

KRG statement on Kurdistan Region oil contracts and revenues

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17 January 2010

After talks with the Kurdistan Region's Prime Minister Dr Barham Salih, Iraq's Prime Minister Nouri al-Maliki on 3rd January said in a statement to the press, "It is time to look at this file and settle it with flexibility and realism, in order to preserve the rights and interests in these contracts." He added, "The revenue will be part of the national revenue that is distributed equally to all Iraqis".

In response to this statement, we believe it is necessary to explain the following:

1. We reiterate our already publicly announced position: We believe that the oil revenue of the Kurdistan Region is for all of the Iraqi people, in the same way as all of Iraq's other oil revenues, which should be distributed throughout Iraq fairly and in accordance with a revenue sharing law to be enacted as required by the Constitution. Therefore we agree with the Federal Prime Minister's statement.
2. We note that the Federal Prime Minister assured us all that he wishes to look again at the oil contracts with the Kurdistan Region in order to solve the issue. The Kurdistan Regional Government (KRG) is ready to start a serious dialogue regarding this matter, and we are also ready to immediately restart the process of oil exporting from the Kurdistan Region's fields at a rate of no less than 100,000 barrels per day, and in the interests of all Iraqi people. We will also work to rapidly increase production to more than 200,000 barrels per day this year.
3. Although there are different views on the level of the profit share to be allocated to the contractors, the reality obliges us all to agree on the resumption of the oil export and to allocate a certain percentage of the revenue from the exported oil to the concerned contracted companies, to cover their actual costs. This will create a suitable and a positive atmosphere to enable us to start, as soon as possible, a dialogue about all other suspended issues – particularly to open the door for everyone to understand the framework of the contracts that the KRG has signed. In particular we can then address the amount profit that is granted to the contracted companies. This should be viewed in comparison with what is an acceptable standard in the international oil industry regarding oil exploration and production. To demonstrate the extent of our resolve and readiness, we are publishing the contracts of the companies [DNO](#) and [Genel](#), to facilitate discussions and to show the transparent nature of these contracts and their economic benefits for everyone in Iraq.
4. We do not object to offering the oil produced in the Kurdistan Region by the contracted companies to SOMO (State Oil Marketing Organisation of Iraq), assuming that SOMO then allocates part of the Region's oil revenue either to the KRG to compensate the companies involved, or for SOMO to directly compensate the agreed amounts to the companies involved, provided that such payments do not exceed the amounts that these companies have spent, and as

outlined in the table below. The balance of the derived oil revenue should then be deposited in the Federal Government's bank account.

5. The current relevant producing companies include DNO and Genel. We are ready to form a financial committee composed of representatives from the Federal Government's and the Kurdistan Region's ministries of finance, along with representatives from the aforementioned companies, to verify and confirm the exact amounts of money that these companies have invested so far.

6. For the sake of expediting this process, we believe it is also necessary to create another committee composed of representatives of the KRG Ministry of Natural Resources, SOMO, DNO, and Genel, to confirm the amount of oil produced and exported by these companies, and to confirm the revenue that SOMO receives from the sale of the oil produced and exported by them to ensure that an accurate and a fair compensation is made to them.

7. The [table](#) and [figures](#) explain the following:

a. Although the initial oil production will begin with 100,000 barrels per day, it will increase gradually and continuously to 1,000,000 barrels per day within five years from now.

b. The anticipated revenue that the Federal Government will receive from oil production of the Kurdistan Region during the coming five years, from 2010 to 2014, will be: \$2.75 billion (2010), \$8.23 billion (2011), \$12.45 billion (2012), \$18.27 billion (2013), and \$25.62 billion (2014). The total cost compensation of the companies contracted in the Region for the same period will be: \$1.4 billion (2010), \$0.9 billion (2011), \$1.05 (2012), \$1.2 (2013), and \$1.4 (2014). This illustrates that the Federal Government (Ministry of Finance) will receive in total more than \$67 billion as net revenue from the oil produced by companies contracted in the Region in the coming five years. In return, less than \$6 billion in costs will be paid to these companies.

c. By 2015 the total revenue will be more than \$27 billion per year, with a cost compensation of \$1.5 billion per year to the companies involved.

Finally, oil revenue coming from the Kurdistan Region will lead to the expanded economic development of Iraq in general, and it will increase the prosperity of all the Iraqi people. This is due to the rightful participation of the Region in this vital oil sector, and for the benefit of all constituencies of the people of Iraq. Therefore we call upon the Federal Government to engage in a serious dialogue with the Regional Government to reach a comprehensive agreement on this matter in the interests of Iraq as a whole.

This statement is also available in [Arabic](#).