

Iraq Oil, Gas, Petrochemical & Electricity Summit

Hydrocarbon Law in Iraq A Status Report: Future Prospects, Present Conflict

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Iraq Hydrocarbon Laws – a Practical Primer

- What's at Issue – Politically, Financially, Practically?
 - Where Do Things Stand (after more than a year of work)?
 - What's Ahead (and when)?
 - What Does It All Mean for now and the future?
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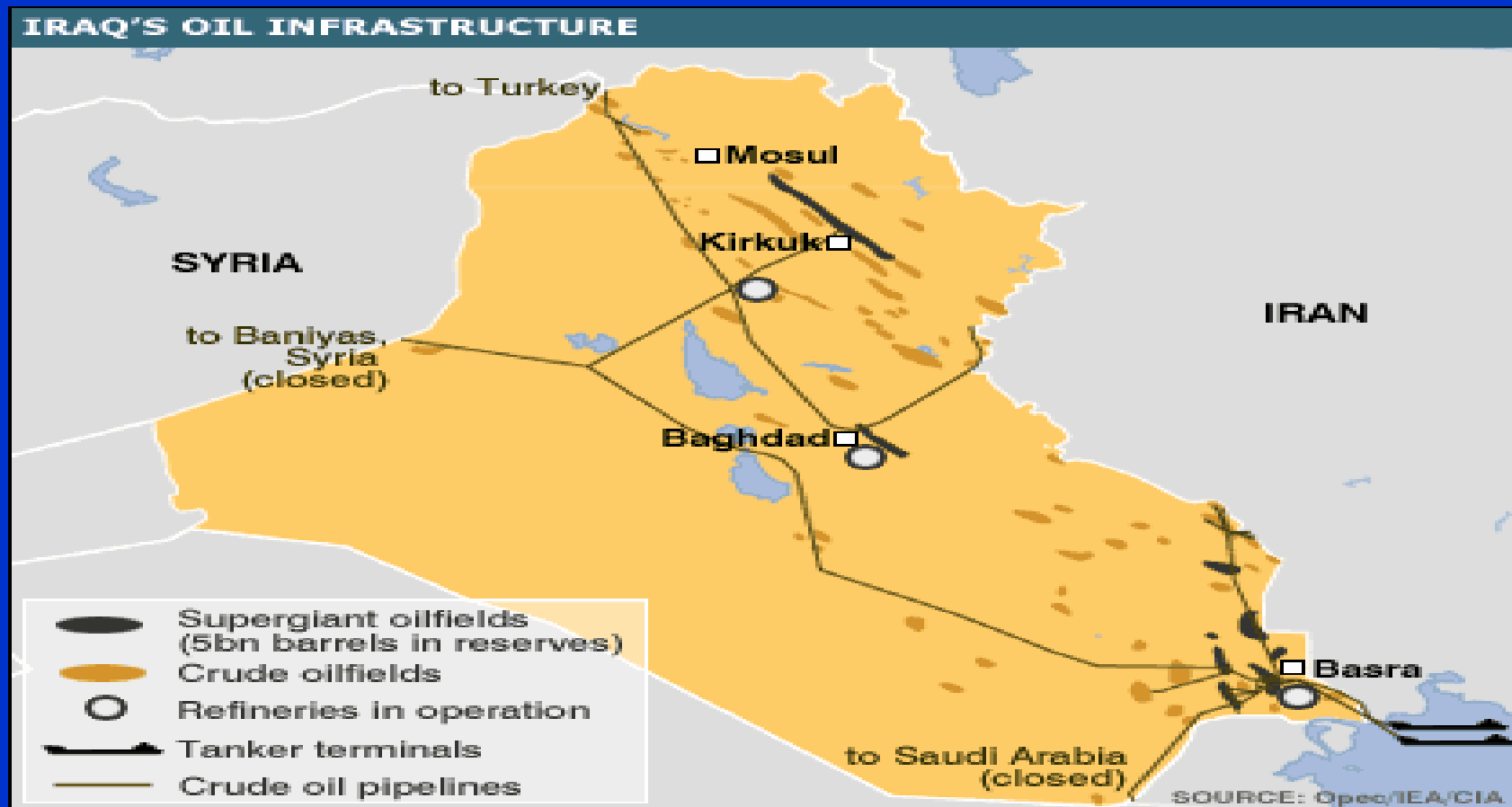
Iraq Hydrocarbon Laws – What's at Issue?

- O Politically: How to creating shared stability interest among the stakeholders, Iraq-wide
 - O Financially: How to divide risks and revenues (“inside” – politically; and “outside” – investors, companies) of developing 115B bbls of proven reserves
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Iraq Hydrocarbon Laws – What's at Issue? (con't)

- O Practically: In best interests of Iraq, what must be done, what must be put into place to: attract & reward various international oil “partners”
 - >> Upstream and downstream Companies and their financial backers
 - >> But, no Iraqi agreement yet on what constitutes “best interests”
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Iraq Hydrocarbon Laws – Oil Resources: Known Locations



Iraq Hydrocarbon Laws – Where Do Things Stand?

GOVERNMENT OF IRAQ, AFTER MORE THAN 1 YEAR:

- O Drafted, Approved by Council of Ministers
 - O Submitted to Council of Representatives
(National Assembly)
 - O Contention Among the Stakeholders, BUT
 - >> Agreement Among Shiite,
Kurdish Parties
 - >> No Agreement by Secular,
Sunni Parties – and none soon?
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Iraq Hydrocarbon Laws – Where Things Stand? (con't.)

KURDISH REGIONAL GOVERNMENT:

- 0 Draft KRG Oil Law – 29 June 2007
 - 0 Signed by KRG PM Necherivan Barzani – 7 August 2007
 - 0 Still must be submitted to KRG Parliament, according to *Financial Times London*
 - 0 Kurds reported ready to compete PSAs for 40 blocks
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Iraq Hydrocarbon Laws – Differences and Implications

Constitutional Level

O Who's In Charge -- Central Gov't?

- >> Council of Reps
 - >> Council of Ministers
 - >> Federal Oil & Gas Council
 - >> Oil Ministry
 - >> Iraq National Oil Company
 - >> Provincial Authorities
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Iraq Hydrocarbon Laws – Differences (con't.)

Constitutional Level

O Who's In Charge – KRG?

- >> Council of Ministers
 - >> Ministry of Natural Resources
 - >> Kurdistan National Oil Company
 - >> Other Kurdistan oil companies (pipeline, etc.)
-

Iraq Hydrocarbon Laws – Differences (con't.)

Who Has Authority to Make Contracts?

O Gov't of Iraq:

- >> Exploration and Production (E&P)
 - ++ INOC with approval of Federal Oil & Gas Council
 - >> Contracts Other than E&P:
 - ++ Ministry of Oil
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Iraq Hydrocarbon Laws – Differences (con't.)

Authority to Make Contracts -- Kurdish Reg'l Gov't:

>> E&P

++ KRG Ministry of Natural
Resources or KNOC

++ Approval Needed by Federal Oil
& Gas Council

>> Other than E&P: Ministry+KNOC

Iraq Hydrocarbon Laws – Differences (con't.)

E&P: Prospective Cumulative Reserves (e.g., Where to Explore for Treasure)

O GOI:

>> 112 Billion bbl

O KRG:

>> Presently: 2-3 Billion bbl

>> Future: ~25 Billion bbl, per
new KRG-initiated study (in mts?)

>> Produce 300K bbl/day by 2009

Iraq Hydrocarbon Laws – Differences (con't.)

E&P Coverage (per Proposed Hydrocarbon Laws)

○ GOI: Throughout Iraq

○ KRG:

>> Irbil, Sulaimaniyah, Dahuk

>> Attempts to extend KRG authority to Kirkuk (disputed)

Iraq Hydrocarbon Laws – Differences (con't.)

Types of E&P Agreements:

O GOI

- >> Not yet determined, but inclination toward PSA
- >> Potential INOC competition

O KRG

- >> PSA, inclusive of pipelines and other facilities
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Iraq Hydrocarbon Laws – Differences (con't.)

Who Is to Manage Old Fields? -- Conflict

- O GOI: INOC and Other Companies of
GOI Oil Ministry

 - O KRG: KNOC
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Iraq Hydrocarbon Laws – What's Agreed?

Agreed between GOI and KRG:

- O National Distribution of Oil Revenue:
 - >> KRG: 17% of Net Revenue
(After Federal Expenses)
 - >> Other Provisional Shares (by pop.)
 - O INOC to Operate All Existing Pipelines
 - O KRG to Have Access to Pipelines for Export
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Iraq Hydrocarbon Laws – What Does It All Mean?

Until National Hydrocarbon Law Is
Agreed and Enacted:

- Contention – and Warnings to
Companies -- by Government of Iraq
 - No Major International Oil Companies
Will Enter
 - No Major International Financing:
>> Legal Uncertainties
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Iraq Hydrocarbon Laws – What Does It Mean? (con't.)

Until National Hydrocarbon Law Is Agreed and Enacted (con't.):

- Political instability continues
 - Unemployment and underemployment continues
 - >> Full employment plus 3+ million foreign workers needed to raise oil production and exports by 1.5M bbl/day)
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Iraq Hydrocarbon Laws – What Does It Mean? (con't.)

O \$20B investment needed to raise production and exports to 4M-6M bbl/day

>> Upstream and Downstream Projects

Iraq Hydrocarbon Laws – What Does It Mean? (con't.)

Bright Spots:

Upstream Projects (Producing Reservoirs):

>> Do-Able Now

- + + No question about legal
authorities of Oil Ministry
 - + + Internationally Bankable
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Iraq Hydrocarbon Laws – What Does It Mean? (con't.)

Bright Spots (con't.):

O Downstream Projects

>> Do-Able Now

++ No question about legal
authorities of Oil Ministry

++ Internationally Bankable

Iraq Hydrocarbon Laws – What Does It Mean? (con't.)

Bright Spots (con't.):

- To do “Do-able” Upstream and Downstream Projects, Need:
 - >> Security
 - >> Insurance
 - >> Project Financing
 - Happening Now!
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Iraq Hydrocarbon Laws – What Does It Mean? (con't.)

O BOTTOM LINE CONCLUSION:

- >> New Upstream Projects, Related Downstream Projects:
 - >> Also Do-Able Upon Resolution of Legal Uncertainties by Passage of New Hydrocarbon Law
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Iraq Hydrocarbon Laws

QUESTIONS?

Iraq Hydrocarbon Laws

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