to the insurgency of ISIS from mid- 2014, the majority of the company's extractive sites were subject to destruction, specifically site infrastructure and production lines. The security situation in Iraq, therefore, led to a halt in exploration, production and sales.
As a result, the main activities during 2017 were focused on the following:

- Setting plans to assess the current situation, which involved determining the percentage of damage to production sites
- Conducting economic and technical feasibility studies in relation to all mining products
- Preparing investment portfolios (through third-party manufacturing contracts or joint production contracts) for the purpose of resuming operations and rehabilitating production lines that have been damaged by the war on ISIS.

### 3.2.3. Minerals Production during the year 2017

As described earlier in this report, there are nine state companies operating in the mining sector, under the Ministry of Industry and Minerals. The following table provides the operational status of each company during the year 2017:

(Table 3-46: Operational status of the nine state companies operating in the mining sector)

| Company | Status |
|---|---|
| Mining Industries Company | Operational during 2017. The company is involved in both extractive and transformational activities. |
| The State Company of Fertilizers – Southern Region[61] | Operational during 2017. The company is only involved in transformational activities (no extraction activities). |
| Sate Company for Petrochemical Industries | Operational during 2017. The company is only involved in transformational activities (no extraction activities), as reported by the company. |
| State Company for Iron & Steel | Operational during 2017. The company is only involved in transformational activities (no extraction activities), as reported by the company. |
| Iraq Sate Cement Company[61] | Operational during 2017. The company is only involved in transformational activities (no extraction activities). |
| The State Company of Fertilizers– Northern Region | Not operational during 2017 |
| Phosphate Company | Not operational during 2017 |
| Mishraq Sulphur Company | Not operational since 2003 |
| Iraqi Geological Survey and Mining Company (Geosurv-Iraq) | This SOE does not carry out any production activities. |

[61] According to the MoIM, these two companies are not involved in extraction activities. The Iraqi State Cement Company is essentially a transformational company, but also carries out extractive activities that are important for conducting transformational activities. The ISC also contracts with private companies, to perform quarrying activities on its behalf.

Production and sales volumes in relation to the state companies operating in the mining sector were reported through the Ministry of Industry and Minerals, whereby the reporting templates completed by the state companies were sent to the MoIM. The production and sales figures presented below are related to the State Company for Mining Industries, which was the only operational sate-owned entity involved in extractive activities on behalf of the government during 2017.

(Table 3-47: Mineral production and sales volumes during 2017)

| Mineral | Production quantities (Tons) | Sales quantities (Tons) | Revenue (IQD) | Uses |
|---|---|---|---|---|
| Industrial salt | - | - | - | Industrial uses (petrochemical - petroleum - food – chemical) |
| Ore salt | 31,377.36 | 32,377.36 | 387,556,920 | |
| Silica sand for black cement | 49.68 | 49.68 | 745,200 | Black cement manufacturing |
| Silica sand (non-granulated) | 252.54 | 252.54 | 2,525,400 | Glass and ceramics manufacturing |
| Silica sand for foundry | 157.5 | 157.5 | 27,562,500 | Sand casting for engineering and mechanical molds |
| Bentonite product | 200 | 200 | - | Industrial uses (petroleum - civil and construction work) |
| Raw bentonite | 206.172 | 206.172 | 16,493,760 | |
| Standard sand | 20 | 16.315 | 65,260,000 | Cement strength testing |
| Filter sand | - | - | - | Drinking water treatment |
| Total | **32,263.252** | **33,259.567** | **500,143,780** | |

Source: This information was presented by the MoIM on behalf of the State Company for Mining Industries

### 3.2.4. Targeted Production Capacities

The table below presents the State Company for Mining Industries' planned production capacities up to year 2019:

(Table 3-48: Targeted mineral production capacities up to year 2019)

| Mineral | Production Quantity (Ton / Year) |
|---|---|
| Ore salt | 36,000 |
| Industrial salt | 30,000 |
| Sedimentary iron | 6,000 |
| Red Kaolin clay | 60,000 |
| Silica sand for glass and ceramics | 1,200 |
| Silica sand for white cement | 1,200 |
| Silica sand for black cement | 3,000 |
| Silica sand for plumbing | 1,800 |
| Standard sand | 60 |
| Calcium bentonite | 3,600 |
| Bentonite ore | 6,000 |
| Total | 148,860 |

## 3.3. KRG Oil, Gas and Mineral Production

### 3.3.1. KRG Crude Oil Production for year 2017

Despite the numerous efforts exerted by the IEITI and the IA to secure KRG's participation in the IEITI reporting for year 2017, there was no response from the KRG and the international companies working in the region to the data requests made. Accordingly, all related data presented in this report in relation to KRG has been obtained from publicly available sources.
The Kurdistan Region Ministry of Natural Resources estimates the reserves at 45 billion barrels of oil and between 100 - 200 trillion cubic feet of gas[62].
We were unable to find publicly available information on KRG's production of crude oil during 2017.

### 3.3.2. KRG Natural Gas Production for year 2017

We were unable to find publicly available information on KRG's gas production during 2017.

### 3.3.3. KRG Mineral Production for year 2017

We were unable to identify any public information about mineral production in the Kurdistan Region during the year 2017.

## 3.4. Extractive Industries Export data

### 3.4.1. Crude Oil Exports Process

SOMO is the sole and official exporter of Iraqi's crude oil, established in accordance with Public Companies Law No. 22 of 1997. It aims to contribute to the support of the national economy through marketing of crude oil and natural gas outside Iraq in addition to the marketing of crude oil inside Iraq. The company has published on its website the adopted set of standards and mechanisms applied in its crude oil sales process (click here).

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62 http://mnr.krg.org/index.php/en/oil/vision
http://cabinet.gov.krd/a/print.aspx?l=12&smap=010000&a=39078

### 3.4.2. Extracted Quantities of Crude Oil for Export by SOMO

The following table presents the extracted for export crude oil quantities (barrels) reconciliation between Ministry of Oil, Basra Oil Company and SOMO for year 2017:

(Table 3-49: Extracted for export crude oil quantities reconciliation between MoO, BOC and SOMO for year 2017)

| Month | Extracted for export crude oil quantities reported by MoO (Barrel) | Extracted for export crude oil quantities reported by SOMO (Barrel) | Extracted for export crude oil quantities reported by BOC (Barrel) | Difference* (Barrel) |
|---|---|---|---|---|
| January | 101,539,581 | 88,300,062 | 101,539,581 | (13,239,519) |
| February | 90,730,734 | 78,679,923 | 90,730,734 | (12,050,811) |
| March | 99,504,916 | 86,332,863 | 99,504,916 | (13,172,053) |
| April | 96,900,433 | 84,322,314 | 96,900,433 | (12,578,119) |
| May | 100,455,006 | 88,130,588 | 100,455,006 | (12,324,418) |
| June | 97,500,957 | 84,101,446 | 97,500,957 | (13,399,511) |
| July | 100,144,814 | 86,757,988 | 100,144,814 | (13,386,826) |
| August | 99,700,761 | 86,019,702 | 99,700,761 | (13,681,059) |
| September | 97,204,267 | 84,050,057 | 97,204,267 | (13,154,210) |
| October | 103,730,680 | 89,665,864 | 103,730,680 | (14,064,816) |
| November | 105,050,819 | 90,590,404 | 105,050,819 | (14,460,415) |
| December | 109,573,817 | 94,787,997 | 109,573,817 | (14,785,820) |
| Total | 1,202,036,785 | 1,041,739,208 | 1,202,036,785 | (160,297,577) |

Source: data presented in the table was reported by SOMO, MoO and BOC

*No differences were noted between the quantities reported by the MoO and BOC. Differences were noted between the quantities reported by MoO and SOMO from one part and the quantities reported by BOC. SOMO reported the quantities related to BOC only while MoO and BOC reported quantities that included the quantities supplied from MdOC amounting to 25,341,862 barrels, and from MOC amounting to 134,955,715 barrels.

The following table presents the extracted for export crude oil quantities (barrels) reconciliation between Ministry of Oil, Missan Oil Company and SOMO for year 2017:

(Table 3-50: Extracted for export crude oil quantities reconciliation between MoO, MOC and SOMO for year 2017)

| Month | Extracted for export crude oil quantities reported by MoO (Barrel) | Extracted for export crude oil quantities reported by SOMO (Barrel) | Extracted for export crude oil quantities reported by MOC (Barrel) | Difference (Barrel) |
|---|---|---|---|---|
| January | 10,515,176 | 10,515,176 | 10,515,176 | - |
| February | 9,447,353 | 9,447,353 | 9,447,353 | - |
| March | 10,552,754 | 10,552,754 | 10,552,754 | - |
| April | 10,346,168 | 10,346,168 | 10,346,168 | - |
| May | 10,474,018 | 10,474,018 | 10,474,018 | - |
| June | 11,769,178 | 11,769,178 | 11,769,178 | - |
| July | 11,587,263 | 11,587,263 | 11,587,263 | - |
| August | 11,781,181 | 11,781,181 | 11,781,181 | - |
| September | 11,498,080 | 11,498,080 | 11,498,080 | - |
| October | 11,959,988 | 11,959,988 | 11,959,988 | - |
| November | 12,243,975 | 12,243,975 | 12,243,975 | - |
| December | 12,780,581 | 12,780,581 | 12,780,581 | - |
| Total | 134,955,715 | 134,955,715 | 134,955,715 | - |

Source: data presented in the table was reported by SOMO, MoO and MOC

The following table presents the extracted for export crude oil quantities (barrels) reconciliation between Ministry of Oil, Midland Oil Company and SOMO for year 2017:

(Table 3-51: Extracted for export crude oil quantities reconciliation between MoO, MdOC and SOMO for year 2017)

| Month | Extracted for export crude oil quantities reported by MoO (Barrel) | Extracted for export crude oil quantities reported by SOMO (Barrel) | Extracted for export crude oil quantities reported by MdOC (Barrel) | Difference (Barrel) |
|---|---|---|---|---|
| January | 2,724,343 | 2,724,343 | 2,724,343 | - |
| February | 2,603,458 | 2,603,458 | 2,603,458 | - |
| March | 2,619,299 | 2,619,299 | 2,619,299 | - |
| April | 2,231,951 | 2,231,951 | 2,231,951 | - |
| May | 1,850,400 | 1,850,400 | 1,850,400 | - |
| June | 1,630,333 | 1,630,333 | 1,630,333 | - |
| July | 1,799,563 | 1,799,563 | 1,799,563 | - |
| August | 1,899,878 | 1,899,878 | 1,899,878 | - |
| September | 1,656,130 | 1,656,130 | 1,656,130 | - |
| October | 2,104,828 | 2,104,828 | 2,104,828 | - |
| November | 2,216,440 | 2,216,440 | 2,216,440 | - |
| December | 2,005,239 | 2,005,239 | 2,005,239 | - |
| Total | 25,341,862 | 25,341,862 | 25,341,862 | - |

Source: data presented in the table was reported by SOMO, MoO and MdOC

The following table presents the extracted for export crude oil quantities (barrels) reconciliation between Ministry of Oil, North Oil Company and SOMO for year 2017:

(Table 3-52: Extracted for export crude oil quantities reconciliation between MoO, NOC and SOMO for year 2017)

| Month | Extracted for export crude oil quantities reported by MoO (Barrel) | Extracted for export crude oil quantities reported by SOMO (Barrel) | Extracted for export crude oil quantities reported by NOC (Barrel) | Differences (Barrel) |
|---|---|---|---|---|
| January | 1,399,582 | 1,399,582 | 1,399,582 | - |
| February | 828,134 | 828,134 | 828,134 | - |
| March | 1,526,759 | 1,526,759 | 1,526,759 | - |
| April | 674,380 | 674,380 | 674,380 | - |
| May | 679,580 | 679,580 | 679,580 | - |
| June | 677,413 | 677,413 | 677,413 | - |
| July | - | - | - | - |
| August | - | - | - | - |
| September | - | - | - | - |
| October | - | - | - | - |
| November | - | - | - | - |
| December | - | - | - | - |
| Total | 5,785,848 | 5,785,848 | 5,785,848 | - |

Source: data presented in the table was reported by SOMO, MoO and NOC

### 3.4.3.Crude Oil Exports during 2017

The following table presents export volumes and values reported by SOMO disaggregated by buyer, during the calendar year 2017.

(Table 3-53: Export volumes and values reported by SOMO disaggregated by buyer, during the calendar year 2017)

| No. | Buyers Name | Amount/ USD | Quantities/ Barrel |
|---|---|---|---|
| 1 | Al Waha Petroleum | 1,049,625,821 | 22,274,171 |
| 2 | API | 368,472,733 | 7,287,295 |
| 3 | BHARAT OMAN | 313,633,266 | 6,195,325 |
| 4 | BHARAT PETROLEUM | 168,025,118 | 3,146,176 |
| 5 | BP & PETROCHINA INTERNATIONAL | 2,275,157,443 | 46,904,307 |
| 6 | BP OIL | 567,966,174 | 12,092,024 |
| 7 | CANAL | 283,715,385 | 6,052,025 |
| 8 | CEPSA | 464,661,365 | 9,242,336 |
| 9 | CHENNAI PETROLEUM CORPORATION LTD | 725,469,159 | 14,243,511 |
| 10 | CHEVRON | 1,440,777,569 | 30,464,628 |
| 11 | CHINA INTERNATIONAL | 6,755,379,057 | 134,470,973 |
| 12 | CHINA NATIONAL | 1,403,238,844 | 29,515,217 |
| 13 | CHINA OFFSHORE OIL | 512,113,241 | 10,392,432 |
| 14 | CNOOC IRAQ LIMITED & TP | 744,258,218 | 15,774,364 |
| 15 | DRAGON OIL (BLOCK 9) LIMITED | 26,775,899 | 518,551 |
| 16 | ENI IRAQ B.V. | 854,451,183 | 17,391,875 |
| 17 | BOC IRAQ B.V. | 600,654,658 | 12,087,995 |
| 18 | ENI TRADING | 541,295,038 | 11,196,407 |
| 19 | ENOC SUPPLY AND TRADING LLC | 141,346,822 | 2,892,548 |
| 20 | ESSAR OIL | 578,032,805 | 12,430,016 |
| 21 | EXXON MOBIL IRAQ LIMITED | 291,068,415 | 6,170,426 |
| 22 | EXXON MOBIL SALES AND SUPPLY CORPORTION GALLOWS | 953,038,899 | 19,783,687 |
| 23 | GAZPROM NEFT BADRA B.V. | 292,735,839 | 6,083,078 |
| 24 | GS CALTEX (Project of Karbala Refinery) | 163,393,623 | 3,954,344 |
| 25 | GS CALTEX SINGAPORE PTE. LTD. | 2,373,827,810 | 47,314,896 |
| 26 | GUNVOR | 198,279,607 | 4,107,717 |
| 27 | HELLENIC | 209,145,352 | 4,141,850 |
| 28 | HINDUSTAN PETROLEUM CORPORATION LIMITED | 1,411,603,318 | 27,761,178 |
| 29 | HPCL-MITTAL | 752,070,451 | 15,196,652 |
| 30 | INDIAN | 5,610,819,037 | 112,242,890 |
| 31 | IPLOM | 239,805,232 | 4,818,664 |
| 32 | LIMA (IRAQ PETROLEUM TRADING DMCC) | 987,950,521 | 19,335,470 |
| 33 | JAPEX | 210,614,078 | 4,926,046 |
| 34 | JX NIPPON OIL | 836,485,665 | 16,178,910 |
| 35 | KAZMUNAYGAS TRADING AG (KMGT) | 107,427,208 | 2,075,179 |
| 36 | KOCH SUPPLY & TRADING | 424,210,350 | 8,099,852 |
| 37 | KOGAS BADRA B.V. | 204,543,050 | 4,089,945 |
| 38 | KOGAS ZUBAIR | 449,654,450 | 9,108,845 |
| 39 | KUWAIT ENERGY | 56,707,361 | 1,164,447 |
| 40 | LITASCO | 495,986,084 | 10,320,865 |

| No. | Buyers Name | Amount/ USD | Quantities/ Barrel |
|---|---|---|---|
| 41 | LUKOIL | 562,702,339 | 12,242,904 |
| 42 | MOL HUNGARIAN OIL AND GAS PLC | 103,537,650 | 2,039,522 |
| 43 | MOTOR OIL | 1,099,207,789 | 22,644,010 |
| 44 | NORTH PETROLEUM | 1,155,577,408 | 23,102,379 |
| 45 | OCCIDENTAL ENERGY IRAQ LLC | 36,720,793 | 882,960 |
| 46 | OMAN TRADING | 99,408,253 | 1,941,795 |
| 47 | PBF HOLDING COMPANY | 549,484,931 | 11,885,929 |
| 48 | PETRO DIAMOND | 205,278,582 | 3,923,996 |
| 49 | PETROBRAS GLOBAL TRADING | 223,682,664 | 4,139,477 |
| 50 | PETROCHINA HALFAYA | 462,014,283 | 9,639,501 |
| 51 | PETROCHINA WEST QURNA | 314,684,987 | 6,644,849 |
| 52 | PETROGAL | 218,321,191 | 4,133,942 |
| 53 | PETRONAS | 383,748,726 | 7,530,607 |
| 54 | PETRONAS BADRA | 166,159,683 | 3,290,744 |
| 55 | PETRONAS GARRAF | 297,323,200 | 6,497,050 |
| 56 | PETRONAS HALFAYA | 253,775,240 | 5,273,809 |
| 57 | PETRONAS MAJNOON | 222,150,361 | 4,361,495 |
| 58 | PHILLIPS 66 | 1,074,041,181 | 22,682,350 |
| 59 | PT PERTAMINA | 194,793,639 | 3,902,364 |
| 60 | PT PERTAMINA IRAK | 43,516,581 | 979,221 |
| 61 | PV OIL | 91,921,315 | 1,930,309 |
| 62 | RELIANCE INDUSTRIES LIMITED(RIL) | 2,825,256,754 | 59,776,936 |
| 63 | REPSOL | 725,536,733 | 14,444,459 |
| 64 | SARAS SPA – MILANO | 553,848,651 | 11,306,228 |
| 65 | SHELL | 903,814,122 | 17,618,677 |
| 66 | SHELL MAJNOON | 368,550,286 | 7,587,006 |
| 67 | SHELL WEST QURNA | 189,892,113 | 3,787,575 |
| 68 | SINOCHEM | 5,275,014,307 | 104,603,486 |
| 69 | SK ENERGY | 797,228,169 | 16,006,863 |
| 70 | SOCAR | 151,137,897 | 3,070,232 |
| 71 | STATOIL ASA | 108,679,352 | 2,037,160 |
| 72 | THE EGYPTIAN GENERAL PETROLEUM | 553,286,000 | 11,866,216 |
| 73 | THE EGYPTIAN/ TSC | 7,797,481 | 155,853 |
| 74 | TOTSA TOTAL | 970,274,876 | 19,169,570 |
| 75 | TOTSA TOTAL HALFAYA CONTRACT | 255,600,602 | 5,588,426 |
| 76 | TOYOTA | 108,084,454 | 2,048,169 |
| 77 | TP BADRA LTD. | 73,137,347 | 1,411,318 |
| 78 | TP MISSAN | 129,378,437 | 2,612,936 |
| 79 | TUPRAS | 326,548,477 | 6,824,387 |
| 80 | VALERO MARKETING &SUPPLY COMPANY | 1,171,555,933 | 24,035,330 |
| 81 | VITOL | 125,520,310 | 2,755,476 |
| Sub total | | 59,462,609,245 | 1,207,822,633 |

### 3.4.4. Exported Crude Oil Quantities per Region

The following table depicts the monthly export quantities and monthly average price of exported crude oil for the year 2017 with regard to the American, European and Asian Markets, exported through Basrah Port by SOMO for year 2017:

(Table 3-54: Monthly export quantities and monthly average price of exported crude oil through Basrah Port by SOMO for year 2017)

| Month | Basrah Port (Barrel) | | | Monthly Average Price in (USD) | | |
|---|---|---|---|---|---|---|
| | USA | Europe | Far East | USA | Europe | Far East |
| January | 18,421,444 | 15,411,327 | 67,706,810 | 44.95 | 47.34 | 49.28 |
| February | 16,734,917 | 21,150,808 | 52,845,009 | 46.25 | 46.08 | 50.64 |
| March | 14,778,558 | 27,922,911 | 56,803,447 | 45.12 | 45.87 | 48.13 |
| April | 21,756,502 | 21,570,430 | 53,573,501 | 45.88 | 43.70 | 48.59 |
| May | 16,342,950 | 24,487,009 | 59,867,846 | 45.15 | 43.15 | 46.46 |
| June | 15,121,890 | 17,014,867 | 65,364,200 | 42.91 | 40.43 | 42.35 |
| July | 15,689,723 | 17,304,805 | 67,150,286 | 42.97 | 44.79 | 43.57 |
| August | 33,155,677 | 15,768,619 | 50,776,465 | 44.12 | 48.75 | 46.44 |
| September | 22,579,000 | 12,311,141 | 62,314,126 | 48.50 | 52.52 | 49.90 |
| October | 16,896,202 | 17,619,638 | 69,214,840 | 51.57 | 55.96 | 52.10 |
| November | 18,765,981 | 27,514,919 | 58,769,919 | 56.38 | 57.99 | 56.94 |
| December | 20,648,860 | 16,633,767 | 72,291,190 | 58.09 | 61.72 | 59.05 |
| Total | 230,891,704 | 234,710,241 | 736,677,639 | | | |

Source: data presented in the table was reported by SOMO

The following table depicts the monthly export quantities and monthly average price of exported crude oil for the year 2017 with regard to the American, European and Asian Markets, exported through Ceyhan Port by SOMO for year 2017:

(Table 3-55: Monthly export quantities and monthly average price of exported crude oil through Ceyhan Port by SOMO for year 2017)

| Month | Ceyhan Port (Barrel) | | | Monthly Average Price in (USD) | | |
|---|---|---|---|---|---|---|
| | USA | Europe | Far East | USA | Europe | Far East |
| January | - | 1,399,582 | - | - | 48.63 | - |
| February | - | 828,134 | - | - | 48.15 | - |
| March | - | 1,526,759 | - | - | 45.11 | - |
| April | - | 674,380 | - | - | 44.18 | - |
| May | - | 436,781 | - | - | 46.75 | - |
| June | - | 677,413 | - | - | 39.50 | - |
| July | - | - | - | - | - | - |
| August | - | - | - | - | - | - |
| September | - | - | - | - | - | - |
| October | - | - | - | - | - | - |
| November | - | - | - | - | - | - |
| December | - | - | - | - | - | - |
| Total | - | 5,543,049 | - | | | |

Source: data presented in the table was reported by SOMO

### 3.4.5. Exported Petroleum Products - Naphtha

Naphtha is a refined oil product (such as kerosene) produced by the state-owned refineries in Iraq, and exported by SOMO. The OPDC collects the quantities of Naphtha produced by the refineries and supplies the quantities to SOMO. SOMO then announces the quantities to be exported and the selling price in US dollars. The following table depicts the quantities and value of Naphtha exported by BGC through SOMO during the calendar year 2017:

(Table 3-56: Export volumes and values reported by SOMO disaggregated by buyer, during the calendar year 2017)

| Month | Quantity (Tons) | Amount (USD) |
|---|---|---|
| January | 32,282.96 | 13,446,752.51 |
| February | 33,684.04 | 14,223,355.36 |
| March | 10,817.69 | 4,035,387.80 |
| April | 35,381.94 | 13,655,270.53 |
| May | 28,840.56 | 10,204,948.42 |
| June | 30,079.36 | 9,627,129.98 |
| July | 32,085.872 | 10,542,340.36 |
| August | 25,142.46 | 9,205,438.00 |
| September | 46,685.55 | 18,668,607.82 |
| October | 57,969.52 | 24,266,551.67 |
| November | 49,198.06 | 23,582,280.09 |
| December | 38,501.40 | 18,771,629.53 |
| Total | 420,669.41 | 170,229,692.07 |

Source: data presented in the table was reported by SOMO

### 3.4.6. Exported Petroleum Products - LPG

In early 2016, and after domestic demand of LPG was met, LPG and condensate exports began, through BGC*. While the exports are facilitated via SOMO, given that SOMO is the only entity with the legal authority to export crude oil and oil products outside the country, the sale proceeds go to BGC. Based on information provided by SOMO, SOMO only receives a commission for its services, from BGC**. Since South Gas Company is a shareholder of BGC, it receives its share (according to its ownership stake) of the company's net profits (after making all legal deductions, and payment towards compulsory reserve), in accordance with Law No. 21 of 1997 (as amended). The government indirectly receives its share of the BGC's profits upon receiving SGC's treasury share (45% of distributable net profits).

*http://www.basrahgas.com/node/200
**http://www.iraq-lg-law.org/ar/content/%D9%82%D8%A7%D9%86%D9%88%D9%86-%D8%A7%D9%84%D8%B4%D8%B1%D9%83%D8%A7%D8%AA-%D8%B1%D9%82%D9%85-21-%D9%84%D8%B3%D9%86%D8%A9-1997-%D8%A7%D9%84%D9%85%D8%B9%D8%AF%D9%84-%D9%84%D8%B3%D9%86%D8%A9-2004

The following table presents the volumes and values of LPG produced by BGC, and exported through SOMO during the year 2017:

(Table 3-57: Volumes and values of LPG produced by BGC, and exported through SOMO during the year 2017)

| LPG | | | |
|---|---|---|---|
| Month | Quantity (Tons) | Price per ton (USD) | Amount (USD) |
| January | 1,558.72 | 393.804 | 613,828.20 |
| | 1,530.29 | 385.662 | 590,175.09 |
| | 2,458.17 | 338.056 | 831,000.47 |
| | 2,918.64 | 387.120 | 1,129,865.08 |
| | 1,484.49 | 340.348 | 505,242.52 |
| February | - | - | - |
| March | - | - | - |
| April | 1,559.43 | 331.064 | 516,272.13 |
| | 768.50 | 331.976 | 255,123.56 |
| | 761.17 | 381.976 | 290,747.91 |
| | 2,415.69 | 392.304 | 947,686.42 |
| | 2,500.00 | 374.986 | 937,465.00 |
| | 2,522.36 | 374.986 | 945,850.81 |
| | 1,547.12 | 392.526 | 607,285.22 |
| | 1,567.55 | 395.112 | 619,356.24 |
| | 1,539.66 | 396.060 | 609,796.16 |
| | 1,559.39 | 398.574 | 621,530.72 |
| May | 2,440.14 | 327.527 | 799,212.72 |
| | 1,430.79 | 329.004 | 470,735.90 |
| | 5,232.26 | 312.144 | 1,633,215.64 |
| | 3,271.99 | 312.481 | 1,022,433.07 |
| | 5,251.71 | 312.393 | 1,640,596.82 |
| | 1,506.42 | 329.391 | 496,201.85 |
| | 1,492.34 | 328.971 | 490,935.27 |
| June | 2,425.69 | 329.174 | 798,473.09 |
| | 1,537.12 | 329.095 | 505,857.41 |
| | 2,956.23 | 329.395 | 973,767.71 |
| July | 18,971.64 | 296.057 | 5,616,684.04 |
| August | 21,419.97 | 369.835 | 7,921,842.79 |
| September | 30,573.45 | 431.662 | 13,197,384.34 |
| October | 6,887.22 | 506.369 | 3,487,471.26 |
| November | - | - | - |
| December | 11,578.31 | 548.931 | 6,355,697.92 |
| Total | 143,666.46 | | 55,431,735.32 |

Source: This information was reported by BGC

### 3.4.7. Mining and Minerals Sector in Federal Iraq

Iraq did not export minerals during the year 2017, given that the government's focus was first to sell minerals domestically to meet domestic demand before being able to export.

## 3.5. KRG Exports

Crude oil export data related to KRG was obtained from two reports published on the KRG website. The reports cover KRG's oil production, export, consumption and revenue for the period from 1 January 2017 to 31 December 2017 (in two reports issued- one covering the first half of 2017, and the other covering the second half of 2017), as follows:

For the period from 1 January 2017 to 30 June 2017:

(Table 3-58: Crude Oil Export and Consumption by KRG during the period from 1 January 2017 to 30 June 2017)

| Crude Oil Export and Consumption | Period total (Barrels) |
|---|---|
| Crude oil exported through pipelines (KRG and North Oil Company Contribution (Note2) | 95,812,755 |
| Trucked export of crude oil from a Kurdistan Region field (Note 3) | 4,878,887 |
| Crude oil delivered to refineries under refinery contracts | 3,455,822 |
| Crude oil allocated to oil producers | 1,615,925 |
| Local sales and swaps | 5,088,887 |
| Total exported and consumed | 110,852,276 |

The following tables show detailed information on exports by pipeline and trucked exports for the first half of 2017:

(Table 3-59: Detailed information on exports by pipeline and trucked exports for the first half of 2017)

| Pipeline Export Sales Analysis | Period total |
|---|---|
| Net oil lifted by the buyers (net quantity after water content removed) (Note 4) | 95,937,107 Barrels |
| Gross value of crude oil sold | 3,961,951,095 USD |
| Average price per barrel achieved for oil sold (*) | 41.297 USD/barrel |
| Trucking Export Sales Analysis | Period Total |
| Net oil lifted by the buyers (net quantity after water content removed) | 4,230,790 Barrels |
| Gross value of crude oil sold | 107,683,242 USD |
| Average price per barrel achieved for oil sold(**) | 25.452 USD/barrel |
| Total value of exported crude oil (through pipelines and trucking) | 4,069,634,337 USD |

(*) Cargo where the final price has not yet been confirmed with the buyers are included based on provisional prices and are subject to adjustment.

(**) For trucking export sales, additional export costs which have been paid for directly by the buyer have been factored into the sales price (e.g. trucking transportation, handling costs and storage costs)

Note 1

All figures in Table 1 for the period 1 January 2017 to 30 June 2017 oil export,

consumption and revenue data are based on the records held by the KRG.

Note 2

| | |
|---|---|
| Gross crude oil lifted by the buyers | 98,073,100 bbls |
| Increase (decrease) in storage at oil terminal | (2,260,345) bbls |
| Piped export of crude oil (KRG and NOC contribution) | 95,812,755 bbls |

Note 3

| | |
|---|---|
| Gross crude oil lifted by the buyers | 4,234,113 bbls |
| Increase (decrease) in storage at oil terminal | 644,774 bbls |
| Trucked export of crude oil from a Kurdistan Region Field | 4,878,887 bbls |

Note 4

Gross piped exports are 98,073,100 bbls whereas the net piped export sales are 95,937,107 bbls. The difference is due to the following:

i. The net sales volume is after the removal of contaminants such as water.

ii. Two shipments of off-spec contaminated crude oil have been included in the reported gross piped exports of 98,073,100 bbls, but have not been included in the net piped export sales of 95,937,107 bbls as they represent in- kind payments for supplies and services rather than sales. These consisted of a January 2017 shipment of 899,983 bbls gross (665,987 bbls net) and an April 2017 shipment of 847,647 bbls gross (449,253 bbls net). The value of this oil is estimated to be between USD $4.00 and $5.00 per barrel.

Source:
(http://cabinet.gov.krd/uploads/documents/2018/Deloitte_Report_on_KRG_Oil_Export__Consumption_and_Revenues_for_First_Half_of_2017_ENG_KU_AR.pdf)

For the period from1 July 2017 t0 31 December 2017:

(Table 3-60: Crude Oil Export and Consumption by KRG during the period from 1 July 2017 to 31 December 2017)

| Crude Oil Export and Consumption | Period total (Barrels) |
|---|---|
| Piped export of crude oil (KRG and NOC contribution) (Note 2) | 81,548,972 |
| Trucked export of crude oil from a Kurdistan Region Field (Note 3) | 4,913,910 |
| Crude delivered to refineries for MNR refining | 1,457,965 |
| Sales to refineries | 664,220 |
| Swaps of crude oil for diesel, and heavy fuel oil for use in KRG power plants | 1,787,091 |
| Local sales | 625,756 |
| Total exported & consumed (Note 4) | 90,997,914 |

The following tables show detailed information on exports by pipeline and trucked exports for the second half of 2017:

(Table 3-61: Detailed information on exports by pipeline and trucked exports for the second half of 2017)

| Pipeline Export Sales Analysis | Period total |
|---|---|
| Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 2 and Note 5) | 81,835,881 barrels |
| Gross value of crude oil sold | 3,648,592,406 USD |
| Average price per barrel achieved for oil sold (Note 6) | 44.584 dollar/barrel |
| Trucking Export Sales Analysis | Period Total |
| Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 3 and Note 5) | 5,144,729 Barrels |
| Gross value of crude oil sold | 205,185,451 USD |
| Average price per barrel achieved for oil sold (**) | 39.883 dollar/barrel |
| Total value of exported crude oil (through pipelines and trucking) | 3,853,777,857 USD |

(**) For trucking export sales, additional export costs which have been paid for directly by the buyer have been factored into the sales price (e.g. handling costs and storage costs).

Note 1

All figures in Table 1 for the period 1 July 2017 to 31 December 2017 oil export, consumption and revenue data are based on the records provided by stakeholders to the KRG.

Note 2

| | |
|---|---|
| Gross crude oil lifted by the buyers | 82,020,385 bbls |
| Increase (decrease) in storage at oil terminal | (471,413) bbls |
| Piped export of crude oil (KRG and NOC contribution) | 81,548,972 bbls |

Note 3

| | |
|---|---|
| Gross crude oil lifted by the buyers | 5,149,928 bbls |
| Increase (decrease) in storage at oil terminal | (236,018) bbls |
| Trucked export of crude oil from a Kurdistan Region Field | 4,913,910 bbls |

Note 4

Total exports and consumption does not include: (1) crude oil and condensate allocated as compensation to producers; and (2) condensate sales by Dana Gas.

| | |
|---|---|
| Crude oil / condensate allocated as compensation to producers | 4,008,125 bbls |
| Dana Gas condensate sales to other buyers | 347,206 bbls |
| Total crude oil and condensate compensation and/or sales by oil producers | 4,355,331 bbls |

Note 5

Gross piped exports are 82,020,385 bbls whereas the net piped export sales are 81,835,881 bbls. Gross trucked exports are 5,149,928 bbls whereas the net trucked export sales are 5,144,729 bbls. The difference between the gross and net exports is due to the removal of contaminants such as water.

Source:
(http://cabinet.gov.krd/uploads/documents/2018/Deloitte_H2_2017_Public_Report.pdf)

# 4. Revenue Collection

## 4.1. Materiality

The MSG considered a quantitative materiality threshold to determine which payments and revenue streams would be deemed material for the purpose of this EITI report.

The quantitative threshold applied to define materiality was all revenue streams that are known to contribute two percent or more of the revenue received by the government from the mining and oil and gas sectors. Two percent is broadly consistent with materiality thresholds used for other EITI-compliant countries, and lowering the materiality threshold further would not have significantly increased coverage of the report. A materiality threshold of 2% of total government extractives revenues for selecting revenue streams for reconciliation would lead to a reconciliation coverage of 98.32% of total government extractives revenues in 2017[63]. In accordance with Requirement 4.1(a), all revenues and payments whose "omission or misstatement could significantly affect the comprehensiveness of the EITI Report" were included in the scope of reconciliation.

## 4.2. Revenue Streams

The following is a description of revenue streams in the oil and gas sector in federal Iraq:

i. Crude oil exports: This revenue represents the federal budget total for crude oil export revenue, as per the records of SOMO. In addition to the revenue generated from oil exported to international markets, the total export revenue includes crude oil sales to international oil companies operating in Iraq under licensing round contracts, equivalent to the value of cost recovery and remuneration fees earned by those companies. While these figures are reported as sales revenue by SOMO and are recorded as such in the federal budget, they are, in fact, expenses for the Iraqi Government.

ii. Corporate Income tax: Under service contracts, IOCs are required to pay corporate income tax levied at 35% of remuneration fees received during the relevant tax year.

iii. State partner share in remuneration fees: Under service contracts, where a sate partner holds a share of the consortium's/company's total participating interest in the oil and gas license, the state partner is entitled to receive a share of the remuneration fee paid, in accordance with its share of total participating interest in the field license, which typically ranges from 5% to 25%. The state partner's share is paid by the Ministry of Oil to the Ministry of Finance, as remittances to the state treasury.

iv. Treasury share of SOE reported profits: As stated in Section 2.3.2, all state-owned entities are required to pay 45% of the distributable portion of their net profits to the state treasury (MoF), in accordance with Law No. 22 of 1997 (as amended).

v. Signature bonus: Signature bonus amounts are determined in service contracts and are generally payable within a specified period from the effective contract date. There was no signature bonus payment during 2017.

Crude oil product export revenues are not included as direct revenue streams to the government as explained below:

i. LPG and condensate: LPG and condensate are produced and exported by Basra Gas Company, which is a mixed sector company that is 51% owned by the state through South gas Company (as discussed in Section 2.3). LPG and condensate are exported through SOMO (since it is the only entity legally authorized to export products in federal Iraq), in exchange

[63] A reconciliation coverage of 98.32% would have been achieved if the material revenue streams generated by the KRG were reconciled, however due to the KRG's non-participation in the IEITI reporting process, the actual reconciliation coverage for the 2017 IEITI report is 89.34%.

for a commission (insignificant amount as compared to total extractive revenue). However, all revenues from the export of these petroleum products are deposited into the account of Basra Gas Company. Since South Gas Company owns a 51% stake in Basra Gas Company, it receives its share of net profits in accordance with its ownership shares.

ii. Naphtha: Naphtha is a refined oil product (such as kerosene) produced by the state owned refineries in Iraq, and exported by SOMO. The OPDC collects the quantities of Naphtha produced by the refineries and supplies the quantities to SOMO. SOMO then announces the quantities to be exported and the selling price in US Dollars. According to SOMO, the proceeds from the Naphtha exports are distributed to the self-funded national companies to cover costs of production (while SOMO receives a commission for its services), and the net profit is transferred to the Ministry of Finance through treasury share payments. Therefore, Naphtha export proceeds do not represent a direct revenue stream for the Government of Iraq.

The following is a description of revenue streams in the mining and minerals sector in federal Iraq:

i. Treasury share of SOE reported profits: The only revenue stream received by the Iraqi Government from the mining and minerals sector is the 45% treasury share payments made by the SOEs operating in the sector.

The following is a listing of revenue streams in the oil and gas sector in Kurdistan Region of Iraq:

i. Crude oil exports: Crude oil export data related to KRG was obtained from two reports published on the KRG website. The reports cover KRG's oil production, export, consumption and revenue for the period from 1 January 2017 to 31 December 2017 (in two reports issued-one covering the first half of 2017, and the other covering the second half of 2017), Royalties
ii. Bonuses
iii. Capacity Building Payments

A description of the revenue streams relating to KRG is included in Section 2.8.2.2

## 4.3. Materiality of Revenue Streams

The revenue streams relevant to the extractives sector in Iraq, are shown in the table below. The table also displays the percentage contribution of each revenue stream towards the total extractive revenue in Iraq. Crude oil export revenue in both federal Iraq and the Kurdistan Region are material revenue streams as their contribution to the total extractive sector revenue exceeds the quantitative materiality threshold of 2%.

(Table 4-1: Materiality of revenue streams during 2017)

| # | Revenue stream | | | % of total extractive revenue | USD | MSG Decision |
|---|---|---|---|---|---|---|
| | | Paid by | Received/ Reported by | 2017 | | |
| | Oil and Gas (Federal Iraq) | | | | | |
| 1 | Crude oil exports* | Oil buyers | SOMO** | 89.34 | 59,560,339,551 | Include |
| 2 | Corporate Income tax | IOCs | MoO *** | 0.71 | 471,464,880 | Exclude |
| 3 | Signature bonus | IOCs | MoF | 0 | - | Exclude |
| 4 | State partner share from remuneration fees | MoO | MoF | 0.37 | 244,925,278 | Exclude |
| 5 | Treasury share of SOE reported profits (45%)* | | | 0.42 | 282,361,644 | Exclude |
| 5a | Oil Products Distribution Company (OPDC) | OPDC | MoF | 0.026 | 17,563,951 | |
| 5b | South Refineries Company (SRC) | SRC | MoF | 0.06 | 40,219,718 | |
| 5c | SOMO | SOMO | MoF | 0.186 | 124,171,925 | |
| 5d | North Oil Company (NOC) | NOC | MoF | 0.01 | 6,494,482 | |
| 5e | South Oil Company (SOC) | SOC | MoF | 0 | - | |
| 5f | Missan Oil Company (MOC) | MOC | MoF | 0.019 | 12,690,355 | |
| 5g | Iraqi Oil Tankers Company (IOTC) | IOTC | MoF | 0.005 | 3,280,119 | |
| 5h | Gas Filling Company (GFC) | GFC | MoF | 0.037 | 24,577,141 | |
| 5i | Midland Refineries Company (MRC) | MRC | MoF | 0.058 | 38,703,398 | |
| 5j | Oil Exploration Company | OEC | MoF | 0.007 | 4,592,835 | |
| 5k | South Gas Company (SGC) | SGC | MoF | 0.006 | 4,230,118 | |
| 5l | Midland Oil Company (MdOC) | MdoC | MoF | 0.009 | 5,837,602 | |
| | Mining and Minerals (Federal Iraq) | | | | | |
| 6 | Treasury share of SOE reported profits (45%) | SOEs | MoF | 0 | - | Exclude |
| | Oil and Gas (KRG) | | | | | |
| 7 | Crude oil exports | Oil buyers | MNR**** | 8.98 | 5,987,200,963 | Include |
| 8 | Royalties | IOCs | MNR**** | 0.11 | 75,819,536 | Exclude |
| 9 | Capacity Building Payments and Bonuses | IOCs | MNR**** | 0.07 | 44,064,546 | Exclude |
| 10 | Taxes | IOCs | MNR**** | 0 | 1,254,823 | Exclude |

The related notes are on the next page

* The proceeds of the crude oil export revenue are deposited by oil buyers into the DFI account, which is managed by the MoF. SOMO is the entity exporting crude oil; as such, it is the entity recording the revenues and is therefore the reporting entity for the purpose of this EITI report.

** In respect of payments made under oil service contracts, the practice of the PCLD in respect of all tax filings up to financial year 2016 was to retain an amount of 35% from the remuneration fee payment approved, in the first quarter after the end of the financial year. The PCLD would then transfer the withheld amounts to the GCT. The GCT, in turn, provides the PCLD with proof of transfer of the retentions that have been deposited in the name of the contractor in order for the contractor to use the proof of transfer as support when settling with the GCT its CIT liability for that financial year.

In practice, there were always significant delays whereby the PCLD was not transferring the retentions to the GCT in a timely manner. Given that the PCLD was not transferring the retentions to the GCT in a timely manner, to facilitate the process for taxpayers to close their tax audits at the GCT, on 15 March 2018, the PCLD issued letter no. 901 indicating that no tax retention will be deducted from the 2017 remuneration fees. Instead, taxpayers are required to approach the GCT directly to settle their 2017 CIT liability. However, given that the MoO was the entity approving the CIT amounts due for each IOC, it was considered the reporting entity for CIT revenues, for the purpose of this IEITI report (since figures reported in this report are approved amounts).

*** These revenue figures were obtained by referring to publicly available reports published by two of the four largest oil producers operating in KRG (Report on payments to governments). Capacity building payments and bonus payments were grouped together as they were reported together by one of the oil producers in its Report on payments to governments (Gulf Keystone).

**** According to reports published by international oil producers operating in KRG (Report on payments to governments), all payments made in relation to KRG licenses are made to the Ministry of Natural Resources (MNR).
The MSG has agreed that all revenue streams in the mining, oil and gas sectors that account for less than 2% of total extractives revenues in 2017 are to be excluded from the scope of reconciliation (as displayed in the table above). Based on the MSG's materiality threshold of 2% of total extractives revenues for selecting material revenue streams for reconciliation, payments and revenues from the mining sector have not been considered material. The IEITI report, however, discloses contextual information on the sector throughout this EITI report.
Crude oil export revenue earned by the KRG is a material revenue stream, whereby its contribution to the total extractive revenue in Iraq exceeds the qualitative materiality threshold of 2%. However, despite repeated attempts by the MSG and the IA at trying to attain the KRG's participation in the IEITI reporting for the years 2016 and 2017, no data was reported by the KRG or by the companies operating under KRG. Consequently, the IEITI represented by the National Coordinator submitted an adaptive implementation request to the EITI on 27 November 2018, with respect to coverage of the Iraqi Kurdistan Region in the IEITI 2016 and 2017 reports. The request was made due to the inability of the Federal Government to compel companies and local government's agencies in the region to participate in EITI process. The International Secretariat approved the IEITI's request for adapted implementation on 19 March 2019.

## 4.4. Reporting Companies

Reporting entities for the purpose of this EITI report include international oil companies, state-owned enterprises (SOEs) and government entities. These are outlined below.

### 4.4.1. International Oil Companies

The MSG determined a materiality threshold of zero for the international oil companies contributing to the material revenue streams, whereby all companies contributing to the material revenue streams were required to report during the reporting period (with the exception of KRG).

As discussed under Section 4.2, the total export revenue includes crude oil sales to international oil companies operating in Iraq under licensing round contracts, equivalent to the value of cost recovery and remuneration fees earned by those companies. While these payments are recorded as revenues by SOMO, they are, in fact, expenses for the Iraqi Government. Therefore, the MSG has decided to reconcile cost recovery and remuneration fee payments to IOC due to their importance, given that they are reported by SOMO as part of the oil export revenues. Two related reconciliations were performed as follows:

- Reconciliation of cost recovery and remuneration fees between SOMO and the IOCs receiving such payments (actual liftings)
- Reconciliation of cost recovery and remuneration fees between the SOMO and the IOCs receiving the payments (on an accrual basis – approved amounts)

The reporting entities in relation to the material revenue stream, and associated payment streams, are listed below:

(Table 4-2: Reporting entities – International Oil Companies)

| Reporting entity | Revenue/Payment streams |
|---|---|
| International Oil Buyers[64] | Crude oil export revenue |
| International Oil Companies[65] | Cost recovery and remuneration fees |

### 4.4.2. Government Entities

Government entities are material entities if they receive payments from the reporting entities and SOEs during the reporting period. Government entities that do not receive payments, but keep record of payments, are also included in the list of material government entities. These entities are:

- Ministry of Oil
- Ministry of Finance

### 4.4.3. State-owned Entities

In relation to material government revenue streams, only one SOE (SOMO) was considered material, as it is the sole entity responsible for exporting crude oil and therefore maintains records of exported crude oil quantities and values. In addition to the revenue streams identified in the table in Section 4.3 above, the MSG considered payment streams between SOES and the Government, and decided to reconcile the internal service payments (ISP) made by the MoF through SOMO to the national oil companies (these payments are made on a monthly basis). ISP are only made to national companies involved in the extraction of crude oil. As discussed in Section 2.4, such payments have been extended to the Oil Exploration Company during 2016, due to decision made by the MoO, and therefore the OEC has been included in the scope of reconciliations. Reporting SOEs are listed below:

[64] The complete list of reporting international oil buyers is included in Annex 2

[65] The complete list of reporting IOCs is included in Annex 3

(Table 4-3: Reporting entities – state owned entities)

| Company | Reason for selection |
|---|---|
| SOMO | 1- SOMO maintains record of exported crude oil revenue<br>2- SOMO executes and maintains record of internal service payments made to only 5 SOEs in the upstream sector. |
| North Oil Company | North Oil Company receives internal service payments from SOMO |
| Basra Oil Company | Basra Oil Company receives internal service payments from SOMO |
| Midland Oil Company | Midland Oil Company receives internal service payments from SOMO |
| Missan Oil Company | Missan Oil Company receives internal service payments from SOMO |
| Oil Exploration Company | Oil Exploration Company receives internal service payments from SOMO |

According to Dhi Qar Oil Company, the company's financial information for the year 2017 is held with Basra Oil Company, and therefore Dhi Qar Oil Company was not a reporting entity for the purpose of the 2017 IEITI report.

## 4.5. Detailed Reconciliations

In this section of the report, the data received from each of the reporting entities is reconciled with the data reported by the receiving/recording entity for each revenue stream. Variances are explained to the extent of cooperation of reporting entities in providing relevant information.

Revenue streams that do not meet the quantitative materiality threshold have been unilaterally reported by either the revenue recording or receiving entity. Reported amounts for revenue streams unilaterally declared are included in this section.

Reconciliation of Internal Service Payments (payments between the Government and SOEs), are also included in this section.

### 4.5.1. Crude Oil Export Revenue for year 2017

Crude oil export revenue paid by oil buyers is reconciled with data reported by SOMO in the table below. Figures presented by SOMO are reported on a cash basis. The values reconciled include the value of liftings made by IOCs operating in Federal Iraq under licensing round contracts, equivalent to their respective cost recovery and remuneration fees.

(Table 4-4: Reconciliation of crude oil exports for the year 2017)

| No | Buyer Name | Amount by SOMO (USD) | Amount by buyer (USD) | Difference (USD) | | Note |
|---|---|---|---|---|---|---|
| 1 | Al Waha Petroleum | 1,049,625,821 | 1,050,653,175 | (1,027,354) | - | A |
| 2 | API | 368,472,733 | 369,642,750 | (1,170,017) | - | B |
| 3 | BHARAT OMAN | 313,633,266 | 298,550,227 | - | 15,083,039 | C |
| 4 | BHARAT PETROLEUM | 168,025,118 | 167,957,466 | - | 67,652 | B |
| 5 | BP & PETROCHINA INTERNATIONAL | 2,275,157,443 | 2,275,363,142 | (205,699) | - | B |
| 6 | BP OIL | 567,966,174 | 627,539,899 | (59,573,725) | - | D |
| 7 | CANAL | 283,715,385 | 283,715,385 | - | - | - |
| 8 | CEPSA | 464,661,365 | 456,275,138 | - | 8,386,227 | E |
| 9 | CHENNAI PETROLEUM CORPORATION LTD | 725,469,159 | 728,362,888 | (2,893,729) | - | B |
| 10 | CHEVRON | 1,440,777,569 | 1,318,759,241 | - | 122,018,328 | F |
| 11 | CHINA INTERNATIONAL | 6,755,379,057 | 6,552,764,933 | - | 202,614,124 | G |
| 12 | CHINA NATIONAL | 1,403,238,844 | 1,405,735,004 | (2,496,160) | - | B |
| 13 | CHINA OFFSHORE OIL | 512,113,241 | 514,315,746 | (2,202,505) | - | B |
| 14 | CNOOC IRAQ LIMITED & TP | 744,258,218 | 744,258,218 | - | - | - |
| 15 | DRAGON OIL (BLOCK 9) LIMITED[66] | 26,775,899 | 26,775,899 | - | - | - |
| 16 | ENI IRAQ B.V. | 854,451,183 | 854,968,400 | (517,217) | - | B |
| 17 | BOC IRAQ B.V. | 600,654,658 | 600,154,886 | - | 499,772 | H |
| 18 | ENI TRADING | 541,295,038 | 541,295,038 | - | - | - |
| 19 | ENOC SUPPLY AND TRADING | 141,346,822 | 83,883,962 | - | 57,462,860 | I |
| 20 | ESSAR OIL | 578,032,805 | 578,032,805 | - | - | - |
| 21 | EXXON MOBIL IRAQ LIMITED | 291,068,415 | 312,689,162 | (21,620,747) | - | J |
| 22 | EXXON MOBIL SALES AND SUPPLY CORPORTION GALLOWS | 953,038,899 | 953,038,899 | - | - | - |
| 23 | GAZPROM NEFT BADRA B.V. | 292,735,839 | 292,838,550 | (102,711) | - | B |
| 24 | GS CALTEX (Project of Karbala Refinery) | 163,393,623 | 163,393,623 | - | - | - |
| 25 | GS CALTEX SINGAPORE PTE. | 2,373,827,810 | 2,181,441,351 | - | 192,386,459 | K |
| 26 | GUNVOR | 198,279,607 | 248,318,071 | (50,038,464) | - | L |
| 27 | HELLENIC | 209,145,352 | 209,145,352 | - | - | - |
| 28 | HINDUSTAN PETROLEUM CORPORATION LIMITED | 1,411,603,318 | 1,223,149,675 | - | 188,453,643 | M |
| 29 | HPCL-MITTAL | 752,070,451 | 774,796,301 | (22,725,850) | - | N |
| 30 | INDIAN | 5,610,819,037 | 5,622,545,408 | (11,726,371) | - | B |

[66] Information related to the Dragon Oil was reported by the field operator (Faihaa – Block 9) Kuwait Energy.

| No | Buyers Name | Amount by SOMO (USD) | Amount by buyer (USD) | Difference (USD) | | Note |
|---|---|---|---|---|---|---|
| 31 | IPLOM | 239,805,232 | 240,324,205 | (518,973) | - | B |
| 32 | LIMA (IRAQ PETROLEUM TRADING DMCC) | 987,950,521 | 987,950,521 | - | - | - |
| 33 | JAPEX | 210,614,078 | 210,614,078 | - | - | - |
| 34 | JX NIPPON OIL | 836,485,665 | 838,553,798 | (2,068,133) | - | B |
| 35 | KAZMUNAYGAS TRADING AG (KMGT) | 107,427,208 | 107,465,493 | (38,285) | - | B |
| 36 | KOCH SUPPLY & TRADING | 424,210,350 | 424,748,037 | (537,687) | - | B |
| 37 | KOGAS BADRA B.V. | 204,543,050 | 251,515,919 | (46,972,869) | - | O |
| 38 | KOGAS ZUBAIR | 449,654,450 | 428,797,188 | - | 20,857,262 | O |
| 39 | KUWAIT ENERGY | 56,707,361 | 56,707,361 | - | - | - |
| 40 | LITASCO | 495,986,084 | 496,454,649 | (468,565) | - | B |
| 41 | LUKOIL | 562,702,339 | 582,380,152 | (19,677,813) | - | O |
| 42 | MOL HUNGARIAN OIL & GAS PLC | 103,537,650 | 103,537,650 | - | - | - |
| 43 | MOTOR OIL | 1,099,207,789 | 1,103,236,622 | (4,028,833) | - | B |
| 44 | NORTH PETROLEUM | 1,155,577,408 | 1,057,299,953 | - | 98,277,455 | P |
| 45 | OCCIDENTAL ENERGY IRAQ LLC[67] | 36,720,793 | 36,811,864 | (91,071) | - | B |
| 46 | OMAN TRADING | 99,408,253 | 99,408,253 | - | - | - |
| 47 | PBF HOLDING COMPANY | 549,484,931 | 549,484,931 | - | - | - |
| 48 | PETRO DIAMOND | 205,278,582 | 207,506,563 | (2,227,981) | - | B |
| 49 | PETROBRAS GLOBAL TRADING | 223,682,664 | 224,371,766 | (689,102) | - | B |
| 50 | PETROCHINA HALFAYA | 462,014,283 | 462,770,542 | (756,259) | - | B |
| 51 | PETROCHINA WEST QURNA | 314,684,987 | 297,803,913 | - | 16,881,074 | R |
| 52 | PETROGAL | 218,321,191 | 218,847,432 | (526,241) | - | B |
| 53 | PETRONAS | 383,748,726 | 384,098,367 | (349,641) | - | B |
| 54 | PETRONAS BADRA | 166,159,683 | 166,201,530 | (41,847) | - | B |
| 55 | PETRONAS GARRAF | 297,323,200 | 297,412,473 | (89,273) | - | B |
| 56 | PETRONAS HALFAYA | 253,775,240 | 253,775,240 | - | - | - |
| 57 | PETRONAS MAJNOON | 222,150,361 | 222,150,361 | - | - | - |
| 58 | PHILLIPS 66 | 1,074,041,181 | 1,076,904,443 | (2,863,262) | - | B |
| 59 | PT PERTAMINA | 194,793,639 | 194,793,639 | - | - | - |
| 60 | PT PERTAMINA IRAQ[68] | 43,516,581 | 43,516,581 | - | - | - |
| 61 | PV OIL | 91,921,315 | 91,921,315 | - | - | - |
| 62 | RELIANCE INDUSTRIES LIMITED(RIL) | 2,825,256,754 | 2,551,180,106 | - | 274,076,648 | S |
| 63 | REPSOL | 725,536,733 | 777,184,498 | (51,647,765) | - | T |
| 64 | SARAS SPA - MILANO | 553,848,651 | 537,917,294 | - | 15,931,357 | U |
| 65 | SHELL | 903,814,122 | 732,181,074 | - | 171,633,048 | V |
| 66 | SHELL MAJNOON[68] | 368,550,286 | 265,245,753 | - | 103,304,533 | W |

[67] Figures related to liftings made by Occidental were reported by BOC being the legal successor since Occidental sold its shares in Zubair field to BOC effective September Q4 2016.

[68] The figures reported under the PT PERTAMINA IRAQ, SHELL MAJNOON and SHELL WEST QURNA were reported by BOC as:

| No | Buyers Name | Amount by SOMO (USD) | Amount by buyer (USD) | Difference (USD) | | Note |
|---|---|---|---|---|---|---|
| 67 | SHELL WEST QURNA[68] | 189,892,113 | 145,078,727 | - | 44,813,386 | X |
| 68 | SINOCHEM | 5,275,014,307 | 5,278,308,290 | (3,293,983) | - | Y |
| 69 | SK ENERGY | 797,228,169 | 900,796,947 | (103,568,778) | - | Z |
| 70 | SOCAR | 151,137,897 | 159,147,219 | (8,009,322) | - | AA |
| 71 | STATOIL ASA | 108,679,352 | 108,720,000 | (40,648) | - | B |
| 72 | THE EGYPTIAN GENERAL PETROLEUM | 553,286,000 | 553,286,000 | - | - | - |
| 73 | THE EGYPTIAN / TSC[69] | 7,797,481 | 7,797,481 | - | - | - |
| 74 | TOTSA TOTAL | 970,274,876 | 972,702,285 | (2,427,409) | - | AB |
| 75 | TOTSA TOTAL HALFAYA CONTRACT | 255,600,602 | 256,984,280 | (1,383,678) | - | AC |
| 76 | TOYOTA | 108,084,454 | 109,531,982 | (1,447,528) | - | B |
| 77 | TP BADRA LTD | 73,137,347 | 73,137,347 | - | - | - |
| 78 | TP MISSAN | 129,378,437 | 129,378,437 | - | - | - |
| 79 | TUPRAS | 326,548,477 | 326,548,477 | - | - | - |
| 80 | VALERO MARKETING & SUPPLY COMPANY | 1,171,555,933 | 1,148,662,181 | - | 22,893,752 | AD |
| 81 | VITOL | 125,520,310 | 126,035,800 | (515,490) | - | B |
| Total | | 59,462,609,245* | 58,337,549,611 | (430,580,985) | 1,555,640,619 | |

* The figure reported by SOMO to the IA is net of delay penalties, with the exception of Shell and Shell Majnoon. It was noted that delay penalties were not netted off from the amounts due from these two companies in the reporting templates sent to the IA. However, the information set sent by SOMO to the IA included a breakdown of the reported figures presented in the reporting templates, which identified delay penalties in relation to the shipments of Shell and Shell Majnoon totaling USD 790,428.

- Shell Majnoon reported that it had sold its shares in Majnoon field to BOC, and therefore reliance is on information reported by BOC
- PT Pertamina and Shell West Qurna (Phase 1) field did not report the requested information, however, BOC reported the value of liftings made by these IOCs being the license holder of West Qurna (Phase 1) field.

[69] Information related to the EGPC (TSC) was reported by the field operator (Faihaa – Block 9) Kuwait Energy.

There is a difference of USD 97,730,306 between the amount reported by SOMO to the IA and that reported by SOMO to the MSG, the later was used by the MSG in the preparation of the materiality scoping study.

The difference is explained as follows:

| | USD |
|---|---|
| Amount reported by SOMO to the IA | 59,462,609,245 |
| Add: Delay penalties netted off by SOMO in the reporting templates sent to the IA | 98,520,734 |
| Less: Delay penalties not deducted by SOMO in the reporting templates sent to the IA (related to Shell and Shell Majnoon) | (790,428) |
| Amount reported by SOMO to the MSG | 59,560,339,551 |

Notes on the remaining differences are explained in the table below:

(Table 4-5: Justification of crude oil exports reconciliation differences)

| Ref | Notes | Amounts reported by SOMO not reported by the buyer (USD) | Amounts reported by the buyer not reported by SOMO (USD) | Difference (USD) |
|---|---|---|---|---|
| A | The differences represents one delay penalty for USD 518,820 reported by SOMO not reported by the buyer. | (518,820) | - | (1,027,354) |
| | The difference relates to:<br>– a difference in the value of one invoice, where the buyer recorded an amount that is lower than the invoice amount reported by SOMO, by USD 718,735<br>– one delay penalty for USD 210,201 reported by the buyer not reported by SOMO | - | (508,534) | |
| B | Differences are due to delay penalties reported by SOMO, not reported by the buyer, with the exception of one delay penalty amounting to USD 67,652 reported by the buyer (Bharat Petroleum), and not by SOMO. | (38,613,228) | 67,652 | (38,545,576) |
| C | The difference represents the value of two invoices related to November and December 2017 totaling USD 84,438,005 and two delay penalties totaling USD 839,190 reported by SOMO not reported by the buyer. | 83,598,815 | - | 15,083,039 |
| | The difference represents the value of four invoices related to December 2016 and January 2017 amounting to USD 68,515,776 reported by the buyer not reported by SOMO. | - | (68,515,776) | |
| D | The difference represents four delay penalties totaling USD 3,004,499 reported by SOMO not reported by the buyer. | (3,004,499) | - | (59,573,725) |
| | The difference represents the value of one invoice related to January 2018 for USD 56,569,226 reported by the buyer not reported by SOMO. | - | (56,569,226) | |

| Ref | Notes | Amounts reported by SOMO not reported by the buyer (USD) | Amounts reported by the buyer not reported by SOMO (USD) | Difference (USD) |
|---|---|---|---|---|
| E | The difference represents the value of one invoice related to December 2017 for USD 57,689,545, and two delay penalties totaling USD 651,440 reported by SOMO not reported by the buyer. | 57,038,105 | - | 8,386,227 |
| | The difference represents the value of one invoice related to December 2016 for USD 48,651,878 reported by the buyer not reported by SOMO. | - | (48,651,878) | |
| F | The difference represents the value of two invoices related to December 2017 amounting to USD 169,854,541, and six delay penalties amounting to USD 1,740,213 reported by SOMO not reported by the buyer. | 168,114,328 | - | 122,018,328 |
| | The difference represents the value of one invoice related to 2016 for USD 46,096,000 reported by the buyer not reported by SOMO. | - | (46,096,000) | |
| G | The difference represents the value of five invoices related to January, March, and September 2017 totaling USD 211,634,622, and eight delay penalties totaling USD 9,020,498 reported by SOMO not reported by the buyer. | 202,614,124 | - | 202,614,124 |
| H | The difference represents the value of one delay penalty for USD 44,188 reported by SOMO not reported by the buyer. | (44,188) | - | 499,772 |
| | The difference represents commercialization fees reported by the buyer not reported by SOMO. | - | 543,960 | |
| I | The difference represents the value of one invoice for USD 57,462,860 related to December 2017 reported by SOMO not reported by the buyer. | 57,462,860 | - | 57,462,860 |
| J | The difference represents a corporate income tax amount related to technical service contract of the buyer reported by the buyer not reported by SOMO. | - | (21,620,747) | (21,620,747) |

| Ref | Notes | Amounts reported by SOMO not reported by the buyer (USD) | Amounts reported by the buyer not reported by SOMO (USD) | Difference (USD) |
|---|---|---|---|---|
| K | The difference represents the value of three invoices related to December 2017 amounting to USD 295,250,917 and delay penalties amounting to USD 2,638,534 reported by SOMO not reported by the buyer. | 292,612,383 | - | 192,386,459 |
| | The difference represents the value of two invoices related to 2016 amounting to USD 100,225,924 reported by the buyer not reported by SOMO. | - | (100,225,924) | |
| L | The difference represents delay penalties for USD 50,038,464 reported by the buyer not reported by SOMO. | - | (50,038,464) | (50,038,464) |
| M | The difference represents seven invoices related to November and December 2017 totaling USD 315,867,412, and two delay penalties for USD 17,443 reported by SOMO not reported by the buyer. | 315,849,969 | - | 188,453,643 |
| | The difference represents four invoices related to 2016 totaling USD 127,396,326 reported by the buyer not reported by SOMO. | - | (127,396,326) | |
| N | The difference represents two invoices related to November 2017 totaling USD 118,773,130 and two delay penalties totaling USD 2,233,430 reported by SOMO not reported by the buyer. | 116,539,700 | - | (22,725,850) |
| | The differences represent six invoices related to 2016 amounting to USD 139,265,550 reported by the buyer not reported by SOMO. | - | (139,265,550) | |
| O | These amounts represent the value of crude oil quantities lifted by the buyer as service fees under technical service contracts. The reason for the difference is that the buyer reported the approved amount of service fees not the actual value of liftings made. | - | (46,972,869) | (46,972,869) |
| | | | 20,857,262 | 20,857,262 |
| | | | (19,677,813) | (19,677,813) |
| P | The difference represents two invoices related to 2016 amounting to USD 98,277,455 reported by SOMO not reported by the buyer. | 98,277,455 | - | 98,277,455 |

| Ref | Notes | Amounts r eported by SOMO not reported by the buyer (USD) | Amounts reported by the buyer not reported by SOMO (US D) | Difference (USD) |
|---|---|---|---|---|
| R | The difference represents one invoice related to December 2017 for USD 16,881,074 reported by SOMO not reported by the buyer. | 16,881,074 | - | 16,881,074 |
| S | The difference represents four shipments divided into sixteen invoices related to November and December 2017 amounting to USD 435,361,643, and two delay penalties amounting to USD 516,298 reported by SOMO not reported by the buyer. | 434,845,345 | - | 274,076,648 |
| | The differences represent two invoices related to 2016 totaling USD 160,768,697 reported by the buyer not reported by SOMO. | - | (160,768,697) | |
| T | The differences represent six delay penalties amounting to USD 2,582,145 reported by SOMO not reported by the buyer. | (2,582,145) | - | (51,647,765) |
| | The difference represents one invoice related to 2016 amounting to USD 49,065,620 reported by the buyer not reported by SOMO. | - | (49,065,620) | |
| U | The difference is unjustified, because the buyer provided a letter that includes the total value of crude oil purchased during 2017 but did not provide the details of such purchases (shipment and invoice details). | 15,931,357 | - | 15,931,357 |
| V | The difference represents 3 invoices related to December 2017 for USD 260,754,137 | 260,754,137 | - | 171,633,048 |
| | The differences represent 2 invoices related to 2016 amounting to USD 89,121,089 reported by the buyer not reported by SOMO. | - | (89,121,089) | |
| W | The difference is due to:<br>– 3 invoices related to August, November and December 2017 amounting to USD 95,004,533 reported by SOMO, not reported by the buyer.<br>– 2 invoices reported by SOMO with a difference in value than those same invoices reported by the buyer by USD 8,300,000 | 103,304,533 | - | 103,304,533 |

| Ref | Notes | Amounts reported by SOMO not reported by the buyer (USD) | Amounts reported by the buyer not reported by SOMO (USD) | Difference (USD) |
|---|---|---|---|---|
| X | The difference represents three invoices related to November and December 2017 amounting to USD 44,813,386 reported by SOMO not reported by the buyer. | 44,813,386 | - | 44,813,386 |
| Y | The difference represents one invoice related to January 2017 for USD 11,215,668, and five delay penalties totaling USD 3,077,492 reported by SOMO not reported by the buyer. | 8,138,176 | - | (3,293,983) |
| | The difference represents one invoice related to January 2018 for USD 11,432,159 reported by the buyer not reported by SOMO. | - | (11,432,159) | |
| Z | The difference represents one invoice related to November 2016 amounting to USD 103,568,778 reported by the buyer not reported by SOMO. | - | (103,568,778) | (103,568,778) |
| AA | The differences represent three delay penalties amounting to USD 756,398 reported by SOMO not reported by the buyer. | (756,398) | - | (8,009,323) |
| | The reason for the difference is due to the buyer reporting invoices with different prices and values than those invoices reported by SOMO. | - | (7,252,925) | |
| AB | The difference represents one invoice related to January 2017 for USD 14,105,400, and nine delay penalties totaling USD 3,735,735 reported by SOMO not reported by the buyer. | 10,369,665 | - | (2,427,409) |
| | The differences represent one invoice related to January 2018 for USD 12,797,074 reported by the buyer not reported by SOMO. | - | (12,797,074) | |
| AC | The difference represents four delay penalties amounting to USD 1,505,433 reported by SOMO not reported by the buyer. | (1,505,433) | - | (1,383,678) |
| | The reason for the difference is that the buyer reported an invoice with a different price than that reported by SOMO. | - | 121,755 | |
| AD | The difference represents one invoice related to December 2017 amounting to USD 117,097,718, and five delay penalties totaling USD 1,104,654 reported by SOMO not reported by the buyer. | 115,993,064 | - | 22,893,752 |
| | The difference represents one invoice related to December 2016 amounting to USD 93,099,312 reported by the buyer not reported by SOMO. | - | (93,099,312) | |

### 4.5.2. Cost Recovery and Remuneration Fees Reconciliation

Cost recovery and remuneration fees reported by SOMO for the purpose of this reconciliation are the fees approved during the year 2017, and do not necessarily reflect the amounts actually lifted by the IOCs during the year.

I- Cost recovery

(Table 4-6: Reconciliation of cost recovery for the year 2017)

| Oil Field | Company name | Cost recovery/ SOMO | Cost recovery/ Companies | Differences | Note |
|---|---|---|---|---|---|
| Rumaila | BP | 928,931,239 | 934,205,131 | (5,273,892) | A |
| | Petrochina | 904,473,618 | 756,305,499 | 148,168,119 | A |
| Missan* | CNOOC | 771,558,082 | 771,558,082 | - | |
| | TPAO | 136,157,309 | 136,157,309 | - | |
| Halfaya | Petrochina | 478,071,244 | 483,118,506 | (5,047,262) | C |
| | Totsa Total | 239,035,622 | 241,559,253 | (2,523,631) | |
| | Petronas | 239,035,622 | 241,559,253 | (2,523,631) | |
| Garraf | Petronas | 226,038,589 | 260,539,468 | (34,500,879) | A |
| | Japan Petroleum | 150,692,393 | 189,363,565 | (38,671,172) | A |
| West Qurna (Phase 2) | Lukoil | 504,462,683 | 509,840,330 | (5,377,647) | D |
| Badra | TPAO | 83,838,639 | 73,137,347 | 10,701,292 | A |
| | Petronas | 167,677,279 | 166,201,530 | 1,475,749 | A |
| | KOGAS | 251,515,919 | 251,515,919 | - | |
| | JSC Gazprom | 335,354,558 | 292,838,550 | 42,516,008 | A |
| Ahdeb | Al-Waha Petroleum | 610,220,409 | 1,050,653,175 | (440,432,766) | B |
| Faihaa (Block 9)** | Kuwait Energy | 83,799,364 | 83,799,364 | - | |
| | Dragon Oil | 41,899,682 | 41,899,682 | - | |
| | EGPC | 13,966,560 | 13,966,560 | - | |
| Total | | 6,166,728,811 | 6,498,218,523 | (331,489,712) | |

* We relied on the data reported by CNOOC on behalf of the entire consortium because:

1- The data reported by TPAO was on a cash basis (actual lifting).

** We relied on the data reported by Kuwait Energy on behalf of the entire consortium

A The difference is due to the fact that the companies reported the lifted quantities while SOMO reported the approved quantities.

B The difference is due to the fact that the company reported the aggregate value of remuneration fees and cost recovery.

C Corporate income tax was withheld from the petroleum costs (cost recovery) instead of the remuneration fees, as the remuneration fees were not sufficient to cover the annual corporate tax due for the year. As a result, PCLD deducted the shortfall of tax amounting to USD 10,094,524 from petroleum costs.

D The difference is related to the fourth quarter cost recovery invoice amounting to USD 130,589,492 reported by the company and not reported by SOMO, and 2017 fourth quarter cost recovery invoice amounting to USD 125,211,846 reported by SOMO and not reported by the Company.

## II- Remuneration fees

(Table 4-7: Reconciliation of remuneration fees for the year 2017)

| Field | Company name | Remuneration fees / SOMO | Remuneration fees / Companies | Difference | Note |
|---|---|---|---|---|---|
| Rumaila | BP | 230,451,687 | 282,951,473 | (52,499,786) | A |
| | Petrochina | 224,384,176 | 301,901,038 | (77,516,862) | |
| Missan | CNOOC | - | - | - | |
| | TPAO | - | - | - | |
| Halfaya | Petrochina | 41,498,860 | 36,451,598 | 5,047,262 | C |
| | Totsa Total | 20,749,430 | 18,225,799 | 2,523,631 | |
| | Petronas | 20,749,430 | 18,225,799 | 2,523,631 | |
| Garraf | Petronas | 14,743,374 | 36,873,005 | (22,129,631) | A |
| | Japan Petroleum | 9,828,916 | 21,250,512 | (11,421,596) | A |
| West Qurna (Phase 2) | Lukoil | 71,137,583 | 72,539,822 | (1,402,239) | D |
| Badra | TPAO | - | - | - | |
| | Petronas | - | - | - | |
| | KOGAS | - | - | - | |
| | JSC Gazprom | - | - | - | |
| Ahdeb | Al-Waha Petroleum | 189,114,229 | 1,050,653,175 | (861,538,946) | B |
| Faihaa* | Kuwait Energy | 8,805,227 | 10,519,515 | (1,714,288) | E |
| | Dragon Oil | 4,402,613 | 5,259,757 | (857,144) | |
| | EGPC | 1,467,538 | 1,753,253 | (285,715) | |
| Total | | 837,333,063 | 1,856,604,746 | (1,019,271,683) | |

* Kuwait Energy reported data on behalf on the entire consortium

A The difference is due to the fact that the companies reported the lifted quantities while SOMO reported the approved quantities.

B The difference is due to the fact that the company reported an aggregated amount for remuneration fees and cost recovery.

C Corporate income tax was withheld from the petroleum costs (cost recovery) instead of the remuneration fees, as the remuneration fees were not sufficient to cover the annual corporate tax due for the year. As a result, PCLD deducted the shortfall of tax amounting to USD 10,094,524 from petroleum costs.

D The difference is related to the fourth quarter remuneration fees invoice amounting to USD 31,849,934 reported by the company and not reported by the SOMO, and 2017 fourth quarter remuneration fees invoice amounting to USD 30,447,695 reported by the SOMO and not reported by the Company.

E The difference represents 2017 corporate income tax amount, whereby SOMO reported the remuneration fees net of the income tax amount.

The table below shows the reconciliations of cost recovery and remuneration fees of Zubair field, West Qurna (Phase 1) field and Majnoon field for the year 2017 between SOMO and the respective IOCs. Shell West Qurna, Shell Majnoon, Occidental and Pertamina did not report on their liftings made during the year 2017 (equivalent to cost recovery and remuneration fees earned by these companies), hence, BOC made such reporting on the basis that:

1- Shell Majnoon had sold its shares in Majnoon field to BOC, and therefore reliance is made on information reported by BOC (Transfer of shares was made during 30 June 2018 as mentioned in Section 2.7)
2- Occidental has sold its shares in Zubair field to BOC (as of September 2016), and therefore reliance is made on information reported by BOC
3- BOC is the license holder of West Qurna (Phase 1) field

Cost recovery and remuneration fees were grouped together for the purpose of this reconciliation because BOC reported the value of liftings made without differentiation between cost recovery and remuneration fees.

| Field | Company | Cost recovery and remuneration fees / SOMO (USD) | Cost recovery and remuneration fees/ Companies (USD) | Difference (USD) | Note |
|---|---|---|---|---|---|
| Zubair | ENI | 714,983,755 | 690,214,539 | 24,769,216 | A |
| | KOGAS | 407,198,644 | 428,797,190 | (21,598,546) | |
| | Occidental | 501,061,231 | 36,811,864 | 464,249,367 | |
| West Qurna (Phase 1) | ExxonMobil | 281,993,193 | 312,689,162 | (30,695,969) | |
| | Petrochina | 281,668,593 | 297,803,913 | (16,135,319) | |
| | Shell | 169,115,049 | 145,078,727 | 24,036,322 | |
| | Pertamina | 86,195,010 | 43,516,581 | 42,678,429 | |
| Majnoon | Shell | 310,913,526 | 265,246,752 | 45,666,774 | |
| | Petronas | 207,275,684 | 222,150,361 | (14,874,676) | |
| Total | | 2,960,404,685 | 2,442,309,089 | 518,095,598 | |

Note:

A The difference is due to that SOMO reported the approved amounts for cost recovery and remuneration fees during 2017 (not the actual amounts lifted during 2017).

### 4.5.3. Corporate Income Tax (CIT)

The service contracts signed under licensing rounds require IOCs to pay income tax levied at a rate of thirty five percent (35%) of the contractor's taxable profit under the law which shall, as between the contractors and the national oil companies (MoO entities), be deemed to be the remuneration fee received during the relevant tax year.

As it relates to Ahdeb field, the CIT reported in the special purpose financial statements for year 2017, CIT is part of the recoverable petroleum costs. Therefore, the CIT levied at 35% of remuneration fees is a reimbursable cost for the Contractor. As it relates to the other fields, for which we received the audited special purpose financial statements (Zubair, Badra, Garraf, Missan fields, Rumaila, West Qurna (Phase 1 and Phase 2), Helfaya), CIT is a non-recoverable cost for the Contractors. We did not receive the audited special purpose financial statements for the remaining fields (Majnoon and Faihaa), and hence we could not confirm the recoverability of those expenses.

The following is a description of the new mechanism for tax settlement of international oil companies working under licensing rounds in Iraq for the year 2017 and subsequent years:

1- Companies shall submit financial statements and information deemed necessary by the General Commission of Taxes (GCT) to complete the tax settlement with the concerned department and within the time limits specified by law in Article (27) of the effective Income Tax Law. The GCT shall have the full right to go back to those companies whose income has been underestimated within a period of five preceding years, with the exception of the year of tax estimation. For companies whose income has not been estimated, the GCT shall refer to the date of income recognition in accordance with the provisions of Article (32) of the Income Tax Law in force.

2- Where IOCs are unable to provide the required documents, information and addresses to their headquarters in Iraq, the GCT will resort to calculating an estimate based on the earnings confirmed by the Ministry of Oil and after comparing it with what is shown in its financial statements.

3- For the year 2016 and prior years, the estimate is based on the earnings confirmed by the Ministry of Oil.

The table below presents approved CIT amounts for the year 2017 and reported by the Ministry of Oil. Actual payments in respect of 2017 CIT reported by the General Commission of Taxes amounted to USD 440,394,8539 (this figure was converted from IQD to USD using USD 1 = IQD 1,200). The differenece of approximately USD 31 million between approved CIT figures and actual payments is mainly due to three IOCs completing their tax clearance with the GCT and differences in applied exchange rate (USD 1 = IQD 1,182 as compared to USD 1 = IQD 1,200).

(Table 4-8: Corporate income tax for the year 2017)

| Oil Field | Company name USD | Taxes/ PCLD USD |
|---|---|---|
| Rumaila | BP | 172,740,540 |
| | Petrochina | |
| Zubair | ENI | 36,103,083 |
| | KOGAS | |
| | BOC | |

| Oil Field | Company name USD | Taxes/ PCLD USD |
|---|---|---|
| West Qurna (Phase 1) | ExxonMobil | 50,124,055 |
| | Petrochina | |
| | Shell | |
| | Pertamina | |
| Missan[70] | CNOOC | - |
| | TPAO | |
| Halfaya | Petrochina | 39,563,823 |
| | Totsa Total | |
| | Petronas | |
| Majnoon | Shell | 31,015,542 |
| | Petronas | |
| Garraf | Petronas | 11,521,974 |
| | Japan Petroleum | |
| West Qurna (Phase 2) | Lukoil | 53,695,027 |
| Badra[70] | TPAO | - |
| | Petronas | |
| | KOGAS | |
| | JSC Gazprom | |
| Ahdeb | Al-Waha Petroleum | 76,700,836 |
| Faihaa (Block 9) | Kuwait Energy | - |
| | Dragon Oil | |
| | EGPC | |
| Total | | 471,464,880 |

[70] The companies did not earn remuneration fees during 2017, hence no CIT was due.

### 4.5.4. Treasury Share of SOE Net Profits

These payments made by SOEs to the government (specifically to the MoF) represent the government's share of the companies' net distributable profits (in accordance with Law No. 22 of 1997). The government's share of 45% of companies' net distributable profits is calculated and recorded as a liability, until it is paid Payments from SOEs to the government are deposited with the MoF Treasury, and for the purpose of this report, have been reported unilaterally by the Ministry of Finance (the government body receiving the payments).

The table below represents the amounts received by the MoF from SOEs operating in the extractive sector during year 2017. The amounts presented by the MoF are reported on a cash basis; therefore, amounts received during 2017 do not necessarily represent amounts accrued during the fiscal year 2017:

(Table 4-9: Treasury share of SOE net profits for the year 2017)

| SOE | IQD | USD Equivalent[71] |
|---|---|---|
| Oil Products Distribution Company | 20,760,589,846 | 17,563,951 |
| South Refineries Company | 47,539,707,217 | 40,219,718 |
| SOMO | 146,771,215,321 | 124,171,925 |
| North Oil Company | 7,676,477,688 | 6,494,482 |
| Missan Oil Company | 15,000,000,000 | 12,690,355 |
| Oil Tankers Company | 3,877,100,407 | 3,280,119 |
| Gas Filling Company | 29,050,180,594 | 24,577,141 |
| Midland Refineries Company | 45,747,416,740 | 38,703,398 |
| Oil Exploration Company | 5,428,730,457 | 4,592,835 |
| South Gas Company | 5,000,000,000 | 4,230,118 |
| Midland Oil Company | 6,900,045,156 | 5,837,602 |
| Total | 333,751,463,426 | 282,361,644 |

Source: This information was reported by the MoF

SOE payments to the state treasury are made after the final accounts of the SOEs have been approved by the FBSA. With the exception of one state-owned entity (North Oil Company), the final accounts of all state-owned entities operating in the oil and gas sector for year 2017 had not been approved by the FBSA during 2017. Therefore, payments made to the state treasury represent payments in respect of outstanding balances, accrued in years prior to 2017. Accordingly, some SOEs have made no payments to the MoF during 2017.

Due to the delay in the FBSA's audit of the final accounts in Iraq since 2014, many of the extractive SOEs have not been making payments to the state treasury, which has caused cash flow issues for the Ministry of Finance. Accordingly, the Ministry of Oil has attempted to resolve the issue by obtaining the Prime Minister's approval dated 26 April 2018 on the following:

- SOEs are required to pay 50% of the treasury share (50% of the 45% share of net profits) to the state treasury before the final accounts are audited by the FBSA.

[71] Throughout this report the exchange rate of IQD 1,182 = USD 1 is used to convert from Iraqi Dinar to US Dollar, which is in accordance with the federal budget approved exchange rate for the year 2017.

### 4.5.5. State Partner Shares in Field Remuneration Fees

The following table represents the value of the sate partner's share of remuneration fees paid during 2017, which is reported by the Ministry of Oil.

(Table 4-10: Value of the sate partner's share of remuneration fees paid during 2017)

| Field Name | State Partner | State partner ownership %* | Total state partner revenue (USD) |
|---|---|---|---|
| Rumaila | SOMO | 6 | 63,712,028.23 |
| Zubair | MOC | 5 | 20,842,209.10 |
| West Qurna (Phase 1) | OEC | 5 | 18,252,039.41 |
| West Qurna (Phase 2) | NOC | 25 | 30,674,422.83 |
| Majnoon | MOC | 25 | 26,863,393.75 |
| Garraf | NOC | 25 | 17,910,853.40 |
| Faihaa (Block 9)[72] | - | - | - |
| Ahdeb | SOMO | 25 | 47,913,548.44 |
| Halfaya | BOC | 10 | 18,756,783.22 |
| Missan fields | Iraqi Drilling Company | 25 | - |
| Badra | OEC | 25 | - |
| Total | | | 244,925,278.38 |

Source: This data was presented by the MoO

- * These percentages reflect the ownership interest of state partners during 2017

[72] There is no state partnership in Block 9

### 4.5.6. Internal Service Payments

The table below represents the value of internal service payments made by the MoF through SOMO to the NOCs to cover the cost of production that is exported on a monthly basis. These payments have been reconciled between SOMO and the national extractive companies due to their importance. According to the Economic Directorate of the MoO, amounts transferred from the MoF to SOMO, in respect of the costs of national production that is exported, are transferred to the respective national oil companies based on each company's need for cash flows.

The following table represents a reconciliation between SOMO and the respective national oil companies, and the Oil Exploration Company for year 2017:

(Table 4-11: Internal service payments reconciliation between SOMO, respective national oil companies, and the Oil Exploration Company for year 2017)

| Month | Amount by SOMO (IQD) | Amount by Company (IQD) | Difference* (IQD) |
|---|---|---|---|
| Basra Oil Company | 65,500,000,000 | 132,500,000,000 | (67,000,000,000) |
| Missan Oil Company | 96,700,000,000 | 96,700,000,000 | - |
| Midland Oil Company | 56,750,000,000 | 56,750,000,000 | - |
| North Oil Company | 232,750,000,000 | 232,750,000,000 | - |
| Oil Exploration Company** | 32,050,000,000 | 51,550,000,000 | (19,500,000,000) |
| Total | 483,750,000,000 | 570,250,000,000 | (86,500,000,000) |

- * The differences represent amounts related to year 2017, received by BOC and OEC in January 2018.

** The Oil Exploration Company's ISP for the year 2017 (IQD 32.05 billion) was paid by SOMO through contributions from the four national oil companies (which are netted out of transfers to the 4 national oil companies), as per the following contribution shares:

- 70% from Basra Oil Company
- 5% from North Oil Company
- 10% from Midland Oil Company
- 15% from Missan Oil Company

As evident in the table above, Basra Oil Company receives the lowest amount of internal service payments, although it accounts for the highest share of total crude oil production rate in Federal Iraq. At the same time, North Oil Company accounts for a significantly lower share of crude oil production than BOC, but receives the highest ISP. According to discussions with the FBSA, this is due to the following reason:

- Allocations are made, taking into consideration the cash flow status of each company. Companies that have sufficient cash flows, and are able to finance their operations receive a smaller share than companies that face cash flow shortages.

## 4.6. Subnational Direct Payments

### 4.6.1. KRG Revenue

The revenue figures for the KRG were obtained from two reports published on the KRG's website (this information was published in two reports - the first covering the first half of 2017 and the second covering the second half of 2017).

For the period from 1 January 2017 – 30 June 2017

(Table 4-12: KRG crude oil export revenue for the period from 1 January 2017 – 30 June 2017)

| Description | Amount (USD) |
|---|---|
| Gross value of crude oil sold | 4,069,634,337 |
| Change in buyer account balances (excluding advance payments) | (513,179,291) |
| Interest and other charges from the buyers | (16,786,387) |
| Payments made to oil producers on behalf of the KRG | (568,818,239) |
| Payments made to third parties on behalf of the KRG | (692,533,006) |
| Payment made to Kirkuk Governorate for oil lifted from Kirkuk (petrodollar payment) | (62,000,000) |
| Payments made to the Ministry of Finance for oil security costs | (50,161,940) |
| Payments to Dana Gas | (90,052,932) |
| Net cash balance received by the KRG for the period sales | 2,076,102,542 |

Source:
(http://cabinet.gov.krd/uploads/documents/2018/Deloitte_Report_on_KRG_Oil_Export__Consumption_and_Revenues_for_First_Half_of_2017_ENG_KU_AR.pdf)

For the period from 1 July 2017 – 31 December 2017:

(Table 4-13: KRG crude oil export revenue for the period from 1 July 2017 – 31 December 2017)

| Description | Amount (USD) |
|---|---|
| Gross value of crude oil sold (Piped and Trucked exports) | 3,853,777,857 |
| Net movement in buyer account balances (excluding advance payments) | (121,200,706) |
| Interest and other charges from the buyers | (91,228,136) |
| Payments made to oil producers by, or on behalf of the KRG | (624,998,472) |
| Payments made to third parties by, or on behalf of the KRG | (638,178,647) |
| Payment made to Kirkuk Governorate for oil lifted from Kirkuk (petrodollar payment) | (30,000,000) |
| Payments made to the Ministry of Finance for oil security costs | (14,592,100) |
| Payments made against arbitration settlement | (518,169,127) |
| Net cash balance received by the KRG for the period sales | 1,815,410,669 |

Source:
(http://cabinet.gov.krd/uploads/documents/2018/Deloitte_H2_2017_Public_Report.pdf)

Based on the information reported by the MNR in the production report (daily gross field production) for the period from January 2015 to September 2016[73], the four largest producers of KRG oil (per filed) are:

i. Tawke – DNO A.S (Genel Energy is also a partner, but DNO A.S is the operator)
ii. Taq Taq – TTOPCO (is a special purpose entity established by Genel Energy and Addax Petroleum, and is the operator of Taq Taq field)
iii. Shaikan – Gulf Keystone Petroleum (Operator)
iv. Khurmala/Bai Hassan/Avana – KAR (Operator)

We were able to find the reports on payments to governments published by two of the four above listed companies, in which all payments made to the different governments are declared:

i. Gulf Keystone Petroleum Ltd (GKP): Reports on payments to governments were published in its website
ii. TTOPCO (is a special purpose entity established by Genel Energy and Addax Petroleum): Figures reported by Genel Energy on the payments to government's reports includes payments made by TTOPCO.

The following tables represent revenues received by the KRG from Gulf Keystone and Genel Energy in relation to Shaikan, Taq Taq, and Tawke PSCs.

Genel Energy

(Table 4-14: Payments to KRG made by Genel Energy during 2017)

| Genel Energy | Amount (USD) | |
|---|---|---|
| | Taq Taq* | Tawke** |
| Royalties | 32,360,000 | - |
| Capacity building payments | 590,000 | - |
| Production bonus | 16,500,000 | 9,380,000 |
| Total | 49,450,000 | 9,380,000 |

Source: Genel Energy Payments to Governments report for year 2017

* As stated by Genel Energy, the amount reported under Taq Taq field, excluding capacity building payments, is the total amount paid to the Kurdistan Region by TTOPCO and Genel's share of these payments is 55%.

Gulf Keystone Limited

(Table 4-15: Payments to KRG made by Gulf Keystone Limited during 2017)

| Gulf Keystone | Amount (USD) |
|---|---|
| Royalties | 43,459,536 |
| License fees | 17,594,546 |
| Tax* | 1,254,823 |
| Total | 62,308,905 |

Source: Gulf Keystone Limited Payments to Governments report for year 2017

*As stated by Gulf Keystone in its report, according to the crude oil sales agreement dated 10 January 2018, road tax was paid on the crude oil exports of Shaikan field that were transported by road starting 15 November 2017 onwards. Road taxes were paid in kind.

[73] http://mnr.krg.org/images/pdfs/Kurdistan_Oil_Production_Field_Operator_2015_2016_1.pdf

## 4.7. In-Kind Revenues, Barter Agreements, and Transportation Revenues

According to the MSG, Requirements 4.2, 4.3 and 4.4 are all not applicable in Iraq due to the following:

- There are no revenues received in-kind by the Iraqi Government
- There are no barter agreements in Federal Iraq
- There are no transportation revenues received by the Government of Iraq

## 4.8. Data Quality and Assurance

### 4.8.1. Audit and Assurance Procedures in State-owned Entities Working in the Extractive Sector:

External audit practices:

SOEs in federal Iraq maintain and report their accounts in accordance with the Unified Accounting System (UAS). They are audited by the Federal Board of Supreme Audit, in accordance with Law No. 31 of 2011 Law of The Board of Supreme Audit (as amended).

The Federal Board of Supreme Audit undertakes audit programs prepared in accordance with local accounting principles issued by the Council of Auditing and Accounting Standards of the Republic of Iraq, the details of which are published on the IEITI website[74].
In addition to the audits conducted by the board, the Board of Supreme Audit also provides technical assistance in the fields of accounting, oversight, and administration to SOEs (as per Article 6 of Law No. 31 of 2011).

Internal Controls:

Internal controls adopted by SOEs include internal audit and control establishments, which operate in accordance with independently prepared work plans and mechanisms. In conducting their audits, the internal audit functions rely on activity- specific laws and regulations issued by the Council of Auditing and Accounting Standards of the Republic of Iraq. At year-end, financial statements are prepared by the financial departments, after they are audited and validated by the respective internal control functions, and the Internal Control Department at the ministry site. After completing their preparation, in accordance with the requirements of the Federal Board of Supreme Audit, the financial statements are presented to the Board of Supreme Audit to express its opinion on the financial statements.

### 4.8.2. Audit and Assurance Procedures in Governmental Entities

State offices and governmental entities that deal with the public wealth in taxing, expending, planning, exchanging, trading, or service producing are subjected to the financial control.[75]

Accordingly, the Federal Board of Supreme Audit conducts audit programs on the final accounts of the government bodies.

Click here for more information on audit procedures in governmental entities and SOEs.

### 4.8.3. Audit and Assurance Procedures in International Oil Companies (IOCs)

International oil companies operating in Iraq under licensing rounds contracts are required by the terms of their contracts to establish and maintain a branch office in the Republic of Iraq and to maintain such office for the term of the contract. Entities registered in Federal Iraq are required to prepare annual financial statements in accordance with Iraqi Uniform Accounting Standards (UAS), which are audited by an external auditor.

[74] http://ieiti.org.iq/mediafiles/articles/doc-546-2018_11_08_07_14_50.pdf
[75] https://www.fbsa.gov.iq/en/page/scope-of-work

In addition to the audited financial statements of the IOCs, special purpose financial statements for each field are prepared in accordance with the terms of the service contracts, and are audited by external auditors in accordance with International Standards on Auditing (ISA).

### 4.8.4. Data Quality Assurance Measures

As stated above, SOE's final accounts are audited by the FBSA. However, due to the absence of an approved federal budget for the year 2014, all of the national companies' final accounts (with the exception of North Oil Company) have not been audited by the FBSA, for the period between 2014 and 2017. Accordingly, the MSG decided to adopt the following quality assurance methods for the reporting SOEs:

- Where SOE final accounts are audited by the FBSA, the audited accounts of the SOEs are obtained
- Where final accounts are not yet audited and approved by FBSA (due to the delay described above), the companies' final accounts signed by the Internal Audit Committee and Board of Directors, are obtained
- In addition to the above, all reporting templates have to be signed and stamped by the company representative, confirming accuracy of the reported figures

In the case of international oil companies buying crude oil from SOMO, the financial statements of these companies are audited by the international audit firms (external auditors). The financial statements of these companies include the results of their business operations, whether they relate to purchases from SOMO or from their other business activities carried out outside of Iraq. Therefore, some companies may not agree to disclose their audited financial statements. Accordingly, the MSG has decided to adopt the following data quality assurance measure to verify the accuracy of the data provided by these companies, as follows:

- Audited financial statements signed by the companies' external auditor
- Where audited financial statements are not provided, the approved quality assurance measure is to receive the invoices issued by SOMO to support the figures reported by the oil buyers in the reporting templates, and the underlying supporting documents
- In addition to the above, all reporting templates have to be signed and stamped by the company representative, confirming accuracy of the reported figures

In the case of international oil companies operating in Iraq under licensing rounds contracts, the MSG agreed to adopt the following quality assurance measures:

- Audited financial statements signed by the companies' external auditor
- Where audited financial statements are not provided, the alternative quality assurance measure is to receive the special purpose financial statements for the fields, signed by the field external auditor

As it relates to governmental reporting entities, the MSG decided to adopt the following data quality assurance measure to verify the accuracy of the data provided:

- Reported data has to be signed and stamped by the government entity representative, confirming accuracy of the reported figures

### 4.8.5. Data Quality of Reporting Companies

<u>SOEs</u>

The following table displays the percentage of compliance to data quality assurance requirements, by SOEs:

- All six reporting SOEs provided signed and stamped templates
- Of the six reporting SOEs, only one company had its financial statements audited and approved by the FBSA. Therefore, only one company submitted its audited financial statements
- Of the six reporting SOEs, only two presented the 2017 financial statements that have been approved by the Internal Audit Department and Board of Directors

(Table 4-16: Data quality of reporting SOEs)

| Signed Templates | Financial statements approved by Internal Audit and BOD | Financial Statement approved by FBSA[76] |
|---|---|---|
| 100% | 33.3% | 16.7% |

<u>International oil buyers</u>

The following table displays the percentage of compliance to data quality assurance requirements, by oil buyers:

- Of the oil buyers who completed the reporting templates, 86.53% presented signed and stamped templates
- Of the oil buyers who completed the reporting templates, 30.77% presented the related SOMO invoices to support the amounts reported
- Of the oil buyers who completed the reporting templates, 44.23% presented the audited financial statements for the year 2017

(Table 4-17: Data quality of reporting international oil buyers)

| Signed Templates | SOMO invoices | Audited financial statements |
|---|---|---|
| 86.53% | 30.77% | 44.23% |

<u>International oil companies</u>

The following table displays the percentage of compliance to data quality assurance requirements, by IOCs:

- Of the IOCs who completed the reporting templates, 78.26% presented signed and stamped templates
- Of the IOCs who completed the reporting templates, 21.74% presented the company's audited financial statements for year 2017
- Of the IOCs who completed the reporting templates, 78.26% presented the audited field financial statements for year 2017

(Table 4-18: Data quality of reporting international oil buyers)

| Signed Templates | Company's audited financial statements | Field financial statements |
|---|---|---|
| 78.26% | 21.74% | 78.26% |

From the aforementioned analysis, it is clear that reporting companies favored the approach of sending signed and stamped reporting templates. Although this is acceptable according to the approach approved by the MSG, reported data would be of higher credibility if the reporting packages included copies of audited financial statements.

[76] Only one of six material reporting SOEs submitted financial statements audited by the FBSA

Taking into consideration the quality assurance procedures set by the MSG for the reporting entities, presented data was comprehensive and reliable for the reasons stated hereunder with some exceptions:

- Information reported by reporting government entities for the purpose of the IEITI 2017 report were duly signed and stamped by the government entity representative
- While not all quality assurance measures were adhered to by the international oil companies, all companies conformed to at least one quality assurance measure to establish the quality of the reported data
- While state-owned entities did not conform to all pre-defined quality assurance measures, the completeness and reliability of the data received from the SOEs was established by the signatures of senior officers of the authority on the reported data templates and official company stamps
- With regards to international oil buyers, it was noted that 6 international oil buyers did not comply with any of the quality assurance measures determined by the MSG to ensure the quality of the data reported. The materiality of their payments is calculated relative to their share of total crude oil export revenue as follows:

(Table 4-19: Materiality of payments made by non-compliant companies)

| # | Buyer | Signed templates | SOMO invoices | Financial statements | Materiality | Comments |
|---|---|---|---|---|---|---|
| 1 | China National | No | No | No | 2.36% | The data was reported in excel file format and were not signed and stamped |
| 2 | JX Nippon | No | No | No | 1.41% | The data was reported in excel file format and were not signed and stamped |
| 3 | Cepsa Trading | No | No | No | 0.78% | - |
| 4 | Reliance industries Limited | No | No | No | 4.75% | - |
| 5 | Saras – Milano | No | No | No | 0.93% | The data was reported in excel file format and were not signed and stamped |
| 6 | Valero for Trading and Marketing | No | No | No | 1.97% | The data was reported in excel file format and were not signed and stamped |
| | Total | | | | 12.20% | |

### 4.8.6. Reconciliation Process

The reconciliation process is based on matching relevant and credible data from two or more sources accompanied by appropriate explanation of differences. Reporting is made by the concerned entities in accordance with the set criteria and requirements. Reporting entities were requested to report the requested data on a cash basis, since all governmental and state owned entities in Iraq apply the cash accounting basis in their financial reporting under the Iraqi Unified Accounting System. However, while SOMO's financial reporting is performed on a cash accounting basis, SOMO reported cost recovery and remuneration fees that were approved during the year 2017 (2017 accrual). In addition, the PCLD reported the corporate tax amounts that were approved during the year 2017.

The reconciliation process consisted of the following steps:

a. Reconciliation of the total revenues received by the Government of Iraq from oil exports as reported by the Ministry of Oil / SOMO and international oil buyers (including international oil extracting companies who lifted crude oil in respect of their cost recovery and remuneration fee shares);

b. Reconciliation of total payments made by the Government of Iraq as cost recovery and remuneration fees as reported by the SOMO and international oil extracting companies;

c. Reconciliation of total payments made by the Government of Iraq as internal service payments as reported by the national oil companies and SOMO;

# 5. Management and Distribution of Revenues

## 5.1. Budget Process

According to Section 6 of the Financial Management and Public Debt Law No. 95 of year 2004 (as amended), the federal budget should be prepared in accordance with economic development plans, the pursuit of macroeconomic stability, economic policy, and applicable laws and regulations. In particular, the preparation of the federal budget should be based upon prudent and conservative forecasts for petroleum prices, petroleum production, and tax and customs revenue. According to the Law, the Ministry of Finance is responsible for preparing the federal budget projections in consultation with the Central Bank and other Ministries in their respective areas of expertise. Section 6 of Law No. 95 requires the Minister of Finance to complete the annual draft federal budget by September of each year and submit it to the Council of Ministers (CoM) for approval. The Minister of Finance is then required to submit the budget by 10 October of each year to the body vested with the national legislative authority for approval. According to Section 7 of Law. No. 95, after its approval, the annual federal budget is to be published in the Official Gazette thereby making it available to the public[77].

The MSG has come to an understanding that all state revenues are included in the federal budget, except for revenues generated from the sale of crude oil and gas produced by the Kurdistan Region. This is explained in the subsequent sections, as follows:

i. Federal Government petroleum revenues:

According to Section 5 of the Financial Management and Public Debt Law No. 95 of year 2004 (as amended), all petroleum revenues shall be recorded in the federal budget as follows:
Section five (Management of Petroleum Revenues):

> “1) All proceeds from the sale of petroleum or otherwise derived from current and prospective petroleum extraction, including from the federal government’s production shares and royalties, and from the amounts paid in respect of a right to explore for petroleum resources, and any amounts derived from the investment of amounts in the petroleum revenue account, shall accrue to the budget. Except as provided in paragraph 2 of this section, below, or as may otherwise be required by applicable United Nations Security Council Resolutions (UNSCRs), the receipts from the export of petroleum shall be deposited into the Development Fund for Iraq (DFI) account, or a successor account to the DFI, hereafter generically referred to as the petroleum revenue account, and reflected accordingly as receipts and transfers to and from the budget.”

[77] http://www.mof.gov.iq/pages/ar/FinanceAdministrationLaw.aspx

“2) Pursuant to United Nations Security Council Resolution No. 1483 (2003), and subsequent related UNSCRs, five percent (or any other percentage as may be determined by the United Nations Security Council or jointly by the internationally recognized, representative government of Iraq and the Governing Council of the United Nations Compensation Commission in accordance with UNSCR 1483) of the receipts from the export of petroleum shall be transferred to the Compensation Fund established in accordance with UNSCR 687 (1991) and subsequent relevant UNSCRs, and the balance of receipts from the export of petroleum shall be deposited into the petroleum revenue account. These transfers to the Compensation Fund shall be shown in the budget.”

The following diagram provides a practical illustration of how revenues from the export sales of petroleum, petroleum products and natural gas are deposited in the accounts maintained by the Iraqi Government, and are subsequently distributed:

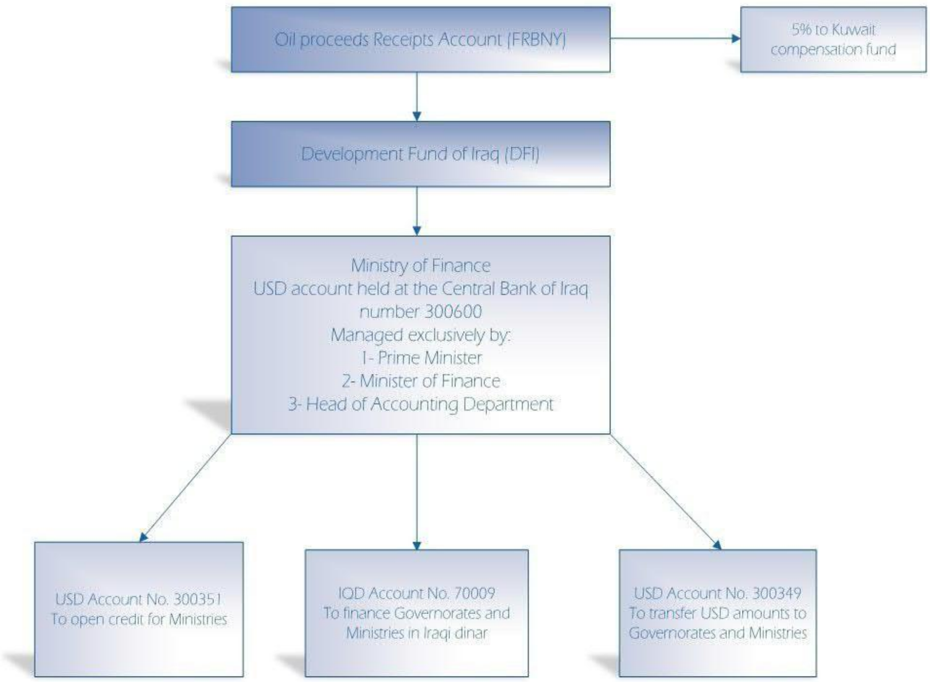



Diagram 5-1: Oil and gas sector revenue flows in Federal Iraq

All proceeds from Iraq’s export sales of petroleum, petroleum products and natural gas are deposited in an Oil Proceed Receipt Account (OPRA), an account held at the Federal Reserve Bank of New York (FRBNY) for the Central Bank of Iraq (CBI). 95% of these proceeds are required to be deposited in the Development Fund for Iraq (DFI) account held at the FRBNY. The remaining 5% of oil export proceeds should be deposited into a UN Compensation Fund established under UN Security Council Resolution 687 of 1991 and subsequent relevant resolutions, in accordance with the UN Security Council Resolution No. 1483 of 2003[78]. The DFI funds are subsequently transferred to a Ministry of Finance account held at the CBI, from which the funds are distributed in accordance with the allocations set out in the Federal Budget.

[78] http://unscr.com/en/resolutions/doc/1483

During the year 2017, there were no transfers made by Iraq to the UN Compensation Fund. This is due to the adoption of UN Compensation Commission decisions No. 272 (2014), 273 (2015) and 274 (2016), under which Iraq's requirement to "deposit five per cent of the proceeds from all export sales of petroleum, petroleum products and natural gas and five per cent of the value of non-monetary payments of petroleum, petroleum products and natural gas made to service providers into the Compensation Fund", have been postponed since 1 October 2014. The postponement of such transfers was granted by the Government of Kuwait due to the difficult security circumstances in Iraq[79].

UN Resolution No. 274 provides that the Government of Iraq shall resume its deposits of 5% of the proceeds from all export sales of petroleum, petroleum products and natural gas and five per cent of the value of non-monetary payments of petroleum, petroleum products and natural gas made to service providers into the Compensation Fund, effective 1 January 2018[80]

ii. Cooperation between the Federal Government and the KRG:

The Federal Budget Act estimates fixed revenue contribution figures from the KRG's crude oil exports as mentioned hereunder, in return for a 17% share of the total Iraqi budgeted revenues. For the year 2017, the Federal Budget Act estimates a fixed contribution of 250,000 bpd produced by KRG, and 300,000 bpd produced by Kirkuk. However, in effect, the KRG did not transfer the budgeted contribution of oil export revenue to the federal government in 2017.

Federal Budget audit

Section 11 (Article 6) of the Financial Management and Public Debt Law No. 95 of year 2004 (as amended), requires the Minister of Finance to prepare and submit annual final accounts of the federal budget to the Federal Board of Supreme Audit (FBSA) by 15 April of the succeeding year, for external audit. The FBSA is required to prepare an audit report on the final accounts by 15 June, and the Council of Ministers shall submit the final accounts and the related audit report to the body vested with national legislative authority on 30 June (in practice, the national legislative authority is the Council of Representatives (CoR)) .

According to FBSA, the annual final accounts of Iraq for years 2014 up to 2017 have not been audited to date. This is because of a delay in submitting the final accounts for 2014 due to the absence of an approved federal budget for the year 2014 to date (as of 18 October 2018), despite the existence of budgets for subsequent years. The final accounts of 2014 have been submitted and their audit by the FBSA is in progress. As for the subsequent years, the final accounts have not been yet been submitted to the FSBA, as they have not yet been completed, as of 18 October 2018, by the Ministry of Finance. Consequently, the annual final accounts for the years 2014 through 2017 have not been approved by the CoR. The importance of issuing the final accounts lies in the fact final accounts are a representation of actual implementation of the federal budget and thus displays how the state departments have spent the funds allocated and funded by the Ministry of Finance.

DFI account audit

In accordance with Article 12 of the UN Council Resolution, the DFI account is to be audited by independent public accountants approved by the International Advisory and Monitoring Board of the Development Fund for Iraq. As of the date of issuing this report, the DFI audited financial statements have not been issued, and therefore no information from the DFI statements has been presented in this report.

[79] https://uncc.ch/sites/default/files/attachments/81%20close.pdf

[80] https://uncc.ch/sites/default/files/attachments/UNCC%20Decision%20275.pdf

## 5.2. Insight in to the Federal Budget of 2017

The Federal Budget Act for 2017 (amended) was approved in September 2017, and forecasts a total revenue of IQD 82.070 trillion (approximately USD 69.43 billion). Revenue from the export of crude oil was estimated at IQD 71.833 trillion (approximately USD 61 billion) at an estimate export rate of 3.750 million barrels per day (bpd) and an average price of USD 44.40 per barrel. This figure includes an estimate contribution of 250,000 bpd from the exported crude oil produced by KRG and 300,000 bpd from crude oil produced by Kirkuk.

The following table shows the revenue, expenditure and funding figures for the 2017 Federal Budget. Budgeted oil revenues of IQD 71.833 trillion represent %87.5 of total budget revenues. Non-oil revenues amounted to IQD 10.237 trillion, accounting for %12.5 of total revenues. This revenue consists of:

- Revenue from fees and taxes amounted to IQD 5954 billion.
- Treasury share revenue from profits of state-owned companies and entities amounted to IQD 887 billion.
- Revenue from other sources amounted IQD 3395 billion.

The total budget expenditure for 2017 amounted to IQD 107.090 trillion, with %73.4 of total expenditures allocated to current expenditures, and %26.6 allocated to capital expenditures.

(Table 1:2017-5 federal budget forecast revenue, expenditure and financing figures)

| Budget Estimates | Amount (Thousand IQD) |
|---|---|
| Total Revenue | 82,069,669,668 |
| Oil Revenue | 71,833,095,000 |
| Non-Oil Revenue | 10,236,574,668 |
| Total Expenditures | 107,089,521,545 |
| Current Expenses | 78,557,835,046 |
| Capital Expenses | 28,531,686,499 |
| Planned Deficit | 25,019,851,877 |
| Financing the Deficit | |
| Account balances of ministries and non-ministry related entities at government banks | 641,607,059 |
| Retained balance in the Ministry of Finance account | 1,000,000,000 |
| National bonds to the public | 3,001,673,274 |
| Issuance of bonds and transfers of treasury funds to government banks, deducted from the Central Bank of Iraq | 5,500,000,000 |
| World Bank loan for support budget | 1,182,000,000 |
| International Monetary fund loan for support budget | 2,009,400,000 |
| Japan International Cooperation Agency (JICA) loan for support budget | 323,000,000 |
| Britain and Canada guarantee loans through the world bank | 413,700,000 |
| Issuance of foreign bonds | 2,364,000,000 |
| European Union loans | 118,200,000 |
| Transfers of treasury funds and loans from commercial banks | 3,340,809,704 |

| | |
|---|---|
| JBIC loan | 59,100,000 |
| World Bank loan/ projects | 242,310,000 |
| American Loan for arming | 1,043,706,000 |
| Financing the Deficit | |
| British loan (Export loan) | 390,060,000 |
| Chinese loan | 984,606,000 |
| German loan (KFW) | 224,580,000 |
| Swedish loan | 177,300,000 |
| Islamic Development Bank loan | 59,100,000 |
| Italian loan | 158,388,000 |
| Loan from JICA / projects | 449,301,840 |
| German loan – Semiens project | 165,480,000 |
| Ministry of Electricity maintenance projects loans from the Export Guarantee Corporation | 549,630,000 |
| French Development Agency loan | 531,900,000 |

Source: Federal Budget Act 2017

Analysis of capital budget expenditures:

Capital expenditures are divided into three categories, as follows:

i. Investment projects expenditure: This represents amounts allocated to finance infrastructure projects and other projects, which are transferred to the various Ministries, who implement such projects through third party contractors.
ii. Governorate Development Program expenditures: This represents amounts allocated to governorates under the Government Development Program (including Kurdistan Region provinces), which are distributed in accordance with an estimate of each governorate's population. The local government of each governorate is responsible for implementing such development projects.
iii. Petrodollar allocations: This represents amounts allocated to oil-producing governorates, where each oil-producing governorate receives a premium for each barrel of crude oil produced or refined, and for natural gas produced within its borders.

Subnational transfers (Governorate Development Program and Petrodollar allocations) are further discussed in the following section of this report (Section 5.3).

The following table presents a breakdown of capital expenditure, which includes budgeted allocations to governorates for the fiscal year 2017:

(Table 5-2:2017 federal budget breakdown of capital expenditure)

| Type | Amount (Billion IQD) | Percentage of Capital Expenditure |
|---|---|---|
| Investment projects expenditures | 27,405 | 96.05% |
| Governorate Development Program expenditures | 1005 | 3.52% |
| Petrodollar Allocations | 122 | 0.43% |
| Total | 28,532 | |

Source: Federal Budget Act 2017

Analysis of current budget expenditures (operational expenses):

The following table presents a breakdown of 2017 budgeted current expenditure, as follows:

(Table 5-3:2017 federal budget breakdown of current expenditures)

| Type | Amount (Billion IQD) | Percentage of Current Expenditure |
|---|---|---|
| Salaries for workers in the country including the security forces | 37,523 | 47.8% |
| Social welfare | 19,777 | 25.2% |
| Commodity expenditure | 6,140 | 7.8% |
| Service expenditures | 1,558 | 2.0% |
| Maintenance expenditure | 946 | 1.2% |
| Capital goods expenditure | 672 | 0.9% |
| Grants | 1,633 | 2.1% |
| Contributions | 426 | 0.5% |
| External contributions and aids | 9,012 | 11.4% |
| Special programs | 871 | 1.1% |
| Total | 78,558 | |

Source: Federal Budget Act 2017

## 5.3. Subnational Transfers

According to the MoF, there are only two types of subnational transfers, whereby each governorate's share from the federal budget comes in two tranches: the petrodollar's allocation and the governorate's share in the Governorates Development Program.

### 5.3.1. Petrodollar Allocations and Transfers

Below is a description of the methodology applied by the MoF for calculating petrodollar allocations (as presented by the MoF):

- Petrodollar allocations are calculated as 5% of the crude oil revenues produced in the governorate, or 5% of the refined oil revenues prepared in the governorate refineries or 5% of the natural gas revenues produced in the governorate. According to the Law, each governorate has the discretion to select from the revenue producing methods above.
- The quantities of crude oil produced, refined, and gas produced by governorate for the respective year are presented by the Ministry of Oil – Technical Directorate, and are verified by the relevant national oil companies.
- The disclosed quantities are then sent to the regulatory departments of the related producing governorates, for audit and matching purposes. In case differences are identified, the Ministry of Oil is contacted to address such differences and to work on reaching final quantities to be reported to the committee formed under the Executive Order No. 9048 on 19 July 2018 for the purpose of validating the petrodollar calculation.
- The Ministry of Finance, the Ministry of Oil and the Ministry of Planning are informed of the calculations and are provided with statements showing the quantities sold from crude oil, refined oil or gas produced, for each producing governorate and according to the respective revenue producing method selected by the governorates.

The following table displays the petrodollar allocations according to the federal budget (at the time of approval) provided by the Ministry of Planning, noting that the Ministry of Finance did not make any actual transfers from the amounts allocated to the governorates and regions during 2017:

(Table 5-4:2017 federal budget approved petrodollar allocations)

| Governorate | Amount (billion IQD) | Equivalent in USD |
|---|---|---|
| Al-Muthanna | 1,962.519 | 1,660,338 |
| Babel | 2,661.698 | 2,251,860 |
| Wasit | 27,123.865 | 22,947,432 |
| Karbala | - | - |
| Diyala | - | - |
| Najaf | 2,286.194 | 1,934,174 |
| Al-Diwaniyah | 2,648.969 | 2,241,091 |
| Baghdad | 13,036.642 | 11,029,308 |
| Missan | 24,824.485 | 21,002,102 |
| Basrah | 297,845.950 | 251,984,729 |
| Dhi Qar | 16,300.686 | 13,790,766 |
| Ninawa | 4,194.618 | 3,548,746 |
| Kirkuk | 70,998.017 | 60,066,004 |
| Salah Al-Din | 35,893.604 | 30,366,839 |
| Al-Anbar | 222.753 | 188,454 |
| Dohuk | - | - |
| Sulaymaniyah | - | - |
| Erbil | - | - |
| Total | 500,000 | 423,011,843 |

According to the Accounting Directorate at MoF, differences between allocated and transferred petrodollar amounts is generally due to the following:

a. The MoF did not receive a letter from the MoP instructing it to transfer the allocated amounts.
b. The allocated amounts were not claimed by the concerned governorates, or;

### 5.3.2. Governorates' Development Program Allocations and Transfers

The purpose of the Governorate Development Program is to finance the reconstruction projects of all governorates in Iraq, including those within the KRG. The Federal Budget Act determines an amount for the Governorate's Development Program, which is distributed to the governorates in accordance with an estimate of the population of each governorate.

As stipulated in the Federal Budget Act for 2017, the governor in each governorate must submit a development plan for the governorate to the Ministry of Planning (including its districts and sub-districts), approved by the provincial council. The MoP assesses and approves the submitted plans, taking into consideration the most affected areas within the governorate. Once the Ministry of Planning approves the plan, the allocations are distributed internally by the governorates based on districts and sub-districts' relative population size, after setting aside amounts allocated for strategic projects that benefit more than one area or district, given that strategic projects costs do not exceed 20% of the total GDP allocation to the province/governorate.

According to the MoF, no allocations were made to the KRG governorates during 2016 and 2017, as no plans were submitted by the KRG governorates to the MoP.

According to the Government Investment Programs Directorate at the MoP, the methodology applied in calculating the governorate development program allocations is the following:

1- The amount allocated in the federal budget is used
2- The materiality of each governorate is calculated as follows:

$$\text{Governorate materiality} = \frac{\text{Number of residents in the year of distribution} * 100}{\text{Total number of residents in Iraq during the year}}$$

3- The following equation is done to determine the allocation for each governorate:

$$\text{Governorate allocation: } \frac{\text{Total allocation as per federal budget} * \text{governorate materiality}}{100}$$

The following table presents the governorate development allocations calculated by the MoF, the actual transfers made, and the differences between allocated and transferred governorate development amounts for year 2017:

(Table 5-5: MoF Governorate development allocations, actual transfers made, and differences between allocated and transferred amounts for year 2017)

| Governorate | Governorate Development program allocations (IQD) | Governorate Development program allocations (USD equivalent) | Actual amount transferred (IQD) | Actual amount transferred (USD equivalent) | Amounts allocated but not transferred (USD (equivalent) |
|---|---|---|---|---|---|
| Basrah | 41,993,637,935 | 35,527,612 | 20,665,000,000 | 17,483,080 | 18,044,532 |
| Al-Muthanna | 14,358,685,579 | 12,147,788 | - | - | 12,147,788 |
| Karbala | 58,731,370,118 | 49,688,130 | 6,400,000,000 | 5,414,552 | 44,273,578 |
| Najaf | 41,994,120,000 | 35,528,020 | 1,110,000,000 | 939,086 | 34,588,934 |
| Salah Al-Din | 54,444,220,068 | 46,061,100 | 22,467,000,000 | 19,007,614 | 27,053,486 |
| Ninawa | 35,599,037,400 | 30,117,629 | 35,599,037,400 | 30,117,629 | - |
| Dhi Qar | 20,270,314,350 | 17,149,166 | 12,837,500,000 | 10,860,829 | 6,288,337 |
| Al-Diwaniyah | 12,675,000,000 | 10,723,350 | 6,595,000,000 | 5,579,526 | 5,143,824 |
| Babel | 94,062,910,283 | 79,579,450 | 3,590,754,000 | 3,037,863 | 76,541,587 |
| Wasit | 85,562,979,357 | 72,388,307 | 14,496,726,930 | 12,264,574 | 60,123,733 |
| Al-Anbar | 21,390,358,474 | 18,096,750 | 19,389,646,900 | 16,404,101 | 1,692,649 |
| Diyala | 34,854,714,690 | 29,487,914 | 5,539,735,126 | 4,686,747 | 24,801,167 |
| Baghdad | 107,822,692,567 | 91,220,552 | 76,315,022,090 | 64,564,316 | 26,656,236 |
| Missan | 122,406,188,000 | 103,558,535 | 2,111,100,000 | 1,786,041 | 101,772,494 |
| Kirkuk | 13,422,408,376 | 11,355,675 | 13,422,408,376 | 11,355,675 | - |
| Total | 759,588,637,197 | 642,629,978 | 240,538,930,822 | 203,501,633 | 439,128,345 |

Source: Ministry of Finance

According to the Accounting Directorate at MoF, the difference between allocated and transferred governorate development amounts is due to the following:

a. The allocated amounts were not claimed by the concerned governorates, or;
b. The MoF did not receive a letter from the MoP instructing it to transfer the allocated amounts.

## 5.4. Recent and Ongoing Financial Reforms

The following information was obtained from the Ministry of Finance Open Budget System website:

The Open Budget System (OBS)

The Ministry of Finance, in cooperation with the World Bank, has established the Open Budget e-Portal with the aim of making it easy for citizens to access federal budget information, as well as promoting governmental policy in an attempt to support transparency and open governance. In addition to having a direct effect on combating corruption, the portal is expected to contribute to the improvement of the state's financial performance. The data currently on the portal provides a detailed presentation of the public resources, government expenditures and public treasury accounts for years 2015 to 2017, allowing the open budget portal user to access detailed financial data on revenues, expenditures and public debt of the Republic of Iraq*.

According to the OBS website, open budget documents used and uploaded include:

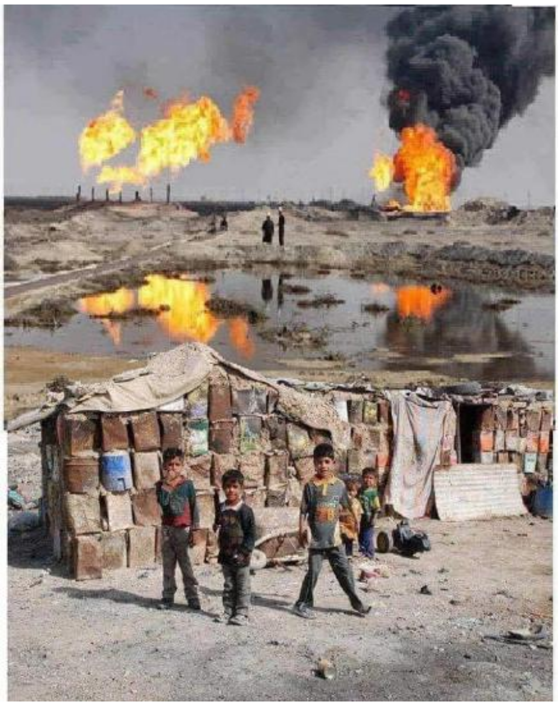
- Pre-budget statement: presents expected total revenues, levels of expenditures and debts, and sectors' allocations.
- The executive budget proposal: The government's detailed plans on priorities of policies, and ministries and departments' allocations for the next year.
- The enacted budget: legal documents that empower the executive authority to implement organizational procedures of the budget.
- The in-year reports include data of the revenues collected, actual expenditures, and debts accrued within a specific period.
- The mid-year report includes data of the actual budget for the first six months of the year (revenues, expenditures, debts) for evaluating the assumptions upon which the budget has been prepared, and modifying budget figures accordingly for the remaining six months.
- The year-end report includes the position of the governmental accounts at the end of the fiscal year, which includes - ideally - an evaluation of the progress made into achieving the objectives mentioned in the enacted budget.
- The audit report includes the evaluation of the board of supreme audit of the government's financial performance in the past budget year.
- The citizen budget and it is a simplified version of the budget that is used for non-technical purposes and made in very clear understandable form to make it easy for citizens to grasp the government's plans and actions and allows for their feedback for the next fiscal year.

*http://www.mof.gov.iq/obs/en/Pages/about.aspx

# 6. Social and Economic Spending

Social expenditures are contributions made by international oil companies operating in the extractive industries to the public, specifically to the areas surrounding oil fields, which are negatively impacted by the activities of the extractive sector. These contributions are made with the purpose of improving the standard of living, and the economic and social well-being of the impacted areas. There are two types of social expenditures in Iraq:

- Social contributions mandated through legislation or contracts with the government - mandatory social expenditures (details of mandatory social expenditures are described in Section 6.1 below)
- Social contributions made at the discretion of the international oil companies - voluntary social expenditures (details of voluntary social expenditures are described in Section 6.2 below)



## 6.1. Mandatory Social Expenditures

There are two types of mandatory social expenditures in Iraq, which are the following:

i. International oil companies' social expenditures mandated by the Council of Minister's Energy Committee:

As per the Council of Minister's ( Energy Committee) Resolution Number 139 of 23 December 2013, international oil companies working in Iraqi fields are obliged to pay an annual amount of up to USD 5 million per service contract, as social benefits to the areas surrounding fields and exploration blocks in which they operate. According to the resolution, these expenses are to be recorded under the contractors' recoverable petroleum costs, and are therefore, reimbursed to the contractor. Mandatory social expenditures incurred by IOCs are made in direct coordination with the local governorates and national oil companies.

The MSG has determined that the value of mandatory social expenditures made by IOCs during 2017 are not material, as compared with total extractive sector revenue (payments made account to less than 1% of total extractive sector revenues) . Therefore, such payments have not been included in the scope of reconciliation. For the purpose of this report, disclosure of mandatory social expenditures was requested from the International oil companies operating in Iraq under technical service contracts (specifically the field operators). However, in instances where IOCs did not report the social expenditures made during 2017; the information reported by field license holders (national oil companies) on behalf of the IOCs was presented.

Such information was provided by the NOCs based on social expenditure reporting made to them by the IOCs. The following table represents the mandatory social expenditure reporting status for all active licenses during year 2017 (1st to 4th licensing round fields):

(Table 6-1: Mandatory social expenditure reporting status for all active licenses during year 2017)

| Field/Block | Operator | Mandatory Social Expenditures | Amount (USD) |
|---|---|---|---|
| Missan Fields (Abu Gharib, Buzurgan, Al-Fakkah) | CNOOC Iraq | Mandatory social expenditures were reported by the operator. Based on the information provided, there were no social expenditure payments during 2017 for that field. | - |
| Halfaya | Petrochina International FZE | Mandatory social expenditures were reported by the field operator | 2,024,865 |
| Qaiyarah | Sonangol | According to a letter from North Oil Company (license holder of Al-Najmah and Qaiyarah fields), both fields were not operational during years 2016 and 2017, and resumed operations in February 2018 | - |
| Najmah | Sonangol | | |
| Ahdeb | Al-Waha Petroleum | According to Midland Oil Company (license holder for Ahdeb field), no mandatory social expenditures were made by the operator of Ahdeb field in 2017 due to a delay in announcing social projects | - |
| Zubair | ENI B.V | Mandatory social expenditures were reported by the operator | 1,730,758.83 |
| Badra | Gazprom Neft Badra B.V | Mandatory social expenditures were reported by Midland Oil Company (license holder of Badra field), on behalf of the field operator. We did not receive information directly from the contractor in relation to mandatory social expenditures, and therefore, relied on information presented by MdOC | 111,846 |
| Garraf | PETRONAS Iraq Garraf | Mandatory social expenditures were reported by the operator | 16,800 |
| Akkas | KOGAS Akkas | Mandatory social expenditures were reported by the operator | 56,339 |
| Mansuriya | TPAO | According to Midland Oil Company (license holder for Mansuriya field), no mandatory social expenditures were made by the contractor of Mansuriya field due to the suspension of field operations during 2017 resulting from the security situation in Iraq | - |
| Block 8 | Pakistan Petroleum Ltd | Pakistan Petroleum Ltd, the operator of Exploration Block 8, declared that an amount of USD 885,699 was allocated to mandatory social expenditures during 2017, but there were no payments actually made during the year. | - |

| Field/Block | Operator | Mandatory Social Expenditures | Amount (USD) |
|---|---|---|---|
| Rumaila | British Petroleum (BP) | Mandatory social expenditures were reported by the operator | 3,158,850 |
| West Qurna (Phase 1) | ExxonMobil | Mandatory social expenditures were reported by the Basra Oil Company (license holder of West Qurna Phase 1), on behalf of the operator. We did not receive information directly from ExxonMobil, and therefore, relied on information presented by BOC. | 2,556,571[81] |
| West Qurna (Phase 2) | LUKOIL Mid-East Ltd | According to a letter from Basra Oil Company (license holder for West Qurna – Phase2), dated 22 May 2018, sent to the Ministry of Oil – Internal Control Directorate, the West Qurna – Phase 2 Operator (LUKOIL Mid-East Ltd) did not incur any recoverable social expenditure (as of the date of the letter) | - |
| Majnoon | Shell | Mandatory social expenditures were reported by the Basra Oil Company (license holder of Majnoon field), on behalf of the operator (Shell). We did not receive information directly from Shell, and therefore, relied on information presented by BOC | 92,888 |
| Siba | Kuwait Energy Co. | According to Basra Oil Company (license holder for Siba gas field), Kuwait Energy Co , the operator of Siba has obtained the Ministry of Oil's approval for postponing making any social expenditure until initial commercial production of the field has been achieved | - |
| Block 10 | LUKOIL Overseas Iraq Exploration (LOIE) | The filed operator declared that no mandatory social expenditures were made during the year 2017 | - |
| Block 9 | Kuwait Energy Co. | The filed operator declared that no mandatory social expenditures were made during the year 2017 | - |
| Block 12 | Bashneft | Social expenditure information was not reported by either the IOC or the field license holder (Block 12 is still in exploration phase; mandatory social expenditures would not be due) | - |
| Total | | | 9,748,917.83 |
| Total revenue from the extractive sector in Iraq during 2017[82] | | | 66,667,431,222 |
| Materiality | | | 0.015% |

[81] The amount shown in the table represents the value of social expenditures allocations for the year 2017, but the amount actually paid by ExxonMobil during the year 2017 is USD 409,990

[82] The total revenue figure was obtained from the MSGs materiality scoping study, which includes KRG estimate revenues.

The following tables represent the mandatory social expenditures reported by the IOCs/national oil companies for the year 2017:

(Table 6-2: Mandatory social expenditure reported by ENI B.V. for the year 2017)

| Field | Field Operator | Project | Beneficiary | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| Zubair | ENI B.V | Supply of raw material for asphalt and concrete plants to the municipality | - | Taybat Al Safaa Contracting Company | Cash | 292,070 |
| | | Construction of 2 classrooms for Al-Nabaa Secondary School | - | Taybat Al Safaa Contracting Company | | 34,406 |
| | | Supply and install BRC fence and gates for a football stadium at Umm Qasar | - | Taybat Al Safaa Contracting Company | | 15,525 |
| | | Pavement for Hayfa Street from a point of the Al-Nesha Al Jaded School of the intersection of Naval Base Street | - | Al-Maraheb for General | | 111,461 |
| | | Complemented Paving for the road that is connected between Hayfa Street and Al-Quids Street | - | Al-Maraheb for General | | 166,901 |
| | | Construction of a water network system at Al Hedamaa | - | Taybat Al Safaa Contracting Company | | 142,769 |
| | | Supply of materials for Al-Zubair Sewage Office | - | Taybat Al Safaa Contracting Company | | 61,008 |
| | | Rehabilitation of an urban road connecting Hayfa Street to Industry Quarter in Umm Qasar | - | Al-Maraheb for General | | 170,137 |
| | | Pavement for Hayfa Street from a point of the Al-Nesha Al Jaded School of the intersection of Naval Base Street | - | Al-Maraheb for General | | 91,815 |
| | | Hayfa Street Lighting | - | Al-Maraheb for General | | 103,950 |
| | | Complemented Paving for the road that is connected between Zubair City to Al Shaybaa town | - | Al-Suraifi | | 540,717 |
| Total | | | | | | 1,730,759 |

Source: This information was provided by Eni B.V

(Table 6-3: Mandatory social expenditure reported by BP for the year 2017)

| Field | Field Operator | Project | Beneficiary | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| Rumaila | British Petroleum (BP) | Community Committee Workshops, stakeholder meetings with communities, project inaugurations, communications | Al Khora/ North Rumaila Communities, Rumaila Community Committee, External Government Stakeholders | - | Cash | 54,663 |
| | | Qarmat Ali-Vocational training programme for unemployed youth<br>Running Women's Training Centre | Al Khora Community, Basra Directorate of Education, Basra Directorate of Health | - | | 578,494 |
| | | Community base line atmospheric studies-Qarmat Ali & North Rumaila | Rumaila Operating Organization | - | | 25,000 |
| | | Improving community-based healthcare services project in Qarmat Ali-Health Outreach and Education | Al Khora Community, Basra Directorate of Health | - | | 151,443 |
| | | Water construction project to supply potable water to 7,000 people in Al Khora along with water conservation & water hygiene education program | Al Khora Community, Basra Directorate of Health, Basra Directorate of Water | - | | 70,190 |
| | | Provision of Healthcare services in North Rumaila-Mobile Health Clinic & outreach services | North Rumaila Community, Basra Directorate of Health | - | | 174,090 |
| | | Construction of 4 sports facilities in Qarmat Ali and North Rumaila | Al Khora/ North Rumaila Communities, Qarmat Ali Local Council, BOC | - | | 365,117 |
| | | Construction of recreational parks in North Rumaila | North Rumaila Community, BOC | - | | 207,750 |
| | | Expansion of a kindergarten-Qarmat Ali | Al Khora Community, Basra Directorate of Education | - | | 15,360 |
| | | Feasibility Studies and Front End Engineering and Design for 11 projects- Zubair, Abu Sukhair | Rumaila Operating Organization | - | | 248,463 |
| | | BOC Village Water Upgrade | North Rumaila Community, BOC | - | | 180,300 |
| | | Train Village Water Upgrade | North Rumaila Community, BOC | - | | 171,030 |
| | | Train Village Electrical Upgrade | North Rumaila Community, BOC | - | | 130,510 |
| | | BOC Village Green Spaces | North Rumaila Community, BOC | - | | 125,245 |
| | | Al Khora Road Construction | Al Khora Community, Qarmat Ali Local Council | - | | 566,810 |
| | | Al Khora Street Lighting | Al Khora Community, Qarmat Ali Local Council | - | | - |
| | | Zubair Street Lighting | Zubair Community, Zubair Local Council | - | | 94,385 |
| | | Abu Sukhair Road Construction | Al Khora Community, Qarmat Ali Local Council | - | | - |
| Total | | | | | | 3,158,850 |

Source: This information was provided by BP

(Table 6-4: Mandatory social expenditure reported by Petrochina International FZE Iraq for the year 2017)

| Field | Field Operator | Project | Beneficiary | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| Halfaya | Petrochina International FZE Iraq | Construction of two schools, including the main building with 6 classes and 4 rooms of administration, furnishing administration and classes with all accessories and installation of air conditions, also there is a play area in each | Community Primary School | - | - | 835,000 |
| | | Construction of a clinic building which contains rooms for medical examination and a laboratory, this health center is provided with medical devices and all accessories, and install two generator capacity of 220 KV | Community residents in & around oil field areas | - | - | 725,725 |
| | | Construction of a shed for Al Kahlaa market with 2880m$^2$ area and lighting system for the market with electricity network for shops | Community residents in Al Kahlaa city | - | - | 464,140 |
| Total | | | | | | 2,024,865 |

Source: This information was provided by Petrochina International FZE Iraq

(Table 6-5: Mandatory social expenditure reported by Basra Oil Company on behalf of Shell for the year 2017)

| Field | Field Operator | Project | Beneficiary | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| Majnoon | Shell | - | - | Amar Charitable Foundation | In-Kind | 92,888 |

Source: This information was provided by Basra Oil Company

(Table 6-6: Mandatory social expenditure reported by Midland Oil Company on behalf of Gazprom Neft Badra B.V for the year 2017)

| Field | Field Operator | Project | Beneficiary | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| Badra | Gazprom Neft Badra B.V | Purchasing a Toyota Coaster Bus for Wasit University and supplying equipment for road maintenance | Wasit University - Wasit Governorate | - | In-Kind | 111,846 |

Source: This information was provided by Midland Oil Company

(Table 6-7: Mandatory social expenditure reported by Petronas Iraq for the year 2017)

| Field | Field Operator | Project | Beneficiary | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| Garraf | Petronas Iraq | Operation and maintenance cost | TOC as the caretaker for GVTC | - | Cash | 16,800 |

Source: This information was provided by Petronas Iraq

(Table 6-8: Mandatory social expenditure reported by Basra Oil Company on behalf of ExxonMobil for the year 2017)

| Field | Field Operator | Project | Beneficiary[83] | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| West Qurna (Phase 1) | ExxonMobil | School reconstruction | - | Antima for Building and Contracting | In-Kind | 124,692 |
| | | School reconstruction | - | Arok Global for public trade | | 285,298 |
| Total | | | | | | 409,990 |

Source: This information was provided by Basra Oil Company

(Table 6-9: Mandatory social expenditure reported by Kogas Akkas for the year 2017)

| Field | Field Operator | Project | Beneficiary | Funds Recipient/ Contractor | Payment (Cash/ In-Kind) | Amount (USD) |
|---|---|---|---|---|---|---|
| Akkas | KOGAS Akkas | Supplying a laboratory with equipment | Malik Bin Rabie School | - | In-Kind | 16,714 |
| | | Building a football field | Al-Anqa'a Middle School and Al-Khair Elementary School | - | In-Kind | 32,620 |
| | | Excavating a water well | T1 village, Al-Qa'em Neighborhood, Al-Anbar governorate | - | In-Kind | 7,005 |
| Total | | | | | | 56,339 |

Source: This information was provided by Kogas Akkas

ii. According to Article 11 of the Public Companies Law No. 22 of 1997 (as amended), state-owned entities are required to pay 5% of net profit on social projects. These amounts are paid directly by the national companies, and are allocated as follows:
   - 25% to be paid to the Health Insurance Fund
   - 20% to be paid to the Social Security Fund
   - 20% to support the MoO Guest House (which is used to create the necessary accommodation and hospitality for oil sector delegates, official visitors, and foreign delegations) and the Oil Cultural Center (60%:40%, respectively)
   - 5% to support sports clubs in Iraq
   - 15% to support residential investment projects in Iraq
   - 15% to be allocated to various social initiatives (such as the construction of schools and nurseries, and support of social service projects)

The MSG has determined that the value of mandatory social expenditures (social contributions) made by the national companies during the year 2017 is immaterial, as compared with the total extractive sector revenues, and has therefore decided to exclude such payments from the scope of reconciliations.

The only mandatory social expenditures in the mining sector are the 5% payments made by profitable SOEs. Since there were no profitable mining sector SOEs during 2017, no payments were expected.

[83] According to a letter from ExxonMobil to Basra Oil Company dated 27 February 2018, ExxonMobil has been working with Basra Oil Company to serve West Qurna 1 community in the areas of Health and Education, since WQ1 project inception.

The following table represent the amounts reported by the extractive SOEs for the year 2017:

(Table 6-10: Mandatory social expenditure reported by national oil companies for the year 2017)

| National Oil Company | Social expenditures (IQD) | Comment |
|---|---|---|
| MOC | - | No social expenditures were made by the MOC, as its final accounts were not approved by the FBSA during the year 2017 |
| BOC | 31,211,160,649 | - |
| MdOC | 920,539,000 | - |
| NOC | 5,078,280,695 | - |

Source: This information was provided by the respective NOCs

The following table presents a breakdown of the amounts paid by Basra Oil Company during the year 2017. However, these payments are reported on a cash basis and therefore do not necessarily represent amounts accrued during the year 2017:

(Table 6-11: Mandatory social expenditure reported by BOC for the year 2017)

| Payment purpose | Amounts paid (IQD) |
|---|---|
| Expenditure shares of Baghdad, Kirkuk, Pegi, Basra, Petroleum Research and Development Center | 17,357,280,000 |
| Various social initiatives | 13,853,880,649 |
| Total | 31,211,160,649 |

Source: This information was provided by BOC

The following table presents a breakdown of the amounts paid by Midland Oil Company during the year 2017. However, these payments are reported on a cash basis and therefore do not necessarily represent amounts accrued during the year 2017:

(Table 6-12: Mandatory social expenditure reported by MdoC for the year 2017)

| Payment purpose | Amounts paid (IQD) |
|---|---|
| Amounts paid in support of company employees | 20,400,000 |
| Eid Contributions | 282,600,000 |
| Health Insurance Fund | 383,070,900 |
| Birth and death bonuses as well as financial aids | 234,468,100 |
| Total | 920,539,000 |

Source: This information was provided by MdOC

The following table presents a breakdown of the amounts paid by North Oil Company during the year 2017. However, these payments are reported on a cash basis and therefore do not necessarily represent amounts accrued during the year 2017:

(Table 6-13: Mandatory social expenditure reported by NOC for the year 2017)

| Payment purpose | Amounts paid (IQD) |
|---|---|
| Health Insurance Fund | 479,219,480 |
| Social Security Fund | 230,657,000 |
| Support of the Guest House and Petroleum Cultural Center | 479,466,771 |
| Support of the sports clubs | 7,647,500 |
| Support of investment and residential projects | - |
| Other social contributions | 3,881,289,944 |
| Total | 5,078,280,695 |

Source: This information was provided by NOC

## 6.2. Voluntary Social Expenditures

Voluntary social expenditures are social expenditures made at the discretion of the IOCs. Voluntary social expenditures are non-recoverable expenditures, which are referred to in the service contracts (Annex C) as “any costs, charges or expenses including donations relating to public relations or enhancement of Contractor’s corporate image and interests”.

The MSG has agreed that the value of voluntary social expenditures made by IOCs during 2017 are not material, as compared with the total extractive sector revenues. Therefore, for the purpose of this report, voluntary social expenditures are unilaterally reported by the IOCs.

The below table represents voluntary social expenditure made by LUKOIL Mid-East Ltd in the interest of local communities to enhance the operator’s image in accordance with Article 10.4 of Annex C of the DPSC (for year 2017). According to a statement included by LUKOIL Mid-East Ltd, the projects implemented are according to the Agreement signed in August 2011 and December 2012 between LUKOIL Mid-East Ltd and Medaina, Qurna and Eiz El-Deen Saleem administrations for cooperation in the field of education, healthcare, and sport. Based on this agreement LUKOIL Mid-East Ltd only funded the realization of these social projects while the Administrations were dealing with the tendering, contractor selection process, contract signing, use of funds, and project implementation control. All projects were carried out by local companies and local workforce, which is one of the agreement conditions.

The following table presents the voluntary expenditures made by Kuwait Energy during 2017, in relation to Siba field:

(Table 6-14: Voluntary social expenditure reported by Kuwait Energy, in relation to Siba field for the year 2017)

| Contractor | Field | Project | Beneficiary | Funds Recipient / contractor | Amount (USD) |
|---|---|---|---|---|---|
| Kuwait Energy | Siba | 1000 Ramadan bags for 500 families | Siba community | - | 40,000 |
| | | Upgrade local council training hall for students | | - | 10,000 |
| Total | | | | | 50,000 |

Source: This information was provided by Kuwait Energy

The following table presents the voluntary expenditures made by Kuwait Energy during 2017, in relation to Al-Faihaa field:

(Table 6-15: Voluntary social expenditure reported by Kuwait Energy, in relation to Al-Faihaa field for the year 2017)

| Contractor | Field | Project | Beneficiary | Funds Recipient / contractor | Amount (USD) |
|---|---|---|---|---|---|
| Kuwait Energy | Al-Faihaa | 1000 Ramadan bags for 500 families | - | - | 40,000 |

Source: This information was provided by Kuwait Energy

(Table 6-16: Voluntary social expenditure reported by LUKOIL Mid-East Ltd in relation to West Qurna (Phase 2) field, for the year 2017)

| Contractor | Field | Project | Beneficiary | Funds Recipient / contractor | Amount (USD) |
|---|---|---|---|---|---|
| LUKOIL Mid-East Ltd | West Qurna (Phase 2) | Providing 1000 food boxes for widows and orphanages in Ramadan | Citizens | Al Ayn social care foundation, a local non-governmental organization from Medaina | 18,072 |
| | | Connecting water pipes to Beit Zamel neighborhood in Eiz El-Deen Saleem | Eiz El-Deen Saleem citizens | West Qurna for general construction, trading & transport company which is a local company from Eiz Eldeen Saleem | 67,555 |
| | | Supply sport gears to Eiz El-Deen Saleem sub-district public team for LUKOIL tournament | Eiz El-Deen Saleem citizens | Gharb Dejlah for general trading LLC company which is a local company from Eiz El-Deen Saleem | 10,748 |
| | | Supply electronical equipment to the Eiz El-Deen Saleem sub-district primary schools 1st grade | Eiz El-Deen Saleem citizens | West Qurna for general construction, trading & transport company which is a local company from Eiz El-Deen Saleem | 39,015 |
| | | Supply drinking water to Eiz El-Deen Saleem sub-district schools, during the school year | Eiz El-Deen Saleem citizens | Al-Kawthar Water Station which is a local company from Eiz El-Deen Saleem | 10,600 |
| | | Street lighting and speed bumps for Eiz El-Deen Saleem sub-district | Eiz El-Deen Saleem citizens | West Qurna for general construction, trading & transport company which is a local company from Eiz Eldeen Saleem | 37,310 |
| | | Supply of medical devices to Huwair, Turaba, Sura, Al-Khas, Al-Ahwar, and Um Shwaich Health Centers | Eiz Eldeen Saleem citizens | Al-Fairoze Scientific Bureau which is a local company from Basra | 52,800 |
| Total | | | | | 236,100 |

Source: This information was provided by LUKOIL Mid-East Ltd

The following table presents the voluntary social expenditures made by Petronas Iraq during 2017 in relation to Garraf and Majnoon fields:

(Table 6-17: Voluntary social expenditure reported by Petronas Iraq in relation to Garraf and Majnoon fields during 2017)

| Contractor | Field | Project | Beneficiary | Funds Recipient / contractor | Amount (USD) |
|---|---|---|---|---|---|
| Petronas Iraq | Garraf | 1. PETROSAINS (Creative Science and Mathematics Workshop)<br>2. Embracing Ramadan' food distribution to 750 underprivileged families<br>3. Maukib set-up during Arba'een for pilgrimages<br>4. HSE awareness program at 9 Schools<br>5. Improvement of Health-care clinics<br>6. Improvement of school facilities<br>7. Providing equipment to IT laboratory, Sumer University<br>8. Distribution of winter clothing to Garraf School Children | Community | - | 94,740 |
| | Majnoon | 1. Mobile health clinics<br>2. The Women Volunteers<br>3. Primary school road safety education<br>4. Livelihood projects<br>5. Distribution of Eid parcels for children | Community | - | 65,359 |
| Total | | | | | 160,099 |

Source: This information was provided by Petronas Iraq

The following companies all declared that no voluntary social payments were made during the year 2017:

- KOGAS Akkas (the operator of Akkas field);
- Pakistan Petroleum Ltd (the operator of Exploration Block 8);
- Kuwait Energy (operator of Block 9);
- Inpex (contractor for Block 9);
- CNOOC Iraq (operator of Missan fields);
- BP (operator of Rumaila)
- ENI

JAPEX (contractor in Garraf field) reported that all social expenditures are made by the operator. The remaining IOCs did not report on whether any voluntary social expenditures were made during 2017.

As displayed in the above sections, the 2017 IEITI report is the first IEITI report to display, to a sufficient extent, details on mandatory and voluntary social expenditures made by international and national extractive companies.

## 6.3. Quasi Fiscal Expenditures

The International Monetary Fund (IMF) defines quasi-fiscal activities as fiscal activities that are "often introduced by simple administrative decision, are not recorded in budgets or budget reporting, and typically escape legislative and public scrutiny. They are introduced by governments to achieve a variety of objectives, such as promoting certain activities, redistributing income or collecting revenue."[84]

According to the MSG, quasi-fiscal expenditures are not applicable in Iraq.

[84] https://www.imf.org/external/np/fad/trans/manual/sec02a.htm

# 6.4. Economic Contribution of the Extractive Industries on the Iraq Economy

## 6.4.1. Overview of the Iraqi Economy

Iraq has been impacted by two crises since 2014: the ISIS insurgency, and the steep decline in global oil prices[85]. The ISIS insurgency since mid-2014 has left millions of people internally displaced, and caused significant destruction to assets and infrastructure leading to disruptions in production and in trade routes.
The Government has responded to these crises with a mix of fiscal adjustment, financing, and structural reforms to stabilize the economy, protect social spending and public service delivery[86]. Despite drops in oil prices and many years of conflict, the total Iraqi oil production has consistently increased during the past years.
During 2016, security and financial stability throughout Iraq began to improve as Iraqi Security Forces made gains against the ongoing insurgency and oil prices slowly rose[87]. In 2017, there was a significant increase in the value of crude oil exported by 36.5%.

## 6.4.2. The Volume of Extractive Industries as Absolute Value and as a Percentage of GDP for the year 2017

The following table was presented by the Ministry of Planning, and is based on annual preliminary estimates for the year 2017. According to the below table, Iraq's extractive sector contributes to the Country's total estimate GDP by IQD 89,065,057.70 million which translates into 38.94% of total GDP.

(Table 6-18: GDP by activity type, at basic current prices for the year 2017)

| Economic Activities | Million IQD | Relative share of GDP |
|---|---|---|
| Agriculture, forestry | 6,347,695.3 | 2.78% |
| Hunting | 250,689.5 | 0.11% |
| Mining and quarrying: Crude oil | 88,664,813 | 38.77% |
| Mining and quarrying: Other types of mining | 400,244.7 | 0.17% |
| Manufacturing industry | 5,889,495.1 | 2.58% |
| Electricity and water | 6,486,406.1 | 2.84% |
| Building and construction | 12,980356.7 | 5.68% |
| Transport, communications and storage | 23,924,453.1 | 10.46% |
| Wholesale, retail trade, and others | 15,905,222.9 | 6.96% |
| Hotels and restaurants | 2,492,066.7 | 1.09% |
| Finance, insurance, real estate and business services: Banks and insurance | 4,137,873.5 | 1.81% |
| Finance, insurance, real estate and business services: Ownership of dwellings | 15,052,742.1 | 6.58% |
| Social and personal services: General government | 39,164,533.6 | 17.12% |
| Social and personal services: Personal services | 6,996,406.9 | 3.06% |
| Total by activities | 228,692,989.2 | 100% |
| Less: Imputed bank service charge | 2,970,613.7 | |
| GDP | 225,722,375.5 | |

Source: Ministry of Planning[88]

[85] http://www.worldbank.org/en/country/iraq/publication/economic-outlook-spring-2016
[86] http://www.worldbank.org/en/country/iraq/publication/economic-outlook-fall-2016
[87] https://www.indexmundi.com/iraq/economy_profile.html
[88] http://www.cosit.gov.iq/documents/national_accounts/national_income/reports/gdp/التقديرات%20الفعلية%20للناتج%20المحلي%20والدخل%20القومي

### 6.4.3. Total Government Revenue from Extractive Industries for the year 2017

Actual revenue figures during 2017 indicate that the extractive sector's contribution to total government revenue is 92.31%, as shown in in the table below:

(Table 6-19: Total government revenue from extractive industries for the year 2017)

| Revenue | Actual Revenue 2017 (USD) |
|---|---|
| Crude oil export revenue | 59,462,609,245 |
| Corporate Income Tax (CIT) | 471,464,880 |
| State treasury share of SOE net profits | 282,361,644 |
| State partner shares in field remuneration fees | 244,925,278.38 |
| Total extractive sector revenue in Federal Iraq | 60,461,361,047 |
| Total Revenue in Federal Iraq | 65,500,992,325.0* |
| Share of extractive sector revenue from total revenue | 92.31% |

* Actual revenues are reported by the Ministry of Finance on its OBS portal[89], and have been converted to USD using the approved exchange rate of IQD 1,182 = USD 1.

### 6.4.4. Exports of Extractive Industries in Terms of Absolute Value and as a Percentage of Total Exports for the year 2017

The following table presents the value of extractive industry exports compared with total country exports, for the period from 2014 to 2017. Exports from the oil sector makes up the majority of total exports. In combination with the limited commodity exports, this leaves the Iraqi economy vulnerable to oil price fluctuations.

As displayed in the table below, crude oil and oil product exports for the year 2017 make up 99.23% of total exports in Iraq (excluding Kurdistan Region exports). The following table also shows the continuing decrease in the value of crude oil exports from the year 2014 to year 2016. However, the value of crude oil exports increased by 36.5% in 2017.

(Table 6-20: Total exports (by commodity) in Iraq for the period from 2014 to 2017)

| Commodity Export | 2014 | | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|---|---|
| | Bill (IQD) | Mill (USD) | Bill (IQD) | Mill (USD) | Bill (IQD) | Mill (USD) | Bill (IQD) | Mill (USD) |
| Crude oil | 98,095.4 | 84,129.8 | 57,201.8 | 49,058.2 | 51,562.3 | 43,622.9 | 70,400.3 | 59,560.3 |
| Oil products | | | | | | | | |
| Regular fuel oil | 33.1 | 28.4 | 82.9 | 71.1 | - | - | - | - |
| Total products oil | 2.2 | 2 | 1.1 | 0.9 | - | - | - | - |
| Residue of the distillation | 167 | 143.2 | - | - | - | - | - | - |
| Naphtha | - | - | 94.6 | 81.1 | 71.9 | 60.8 | 201.1 | 170.2 |
| Total oil products | 202.3 | 173.6 | 178.6 | 153.1 | 71.9 | 60.8 | 201.1 | 170.2 |
| Commodity export | 241.5 | 202.7 | 230.5 | 191.2 | 108.3 | 90.3 | 348.7 | 291.9 |
| Total Exports | 98,539.2 | 84,506.1 | 57,610.9 | 49,402.5 | 51,742.5 | 43,774.0 | 70,950.1 | 60,022.4 |

Source: Ministry of Planning

202016%لسنة20%.pdf

[89]https://app.powerbi.com/view?r=eyJrIjoiYmFjMTM4NGEtYmQwOC00MDY3LThlMDgtYThhYjUzYWM1MjQxIiwidCI6IjU5NzAxNDZjLWM4YWUtNDMyNy1iZDAxLTg3YjY2M2Y2NmUyYiIsImMiOjEwfQ%3D%3D

### 6.4.5. Employment in Extractive Sector in the year 2017

The Independent Administrator was unable to obtain the total number of employment in Iraq for the year 2017 due to the absence of accurate statistical information at the concerned institutions. Therefore, the IA relied on the employment figures identified in the Federal Budget Law for the year 2017, which included the total number of employees working in Iraqi ministries and state-funded directorates only. Accordingly, the percentage of employment in the extractive sector relative to total employment in Iraq during 2017 could not be identified in the 2017 IEITI report.

The following table presents total number of employees in the MoO and its formations, for the year 2017:

(Table 6-21: Employment in the Oil and Gas Public Sector (Federal Iraq) in 2017)

| Employment in the Oil and Gas Sector (Federal Iraq) | | |
|---|---|---|
| # | Entity | Number of employees |
| 1 | Ministry HQ | 1,345 |
| 2 | Oil Exploration Company | 2,108 |
| 3 | Iraqi Drilling Company | 8,116 |
| 4 | Oil Pipeline Company | 6,801 |
| 5 | State Company for Oil Projects (Oil Projects Company) | 3,629 |
| 6 | Heavy Engineering Equipment State Company | 1,997 |
| 7 | State Oil Marketing Company (SOMO) | 290 |
| 8 | Gas Filling Company | 7,134 |
| 9 | Oil Products Distribution Company | 22,041 |
| 10 | South Gas Company | 5,238 |
| 11 | North Gas Company | 3,437 |
| 12 | South Refineries Company | 7,546 |
| 13 | North Refineries Company | 9,684 |
| 14 | Midland Refineries Company | 6,915 |
| 15 | Iraqi Oil Tankers Company | 481 |
| 16 | Basra Oil Company | 27,192 |
| 17 | North Oil Company | 12,117 |
| 18 | Midland Oil Company (MdOC) | 2,840 |
| 19 | ThiQar Oil Company | 1,907 |
| 20 | Missan Oil Company | 4,752 |
| 21 | Petroleum Research & Development Center (PRDC) | 341 |
| Total | | 135,911 |
| Total number of employees in Iraq (ministries and state funded entities) during 2017[90] | | 2,900,000 |

[90] The total number of employees in Iraq was obtained from the federal budget of 2017

(Table 6-22: Employment in the oil and gas extractive SOEs in 2017)

| Employment in the oil and gas extractive SOEs | | |
|---|---|---|
| # | Entity | Number of employees |
| 1 | North Oil Company | 12,117 |
| 2 | Midland Oil Company (MdOC) | 2,840 |
| 3 | ThiQar Oil Company | 1,907 |
| 4 | Missan Oil Company | 4,752 |
| 5 | Basra Oil Company | 27,192 |
| 6 | Oil Exploration Company | 2,108 |
| 7 | Iraqi Drilling Company | 8,116 |
| Total | | 59,032 |
| Total number of employees in Iraq (ministries and state funded entities) during 2017[91] | | 2,900,000 |

The following table presents total number of employees in MoIM (including its formations), for the year 2017:

(Table 6-23: Employment in the Mining Sector (Federal Iraq) during 2017)

| Employment in the Mining Sector (Federal Iraq) | |
|---|---|
| Entity | Number of employees |
| Ministry of Industry and Minerals[92] | 134,903 |
| Total number of employees in Iraq (ministries and state funded entities) during 2017 | 2,900,000 |

[91] The total number of employees in Iraq was obtained from the federal budget of 2017

[92] The total number of employees in the Ministry of Industry was obtained from the MoIM through the IEITI

### 6.4.6. Employment Under Licensing Rounds during the year 2017

The following table presents the total employment by IOCs in their respective local Iraq branches, during the year 2017. It is important to note that not all IOCs working in Iraq under license rounds reported the employment figures in their respective Iraqi branches, therefore the figures in the table below are not comprehensive figures of total employment in Iraqi fields.

(Table 6-24: Employment under licensing rounds during the year 2017)

| IOC (Iraq branch) employees during the year 2017 | | | | | | |
|---|---|---|---|---|---|---|
| Operator name | Field Name | Number of national employees | Number of foreign employees | Total number of employees | Percentage of national employees | Percentage of foreign employees |
| Al-Waha Petroleum | Ahdeb | 197 | 109 | 306 | 64% | 36% |
| BP Iraq | Rumaila | 6,585 | 462 | 7,047 | 93.4% | 6.6% |
| ENI Iraq B. V | Zubair | 12 | 437 | 449 | 3% | 97% |
| Kogas | Akkas | 3 | 31 | 34 | 9% | 91% |
| Petrochina | Halfaya | 1,116 | 379 | 1,495 | 75% | 25% |
| LUKOIL Mid-East | West Qurna Phase 2 | 600 | 648 | 1,248 | 48.08% | 51.92% |
| PPL Asia E&P B.V Iraq | Block 8 | 3 | 3 | 6 | 50% | 50% |
| Petronas Iraq | Garraf | 379 | 329 | 708 | 52% | 48% |
| CNNOC Iraq | Missan fields | 1,671 | 249 | 1,920 | 87% | 13% |
| Kuwait Energy | Siba | 62 | 19 | 81 | 76.5% | 23.5% |
| | Block 9 | 72 | 38 | 110 | 65.5% | 34.5% |
| Inpex | Block 10 | 1 | 1 | 2 | 50% | 50% |
| LUKOIL Overseas Exploration (LOEI) | Block 10 | 2 | 41 | 43 | 5% | 95% |
| Total | | 10,703 | 2,746 | 13,449 | | |

Source: data received from the respective IOCs

JAPEX (contractor in Garraf field) declared that “all manpower for the project, either Iraqi nationals or foreigners, has been employed by the Operator”.

The following table illustrates the total number of employees in licensing round fields during 2017. The below figures were reported by the respective national oil companies (filed license holders). No information was received in relation to the remaining fields and blocks awarded under licensing rounds.

(Table 6-25: Employment in licensing round fields during the year 2017)

| Field | Number of national employees | Number of foreign employees | Total field employees |
|---|---|---|---|
| Rumaila* | 30,358 | | 30,358 |
| Zubair* | 4,820 | | 4,820 |
| West Qurna (Phase 1) * | 4,040 | | 4,040 |
| Garraf* | 2,135 | | 2,135 |
| Majnoon* | 3,976 | | 3,976 |
| West Qurna (Phase 2) * | 3,630 | | 3,630 |
| Siba* | 633 | | 633 |
| Block 8 | 1 | 6 | 7 |
| Badra | 1,567 | 970 | 2,537 |
| Ahdeb | 2,880 | 1,025 | 3,905 |
| Mansuriya | 63 | 10 | 73 |
| Akkas | 4 | 54 | 58 |
| Total field employees | | | 56,172 |

Source: data received from the respective NOCs

* Field employment data presented by Basra Oil Company was not disaggregated to separately identify the number of foreign vs national employees.

### 6.4.7. Training Under Licensing Rounds

The following table reflects the value of amounts spent by IOCs during 2017 on training courses, technology, and scholarships in accordance with the contract terms – Training, Technology and Scholarship Fund (TTS fund), in addition to training courses conducted voluntarily or based on requests from the national oil companies. The MSG determined that training payments (Training, Technology and Scholarship Fund payments) mandated under Article 26 of the service contracts are not considered mandatory social expenditures; as such, expenditures are recoverable costs for the field contractors. The Ministry of Oil reimburses the IOCs, as these funds are directed at the development of the MoO's workforce, research centers, fellowships and technology transfer.

(Table 6-26: Amounts spent by IOCs during 2017 on Training, Technology and Scholarship Fund (TTS fund))

| IOC | Field | Training course name | Number of beneficiaries | Cost (USD) | Training requirement |
|---|---|---|---|---|---|
| Al-Waha Petroleum | Ahdeb | No training programs were undertaken during the year 2017 | | | |
| BP | Rumaila | - | - | 1,546,507 | - |
| ENI | Zubair | 1- English Language | 191 | 168,000 | TTS Fund |
| | | 2- HSE | 7,020 | 434,075 | |
| | | 3-Claims workshop: Managing, Defending and Making claims under FIDIC Contracts | 11 | 38,610 | Voluntary |
| Petrochina | Halfaya | 1- Audit Workshop in Dubai | - | 39,861 | TTS Fund |
| | | 2- GE Company Training in Italy | - | 25,880 | |
| LUKOIL Mid-East ltd | West Qurna (Phase 2) | HSE Training courses | 1,983 | 1,357,236 | TTS Fund |
| | | English language training for Graduates | 10 | 18,015 | |
| | | 1st Discipline Specific courses for local supervisors and engineers | 36 | 516,560 | |
| | | 2016 training costs carried to 2017 | | 11,747 | |
| Kuwait Energy | Siba | No training programs were undertaken during the year 2017 | | | |
| | Block 9 | No training programs were undertaken during the year 2017 | | | |
| Petronas | Garraf | Sponsorship for Iraqi students studying Masters in Engineering in University of Technology, Malaysia | 3 | 2,039 | TTS Fund |
| | | Travelling expenses for host authority staffs attending trainings in Malaysia | 8 | 18,259 | |
| | | Maintenance, upgrade, technical support and training for subsurface software | - | 234,710 | |

| IOC | Field | Training course name | Number of beneficiaries | Cost (USD) | Payment / training requirement |
|---|---|---|---|---|---|
| Inpex | Block 10 | No training programs were undertaken during the year 2017 | | | |
| Kogas | Akkas | No training programs were undertaken during the year 2017 | | | |
| PPL Asia E&P B.V Iraq | Block 8 | On Job Training | 29 | 747,029 | TTS Fund |
| LUKOIL Overseas Exploration (LOEI) | Block 10 | - | - | 626,635 | TTS Fund |
| CNOOC Iraq | Missan fields | Various (Refer to Annex 14 for details) | | 519,989 | TTS Fund |
| PT. Pertamina International - Iraq | West Qurna (Phase 1) | - | - | 500,559[93] | TTS Fund |
| Shell | Majnoon | No Data was received | | - | |
| ExxonMobil Iraq Ltd. | | Audit, Oil, Accounting, Drill Well Control and Security | - | 3,778,347 | TTS Fund |
| Total | | | | 10,584,058 | |

# 7. Outcomes and Impact

## 7.1. Data Accessibility and Public Debate

According to the IEIT Standard, the MSG should ensure that the EITI Report is comprehensible, actively promoted, publicly accessible and contributes to public debate.
Accordingly, the IEITI report for the year 2017 will be:

- Published in Arabic, Kurdish and English languages, as follows:
  - Ten hard copies of IEITI report for each language
  - 1,000 electronic copies containing IEITI report in three languages and executive summary of the report in three languages on a business card size flash memory
- Produced in electronic form (excel or csv format) which contains the tables and figures from the print report. In accordance with requirement 7.1.c, the MSG is to make the EITI Report available in an open data format (xlsx or csv) online.
- Provide summary data from the EITI Report electronically to the International Secretariat according to the Standardized reporting format available from the International Secretariat.

## 7.2. Indicators and Recommendations

### Indicator:

Consistent with previous reporting periods, the following key challenges were observed:

- Delayed completion or partial completion of reporting templates and other information requests
- Failure to respond to follow-up queries from the Independent Administrator

Despite extensive follow-up with the reporting entities, some reconciliation differences remain unexplained.

### Recommendation:

- It is recommended that the MSG maintain communication throughout the year with the different reporting entities to emphasize the importance of timely completion of reporting templates and document requests, with strict adherence to the requirements set forth by the MSG and requested by the Independent Administrator (IA) in terms of data completion and quality assurance.
- The MSG should engage the IA for future EITI Reports earlier in the year to allow additional lead time, in acknowledgement of the data collection challenges.

### Indicator:

Although delays in reporting data were noticed by governmental and non-governmental entities operating in the extractive sector in Iraq, it was noted that the governmental entities were more ready in addressing the requirements of this initiative than were the non-governmental entities.

### Recommendation:

It is recommended that more efforts are exerted with non-governmental entities operating in the extractive sector of Iraq to explain the importance of this initiative and to get their buy in. This will strengthen the communication channels with the IEITI and further facilitate the reporting process and access to data.

### Indicator:

As with previous reporting periods, the inconsistency in reporting, in terms of applicable accounting standards, between the international companies and SOEs, created many of the reconciliation discrepancies.

### Recommendation:

The accounting standards in Iraq are currently being developed with the aim of becoming in line with the International Financial Reporting Standards, but until this is implemented, it is recommended that the MSG bring these issues to the attention of the different reporting entities through workshops and regular meetings. Adopting this approach would enhance the quality of reported data and the efficiency of the reconciliation process.

### Indicator:

- The Mining Sector in Iraq is not as developed as the Oil and Gas Sector, which is understandable in the sense that Iraq is a major oil and gas producer and the mining sector did not get the needed attention. Nonetheless, the mining sector is important and obtaining the required information for the purpose of the IETI report posed a challenge due to awareness issues by the Ministry of Industry and Minerals and its subsidiaries of the reporting requirements of the EITI Standard.

Recommendation:

- It is recommended that more attention should be given to the Mining Sector in Iraq by the government and the IEITI could play a major role in this activity by building awareness among the different entities operating in this sector and the government and bringing it up to speed in terms of laws and regulations governing this sector, licensing rounds, marketing initiatives and reporting requirements that are up to international standards.

Indicator:

- The Mining Sector is almost stagnant in Iraq, whereby the IEITI 2017 report identifies that the Mining Industries Company is the only company engaged in partial extractive activity. The State Company of Fertilizers – Southern Region, the Sate Company for Petrochemical Industries, the Sate Company for Iron and Steel, and the Iraq Sate Cement Company have shifted towards manufacturing rather than extractive activity. As for the State Company of Fertilizers – Northern Region, the Phosphate Company, and the Mishraq Sulphur Company, all three companies are non-operational.

Recommendation:

- The MSG recommends that a global conference be held in Baghdad in the presence of mining sector experts from the MoIM, local and international companies working in the sector, and global consultancy companies, to discuss the challenges facing the mining sector in Iraq and the reasons for the lack of extractive and transformational activities within the sector, with access to the necessary recommendations. It may be necessary to propose licensing rounds in the mining sector that emerged from the workshop held by the Iraqi Extractive Industries Transparency Initiative at the Ministry of Industry and Minerals in December 2017.

Indicator:

- The Ministry of Industry and Minerals did not provide the Independent Administrator with a list of all contracts signed with private sector companies operating in the minerals and mining sector in Federal Iraq during the year 2017 because it considers such information to be confidential.

Recommendation:

- It is recommended that the MoIM publish its policy on contract disclosure as done by the MoO. The MoIM is encouraged to publish signed contracts in an effort to enhance transparency.

Indicator:

The PCLD did not disclose the weightings of the technical and financial criteria used to pre-qualify companies in the first phase of the license round bidding process, and to transfer shares in oil and gas licenses. In addition, the PCLD did not disclose whether there were any amendments to the contract terms (for all active licenses) during 2017.

Recommendation:

It is recommended that the PCLD enhances the comprehensiveness of its reporting with regards to the processes applied in awarding and transferring license shares to reach a higher level of compliance with the EITI standard.
For further transparency, the MSG recommends that the PCLD publishes on its website a description of the instructions for participation in the bidding process of licensing rounds.

Indicator:

The IEITI report identified that there is a significant difference in the methodology applied by the different national oil companies for calculating the values and volumes of gas produced, due to the absence of a unified calculation mechanism.

### Recommendation:

It is recommended that a unified mechanism for calculating gas production be adopted by all national oil companies.

### Indicator:

Challenges were faced by the Independent Administrator in obtaining data from Basra Gas Company, whereby Basra Gas Company's response in relation to some of the data requests was that information is confidential and would not be reported. Information not received from Basra Gas Company included the following:

- The names of companies to which Basra Gas Company exported LPG during the year 2017
- The commission agreed with SOMO for its export of petroleum products produced by Basra Gas Company.

### Recommendation:

The MSG recommends that the South Gas Company representative (which owns 51% of Basra Gas Company shares), issues written instructions to Basra Gas Company requiring the company to report all data requested by the IEITI and any representative party.

### Indicator:

Employment figures reported by IOCs working in Iraqi fields under license round service contracts did not represent a comprehensive figure of employment in license round fields, since not all IOCs reported the employment figures in their respective Iraq branches.

### Recommendation:

The MSG recommends that license field employment figures should be provided by the Joint Management Commissions (JMC) of the respective fields in future IEITI reports, to ensure that comprehensive figures of foreign and Iraqi field workers are obtained.

### Indicator:

The IEITI report identifies that there is a difference in the mechanism applied by the MoO and the MoF in classifying cost recovery and remuneration fees paid to IOCs working in Iraq under license round service contracts. Such amounts are paid to IOCs in crude oil, equivalent to the value of cost recovery and remuneration fees earned and are recorded by the SOMO (MoO) as crude oil sales/export revenues. On the other hand, the MoF initially records these amounts as revenues, but subsequently records them as expenses on the account of MoO/ Investment Plan.

### Recommendation:

Under the supervision of the MSG and the National Secretariat, a workshop and a study are recommended to identify the reasons for the classification differences and to highlight the resulting issues thereof. According to the results of the study, detailed recommendations should be proposed to the MoO and MoF.

### Indicator:

The IEITI 2017 report identified that British Petroleum (BP) was not in compliance with local regulations by contracting (contractual value of USD 293,750,000) with a company named Best Solutions Trading & Services for Oil & Gas Equipment - General Electric (in relation to Rumaila field) which is not registered in Iraq. According to the Companies Registrar, Best Solutions Trading & Services for Oil & Gas Equipment - General Electric is not in compliance with "Article 14 of Law No. 2 of year 2017 - Foreign Company Branches in Iraq" which stipulates that "Foreign companies are prohibited from practicing in any commercial activity or opening their headquarters in Iraq if they are not granted a registration license". Best Solutions Trading & Services for Oil & Gas Equipment is not registered in Iraq and does not have an authorized commercial agent.

Recommendation:

The MSG recommends, that the National Secretariat approaches the MoO into taking the necessary action after reviewing the beneficial ownership details of the identified contracts.

Indicator:

While the MoO published its policy on petroleum contract disclosures during April 2019, its policy dictates that only contract templates can be made publicly available, while signed contracts remain confidential.

Recommendation:

It is recommended that the MSG update the workplans for year 2020 and subsequent years, to include plans to address challenges related to the non-publication of extractive sector contracts, in an effort to work towards full compliance with Requirement 2.4(a) of the 2019 Standard, which requires implementing countries to disclose all contracts and licenses that are granted, entered into or amended from 1 January 2021.

Indicator:

The 2017 IEITI report identifies that the level of burnt gas (non-invested) is very high, and accounts for approximately 53% of the total gas produced during 2017.

Recommendation:

Under the supervision of the MSG and IEITI National Secretariat, a technical study will be conducted to identify the financial losses resulting from the high percentages of non-invested associated gas (burnt), and the resulting environmental effects, with an aim to provide recommendations to address this problem.

Indicator:

The Independent Administrator was unable to obtain the total number of employees in Iraq for the year 2017 due to the absence of accurate statistics at the concerned institutions. Therefore, the IA relied on the employment figures identified in the Federal Budget Law for the year 2017, which included the total number of employees working in Iraqi ministries and state-funded directorates only. Accordingly, the percentage of employment in the extractive sector relative to total employment in Iraq during 2017 could not be identified in the 2017 IEITI report.

Recommendation:

- It is recommended that the MSG request the interference of the highest authorities of the concerned institutions to facilitate the provision of accurate statistics required for future IEITI reports.

- The MSG recommends that for future IEITI reports, the Independent Administrators should exert all efforts in trying to obtain this information from other relevant entities if such statistic are not available at the MoF and MoP.

Indicator:

The 2017 IEITI report identifies that only three of the thirteen extractive companies completed their tax clearances for the year 2017, resulting in differences between the CIT amounts approved by the MoO and the CIT paid to the GCT for the year 2017.

Recommendation:

The relevant parties (the MoO, MoF, FBSA, and IOCs) are encouraged to complete the CIT clearances for all companies that have not yet done so.

### Indicator:

The 2017 IEITI report identified that the MoF did not make any transfers from petrodollar allocations to the governorates and regions during 2017. The report also identified significant differences between the amounts allocated and amounts transferred to governorates under the Governorate Development Program. These differences are due to the delays in initiating the transfers process between the MoF and MoP, as well as the delay in claiming such amounts by the respective governorates.

### Recommendation:

The MSG recommends, that the IEITI National Secretariat contacts the concerned ministries and governorates in order to address the reasons for such delays.

### Indicator:

The reconciliation of crude oil exports revenue identified an unexplained difference of USD 15,931,357 between the figures reported by SOMO and those reported by Saras-Milano. The difference could not be explained because Saras-Milano did not report the required data using the reporting templates provided by the IA.

### Recommendation:

It is recommended that the MoO investigate the reasons for the difference and refer the file to the respective regulatory authorities.

### Indicator:

Despite the considerable efforts made by the Independent Administrator and the MSG in trying to achieve KRG's participation in the IEITI reporting process, no information was received from the KRG or the companies operating within the Region, with regards to the following:

- Names of producing and non-producing oil and gas fields in the Region. Field names were obtained from the KRG website, however field names published on the KRG website do not appear to be comprehensive.
- Production-sharing contracts (PSCs) signed with IOCs. Copies of the PSCs and related amendments were identified for 42 fields, published on the KRG website.
- Oil, gas and mineral reserves in the Kurdistan Region.
- Crude oil, natural gas, and mineral production in the Kurdistan Region. Reliance was made on the information included in the reports published on the KRG website on oil export, consumption, and sales.
- Export of crude oil in the Kurdistan Region. Reliance was made on information included in the reports published on the KRG's website on oil export, consumption and sales.
- Selling price per barrel of crude oil, was not discloses by the KRG, and reliance was made on the information included in the reports published on the KRG's website on oil export, consumption and sales.
- Domestic consumption of crude oil produced in Kurdistan Region.
- Extractive sector revenues recognized by the KRG for the year 2017. Reliance was made on publicly available sources such as the reports published on the KRG's website on oil export, consumption, and sales. Further, reliance was made on reports published by IOCs operating in KRG; Reports on payments to governments for the year 2017, which identified revenues earned by KRG from license fees, royalties and taxes. This information was only obtained for Genel Energy and Gulf Keystone Petroleum Limited.
- Mandatory and voluntary social and economic expenditure related to the KRG was not reported by the KRG and was also not identified in public sources.

### Recommendation:

It is recommended that the MSG intensifies its communication with the Kurdistan Regional Government and the Kurdistan Region Council of Representatives to discuss challenges related to the Region's participation in the initiative and in providing the required data.

## 7.3. Follow up on Recommendations

The following is an assessment carried out by the IA, in cooperation with the IEITI, of the progress made by the MSG in responding to recommendations of past IEITI reports:

(Table 7-1: Follow up on recommendations)

| Observation | IEITI Report | Recommendation | Action taken |
|---|---|---|---|
| Current report has indicated an improvement in the quality and content of the reporting templates. However, the upcoming reports need to be changed and improved to better manage the changes in the Terms of references | 2014 | It is recommended that the Stakeholders Council coordinate a workshop that includes experts from extraction sector from both Ministry of Industries and Minerals and Ministry of Oil to develop those reporting templates | – The MSG enhanced the reporting templates used to obtain required information from reporting entities<br>– The MSG has also set a communication plan with the reporting entities |
| Based on the guidelines, the reporting templates should be signed by the related personnel at the reporting entity. It had been noted that some of the templates were not signed, however the forms were received through the official emails of the reported entities | 2014 | Future guidelines need to emphasize on the importance signing off the submitted templates | The MSG determined quality assurance measures for the reporting entities, which included the requirement of having all reporting templates signed and stamped by the company representative, confirming accuracy of the reported figures. This has been reflected in the ToRs of the 2016 and 2017 reports<br><br>However, despite clear instructions sent by the IA to the reporting entities as well as reminders, some reporting companies have still failed to comply with the requirement |
| Guidance on reporting by companies | 2014 | 1. In addition to providing detailed instructions of how to complete the reporting templates, the IA recommends that an additional effort be established to create an open informational session for all reporting companies prior to the dispatching of reporting templates<br>2. The reporting template can be discussed and instructions and guidance can be reviewed for the preparation of the payment reports. We suggest this approach as a means to help achieve the overall objectives of the IEITI | The National Secretariat held a workshop at the onset of the 2016 and 2017 reporting process (in August 2018), in coordination with the IA to enhance reporting templates, and provide guidance to the representatives of the national reporting companies on how to properly complete the reporting templates |

| Observation | IEITI Report | Recommendation | Action taken |
|---|---|---|---|
| The civil society may not be aware of social contributions in extractive industries | 2015 | Reporting of the social contribution of the extractive industries whether cash or in-kind contributions and awareness should also be exercised by the reporting entities as well | 1. The IEITI conducted a social expenditures study to identify all mandatory and voluntary social expenditures<br>2. The MSG has assessed the materiality of mandatory social expenditures<br>3. Reporting entities were required to disclose both mandatory and voluntary social expenditures for the purpose of the IEITI 2016 and 2017 reports |
| Clearly defined deadlines | 2015 | A clearly defined deadline should be set up and written in the letter sent out by the MSG and the reporting template sent out by IA. At least one reminder of the reporting deadline should be sent out to the reporting companies and related government agencies. The mailing list of the reporting companies should be updated to confirm and document that all relevant companies are included as a part of the overall population | 1. Early reporting deadlines and sending template at one time from the independent administrator to the entities gave enough time to the MSG, Civil Society and related researchers to discuss the report better<br>2. The IA administrator in agreement with the MSG set reporting deadlines in the email requests sent out to the reporting companies for the preparation of the 2016 and 2017 IEITI reports. In addition, the IA sent out multiple reminders to the reporting companies prior to the deadline; however, some entities still failed to report the requested information prior to the reporting deadline |
| Various governing authorities of the extractive industries in addition to the contracts and licensing requirements. | 2015 | Raise the need for enhanced legal framework | 1. The MSG conducted a study to describe and interpret the applicable laws, regulations and instructions governing the oil, gas and minerals sector in Iraq<br>2. Contractual material was added in the fifth licensing round contracts by the PCLD to ensure that companies comply with the standards of the EITI Standard |

| Observation | IEITI Report | Recommendation | Action taken |
|---|---|---|---|
| Accuracy of completion of templates | 2015 | 1. EITI Requirement (5) seeks to ensure a credible EITI reporting process so that the EITI Report contains reliable data that is appropriately sourced and documented. The reporting entities and relevant government agencies should have controls in place over the EITI reporting template preparation to confirm that they are complete and accurate before submission<br><br>2. We recommend that the MSG establish a communication plan for reporting companies to make sure that the companies are aware of the importance of the data they are providing and that due care and attention is paid during the preparation of these reports | 1- The MSG set quality assurance measures for the reporting entities to ensure the accuracy and reliability of reported data |
| Outdated information regarding the oil reserves | 2015 | IEITI should recommend the government to assess the reserves in areas with significant extractive interests. More clear information on proven and probable geological reserves could ensure more efficient production and fiscal planning | The Ministry of Oil's Reservoirs and Field Development Directorate prepared two reports related to the proven oil and gas reserves in Iraq (excluding KRG) for the years 2016 and 2017. The methodology documented in the MoO's reports explain that the approved reserves studies are based on the final development plans (FDPs and ERPs) for the fields offered in the first, second and third licensing rounds, in addition to detailed reservoir and geological studies for the fields of national efforts, and non-producing field reserves |
| Identify who owns companies and who benefits: The identity of the real owners – the 'beneficial owners' – of the extractive companies is often unknown | 2015 | - Disclosure of beneficial ownership<br>- Establish public beneficial ownership registers | The MSG has published a roadmap for disclosing beneficial ownership information in Iraq, on the website of the IEITI. For the purpose of the Iraq EITI 2017 report, national oil and gas companies were required to disclose all secondary contracts worth over USD 100 million, clarifying the name of the company, contract value, and the contract signing date. Accordingly, the IEITI would request from the Ministry of Trade, the beneficial ownership information of individuals/entities with ownership stake of 10% or more in the contracting company |

| Observation | IEITI Report | Recommendation | Action taken |
|---|---|---|---|
| Completeness of information from KRG | 2015 | Research from credible sources to add relevant information | 1. The MSG made several and extensive efforts to attain KRG's participation in the initiative, as follows :<br>- The MSG issued an order to establish a team of MSG members to meet with KRG representatives (MSG Decision No. 51 dated 7 January 2018 and the underlying executive order no. 53 dated 1 February 2018). KRG did not respond to the MSG's request for meetings<br>- A letter No. 293 dated 8 August 2018 was directed by the IEITI to the Kurdistan Regional Government - Ministry of Natural Resources, to facilitate the mission of the IA in obtaining data related to the KRG, but there was no response from the KRG<br>- The MSG tried to arrange for a meeting between Mr. Khaled Naqshbandi (former Kurdistan Region civil society representative on the MSG) and Mr. Amanj, Cabinet Secretary at the Kurdistan Regional Government, but without success<br>2. The MSG attempted to encourage the civil society to elect their representative from the Kurdistan Region and specified the election date on 22 September 2018, but the elections did not take place due to certain protests at the election site in Kurdistan<br>3. On 29/08/2016, representatives of the MSG and the National Secretariat held a workshop entitled "Transparency is The Most Important tool to Curb Corruption" In Suleymania for Members of the provincial parliament (including Dr. Shirko Jwdat, The chairman of the energy committee in Kurdistan Parliament), members of the provincial councils, Academics, civil society organizations<br>4. To secure credible publicly available sources of information, the IA obtained information on payments received by the KRG from oil companies/producers operating in KRG from reports on payments to governments issued by some of the largest identified oil producers in KRG |

Annual activity reports are published on the IEIT website to demonstrate actions taken and progress made against previous recommendations. The progress against the recommendations based on the Validation of the 2015 IEITI report can be found in the IEITI Annual Progress Report for year 2018[94] published on its website (click here).

94 http://ieiti.org.iq/mediafiles/articles/doc-709-2019_03_21_03_34_00.pdf

# Annex 1: National Effort Production fields

The IEITI has published on its website, information about the fields allocated for national production in Federal Iraq (click here).

# Annex 2 – Reporting Companies: International Oil Buyers

| Company | | |
|---|---|---|
| API Oil | PETRONAS | HINDUSTAN PETROLEUM CORPORATION LTD |
| BHARAT OMAN | PHILLIPS 66 | HPCL-MITTAL |
| BHARAT PETROLEUM | PT PERTAMINA | INDIAN |
| BP OIL | PV OIL | IPLOM |
| CANAL | RELIANCE INDUSTRIES LIMITED(RIL) | IRAQ PETROLEUM TRADING DMCC |
| CEPSA | REPSOL | JX NIPPON OIL |
| CHENNAI PETROLEUM CORPORATION LTD | SARAS TRADING SA. | KAZMUNAYGAS TRADING AG (KMGT) |
| CHEVRON | SHELL | KOCH SUPPLY & TRADING |
| CHINA INTERNATIONAL | SINOCHEM | LIMA |
| CHINA NATIONAL | SK ENERGY | LITASCO |
| CHINA OFFSHORE OIL | SOCAR | MOL HUNGARIAN OIL AND GAS PLC |
| ENI TRADING | STATOIL ASA | MOTOR OIL |
| ENOC SUPPLY AND TRADING LLC | THE EGYPTIAN GENERAL PETROLEUM | NORTH PETROLEUM |
| ESSAR OIL | TOTSA TOTAL | OMAN TRADING |
| EXXON MOBIL SALES AND SUPPLY CORPORTION | Toyota Tsusho Corporation | PBF HOLDING COMPANY |
| GS CALTEX SINGAPORE PTE. LTD. | TUPRAS | PERTAMINA (PERSERO) |
| GUNVOR | VALERO MARKETING &SUPPLY COMPANY | PETRO DIAMOND |
| HELLENIC | VITOL | PETROBRAS |
| PETROBRAS GLOBAL TRADING | | |
| PETROGAL | | |

# Annex 3 – Reporting Companies: International Oil Companies (working in federal Iraq under licensing round service contracts)

| Company Name |
|---|
| AL WAHA PETROLEUM |
| BP |
| PETROCHINA RUMAILA |
| CNOOC IRAQ |
| DRAGON OIL (BLOCK9) LIMITED |
| EGYPTIAN GENERAL PETROLEUM |
| ENI IRAQ B.V |
| EXXONMOBIL IRAQ |
| GAZPROM NEFT BADRA B.V. |
| JAPEX |
| KOGAS BADRA B.V. |
| KOGAS IRAQ B.V |
| KUWAIT ENERGY COMPANY |
| LUKOIL Mid-East Ltd |
| OCCIDENTAL IRAQ B.V |
| PERTAMINA |
| PETROCHINA HALFAYA |
| PETROCHINA WEST QURNA |
| PETRONAS BADRA |
| PETRONAS GARRAF |
| PETRONAS HALFAYA |
| PETRONAS MAJNOON |
| SHELL MAJNOON |
| SHELL WEST QURNA |
| TOTSA TOTAL |
| TP BADRA LTD. |
| TP MISSAN |

# Annex 4 – Reporting entities data quality (Audited Financial Statements)

The following tables display the reporting entities and whether they have submitted their audited financial statement for year 2017. For those companies which did not submit their 2017 financial statements, we could not determine whether their financial statements had been audited by an external auditor.

i. International Oil Buyers:

| Company | Audited Financial Statements (Yes/No) |
|---|---|
| API Oil | Yes |
| BHARAT OMAN | No |
| BHARAT PETROLEUM | Yes |
| BP OIL | No |
| CANAL | No |
| CEPSA | No |
| CHENNAI PETROLEUM CORPORATION LTD | No |
| CHEVRON | No |
| CHINA INTERNATIONAL | Yes |
| CHINA NATIONAL | No |
| CHINA OFFSHORE OIL | No |
| ENI TRADING | Yes |
| ENOC SUPPLY AND TRADING LLC | No |
| ESSAR OIL | Yes |
| EXXON MOBIL SALES AND SUPPLY CORPORTION | No |
| GS CALTEX SINGAPORE PTE. LTD. | Yes |
| GUNVOR | No |
| HELLENIC | Yes |
| HINDUSTAN PETROLEUM CORPORATION LTD | Yes |
| HPCL-MITTAL | No |
| INDIAN | No |
| IPLOM | No |
| IRAQ PETROLEUM TRADING DMCC | No |
| JX NIPPON OIL | No |
| SOCAR | No |
| STATOIL ASA | Yes |
| THE EGYPTIAN GENERAL PETROLEUM | No |
| TOTSA TOTAL | No |
| Toyota Tsusho Corporation | Yes |

| Company | Audited Financial Statements (Yes/No) |
|---|---|
| KAZMUNAYGAS TRADING AG (KMGT) | No |
| KOCH SUPPLY & TRADING | No |
| LIMA | No |
| LITASCO | No |
| MOL HUNGARIAN OIL AND GAS PLC | Yes |
| MOTOR OIL | Yes |
| NORTH PETROLEUM | No |
| OMAN TRADING | No |
| PBF HOLDING COMPANY | Yes |
| PERTAMINA (PERSERO) | No |
| PETRO DIAMOND | Yes |
| PETROBRAS | No |
| PETROBRAS GLOBAL TRADING | Yes |
| PETROGAL | Yes |
| PETRONAS | Yes |
| PHILLIPS 66 | Yes |
| PT PERTAMINA | Yes |
| PV OIL | Yes |
| RELIANCE INDUSTRIES LIMITED (RIL) | No |
| REPSOL | Yes |
| SARAS TRADING SA. | No |
| SHELL | No |
| SINOCHEM | No |
| SK ENERGY | Yes |
| TUPRAS | No |
| VALERO MARKETING & SUPPLY COMPANY | No |
| VITOL | Yes |

### i. International Oil Companies

| Company Name | Audited Financial Statements submitted (Yes/No) |
|---|---|
| AL WAHA PETROLEUM | Yes |
| BP | Yes |
| Petrochina Rumaila | No |
| CNOOC IRAQ | No |
| Dragon Oil Limited | No |
| Egyptian General Petroleum Corporation | No |
| ENI IRAQ B. V | Yes |
| EXXONMOBIL IRAQ | No |
| GAZPROM NEFT BADRA B.V. | No |
| JAPEX | Yes |
| KOGAS BADRA B.V. | No |
| KOGAS IRAQ B. V | No |
| KUWAIT ENERGY COMPANY | No |
| LUKOIL Mid-East Ltd | No |

| Company Name | Audited Financial Statements submitted (Yes/No) |
|---|---|
| PERTAMINA | No |
| PETROCHINA HALFAYA | No |
| PETROCHINA WEST QURNA | No |
| PETRONAS BADRA | No |
| PETRONAS GARRAF | No |
| PETRONAS HALFAYA | No |
| PETRONAS MAJNOON | No |
| SHELL MAJNOON | No |
| SHELL WEST QURNA | No |
| TOTSA TOTAL | No |
| TP BADRA LTD. | Yes |
| TP MISSAN | Yes |
| OCCIDENTAL IRAQ B. V | No |

### ii. State -owned entities:

The following table displays the status of the 6 reporting SOEs' financial statements:

| Entity | Financial statements audited by FBSA | Financial statements signed by the Internal Audit Department/ Board of Directors (BOD) | Financial statements published on respective company website (years published) | Link to 2017 Financial statements |
|---|---|---|---|---|
| Midland Oil Company | No | Yes | 2016 and 2017 | http://www.mdoc.oil.gov.iq/upload/upfile/ar/126.pdf |
| North Oil Company | Yes | Yes | 2016 and 2017 | http://www.noc.oil.gov.iq/ |
| Missan Oil Company | No | No | 2016 and 2017 | https://moc.oil.gov.iq/upload/upfile/ar/23.pdf |
| Basra Oil Company | No | No | 2016, 2017 and 2018 | https://boc.oil.gov.iq//upload/upfile/ar/251.PDF<br>https://boc.oil.gov.iq//upload/upfile/ar/252.PDF<br>https://boc.oil.gov.iq//upload/upfile/ar/253.PDF |
| Oil Exploration Company | No | No | 2016, 2017 and 2018 | http://oec.oil.gov.iq/ar/page/Final_Accounts2017 |
| SOMO | No | Signed by BOD and IA | 2016, 2017 and 2018 | http://somooil.gov.iq/index.php/25-2016-07-26-10-11-13/119-2019-04-14-00-00-1 |

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