U.S. House: Legislative: Bill files: 109th Congress: H.J. Res. 55, Withdrawal of U.S. Armed Forces from Iraq Resolution of 2005: Miscellaneous (1 of 3): Dear Colleague letter from Dennis J. Kucinich: Please oppose the Iraq war suppleme

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COMMITTEE ON EDUCATION AND LABOR

Nadia
file
Iraq

Please Oppose the Iraq War Supplemental

Dear Colleague:

The Iraq war supplemental on the floor tomorrow will in no way pressure the President to end the war in Iraq, despite the fact that voters gave Democrats the majority last November to do just that -- end the war.

The benchmarks in the war supplemental force the Iraqis to privatize their oil industry by demanding passage of the Iraqi "Hydrocarbon Act." I spoke on the House floor for one hour today documenting the evidence. I am presenting the documentation to assist you.

If the Iraqis refuse to turn over the oil resources, the terms of the bill are blackmail. The war supplemental demands passage of the Iraqi bill by blocking over a billion dollars in reconstruction funds if the Iraqis refuse to comply.

Democrats need to send a message to the voters that we do not support privatizing Iraqi oil by force, nor the continued unfettered funding of this war.

It is simply not credible to maintain that one opposes the war and yet continues to fund it. Continuing to fund the war is not a plan. It would represent the continuation of disaster. Rather, a better approach is the 12 point plan established in H.R. 1234.

Distributed by Rep. Dennis Kucinich

Representative Dennis J. Kucinich
"It's All About Oil"

Wednesday May 23, 2007

Summary and Notes from Congressman Kucinich's One Hour Speech Before the United States House of Representatives On Administration's Efforts to Privatize Iraq Oil

The Iraqi "Hydrocarbon Law" is an issue of critical importance, but has been seriously mischaracterized and I want to provide the House of Representatives the facts and evidence to support the concerns I have expressed.

As you know, the Administration set several benchmarks for the Iraqi government, including passage of the "Hydrocarbon Law" by the Iraqi Parliament. The Administration has emphasized only a small part of this law, the "fair" distribution of oil revenues. Consider the fact that the Iraqi "Hydrocarbon Law" contains a mere three sentences that generally discusses the "fair" distribution of oil.

Except for three scant lines, the entire 33 page "Hydrocarbon Law," is about creating a complex legal structure to facilitate the privatization of Iraqi oil. As such, it in imperative that all of us carefully read the Iraqi Parliament's bill because the Congress is on the record in promoting oil privatization.

This war is about oil.

We must not be party to the Administration's blatant attempt to set the stage for multinational oil companies to take over Iraq's oil resources.

The Administration set several benchmarks for the Iraqi government, including passage of the "Hydrocarbon Law" by the Iraqi Parliament.

And many inside the beltway are contemplating linking funding for the war in Iraq to the completion of these benchmarks, including passage of the "Hydrocarbon Law" by the Iraqi Parliament.

The Administration has once again misled Congress by mislabeling the draft law as an oil revenues distribution law, just as the Administration misled Congress about the Iraq war.

The war in Iraq is a stain on American history. Let us not further besmirch our nation by participating in the outrageous exploitation of a nation which is in shambles due to U.S. intervention.

The fact is that except for three scant lines, the entire 33 page "Hydrocarbon Law," is about creating a complex legal structure to facilitate the privatization of Iraqi oil.

Analysis of Iraqi "Hydrocarbon Law" Section by Section:

The Feb 15th, 2007 draft was made available, not because the Iraqi government released it, but because the Kurds released it.

This version passed the Iraq Cabinet, and was referred to the Parliament.

- The legislation contains only three sentences in regards to the fair distribution of oil, but do not resolve any of the issues facing this challenge. The legislation simply requires that future legislation be submitted for approval. Thus, this legislation does not even meet the President's benchmark. [1]

- The legislation ensures that the "Chief Executives of important related petroleum companies" are represented on the Federal Oil and Gas Council, which approves oil and gas contracts. This is akin to the foreign oil companies approving their own contracts.[2]

- The legislation ensures the Iraq National Oil Company has no exclusive rights for exploration, development, production, transportation, and marketing. The Iraq National Oil Company must compete against foreign oil companies with rules that benefit the foreign oil companies. [3]

- The legislation gives the Iraq National Oil Company some control of developed oil fields and "rights to participate" in undeveloped oil fields in Annex I and II, but these Annexes have never been made public.[4]

- The legislation gives the Iraq National Oil Company temporary control of the oil pipelines and export terminals, but then directs the Federal Oil and Gas Council to turn these assets over to any entity with no further instructions. The opportunity for a foreign oil company to have control over the Iraqi oil pipeline and export terminals would give that company enormous control of the Iraqi oil market.[5]

- The legislation demands that "contracts must guarantee the best levels of coordination" with the Oil Ministry, Iraq National Oil Company, the regions and oil companies. The legislation mandates that undeveloped oil fields be developed quickly and oil companies are given explicit authority to "collaborate." [6]

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[1] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter II. Article 11.

[2] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter II. Article 5. C.

[3] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter II. Article 5. E.

[4] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter II. Article 6. B. 1-3.

[5] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter II. Article 6. B. 4.

[6] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter II. Article 8. C.D.F.

- The legislation does not require contracts to be published for public review up to two months after the approval.[7]

- The legislation provides up to 35 years of exclusive control over oil fields for foreign oil companies.[8]

- The legislation provides for a preference to Iraqis for jobs and services, but only if these benefits do not place extra costs or inconveniences on the foreign oil companies.[9]

- The legislation states that disputes between the State of Iraq and any foreign investors will be submitted for arbitration to an international court and will not be decided upon by an Iraqi court.[10]

- The legislation has four appendices, whose contents remain secret:

ANNEX NO. 1: PRESENT PRODUCING FIELDS ALLOCATED TO THE IRAQ NATIONAL OIL COMPANY

ANNEX NO. 2: DISCOVERED (UNDEVELOPED) FIELDS ALLOCATED TO THE IRAQ NATIONAL OIL COMPANY

ANNEX NO. 3: DISCOVERED (UNDEVELOPED) FIELDS OUTSIDE THE OPERATIONS OF THE IRAQ NATIONAL OIL COMPANY

ANNEX NO. 4: EXPLORATION AREAS

The appendices will effectively make clear which oil fields will be controlled by the Iraqi National Oil Company and which are open to foreign control of oil companies.

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[7] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter II. Article 9. B. 10.

[8] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter III. Article 13. B

[9] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter III. Article 15.

[10] Iraqi "Hydrocarbon Law." Feb 15th 2007. Chapter VIII. Article 39. D.

Iraqi Parliament and Citizens of Iraq had minimal input in draft oil law, while as the U.S. government and international oil companies had significant influence

Middle East Economic Survey. VOL. XLIX. No 12. 19-Mar-22007. IRAQ. Open Letter From Iraqi Oil Experts To Parliament. At the same time that we wished that public opinion and the non-governmental organizations were allowed to review the draft of the law, as well as the oil cadres that are specialized in this aspects, to study and enrich it before it is submitted to your esteemed council to discuss its enacting, we would like to emphasize our opinion that there was a rush in its issuance under the present complicated circumstances prevalent in our dear country.

Analysis: Iraq Oil Union Has Storied Past. Ben Lando, UPI. March 29th, 2007. The unions were kept in the dark, as were most members of Iraq's parliament, until the draft law was leaked to the media. Even then it was still out the reach of most of Iraq's citizens.

What does the draft Iraqi oil law actually do

Except for three scant lines, the entire 33 page "Hydrocarbon Law," is about creating a complex legal structure to facilitate the privatization of Iraqi oil.

How will Iraq share the oil?. In the US, the demand that Iraq pass an oil law is a 'benchmark' that is becoming a flashpoint. Gail Russell Chaddock. The Christian Science Monitor. May 18, 2007.

The actual draft law has nothing to do with sharing the oil revenue," says former Iraqi oil minister Issam Al Chalabi, in a phone interview from Amman, Jordan. The law aims to set a framework for investment by outside oil companies, including favorable production-sharing agreements that are typically used to reward companies for taking on risk, he says.

"We know the oil is there. Geological studies have been made for decades on these oil fields, so why would we let them [international firms] have a share of the oil?" he adds. "Iraqis will say this is solid proof that Americans have staged the war ... because of this law."

Iraq Oil Law Details Untouched Fields, Blocks –Document. Hassan Hafidh. DOW JONES NEWSWIRES. 4 March 2007.

Iraq's draft hydrocarbon law, the centerpiece in the development of the country's shaky oil industry, details **dozens of untouched oil fields** loaded with proven reserves and scores of exploration blocks that may prove a magnet to international oil companies, according to a document seen by Dow Jones Newswires.

Some Iraqi Politicians Urge Rejection of Draft Oil Law. Hassan Hafidh. Dow Jones Newswires. March 10th, 2007.

The law, if passed, is expected to open the country's billions of barrels of proven oil reserves, the world's third largest, to foreign investors.

Our Man In Iraq. Daphne Eviatar, American Lawyer. April 25th, 2007

Under the new law, the Iraq National Oil Company would have exclusive control of only about 17 of Iraq's approximately 80 known oil fields.

The law would also allow the government to negotiate different kinds of exploration and production contracts with foreign oil companies, including Production Sharing Agreements, or PSAs. Energy lawyers favor these because they allow oil companies to secure long-term deals and book oil reserves as assets on their company balance sheets.

Under the proposed law, foreign companies would not have to invest their earnings in Iraq, hire Iraqi workers, or partner with Iraqi companies.

Iraqi officials insist oil law won't favour U.S. Morning Star Online. January 28th 2007.

The proposal would provide for production sharing agreements that would give international firms 70 per cent of the oil revenues to recover their initial investments and subsequently allow them 20 per cent of the profits without any tax or restrictions on the transferring of funds abroad.

Time to Do the Math in Iraq. Ted Nace. April 18, 2007. CommonDreams.org

The most notable feature of the law is a revival of an exploitive type of contract widely used prior to the rise of Arab nationalism in the 1960s, known as a production sharing agreement. Although the Oil Law uses an alternative term, "exploration and production contract," the effect is the identical. The new arrangement would allow the bulk of Iraq's reserves to be controlled by outside oil companies, privatizing what has until now been a nationalized resource under the auspices of the Iraq National Oil Company. It specifies the royalty that will be paid to Iraq: "12.5 percent of gross production, measured at the entry flange to the main pipeline." And as if the rest of the law were not already explicit enough, Article 35(A) reiterates: "Holders of exploration and production rights may transfer any net profits from petroleum operations to outside Iraq after paying taxes and fees owed."

Crude Designs: The Rip-Off of Iraq's Oil Wealth. Greg Muttitt. PLATFORM. 2005.

- At an oil price of $40 per barrel, Iraq stands to lose between $74 billion and $194 billion over the lifetime of the proposed contracts (2), from only the first 12 oilfields to be developed. These estimates, based on conservative assumptions, represent between two and seven times the current Iraqi government budget.
- Under the likely terms of the contracts, oil company rates of return from investing in Iraq would range from 42% to 162%, far in excess of usual industry minimum target of around 12% return on investment.

March 13, 2007 Op-Ed Contributor. Whose Oil Is It, Anyway? ANTONIA JUHASZ

TODAY more than three-quarters of the world's oil is owned and controlled by governments. It wasn't always this way.

Until about 35 years ago, the world's oil was largely in the hands of seven corporations based in the United States and Europe. Those seven have since merged into four: ExxonMobil, Chevron, Shell and BP. They are among the world's largest and most powerful financial empires. But ever since they lost their exclusive control of the oil to the governments, the companies have been trying to get it back.

Iraq's oil reserves — thought to be the second largest in the world — have always been high on the corporate wish list. In 1998, Kenneth Derr, then chief executive of Chevron, told a San Francisco audience, "Iraq possesses huge reserves of oil and gas — reserves I'd love Chevron to have access to."

A new oil law set to go before the Iraqi Parliament this month would, if passed, go a long way toward helping the oil companies achieve their goal. The Iraq hydrocarbon law would take the majority of Iraq's oil out of the exclusive hands of the Iraqi government and open it to international oil companies for a generation or more.

In March 2001, the National Energy Policy Development Group (better known as Vice President Dick Cheney's energy task force), which included executives of America's largest energy companies, recommended that the United States government support initiatives by Middle Eastern countries "to open up areas of their energy sectors to foreign investment." One invasion and a great deal of political engineering by the Bush administration later, this is exactly what the proposed Iraq oil law would achieve. It does so to the benefit of the companies, but to the great detriment of Iraq's economy, democracy and sovereignty.

Since the invasion of Iraq, the Bush administration has been aggressive in shepherding the oil law toward passage. It is one of the president's benchmarks for the government of Prime Minister Nuri Kamal al-Maliki, a fact that Mr. Bush, Secretary of State Condoleezza Rice, Gen. William Casey, Ambassador Zalmay Khalilzad and other administration officials are publicly emphasizing with increasing urgency.

The administration has highlighted the law's revenue sharing plan, under which the central government would distribute oil revenues throughout the nation on a per capita basis. But the benefits of this excellent proposal are radically undercut by the law's many other provisions — these allow much (if not most) of Iraq's oil revenues to flow out of the country and into the pockets of international oil companies.

The law would transform Iraq's oil industry from a nationalized model closed to American oil companies except for limited (although highly lucrative) marketing contracts, into a commercial industry, all-but-privatized, that is fully open to all international oil companies.

The Iraq National Oil Company would have exclusive control of just 17 of Iraq's 80 known oil fields, leaving two-thirds of known — and all of its as yet undiscovered — fields open to foreign control.

The foreign companies would not have to invest their earnings in the Iraqi economy, partner with Iraqi companies, hire Iraqi workers or share new technologies. They could even ride out Iraq's current "instability" by signing contracts now, while the Iraqi government is at its weakest, and then wait at least two years before even setting foot in the country. The vast majority of Iraq's oil would then be left underground for at least two years rather than being used for the country's economic development.

The international oil companies could also be offered some of the most corporate-friendly contracts in the world, including what are called production sharing agreements. These agreements are the oil industry's preferred model, but are roundly rejected by all the top oil producing countries in the Middle East because they grant long-term contracts (20 to 35 years in the case of Iraq's draft law) and greater control, ownership and profits to the companies than other models. In fact, they are used for only approximately 12 percent of the world's oil.

Iraq's neighbors Iran, Kuwait and Saudi Arabia maintain nationalized oil systems and have outlawed foreign control over oil development. They all hire international oil companies as contractors to provide specific services as needed, for a limited duration, and without giving the foreign company any direct interest in the oil produced.

Iraqis may very well choose to use the expertise and experience of international oil companies. They are most likely to do so in a manner that best serves their own needs if they are freed from the tremendous external pressure being exercised by the Bush administration, the oil corporations — and the presence of 140,000 members of the American military.

Iraq's five trade union federations, representing hundreds of thousands of workers, released a statement opposing the law and rejecting "the handing of control over oil to foreign companies, which would undermine the sovereignty of the state and the dignity of the Iraqi people." They ask for more time, less pressure and a chance at the democracy they have been promised.

Basic Facts about Iraqi Oil

How Much Oil Does Iraq Have? Iraq Memo #16, May 12, 2003 Gal Luft, Co-Director, Institute for the Analysis of Global Security (IAGS) Brookings Institution

Over the past several months, news organizations and experts have regularly cited Department of Energy (DOE) Energy Information Administration (EIA) figures claiming that the territory of Iraq contains over 112 billion barrels (bbl) of proven reserves—oil that has been definitively discovered and is expected to be economically producible. In addition, since Iraq is the least explored of the oil-rich countries, there have been numerous claims of huge undiscovered reserves there as well—oil thought to exist, and expected to become economically recoverable—to the tune of hundreds of billions of barrels. The respected *Petroleum Economist Magazine* estimates that there may be as many as 200 bbl of oil in Iraq; the Federation of American Scientists estimates 215 bbl; a study by the Council on Foreign Relations and the James A. Baker III Institute at Rice University claimed that Iraq has 220 bbl of undiscovered oil; and another study by the Center for Global Energy Studies and Petrolog & Associates offered an even more optimistic estimate of 300 bbl—a number that would give Iraq reserves greater even than those of Saudi Arabia. In a *Guardian* interview before the war, Taha Hmud Moussa, Saddam's deputy oil minister, said that all of Iraq's oil reserves "will exceed 300bbl when all Iraq's regions are explored."

If true, this would mean that Iraq has roughly a quarter of all of the world's oil.

Oil in Iraq: the heart of the Crisis. James A. Paul. Global Policy Forum . December, 2002. According to Oil and Gas Journal, Western oil companies estimate that they can produce a barrel of Iraqi oil for less than \$1.50 and possibly as little as \$1, including all exploration, oilfield development and production costs and including a 15% return. This is similar to production costs in Saudi Arabia and lower than virtually any other country.

Map of Oil Fields in Iraq: This map is from March 5, 2002 court order as a result of Judicial Watch's Freedom of Information Act (FOIA) lawsuit a FIOA request. The map came from the Commerce Department, related to the activities of the Cheney Energy Task Force.

Current Price of Oil: \$65 [May 22th]

History of Oil Exploitation in Iraq

Following WWI, the British assumed control of Iraq from the Ottoman Empire. In 1925, a 75-year concession contract was granted to American, French, and British oil companies. By the 1930's, the consortium was in complete control of all Iraqi oil. The oil companies controlled the oil fields and reaped almost all the profits.

It was not until the overthrow of the British installed monarchy in 1958 that the foreign control of oil was challenged. In 1961, the consortium's rights were limited to current production. And beginning in 1972, Iraq oil resources were nationalized, a process that was finalized in 1975.

Statement issued by the Iraqi Labor Union Leadership at a Seminar held from 10 to 14 December 2006, in Amman, Jordan to discuss the draft Iraqi Oil Law

Iraq is rich in natural wealth, foremost among which is its oil wealth, the essence of the economic life for Iraq and the world, which has been the focus of attention of the large industrialized countries in particular. The British and American oil companies were the first to obtain the concession to extract and invest Iraqi oil, nearly 80 years ago. After Iraq got rid of this octopus network, these foreign oil companies have again attempted to dominate this important oil wealth, under numerous pretexts and invalid excuses.

Iraqi Oil Unions Objections to Hydrocarbon Act

Sunday, May 13, 2007
Open Letter to US Congress and European Parliament
Open Letter to the Members of the US Congress who Oppose the War on Iraq
To members of the European Parliaments who Oppose the War

Peace be upon you and greetings to you all,

We wish to clarify certain matters relating to events in Iraq for our friends among the members of the US Congress. It is common knowledge that the occupation spared neither the old nor the young, and that Iraq is passing through the most difficult of times because all and sundry are hounding it and covet a share of its riches. We see no good reason for linking the passing of the feeble Iraqi oil law to the withdrawal of the occupation troops from Iraq.

Everyone knows that the oil law does not serve the Iraqi people, and that it serves Bush, his supporters and the foreign companies at the expense of the Iraqi people who have been wronged and deprived of their right to their oil despite enduring all difficulties.

We ask our friends not to link withdrawal with the oil law, especially since the USA claimed that it came to Iraq as a liberator and not in order to control Iraq's resources.

The general public in Iraq is totally convinced that Bush wants to rush the promulgation of the oil law so as to be leaving Iraq with a victory of sorts, because his project is failing every day and the occupation is collapsing in all parts of Iraq.

We wish to see you take a true stance for the children of Iraq, and we always say that history will remember those who advance peace over war.

With my regards,

Hassan Jum'a Awwad
Head of the Iraqi Federation of Oil Unions

'History Will Not Forgive Those Who Play Recklessly With Our Wealth'- Oil Union Leader's Speech on Oil Law.

The speech of the head of the Federation of Oil Unions in Basra to the meeting held to debate the [proposed] oil law and the oil investment laws on Tuesday 6th February 2007.

"Recently the Constitution of Iraq on which the Iraqi people voted in the most dire and difficult of conditions notes in clause 111 that oil and gas are the property of the Iraqi people. But, alas, this clause in the constitution will remain but ink on paper if the oil law and oil investment law being presented to the Parliament are ratified, laws which permit production-sharing contracts, laws without parallel in many oil producers, especially the neighbouring countries. So why should Iraqis want to introduce such contracts in Iraq given that applying such laws will rob the Iraqi government of the most important thing it owns? "

"We send a message to all the members of the Iraqi Parliament, when debating the oil and investment laws, to bear the Iraqis in mind, to protect the national wealth, and to look at the neighbouring countries. Have they introduced such laws even when their relations with foreign companies are closer than in Iraq?"

Iraq has Options, Beyond Privatization, to Redevelop their Oil Capacity

Middle East Economic Survey. VOL. XLIX. No 12. 19-Mar-22007. IRAQ. Open Letter From Iraqi Oil Experts To Parliament
We anticipate that the motive behind the issuance of this law is based on the increase of the production capacity through the attraction of foreign investments, in this regards we feel and recommend to plan the increase of the capacity gradually starting with the rehabilitation of the currently producing fields by national effort (Iraq National Oil Company), followed by the development of the giant discovered but not developed, or partially developed fields, and to schedule the priority of their development according to their capacities and development costs irrespective of their geographical locations through service or management contracts with companies possessing the requisite efficiency and technical ability and as the need arises, and to avoid long term contracts with foreign companies in the present time.

Statement issued by the Iraqi Labor Union Leadership at a Seminar held from 10 to 14 December 2006, in Amman, Jordan to discuss the draft Iraqi Oil Law

Whereas oil and gas are greatly important for the Iraqi economy, and whereas the building of the State and its institutions are dependent on it, as the main source of the national income, it is therefore the right of the Iraqi people to read the draft oil law under consideration. The Iraqi people refuse to allow the future of their oil to be decided behind closed doors.

Time to Do the Math in Iraq. Ted Nace. Wednesday, April 18, 2007. CommonDreams.org.
If the law is passed, Iraq will part ways with the other major Middle Eastern oil producers, including Saudi Arabia, Kuwait, Libya, and Iran. Those countries all maintain national control over oil, bringing in foreign corporations only as needed using technical service contracts, under which control is not relinquished and there is no sharing of profits.

Crude Designs: The Rip-Off of Iraq's Oil Wealth. Greg Muttitt. PLATFORM. 2005.
According to International Energy Agency figures, PSAs are only used in respect of about 12% of world oil reserves, in countries where oilfields are small (and often offshore), production costs are high, and exploration prospects are uncertain.

Tomgram: Michael Schwartz, The Prize of Iraqi Oil

None of these conditions apply in Iraq: huge reservoirs of easily accessible oil are already proven to exist, with more equally accessible fields likely to be discovered with little expense. This is why none of Iraq's neighbors utilize PSAs. Saudi Arabia, Kuwait, Iran, and the United Arab Emirates all pay the multinationals a fixed rate to explore and develop their fields; and all of the profits become state revenues.

How will Iraq share the oil?. In the US, the demand that Iraq pass an oil law is a 'benchmark' that is becoming a flashpoint. Gail Russell Chaddock. The Christian Science Monitor. May 18, 2007.

In New York, oil industry analyst Fadel Gheit of Oppenheimer & Co. Inc. has reviewed both the official Arabic version of the draft law and the unofficial English translation and says they are ambiguous and seem to be written in haste.

"Why shouldn't Iraq use Iraqi nationals to decide how the contracts will be awarded? They have oil engineers. Use the best brains in the country and, hopefully. they will do what is in the best interest of the country," he says. "Otherwise, there's an impression that American companies are telling Iraqis what to do."

Key evidence suggesting U.S. invasion was about oil

Dick Cheney. CEO of Halliburton. Speech at the Institute of Petroleum. 1999.
By 2010 we will need on the order of an additional fifty million barrels a day. So where is the oil going to come from? Governments and the national oil companies are obviously controlling about ninety per cent of the assets. Oil remains fundamentally a government business. While many regions of the world offer great oil opportunities, the Middle East with two thirds of the world's oil and the lowest cost, is still where the prize ultimately lies, even though companies are anxious for greater access there, progress continues to be slow.

Crude Designs: The Rip-Off of Iraq's Oil Wealth. Greg Muttitt. PLATFORM. November 2005.

Chapter 4. From Washington to Baghdad: Planning Iraq's oil future

PRE-INVASION PLANNING

Prior to the 2003 invasion, the principal vehicle for planning the new post-war Iraq was the US State Department's Future of Iraq project. This initiative, commencing as early as April 2002, involved meetings in Washington and London of 17 working groups, each comprised of 10-20 Iraqi exiles and international experts selected by the State Department(33).

The "Oil and Energy" working group met four times between December 2002 and April 2003. Although the full membership of the group has never been revealed, it is known that Ibrahim Bahr al-Uloum, the current Iraqi Oil Minister, was a member.(34) The 15-strong oil working group concluded that Iraq "should be opened to international oil companies as quickly as possible after the war" and that "the country should establish a conducive business environment to attract investment of oil and gas resources."(35)

The subgroup went on to recommend production sharing agreements (PSAs) as their favoured model for attracting foreign investment. Comments by the handpicked participants revealed that "many in the group favoured production-sharing agreements with oil companies." Another representative commented, "Everybody keeps coming back to PSAs."(36)

The reasons for this choice were explained in the formal policy recommendations of the working group, published in April 2003:

"Key attractions of production sharing agreements to private oil companies are that although the reserves are owned by the state, accounting procedures permit the companies to book the reserves in their accounts, but, other things being equal, the most important feature from the perspective of private oil companies is that the government take is defined in the terms of the [PSA] and the oil companies are therefore protected under a PSA from future adverse legislation."(37)

The group also made it clear that in order to maximize investments, the specific terms of the PSAs should be favourable to foreign investors:

"PSAs can induce many billions of dollars of foreign direct investment into Iraq, but only with the right terms, conditions, regulatory framework, laws, oil industry structure and perceived attitude to foreign participation."(38)

Recognising the importance of this announcement, The Financial Times noted:

"Production-sharing deals allow oil companies a favourable profit margin and, unlike royalty schemes, insulate them from losses incurred when the oil price drops. For years, big oil companies have been fighting for such agreements without success in countries such as Kuwait and Saudi Arabia."(39)

The article concluded that: "The move could spell a windfall for big oil companies such as ExxonMobil, Royal Dutch/Shell, BP and TotalFinaElf..."

SHAPING THE NEW IRAQ

The US and UK have worked hard to ensure that the future path for oil development chosen by the first elected Iraqi government will closely match their interests. So far it appears they have been highly successful: production sharing agreements, which were first proposed by the U.S. State Department group, have emerged as the model of oil development favoured by all the post-invasion phases of Iraqi government.

Phase 1: Coalition Provisional Authority and Iraqi Governing Council

During the first fourteen months following the invasion, occupation forces had direct control of Iraq through the Coalition Provisional Authority. Stopping short of privatising oil itself, the CPA began setting up the framework for a longer-term oil policy.

The CPA appointed former senior executives from oil companies to begin this process. The first advisers were appointed in January 2003, before the invasion even started, and were stationed in Kuwait ready to move in. First, there were Phillip Carroll, formerly of Shell, and Gary Vogler, of ExxonMobil, backed up by three employees of the US Department of Energy and one of the Australian government. Carroll described his role as not only to address short-term fuel needs and the initial repair of production facilities, but also to:

- "Begin planning for the restructuring of the Ministry of Oil to improve its efficiency and effectiveness; [and]
- Begin thinking through Iraq's strategy options for significantly increasing its production capacity."(40)

In October 2003, Carroll and Vogler were replaced by Bob McKee of ConocoPhillips, and Terry Adams of BP, and finally in March 2004, by Mike Stinson of ConocoPhillips and Bob Morgan of BP (d). The £147,700 cost of the two British advisers, Adams and Morgan, was met by the UK government.(41) Following the handover to the Iraq Interim Government in June 2004, Stinson became an adviser to the US Embassy in Baghdad.

On 13 July 2003, in the first move towards Iraqi self-government, the CPA Administrator Paul Bremer appointed the quasi-autonomous, but virtually powerless, Iraqi Governing Council. On the same day Bremer appointed Ibrahim Bahr al-Uloum, who had been a member of the U.S. State Department oil working group, as Minister for Oil.

Within months of his appointment Bahr al-Uloum announced that he was preparing plans for the privatisation of Iraq's oil sector, but that no decision would be taken until after elections scheduled for 2005.(42)

Speaking to the Financial Times, Bahr al-Uloum, a US-trained petroleum engineer, said: "The Iraqi oil sector needs privatisation, but it's a cultural issue," noting the difficulty of persuading the Iraqi people of such a policy. He then proceeded to announce that he personally supported:

- Production sharing agreements for upstream (i.e. extraction of crude oil) development;
- giving priority to US oil companies, "and European companies, probably."(43)

Phase 2: Iraq Interim Government

In June 2004, the CPA formally handed over Iraqi sovereignty to an interim government, headed by Prime Minister Iyad Allawi.

The position of Minister of Oil was handed to Thamir al-Ghadban, a UK-trained petroleum engineer and former senior adviser to Bahr al-Uloum. In an interview in Shell's in-house magazine, al-Ghadban announced that 2005 would be the "year of dialogue" with multinational oil companies.(44)

About three months after taking power, Allawi issued a set of guidelines to the Supreme Council for Oil Policy, from which the Council was to develop a full petroleum policy. Pre-empting both the Iraqi elections and the drafting of a new constitution, Allawi's guidelines specified that while Iraq's currently producing fields should be developed by the Iraq National Oil Company (INOC), all other fields should be developed by private companies, through the contractual mechanism of production sharing agreements (PSAs).(45)

Iraq has about 80 known oilfields, only 17 of which are currently in production. Thus the Allawi guidelines would grant the other 63 to private companies.

Allawi also added that:

- New fields would be developed exclusively by private companies, with the policy ruling out any participation of INOC;(46)
- The national oil company INOC, which manages existing oil fields, should be part-privatised;(47)
- The Iraqi authorities should not spend time negotiating the best possible deals with the oil companies; instead they should proceed quickly, agreeing whatever terms the companies will accept, with a possibility of renegotiation (e) later.(48)

Phase 3: Transitional Government and writing the Constitution

The interim government was replaced in early 2005 by the election of Iraq's new National

Assembly, which led to the formation of the new government with Ibrahim al-Ja'afari as Prime Minister. In a move which no doubt assisted policy continuity from the period of US control, Ibrahim Bahr al-Uloum was reappointed to the position of Minister for Oil.

Meanwhile, Ahmad Chalabi, the Pentagon's former favourite to run Iraq, was appointed chair of the Energy Council, which replaced the Supreme Council for Oil Policy as the key overseer of energy and oil policy. Back in 2002 Chalabi had famously promised that "US companies will have a big shot at Iraqi oil."(49)

By June 2005, government sources reported that a Petroleum Law (f) had been drafted, ready to be enacted after the December elections. According to the sources – although some details are still being debated – the draft of the Law specifies that while Iraq's currently producing fields should be developed by INOC, new fields should be developed by private companies.

Foreign Policy In Focus. When it comes to oil, the U.S. administration is bypassing democracy in Iraq. Oil Pressure. Greg Muttitt | August 28, 2006

Since the new Iraqi government was formed in May 2006, the U.S. government has dramatically scaled up its efforts to provide "advice". Last month, the administration and major oil companies reviewed and commented on a new law governing Iraq's crucial oil sector, before it has even been seen by the Iraqi parliament.

Violating the very notions of freedom and democracy Bush invokes in nearly every speech on Iraq, the U.S. government has actively intervened in the restructuring of Iraq's oil industry since at least 2002.

In October 2002, the State Department established a working group on oil and energy, as part of its "Future of Iraq" project. The project brought together influential exiled Iraqis with US government officials and international consultants. Later, some members of the group became part of the Iraqi government. The result of the project's work was a draft framework for Iraq's oil policy. Despite Iraq being rich in oil and technical expertise, the group recommended a major role for foreign companies, through long-term contracts--an approach which would set Iraq at odds with the rest of the Middle East, where major oil producers keep their oil in the public sector.

In March 2003, the wheels started to turn as the Coalition Provisional Authority appointed the former head of Shell USA as senior oil adviser, in daily contact with the Iraqi Ministry of Oil. He was joined by an executive from ExxonMobil, and after six months, the post was rotated to former managers of ConocoPhillips and BP.

In December 2003, the framework was set out in more detail when USAID commissioned a report by the privatisation specialists BearingPoint entitled "Options for developing a sustainable, long-term Iraqi oil industry." The report reinforced the "Future of Iraq's" report, recommending long-term contracts with foreign companies.

Pointing to the "success" of this model, BearingPoint used Azerbaijan's privatization model as an example. The report commented approvingly that Azerbaijan's high corruption and lack of democracy had not impeded investment--the government had simply given away a higher share of revenues, in order to attract companies. The implication was that Iraq, which has a nascent democracy and chronic corruption, might follow the same approach.

After the handover to the interim government in June 2004, senior oil advisers--now based within the Iraq Reconstruction Management Office (IRMO) in the U.S. Embassy--continued work closely with the Oil Ministry in shaping policy. Post holders included executives from ChevronTexaco and Unocal.

In 2006, these efforts intensified. In February, the IRMO advisers accompanied eight senior officials from the Oil Ministry on a trip to the U.S., sponsored by the U.S.' Trade and Development Agency. On the trip, they met oil company representatives to discuss the future structure of the Iraqi oil industry.

The same month, at the request of the State Department, USAID provided an adviser to the Oil Ministry, again from BearingPoint, to work directly on a new oil law, providing "legal and regulatory advice in drafting the framework of petroleum and other energy-related legislation, including foreign investment."

The U.S. campaign on the fledgling Iraqi government has been successful. Following his appointment in May, new Oil Minister Husayn al-Shahristani announced that one of his top priorities would be the writing of an oil law to allow Iraq to sign contracts with "the largest companies."

This would be the first time in more than thirty years that foreign companies would receive a major stake in Iraq's oil. Oil was brought into public ownership and control back in 1975.

But with the ink not yet on the paper, the U.S. has maintained its pressure. On his visit to Baghdad in July 2006, U.S. Energy Secretary Bodman insisted that the Iraqi government must "pass a hydrocarbon law under which foreign companies can invest." But the work to make this case had already been done: "We got every indication that they were willing and also felt a necessity to open the sector," he commented, after meeting with the Oil Minister and Iraqi officials.

Mr. Bodman did not stop at reviewing the draft law himself in Baghdad: he also arranged for Dr. Al-Shahristani to meet with nine major oil companies - including Shell, BP, ExxonMobil, ChevronTexaco and ConocoPhillips - for them to comment on the draft as well, during the Minister's trip to Washington DC the following week.

Given the pressures involved, perhaps the Minister felt he did not have much choice. His promise to pass the law through parliament by the end of 2006 was set in Iraq's agreement with the International Monetary Fund last December. According to that agreement, IMF officials would also review and comment on a draft in September.

And still, the draft law has not been seen by the Iraqi parliament. Meanwhile, an official from the Oil Ministry has stated that Iraqi civil society and the general public will not be consulted at all.

The issues could hardly be more important for Iraq. Oil accounts for more than 90% of government revenue, and is the main driver of Iraq's economy. And decisions made in the coming months will not be reversible - once contracts are signed, they will have a major bearing on Iraq's economy and politics for decades to come.

No wonder a recent poll showed that when asked what Iraqis thought were the three main reasons why the United States invaded Iraq, 76% gave "to control Iraqi oil" as their first choice.

US/UK Pressure to Pass the Oil Law

Iraq Oil; Iraqi Leader Fears Ouster Over Oil Money. By Steven R. Hurst. 13 March 2007. Associated Press

Prime Minister Nouri al-Maliki fears the Americans will torpedo his government if parliament does not pass a law to fairly divvy up the country's oil wealth among Iraqis by the end of June, close associates of the leader told The Associated Press on Tuesday.

The al-Maliki associates said U.S. officials, who they would not name, told the prime minister that President Bush was committed to the current government but continued White House support depended on positive action on all the benchmarks -- especially the oil law and sectarian reconciliation -- by the close of this parliamentary session June 30.

"Al-Maliki is committed to meeting the deadline because he is convinced he would not survive in power without U.S. support," one of the associates said.

Iraqis Resist US Pressure to Enact Oil Law: Foreign investment and Shiite control are the primary concerns. A White House deadline for passage is in doubt. Tina Susman. Los Angeles Times. May 13, 2007

Vice President Dick Cheney. "I did make it clear that we believe it's very important to move on the issues before us in a timely fashion, and that any undue delay would be difficult to explain."

U.S. Energy Secretary Calls on Iraq To Open Oil Sector Foreign investment, better security can increase oil revenue, he says By Andrzej Zwaniecki. Washington File Staff Writer. 21 July 2006

U.S. Energy Secretary Samuel Bodman has urged Iraq to establish a legal framework that would be instrumental in attracting foreign investment to its oil sector.

"Iraq will only realize its very considerable potential as an oil producer with the help of investors," he told reporters July 18 during his visit in Baghdad, Iraq.

Bodman said the Iraqi government is working on a hydrocarbon law designed to regulate investment by foreign oil companies and that Iraqi officials he met, including Prime Minister Nuri Al-Maliki and Minister of Oil Hussein al-Shahristani, told him that they hope the parliament will pass the law by the end of 2006.

"We got every indication that they were willing and also felt a necessity to open the sector," Bodman said. "Iraq has enormous wealth, and it needs to take advantage of that."

Another U.S. official -- Commerce Secretary Carlos Gutierrez -- also called on Iraq to "carry through on promising liberalization and reform measures."

Department of Energy. Press release. July 26, 2006. Secretary Bodman Hosts Iraqi Ministers of Oil and Electricity. Energy Leaders sign MOU to further promote electricity cooperation

During his meeting with Minister al-Shahristani, Secretary Bodman stressed the importance of developing and implementing a national hydrocarbon law, which will allow much needed foreign investment in the oil and natural gas sector of their economy and ensure Iraq's natural resources are used for the benefit of all the Iraqi people. In addition, at Minister al-Shahristani's request, Secretary Bodman convened a meeting of oil sector leaders to discuss how the private sector can help Iraq develop its energy infrastructure and the role of a national hydrocarbon law in Iraq.

Briefing En Route Baghdad, Iraq. Secretary Condoleezza Rice. February 17, 2007. Department of State.

The wait for progress can't be endless, but we track not just the end points but the process itself. And I do think particularly on the national oil law there's been a lot of progress made and they seem to be very close to concluding that oil law. And so it's really important that they complete it, but it's also important that they've made progress.

US wants new Iraq oil law so foreign firms can take part. 18 July 2006. Agence France Presse

The United States on Tuesday urged Iraq to adopt a new hydrocarbon law that would enable US and other foreign companies to invest in the war-torn country's oil sector.

Iraq, which has had decades of socialist economy, must "pass a new law, a new hydrocarbon law under which international companies will be able to make investments in Iraq," said US Energy Secretary Samuel Bodman during a visit to Baghdad.

Bodman said a liberalised hydrocarbon sector would help Iraq realise "its very considerable potential with the benefit of investments from international community."

Foreign office helped set up Iraqi oil deals. Tim Webb. The Independent (UK). March 11th, 2007

The British Government intervened to help UK and US energy giants in their attempts to secure lucrative contracts to exploit Iraq's ruined oilfields.

The Foreign Office delivered a report by the International Tax and Investment Center (ITIC) - a Washington-based think-tank backed by a host of multinationals, including oil companies such as Shell and BP - to Iraqi officials in Baghdad, it has emerged.

The British ambassador to Iraq formally sent the "road-map" study on the Iraqi oil industry to the then Iraqi minister of finance, according to documents seen by *The Independent on Sunday*. The study recommended the Iraqi government sign long-term production-sharing agreements with foreign oil companies.

Emails between civil servants also showed that the Foreign Office helped the ITIC secure an audience with senior officials from the Iraqi Oil Ministry so that it could present its report.

The ITIC hosted a conference in Beirut in January 2005 to give a formal presentation to Iraqi ministers. Executives from BP, Shell, ChevronTexaco, the Italian oil company ENI and its French rival Total attended.

A diplomat from the Foreign Office, who helped the ITIC further its relationship with the Iraqis, was also present.

The Iraq Study Group Report

Section II.B.5. The Oil Sector

Since the success of the oil sector is critical to the success of the Iraqi economy, the United States must do what it can to help Iraq maximize its capability. Iraq, a country with promising oil potential, could restore oil production from existing fields to 3.0 to 3.5 million barrels a day over a three- to five-year period, depending on evolving conditions in key reservoirs. Even if Iraq were at peace tomorrow, oil production would decline unless current problems in the oil sector were addressed.

RECOMMENDATION 62:
• As soon as possible, the U.S. government should provide technical assistance to the Iraqi government to prepare a draft oil law that defines the rights of regional and local governments and creates a fiscal and legal framework for investment. Legal clarity is essential to attract investment.
• The U.S. government should encourage the Iraqi government to accelerate contracting for the comprehensive well work-overs in the southern fields needed to increase production, but the United States should no longer fund such infrastructure projects.
• The U.S. military should work with the Iraqi military and with private security forces to protect oil infrastructure and contractors. Protective measures could include a program to

improve pipeline security by paying local tribes solely on the basis of throughput (rather than fixed amounts).

• Metering should be implemented at both ends of the supply line. This step would immediately improve accountability in the oil sector.

• In conjunction with the International Monetary Fund, the U.S. government should press Iraq to continue reducing subsidies in the energy sector, instead of providing grant assistance.

Until Iraqis pay market prices for oil products, drastic fuel shortages will remain.

RECOMMENDATION 63:

• The United States should encourage investment in Iraq's oil sector by the international community and by international energy companies.

• The United States should assist Iraqi leaders to reorganize the national oil industry as a commercial enterprise, in order to enhance efficiency, transparency, and accountability.

• To combat corruption, the U.S. government should urge the Iraqi government to post all oil contracts, volumes, and prices on the Web so that Iraqis and outside observers can track exports and export revenues.

• The United States should support the World Bank's efforts to ensure that best practices are used in contracting. This support involves providing Iraqi officials with contracting templates and training them in contracting, auditing, and reviewing audits.

• The United States should provide technical assistance to the Ministry of Oil for enhancing maintenance, improving the payments process, managing cash flows, contracting and auditing, and updating professional training programs for management and technical personnel.

Current Spending Bills Advocate for the White House Benchmarks

1st War Supplemental [H.R. 1591, the 'U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007]

SEC. 1904. (a) The President shall make and transmit to Congress the following determinations, along with reports in classified and unclassified form detailing the basis for each determination, on or before July 1, 2007--

(1) whether the Government of Iraq has given United States Armed Forces and Iraqi Security Forces the authority to pursue all extremists, including Sunni insurgents and Shiite militias, and is making substantial progress in delivering necessary Iraqi Security Forces for Baghdad and protecting such Forces from political interference; intensifying efforts to build balanced security forces throughout Iraq that provide even-handed security for all Iraqis; ensuring that Iraq's political authorities are not undermining or making false accusations against members of the Iraqi Security Forces; eliminating militia control of local security; establishing a strong militia disarmament program; ensuring fair and just enforcement of laws; establishing political, media, economic, and service committees in support of the Baghdad Security Plan; and eradicating safe havens;

(2) whether the Government of Iraq is making substantial progress in meeting its commitment to pursue reconciliation initiatives, including enactment of a hydro-carbon law; adoption of legislation necessary for the conduct of provincial and local elections; reform of current laws governing the de-Baathification process; amendment of the Constitution of Iraq; and allocation of Iraqi revenues for reconstruction projects;

(3) whether the Government of Iraq and United States Armed Forces are making substantial progress in reducing the level of sectarian violence in Iraq; and

(4) whether the Government of Iraq is ensuring the rights of minority political parties in the Iraqi Parliament are protected.

(b) If the President fails to make any of the determinations specified in subsection (a), the Secretary of Defense shall commence the redeployment of the Armed Forces from Iraq no later than July 1, 2007, with a goal of completing such redeployment within 180 days.

(c) If the President makes the determinations specified in subsection (a), the Secretary of Defense shall commence the redeployment of the Armed Forces from Iraq not later than October 1, 2007, with a goal of completing such redeployment within 180 days.

2nd War Supplemental [H.R. 2206, the 'U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007]

Sec. 1330. The President shall transmit to the Congress a report in classified and unclassified form, on or before July 13, 2007, detailing--

(2) whether the Government of Iraq has--

(A) enacted a broadly accepted hydro-carbon law that equitably shares oil revenues among all Iraqis;

(B) adopted legislation necessary for the conduct of provincial and local elections, taken steps to implement such legislation, and set a schedule to conduct provincial and local elections;

(C) reformed current laws governing the de-Baathification process to allow for more equitable treatment of individuals affected by such laws;

(D) amended the Constitution of Iraq consistent with the principles contained in article 137 of such Constitution; and

(E) allocated and begun expenditure of $10 billion in Iraqi revenues for reconstruction projects, including delivery of essential services, on an equitable basis.

3rd War Supplemental [text of the Senator Warner amendment, expected to be adopted by Congress later this week]

SEC. 2. CONDITIONING OF FUTURE UNITED STATES STRATEGY IN IRAQ ON THE IRAQI GOVERNMENT'S RECORD OF PERFORMANCE ON ITS BENCHMARKS.

(a) **IN GENERAL.**--(1) The United States strategy in Iraq, hereafter, shall be conditioned on the Iraqi government meeting benchmarks, as told to members of Congress by the President, the Secretary of State, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff, and reflected in the Iraqi Government's commitments to the United States, and to the international community, including:

(A) Forming a Constitutional Review Committee and then completing the Constitutional review;

(B) Enacting and implementing legislation on de-Baathification;

(C) Enacting and implementing legislation to ensure the equitable distribution of hydrocarbon resources of the people of Iraq without regard to the sect or ethnicity of recipients, and enacting and implementing legislation to ensure that the energy resources of Iraq benefit Sunni Arabs, Shia Arabs, Kurds, and other Iraqi citizens in an equitable manner;

SEC. 3. LIMITATIONS ON AVAILABILITY OF FUNDS

(a) **LIMITATION.**--No funds appropriated or otherwise made available for the ``Economic Support Fund'' and available for Iraq may be obligated or expended unless and until the President of the United States certifies in the report outlined in subsection (2)(b)(1) above and makes a further certification in the report outlined in subsection (2)(b)(4) above that Iraq is making progress on each of the benchmarks set forth in Section 2 above.

H.R. 1234: The Plan to End the Iraq War

In November of 2006, after an October upsurge in violence in Iraq, the American people moved decisively to reject Republican rule, principally because of the conduct of the war. Democratic leaders well understand we regained control of the Congress because of the situation in Iraq. However, several months later, the Congress is still searching for a plan around which it can unite to hasten the end of US involvement in Iraq and the return home of 140,000 US troops.

The Administration is preparing to escalate the conflict. They intend to increase troop numbers to unprecedented levels, without establishing an ending date. It is important for Congress to oppose the troop surge. But that is not enough. We must respond powerfully to take steps to end the occupation, close U.S bases in Iraq and bring our troops home. These steps are necessary preconditions to the US extricating itself from Iraq through the establishment of an international security and peacekeeping force.

Congress, as a coequal branch of government has a responsibility. Congress, under Article 1, Section 8 of the US Constitution has the war-making power. Congress appropriates funds for the war. Congress does not dispense with its obligation to the American people simply by opposing a troop surge in Iraq. It is simply not credible to maintain that one opposes the war and yet continues to fund it. This contradiction runs as a deep fault line through our politics, undermining public trust in the political process and in those elected to represent the people. If you oppose the war, then do not vote to fund it. If you have money which can be used to bring the troops home or to prosecute the war, do not say you want to bring the troops home while you appropriate money in a supplemental to keep them in Iraq fighting a war that cannot be won militarily. Continuing to fund the war is not a plan. It would represent the continuation of disaster.

In addition to halting funding of this war, a parallel political process is needed. As such, I am offering a comprehensive 12-point plan in the form of H.R. 1234.