

IRAQI HYDROCARBON LAW

HON. DENNIS J. KUCINICH

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 10, 2007

Mr. KUCINICH. Madam Speaker, I submit the following for the RECORD:

READ THE IRAQI PARLIAMENT'S HYDROCARBON LAW: THE IRAQI "HYDROCARBON LAW" CONTAINS THREE SENTENCES ON OIL REVENUE SHARING AND 33 PAGES ON PRIVATIZATION

Dear Colleague: An issue of critical importance, the Iraqi "Hydrocarbon Law", was again broached yesterday for the third time in the Democratic Caucus and I want to provide you 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 misled Congress by emphasizing 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 discuss 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 is imperative that all of us carefully read the Iraqi Parliament's bill because the FY07 Iraq Supplemental puts Congress on the record in promoting oil privatization.

The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, released yesterday, contains Sec. 1330(2)(A) requiring a report by the President on "whether the Government of Iraq has enacted a broadly accepted hydro-carbon law that equitably shares oil revenues among all Iraqis." The Iraqi "Hydrocarbon Law" is not broadly accepted and does far more than share revenues. The final 3 months of war funding are tied to the favorable completion of this report and a favorable vote by Congress.

It is also important to highlight Sec. 1311(2) of the Supplemental bill, which prohibits funds "to exercise United States control over any oil resource of Iraq." The crucial issue is not the U.S. government control of Iraqi oil resources. Rather the issue is Congress passing a measure that pressures Iraq to pass their "Hydrocarbon Act" so that multinational oil corporations (many based in the U.S.) will exercise control over Iraqi oil resources.

Here are the annotated facts, according to reliable media sources:

FOREIGN OIL COMPANY CONTROL

"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."

"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."

"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.

"Energy lawyers agree. "Pretty much all the major oil companies are taking a very close interest in the future potential in Iraq," says Mathew Kidwell, a partner in the Dubai office of Fulbright & Jaworski. "We have certainly had discussions with a number of our oil industry clients about the legal framework."

IRAQI SELF GOVERNANCE THREATENED

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 of the reach of most of Iraq's citizens.

"Iraq will not be capable of controlling the levels—the limits of production, which means that Iraq cannot be a part of OPEC anymore. And Iraq will have this very complicated institution called the Federal Oil and Gas Council, that will have representatives from the foreign oil companies on the board of it, so representatives from, let's say, ExxonMobil and Shell and British Petroleum will be on the federal board of Iraq approving their own contracts."

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

"Iraq's oil unions have threatened to shut-down production if foreign companies are allowed too much control."

"The Iraq National Oil Co. would restart but compete with foreign oil companies, who could win contracts giving them partial ownership of the respective fields."

PERSUASION BY FOREIGN OCCUPIERS

"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."

"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."

If the above quotes are not persuasive, then I highly encourage you to read the Iraqi "Hydrocarbon Law" yourself. It is 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. http://web.krg.org/uploads/documents/Draft%20Iraq%20Oil%20and%20Gas%20Law%20English_2007_03_09_h17m2s47.pdf

The following highlights are the major concerns of the Iraqi "Hydrocarbon Law":

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.

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.

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.

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.

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."

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

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.

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

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.

This war was 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 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.

Please join me in seeking to remove any reference to the Iraqi "Hydrocarbon Law" in the war spending bill.

Sincerely,

DENNIS J. KUCINICH,
Member of Congress.

TRIBUTE TO MR. HUGO A.
GUTIERREZ, SR.

HON. HENRY CUELLAR

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 10, 2007

Mr. CUELLAR. Madam Speaker, I rise today to honor Mr. Hugo A. Gutierrez, Sr., an American hero—a soldier, a father, a husband, and a great leader in the city of Laredo, who recently passed away on March 27, 2007, after a courageous battle with cancer.

Mr. Hugo A. Gutierrez, Sr., was born on August 1, 1925, as the seventh of his parents' twelve children in Nuevo Laredo, Mexico. His family moved to Laredo, Texas, when he was a small child, and thus began his great love for the city and its people. His father passed away when he was only 14 and Hugo started working to provide for his family. Two years later, when his eldest brother, Adolfo, passed away from complications from appendicitis, Hugo began work as an electrician with the Koenig Electric Company so that he could