IRAQI

EITI 2016

Annual Report

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List of Abbreviations

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
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 2016 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 Secretary General of the Council of Ministers. In an attempt to enhance Government's participation in the IEITI process, the MSG has recently obtained a preliminary approval for this post to be assumed by the Deputy Prime Minister of Energy Committee/ Minister of Oil.

To establish the scope of the 2016 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

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.

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 2016 report:

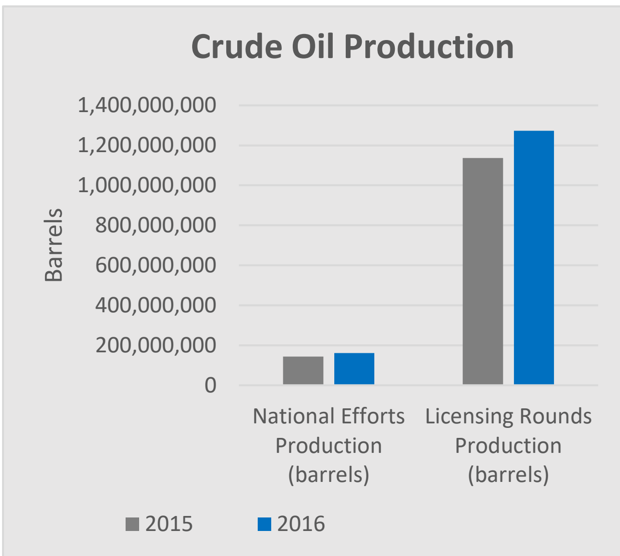
- In its scoping study for the year 2016, the MSG has determined, for the first time since becoming an EITI compliant country, a quantitative materiality threshold to ensure that all revenues and payments whose "omission or misstatement could significantly affect the comprehensiveness of the EITI Report" 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
- 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 2016

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

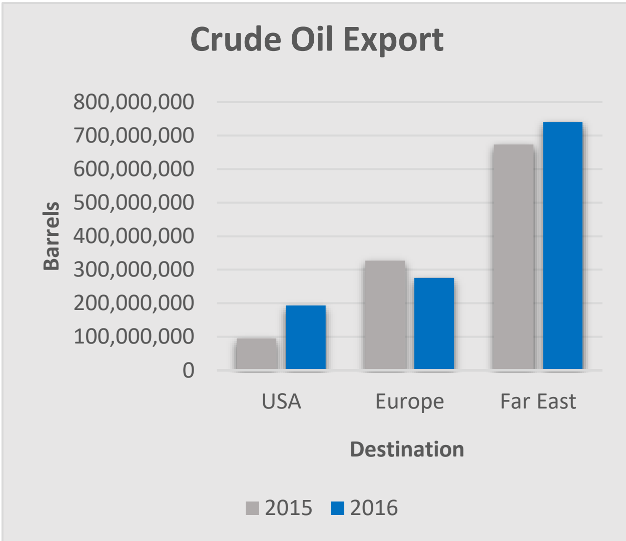


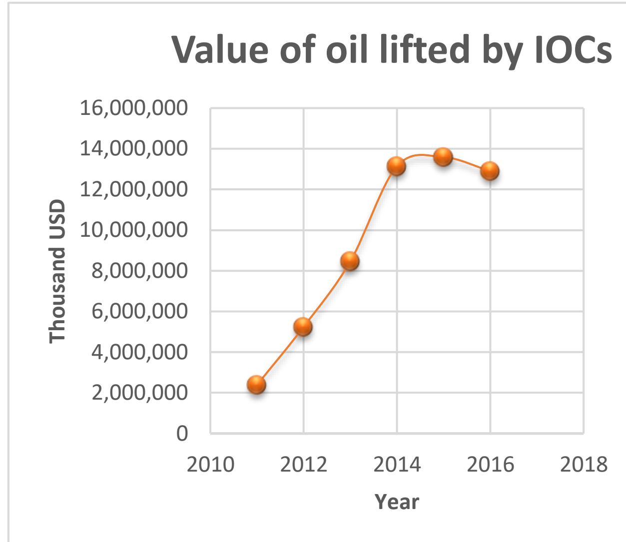
No licensing rounds were held during 2016, and therefore no new licenses were awarded during that year.

The following table illustrates the major reported data during 2016 in comparison with 2015:

Description	2015[1]	2016	Incremental rate
Total extracted crude oil (barrels)	1,278,991,546	1,434,037,313	12.12%
Total export of crude oil (barrels)	1,096,778,861	1,208,443,229	10.18%

[1] 2015 comparative figures were obtained from the IEITI report for year 2015, which is published on the IEITI website: http://ieiti.org.iq/en/listing/reports-and-publications/annual-report

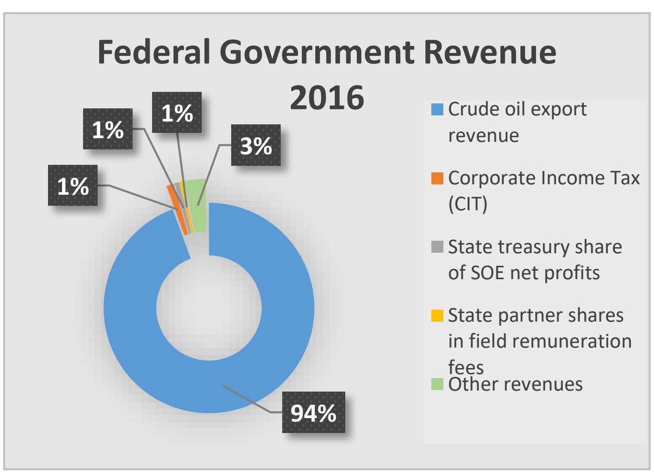




The average selling price of exported crude oil during 2016 was USD 35.5 per barrel, according to average monthly prices reported by SOMO. This represents a significant decrease from the average crude oil export price reported in the 2015 IEITI report of USD 46.44 per barrel.

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 2016 make up 99.79% 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 2016 at current prices was IQD 61,361,951.5 million that translates into a relative share of 29.83% of total GDP (excluding KRG).
- **Government Revenue:** The extractive industries contribution to total government revenue is 96.7% of actual government revenue (excluding KRG revenue)



Results of reconciliation and comprehensiveness of data

A difference of approximately USD 1.343 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 20,637,443 and are related to differences in reporting between SOMO, SOCAR, BP and Petrochina Rumaila (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 the PCLD and the IOCs, whereby the PCLD reported figures that were approved during the year, and not necessarily what was paid during the same year. However, although differences related to the reconciliation of the cost recovery and remuneration fees of Shell Majnoon, Shell West Qurna, Pertamina Iraq, and Occidental are partially attributed to the aforementioned reason, we were unable to conclude as of the date of this report on the additional factors that contributed to the existence of a difference of USD 1,659,091,773 in this reconciliation (more details are included in the relevant section of the report).

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 (16.7%) SOEs had their financial statements audited by the Federal Board of Supreme Audit (FBSA) and was able to submit these financial statements as requested, 43.5% of international oil buyers presented their audited financial statements and 74% 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 4.8.3).

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 2016 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 2016, and the methodologies used for contracting with private sector companies was 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, 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

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[2].

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[3]. In addition, Iraq is OPEC's second-largest crude oil producer[4]. 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[5]. 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

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

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

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

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

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.

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 Al 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[6]. 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.

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

1.3. EITI Governance and leadership in Iraq (Requirement 1.1 – 1.3)

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's MSG is currently comprised of the following members:

- Chair of the MSG – Mr. Mahdi Mohsen Al-Allaq (Secretary General of the Council of Ministers)
- IEITI National Coordinator – Mr. Ala'a Rasoul Mohei El-Deen
- Six Government representatives:
  - Ministry of Finance representative – Mr. Khaled Salah El-Deen Murad
  - Two Ministry of Oil representatives – Mr. Ala'a Khader Al-Yaseri and Dr. Sabah Al-Saedi
  - Ministry of Industry and Minerals representative – Dr. Safa'a Al-Deen Fakhry
  - Ministry of Planning representative – Dr. Ala'a El Deen Ja'afar Mohamed
  - Federal Board of Supreme Audit representative (FBSA) – Dr. Nedal Abed Al-Zahra Merdao
- Six Industry representatives (extractive sector companies):

  a) <u>State-Owned Entities (SOEs) representatives:</u>
  - North Oil Company representative – Mr. Farid Jader Al-Jader
  - Midland Oil Company representative – Mr. Jalal Ahmed Mahmoud
  - Basra Oil Company representative – Mr. Ihsan Abdul-Jabbar Ismail

  b) <u>International Oil Company representatives</u>
  - LUKOIL Company representative – Mr. Gati Al-Jebouri
  - BP Company representative – Mr. Zaid Al-Yaseri
  - Petronas Company representative – A. Malik Jaffar
- Six Civil Society representatives:
  - Iraq Association of Certified Accountants representative – Dr. Abed Al-Saheb Najem Abed
  - Private sector representative – Mr. Ali Sabeeh Al-Saedi
  - Al-Khair Humanitarian Organization (NGO) representative – Mr. Saed Jabbar Nehmeh
  - Al-Inbithaq Association for Economic Development representative – Mr. Maher Mahmoud Nasir
  - Al-Nahrain Foundation for Transparency and Integrity representative – Mr. Mohamed Raheem Zagheer
  - Kurdistan Region civil society representative - currently vacant as of September 2018 (previously filled by Mr. Khaled Naqshbandi)

1.4. MSG Governance (Requirement 1.4)

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 positionp0
- 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 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:
    - The entity should be registered and duly authorized by law to carry out its activities in Iraq;
    - 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;
    - The entity's nominees should hold an "Executive Director" positon as per the entities' official docuemnts 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 (Requirement 1.5)

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"[7].

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[8].

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[9]:

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

[7] http://documents.worldbank.org/curated/en/182971468261282309/Iraq-IEITI-Work-Plan

[8] 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

[9] http://ieiti.org.iq/en/details/414/decisions-of-the-52nd-msg-meeting-1520763278

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'".[10]

[10] http://documents.worldbank.org/curated/pt/433601537551993564/pdf/Disclosable-Version-of-the-ISR-IRAQ-EITI-Implementation-Support-P160274-Sequence-No-02.pdf

2. Legal Framework and Fiscal Regime for the Extractive Industries (Requirement 2.1)

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[11]. The federal government is composed of the executive, legislative, and judicial branches, as well as numerous independent commissions[12]. 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 Sulaimani. 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[13].

[11] 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/

[12] http://www.irfad.org/iraq-government/

[13] 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[14]. 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:

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

- North Oil Company
- Missan Oil Company
- Midland Oil Company
- Basra Oil Company[15]
- Thi Qar Oil Company
- Iraqi Drilling Company
- Oil Exploration Company
- North Gas Company
- South Gas Company

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

A description of the MoO state-owned entities is provided in Section 2.3.1.

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[16].

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[17].

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:

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

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

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

- 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)

A description of the MOIM state-owned entities is provided in Section 2.3.1. Further information on the MOIM can be found on the Ministry's website[18].

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.

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

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

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[19];**

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

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

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 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[20].

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[21] 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.

[20] 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

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

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.

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.

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[22], 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[23]".

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.

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

2.3. State participation in the extractive industries (Requirement 2.6)

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.

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

Basra Oil Company (BOC) is a state-owned company within the Iraqi Ministry of Oil, responsible for the oil in the South of Iraq, and is based in Basrah, Iraq. BOC was previously known as South Oil Company (SOC), and as of April 2017, SOC's name was changed to Basra Oil Company after it was restructured following the establishment and independence of Thi Qar Oil Company. BOC is one of the major fundamental formations of the Iraq National Oil Company (INOC). The company has operatorship of Iraq's southern fields, including its biggest producing field the Rumaila field[24].

[24] http://iraqministryofoil.com/south-oil-company-tenders-iraq/

2- North Oil Company

North Oil Company (NOC) is a state-owned company within the Iraqi Ministry of Oil. The company operates in the Northern fields in Iraq, and its operation area spans the following governorates: Kirkuk, Nineveh, and Salah al-Din. NOC supplies crude oil to Iraqi refineries and associated gas to North Gas Company units and to electricity generation stations as well as for export through a network of pipeline system toward north and west of the country for export from terminals in Turkey. The company's main activities include[25]:

- Production of oil and natural gas from the oil and gas fields within the company's geographical area
- Treatment of oil in process units and transportation by pipelines to refineries and export terminals
- Separation and compression of associated gas and production of dome gas to be transported to North Gas Company's gas processing complex to produce LPG for domestic consumption and dry gas as a fuel for industrial use.
- Sponsoring oil well drilling, workover and completion operations by Iraqi Drilling Company (IDC) and other foreign drilling contractors, in addition to geological control of those wells.
- Carrying out geological studies, reservoir engineering and field measurements
- Carrying out research and quality control of crude oil, gas, water and other oil products

3- Missan Oil Company

Missan Oil Company (MOC) is a state-owned oil and gas company located in Maysan Governorate, Iraq. It was created in 2008, as a spin-off from South Oil Company, to expand oil related activities in Maysan province and to set up joint ventures with international companies to develop the province's oil fields. This company has a very long pipeline and a number of stations on this line, which ended in Haditha[26].

4- Midland Oil Company

Midland Oil Company (MdOC) is the fourth state-owned company that is responsible for overseeing development in auctioned fields in the center of the country. There are more than 30 oil and gas fields that are located within the area of operations of the company, in addition to about 160 geological blocks that have not been explored yet[27].

[25] http://www.noc.oil.gov.iq/english_ver/homepage_en.htm

[26] http://www.gulfoilandgas.com/webpro1/prod1/suppliercat.asp?sid=10547

[27] http://mdoc.oil.gov.iq/index.php?name=Pages&op=page&pid=96

5- Thi Qar Oil Company

The Council of Ministers, voted in October 2016 on the establishment of the Thi Qar Oil Company (TQOC), to develop the province of Thi Qar, a promising province in the oil and gas industry with a large reserve of national wealth[28]. The first deputy governor of Thi Qar, Adel al-Dakhili, announced the opening of the Thi Qar Oil Company officially in the presence of the Iraqi Oil Minister, His Excellency, Mr. Jabar Ali al-Luaibi and a number of government figures in the province in March 2017[29]. The Iraqi Oil Minister, His Excellency, Mr. Jabar Ali al-Luaibi ordered the state-run Thi Qar Oil Company (DQOC) and Iraq Drilling Company (IDC) to develop the Nasiriyah oil field in Thi Qar province, which is expected to produce 300,000 barrels per day [30].

6- Oil Exploration Company

Prior to 1987, the Oil Exploration Company (OEC) was a state establishment under the umbrella of the then Iraq National Oil Company. In 1987, the issuance of Decree No. 267 resulted in the dissolution of the Iraq National Oil Company and its associated establishments, and the Oil Exploration Company was established as an administratively and financially independent public entity under the formations of the Iraqi Ministry of Oil. The main task of the company is to discover and evaluate, the new hydrocarbon structures in the fields of geology, seismic acquisition, interpretation, processing and laboratory researches and analyses, supported by engineers, legal, administrative and finance staff[31].

7- Iraq Drilling Company

Iraq Drilling Company (IDC) is a state-owned entity established in 1990 with a purpose of limiting the drilling and workover operations into one national company working across all geographical areas[32]. The main activities of the company include:

- Drilling of oil and gas wells
- Reclamation and completion of oil and gas wells
- Drilling of water and waste wells
- Operation of drilling camps and support operations
- Maintenance of drilling equipment
- Dismantling, transporting and installing equipment at drilling sites

8- North Gas Company

North Gas Company was established in 1998, in accordance with the Organization of Ministry of Oil Law No. 101 of 1976, and Public Companies Law No. 22 of 1977. The company is based in Kirkuk, and its main objective is to utilize associated gas available in Iraqi fields to produce the following products:

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[28] https://oil.gov.iq/index.php?name=News&file=article&sid=1475
[29] http://en.economiciraq.com/2017/03/30/the-opening-of-the-dhi-qar-oil-company-officially-in-the-presence-of-iraqi-oil-minister/
[30] http://www.iraq-businessnews.com/2018/08/01/iraq-invests-to-boost-nasiriyah-oil-field/
[31] http://oec.oil.gov.iq/ar/page/about-us
[32] http://www.idc.gov.iq/about-en.php

- Dry gas: for use in electricity generation stations as well as other industrial factories as fuel gas, in addition to its use as a raw material in petrochemical industries and fertilizers
- LPG: for domestic use and export
- Natural Gasoline: used as fuel or injected with raw oil to improve specifications
- Sulphur: used as a raw material in local industries and for export [33]

9- South Gas Company

South Gas Company (SGC) was established in June 1998, as a public entity in accordance with Law No. 22 of 1997, and is based in Basrah.

The company aims to support the national economy in the field of oil through the production of liquid and dry gas for internal consumption and exportation in a way that achieves the objectives of the development plans and the plans approved by the Ministry of Oil.

SGC activities include:

- Receiving and processing gas from the southern fields
- Manufacturing and pressing of dry gas to be delivered to consumption sites and exportation outlets using the regional pipeline network
- Manufacturing, storing, mixing and pressing of liquid gas to be delivered to the filling plants or exportation outlets through the regional pipeline network or by other means
- Producing and distributing Gasoline (Natural Petrol)
- Developing and expanding oil plants, production lines and establishing new and completing projects and lines
- Managing and executing all technical and service operations that supports its activities

Transportation, distribution and marketing sector:

1- State Oil Marketing Organization

State Oil Marketing Organization (SOMO) is the only official company legally authorized to negotiate and conclude Iraqi laws regarding crude oil sale contracts as well as oil product contracts in accordance with international standards. SOMO is specialized in the marketing of crude oil as well as working on the export of fuel oil products. More information about SOMO and its working mechanisms are described in Section 3.5.1.

2- Oil Pipelines Company

Oil Pipeline Company (OPC) is a state owned company founded in 1930 for the purpose of transporting crude oil using pipelines. OPC's main objectives can be summarized as follows:

[33] http://ngc.oil.gov.iq/en_index.htm

- Operating and maintaining pipelines for the transportation of black and white petroleum oil products, from production to consumption sites
- Operating and maintaining pipelines for the transportation of liquid and natural gas from production sites to main consumers across the region
- Operating and maintaining crude oil pipelines for the transport of crude oil to oil refineries, and pipelines for the transport of crude oil to power generation stations for use as fuel
- Managing centers to control the movement of oil and gas using the pipelines mentioned above
- Operating and maintaining pumping stations and warehouses
- Organizing, following up and participating with the MoO in making plans for the production and consumption of oil products and industrial fuel
- Overseeing, controlling and limiting the proliferation of oil spills from oil products.[34]

3- Gas Filling Company

Gas Filling Company (GFC) replaced the gas filling general facility on 1 June 1998, the company is considered one of the supporting pillars to the oil sector as it contributes with the following:

- Operating gas factories and filling liquid gas
- Manufacturing gas containers and its related maintenance
- Establishing liquid gas systems for cars
- Establishing liquid gas systems for industrial, service, and household usage

4- Oil Products Distribution Company

Oil Products Distribution Company (OPDC) is a governmental owned company established in 1967 as the oil products distribution authority and it was later merged with the Oil Products Transportation Company and General Pipeline Facility in 1991. OPDC is considered a strategic link in the oil industry operations as it is responsible for providing citizens with oil products and power to electric stations.[17]

5- Iraqi Oil Tankers Company

Iraqi Oil Tankers Company (IOTC) is a company specializing in the ocean transport of crude oil and refined products, established in 1972. IOTC uses a fleet of oil tankers, also known as petroleum tankers; which are merchant ships designed for the bulk transport of oil. There are two basic types of oil tankers: the crude tanker and the product tanker. Crude tankers move large quantities of unrefined crude oil from point of extraction to refineries. Product

[34] http://opc.oil.gov.iq/

tankers, generally much smaller, are designed to move refined products from refineries to points near consuming markets[35].

Downstream Sector

1- North Refineries Company

North Refineries Company (NR) was established in 1976 and is the largest Iraqi oil refining company. NR produces various products including unleaded gasoline, illuminating kerosene, ATK, diesel, lube oil product, spindle oil, transformer oil, asphalt, sulfur, LPG and RT[36].

The company runs the following refineries and facilities:

- North Refinery
- Salahudin I
- Salahudin II
- Lube plant

2- South Refineries Company

South Refineries Company (SR) was founded in 1969, but began production in 1974 by establishing Refining Unit No. 1, which is one of the major manufacturing units in the country. The company's activities include refining crude oil and producing the following derivatives: gasoline, kerosene, diesel, fuel oil, LPG, light Naptha and jet fuel[37].

3- Midland Refineries Company

Midland Refineries Company (MdR) is one of the three major refining organizations operating in Iraq, all governed by the Iraqi Ministry of Oil. Midland Refineries Company is made up of Al-Daura Refinery and other exterior refineries. The Daura refinery was built in 1953 and began operations in 1955. It is located 20 kilometers southwest of Baghdad and is the second largest in Iraq[38].

The following is a list of MdR exterior refineries:

- Al-Samawah Refinery
- Al-Najaf Refinery
- Al-Diwaniya Refiner
- Karbala Refinery

[35] http://iotc.oil.gov.iq/en/index.php?page=about-us

[36] http://www.nrc.oil.gov.iq/english/home.htm

[37] http://www.src.gov.iq/en/about_us

[38] http://iraqministryofoil.com/midland-refineries-company-tenders-iraq/

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

The State Company for Mining Industries is one of the major formations of the Ministry of Industry and Minerals, and has two industrial identities[39]:

- Chemical production: The company is involved in the production of various types of products such as construction products, asphalt polymer, asphalt cement, and waterproofing products used in for heat insulation in tanks and pipelines
- Mining: The company is involved in quarrying, extraction, and marketing of minerals, mostly sand in all forms such as silica sand, filter sand, feldspathic sand, flint and kaolin.

The mineral extraction unit is a division within the company that is specialized in the extraction and marketing of mineral raw materials and semi-finished products.

The company has several sites in Iraq, as follows:

- Baghdad - company HQ, Mineral Extraction Division
  Basra - Al-Thaghar Factory
- Muthanna - Samawah
- Najaf - Al-Najaf Mine
- Nineveh - Al-Remah Factory
- Al-Anbar - Western desert mines and Bentonite activation project.

2- The State Company of Fertilizers – Southern Region and The State Company of Fertilizers– Northern Region

In 1969, the State Company of Fertilizers was established in Abo al-Khassib, Basra province with a capital of IQD 12 million. The company's factory became operational in 1971, producing the following products:

- Urea (final product)
- Ammonia

Due to the inability of one fertilizers plant to meet the demands of the agricultural industry at the time, it was decided to expand the capacity of the first plant by establishing a second plant for the production of urea fertilizers in the same location (Abo Al-Khassib) with a capital of IQD 32 million with the following planned daily capacities:

- Urea fertilizer (1,300 tons /day)
- Ammonia (800 tons/day)

[39] http://en.altadinea.industry.gov.iq/pages?id=1

During September 1973, a contract was signed with Mitsubishi Heavy industries to construct the second plant.

In addition, to the increasing demand for urea for use in agricultural and industrial activities, a decision was taken to construct two large factories for urea production at a cost of QD 192 Million in Khor Al Zubair.

In 1988, the two companies {Abo al-Khassib & Khor Al-Zubair} were incorporated within the State Company of Fertilizers; however, in 1994 the two entities were split into two separate entities:

- The State Company of Fertilizers/ Northern Region and;
- The State Company of Fertilizer / Southern Region

3- State Company for Petrochemical Industries

The State Company for Petrochemical Industries was established in Basra –Khor Al-Zubair in 1977. The objective of the company is to produce raw materials used in the manufacturing of plastic materials (polyethylene, polyvinyl chloride (PVC)) and any other petrochemical products, using natural gas and other petroleum products[40].

The company also produces the following chemical products:

- Hydrochloric Acid (HCl)
- Sodium Hypochlorite (NaOCl)
- Caustic Soda

4- The State Company for Phosphates

The Sate Company for Phosphates is one of the major formations of the Ministry of Industry and Minerals that specializes in the mining of phosphates. The main objective of the company is to carry out exploration and mining of phosphate deposits as well as production and transfer of phosphate ores for the production of phosphate fertilizers, compound fertilizers and various byproducts.

Akashat phosphate mine is located in the province of Anbar in the western desert at Akashat region sites between Al Qaim district and Rutba district about 150 km southwest. The main task of the mine is limited by the extraction of the phosphate rocks, crushing, loading and conveying the raw materials by rail wagons to the chemical Complex in Al Qaim. Akashat phosphate mine project is an integrated production unit owns their workshops, vehicles and warehouses as well as other requirements necessary for production operations[41].

[40] http://pchemiq.com/xabout.htm
[41] http://www.sulphuric-acid.com/sulphuric-acid-on-the-web/acid%20plants/State%20Company%20for%20Phosphates.htm

5- **Mishraq Sulphur State Company**

Mishraq Sulphur State Company is one of the MoIM establishments, which was founded in 1969. The production of Sulphur began towards the end of year 1971, which is extracted from underground deposits of 120-200 meters in depth, using the Frasch process. In the Frasch process, superheated water is pumped into the sulphur deposit; the sulfur melts and is extracted with the assistance of compressed air[42].

The company produces the following products:

- Pure Sulphur
- A LUM (Hydrated Aluminum sulfate)
- Agriculture Sulphur
- Sulphuric Acid

6- **The State Company for Iron & Steel**

The State Company for Iron & Steel is an establishment of the MoIM, involved in transformational activities, and is specialized in:

- Production of wielded steel pipes
- Outer coating of steel pipes with polyethylene, adhesives, and epoxy, as well as inner coating of steel pipes with nutritional epoxy.

7- **Iraq State Cement Company**

Iraq State Cement Company was established as a public entity in 1964 as the Iraqi State Cement Company after the passing of the Public Companies Law No. 22 of 1997. Prior to that, ISC consisted of three companies, Iraqi Cement Co. Ltd that was establish in 1936, Al-Furat Cement Co. established in 1957 and United Cement Co. established in 1958.

The company's functions are set as follows:

- production of all types of Cement according to set specifications
- marketing the produced Cement internally and exporting it externally according to specified plans and programs
- manufacturing Cement filling bags[43]

8- **The Iraqi Geological Survey and Mining Company**

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[44].

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[42] www.mishraq.industry.gov.iq/

[43] http://cementiraq.com/en/producers/1

[44] http://geosurviraq.iq/Pages?id=1138

Mixed Sector companies:

Basra Gas Company (BGC) is a 25-year Iraqi joint venture established to overcome the challenge of flared natural gas in Basrah Province. The Company's shares are distributed between the South Gas Company (51%), Shell (44%), and Mitsubishi (5%). Basrah Gas Company is organized as a mixed limited liability company under the Iraqi Companies Law No. 21 of 1997, and is the only mixed limited liability company that has been formed in the extractive sector.

The company's main objective is to capture and treat associated natural gas that is currently being flared in West Qurna Phase 1, Zubair, and Rumaila fields. Its' operations officially commenced in May 2013, and in December 2014, BGC achieved a new processing record of 500 mmscf/d of gas and a new LPG production record of 2650 tons per day[45].

The following is a brief description of BGC's gas gathering systems, which was obtained from the company's website[46].

Pipelines

BGC operates a network of around 1,800 kilometers of natural gas, hydrocarbon liquids and industrial water pipelines. Natural gas and liquids are transported through these pipelines from where it is produced to BGC's processing plants. BGC is in process of inspecting and rehabilitating these pipelines, and is building 300 kilometers of new pipelines to expand its capacity.

Compressor stations

BGC has nine compressor stations, which are distributed at intervals along its pipeline network. Their purpose is to compress the natural gas, thereby providing an increase in pressure for the natural gas to continue flowing towards the BGC processing plants. BGC is building nine new compressor stations, and in the meantime, has installed three temporary compressors to increase gas flow to meet the needs of South Iraq for power.

Gas processing plants

BGC operates two gas processing plants, at which the company removes contaminants from the natural gas and separates it into dry gas for supply to power generators and valuable natural gas liquids. At the Khor Al Zubair gas processing plant, BGC further processes natural gas liquids to make LPG (which is a very high API oil in gas form that has condensed when rising to the surface) and condensate.

[45] https://www.shell.iq/en_iq/about-us/projects-and-sites/basrahgascompany.html
[46] http://www.basrahgas.com/infrastructure-overview

Storage and Marine Terminal

On the coast at Umm Qasr, BGC operates a storage and marine terminal. LPG and condensate are stored at this facility before they are delivered to South Gas Company for distribution in the domestic market.

In early 2016, and after domestic demand of LPG was met, LPG and condensate exports began, through BGC[47]. 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)[48]. The government indirectly receives its share of the BGC's profits upon receiving SGC's treasury share (45% of distributable net profits); the legal basis of such payment is discussed in the following section (2.3.2).

ii. <u>Kurdistan Regional Government</u>

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):

As per Article 10 of the Oil and Gas Law No. 22 of 2007, KEPCO may, subject to the approval of the Regional Council:

- "compete with other companies to obtain Authorizations regarding Future Fields;
- enter into joint ventures and similar contractual arrangements, whether in the Region, in other parts of Iraq or abroad; and
- create operating subsidiaries for particular Petroleum Operations in respect of Future Fields."

Kurdistan National Oil Company (KNOC):

As per Article 11 of the Oil and Gas Law No. 22 of 2007, KNOC may, with the approval of the Regional Council:

- "compete with other companies to obtain Authorisations regarding the management of Current Fields;
- enter into joint ventures with reputable and experienced international petroleum companies for Petroleum Operations to enhance production from Current Fields, to maximize early returns; and
- on a case by case basis, compete to obtain Authorisations regarding Future Fields."

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47 http://www.basrahgas.com/node/200

48 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

Kurdistan Oil Marketing Organization (KOMO):

As stipulated in Article 12 of the KRG Oil and Gas Law No. 22 of 2007, "KOMO may market or regulate the marketing of the production from Petroleum Operations, and may, with the agreement of a Contractor to a Production Sharing Contract, market the Contractor's share of Petroleum."

Kurdistan Organization for Downstream Operations (KODO):

According to Article 13 of the Oil and Gas Law No. 22 of 2007, "KODO may:

- manage all Regional Government-owned infrastructure related to Petroleum Operations referred to in Article 8 Paragraph First of this Law, and shall make available such infrastructure, including main pipeline networks, to all relevant public and private sector entities operating in the Region.
- compete with other companies for Authorizations after obtaining the approval of the Regional Council, in its own right create operating subsidiaries for particular Petroleum Operations, and enter into joint ventures and similar contractual arrangements, whether in the Region, or in other regions and governorates;
- participate with international oil companies or with the local private sector for new downstream Petroleum Operations, with the approval of the Regional Council; and
- license the management of any of its infrastructure to third parties with the approval of the Regional Council."

Kurdistan Oil Trust Organization (KOTO):

As per Article 15 of the Oil and Gas Law No.22 of 2007:

"Fourth: KOTO shall, consistent with the entitlement defined in Articles 112 and 115 of the Federal Constitution, receive Revenues from Petroleum Operations from Current Fields and Future Fields on behalf of the people of the Region, according to the provisions stated in this Law.

Fifth: Until such time as the conditions of Article 19 of this Law are implemented, KOTO shall maintain two accounts: one for Revenues from Petroleum Operations in respect of Current Fields (the Current Fields Account); and one for Revenues from Petroleum Operations in respect of Future Fields (the Future Fields Account). Both accounts shall be part of the general revenue of the Region and shall be subject to monitoring of the Parliament.

Sixth: The Current Fields Account and the Future Fields Account shall be subject to regular independent audit, which shall be available for public viewing. In all other respects KOTO shall discharge its responsibilities consistent with the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI) as set out in the EITI Source Book of March 2005."

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. If, and when required, SOEs obtain financing from the MoF.

The four material national oil companies (subject to materiality thresholds determined in Section 4.1) that were operational during 2016 (BOC, NOC, MdOC, and MOC) declared that there were no loans received during 2016.

2.4. Fiscal Framework

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

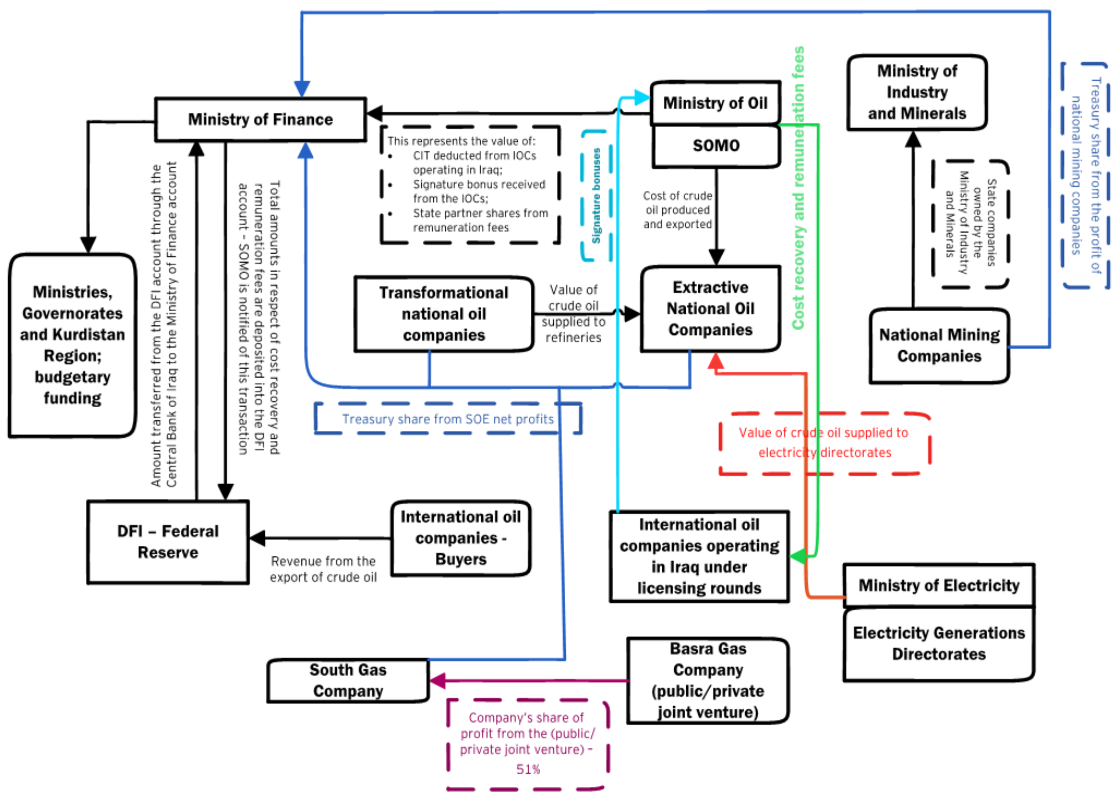


Diagram 1: Fiscal relationships in the extractive sector of Federal Iraq

- 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.

- Revenues generated from the sale of produced minerals are paid to the accounts of the extractive industrial companies.
- 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.
- 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.

2.5. Reforming of the Regulatory and Fiscal Regime in 2016

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[49]. 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.[50]

- **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.

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

- 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 […]"

2.6. Procedures for granting licenses (Requirement 2.2)

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[51]. 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 2016, and that there are no licenses awarded to international oil companies outside of licensing rounds. Hence, no new licenses were awarded during the year 2016. Consequently, there were no non-trivial deviations from the regulatory regime of awarding licenses, which is described below:

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 as presented in the PCLD's licenses register is as follows:

[51] https://oil.gov.iq/upload/upfile/ar/659.pdf

- Legal standards:

  The following documents/declarations are required from each applicant company:

  - Full company name, type and headquarters' address
  - Articles of Incorporation
  - A confirmation from the company's registrar that the company is still operational and has not been liquidated, dissolved or bankrupt
  - Consortium contract, where applicable, and the ownership interest of each partner in the consortium
  - Tax clearance certificate from the countries in which the company is operational
  - Register of previous projects including ceased projects (completed and incomplete) with a description of such projects
  - A list of all lawsuits the company was a part of (both as a defendant or as a plaintiff) and all arbitrations, and the outcomes of such lawsuits and arbitrations
  - Authenticated original company documents from the respective authorities

- Technical and training standards:

  - Number of exploration and developmental projects managed by the company (as an operator or non-operator)
  - Whether the company is involved in one or more exploration or development projects in onshore blocks, as an operator or non-operator
  - Aggregate production managed by the company
  - Estimates of oil inventory/reserves awarded to the company
  - Qualitative assessment of the company's experience in technical challenges management
  - Level of investment in applied research related to extraction activities
  - Number of awards or patents in the company's field of operation
  - Trainings conducted by the firm to its employees and trainings organized by the company in the host country, in accordance with the exploration and development contracts
  - Whether the company has an institute or a training facility

- Financial standards:

  - Annual financial statements, audited by an independent certified public accountant, for three consecutive years
  - Financial position determined by expertise houses, and according to the expertise houses' worldwide ranking of long-term debt
  - Amounts invested in petroleum exploration and development operations
  - Total company assets
  - Company net profit and current ratio
  - Company earnings per share (EPS)

- Environmental safety standards:

    - Company policies on environmental and occupational health & safety management
    - Documents related to the applied international standards (ISO 14001 – 18001)
    - Documents clarifying the company's approved contingency plans and application mechanisms
    - Waste management company policy
    - Documents related to the occupational health and safety procedures applied by the company and application mechanisms
    - Number of fatal workplace accidents
    - Number of environment pollution accidents which impact and pollute air, soil and water

Companies failing to meet the qualification criteria, due to inadequate technical and financial competencies as compared with the size and nature of the offered fields, are disqualified and are therefore not allowed to participate in the licensing round bidding.

According to the PCLD, the different weightings used in the assessment of the above mentioned criteria is not published, as it is considered confidential information.

2) **Announcing licensing rounds:**
Licensing rounds are announced through a press conference in which a description of the oil fields or exploration blocks offered in the licensing round is provided; including location, reserves, oil or gas deposits, any previous work, and required work.
3) **Preparing the initial draft of the contract and the initial tender protocol**:
This phase involves preparing the initial contract draft and tender protocol to include the general principles and requisites of the current licensing round.
4) **Preparing the technical data packages**:
The technical data packages are prepared in coordination with Ministry's related departments and entities, and include a preliminary draft of the service contract, technical information specific to the disclosed fields, in addition to the preliminary tender protocol document.
5) **Selling data packages**:
Data packages are sold to the qualified IOCs and the proceeds from the sale of data packages are recorded as revenue to the Ministry of Oil.
6) **Promotional conference (Roadshow):**
A promotional conference is held, and all related government officials and the qualified IOCs (who purchased data packages) are invited. The purpose of the promotional conference is to explain the basic features and technical aspects of the contract, as well as answer questions asked by the participating companies. In addition, one-to-one meeting are arranged (upon request from the IOCs) to explain any other technical queries.

7) **Inquiries:**
   This phase involves receiving and addressing IOC's questions and suggestions about the initial contract draft and preliminary tender protocol.
8) **Workshops:**
   A workshop, or multiple workshops are set up with the attendance of all qualified companies that purchased the data pack in order to discuss all inquiries.
9) **Issuing the model contract and final tender protocol:**
   Subsequent to the workshops, the contract draft is adjusted accordingly and the final service contract along with the final tender protocol document are released to the IOCs who purchased the data pack.
10) **Receiving and opening bids:**
   IOCs submit their bids in a transparent and competitive manner and the firm with the most competitive bid is selected.
11) **Contract award:**
   The winning bidder (company or consortium of companies) is announced in front of the media and the attendees. The winning company or consortium is later invited to sign the contract, in the presence of all governmental and private related parties.
12) **Signing the contract after obtaining governmental approval:**
   The contract is signed by each of the contract parties. The Ministry of Oil then obtains the approval from the Council of Ministers for the final contract approval.

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

<u>First Licensing Round:</u>

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) <u>Plateau Production Target (PPT):</u> "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."[52] The higher the guaranteed production the better.
2) <u>Remuneration Fee Bid (RFB)</u>: 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.

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

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 is also declines, the contract for the field remains un-awarded.

<u>Second Licensing Round:</u>

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.

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)

<u>Third Licensing Round:</u>

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 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) is included in Annexes 1 -5.

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[53].

[53] http://geosurviraq.iq/Pages?id=1138

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.

2.6.2. Licensing process in Kurdistan Region of Iraq (KRI)

According to a Q&A report published on the KRG's website[54], 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." [55]

[54] http://cabinet.gov.krd/uploads/documents/2018/KRG_Oil_and_Gas_Sector_Frequently_Asked_Questions_ENG-AR.PDF
[55] http://mnr.krg.org/index.php/en/the-ministry/transparency/transparency-in-procurement

2.7. Registry of Licenses (Requirement 2.3)

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[56]. The tables below display the active licenses in federal Iraq during the year 2016, 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 2018.

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[57]	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

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)[58]
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	1-Mar-10	20 years (extended to 30 years)	244,000	268,400	268,400
	SHELL[59]	19.61									
	Petrochina	32.69									
	Pertamina	10									
Missan Fields (Abu Gharib, Buzurgan, Fauqi)	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									

56 http://ieiti.org.iq/ar/listing/reports-and-publications/contracts-licences

57 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

58 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

59 According to the General Manager of Basra Oil Company, Shell sold its shares in West Qurna (Phase 1) to Itochu Company towards the end of 2017. However, this was not reflected in the license register received from the PCLD.

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	Shell[60]	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[61]	PETRONAS	26-Jan-10	10-Feb-10	20 years	-	-	35,000
	JAPEX	30									
Badra[62]	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[63]	Sonangol	75	BOC (25)	NOC	Sonangol	26-Jan-10	18-Feb-10	20 years	-	-	30,000
Najmah[63]	Sonangol	75	IDC (25)	NOC	Sonangol	26-Jan-10	18-Feb-10	20 years	-	-	20,000

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[64]	Korea Gas Corporation (KOGAS)	75	NOC (25)	MdOC	KOGAS Akkas	13-Oct-11	15-Nov-11	20 years	-	-	100 MMscfd
Mansuriya[64]	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									

[60] According to BOC, Shell sold its shares in Majnoon filed to BOC, effective 1 July 2018. However, this is not reflected in the license register presented by the PCLD.

[61] 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 2016. The License was transferred to ThiQar Oil Company during 2017, after South Oil Company was restructured and Thi Qar Oil Company was established.

[62] 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

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

[64] According to MdOC, these fields were not operational during 2016, due to security reasons in Iraq

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	40 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[65]	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.

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 2016, however, no response was received from the PCLD in that regard.

Transfer of license ownership during the year 2016:

The following is a description of the transfers in license ownership that took place during the year 2016, as follows:

1) As expressed in the general notes of the Zubair Field Operating Division Special Purpose Statements of Petroleum Costs and Supplementary Costs and Operating Account for the year 2016 (audited by the oil field's external auditor), Occidental issued a notice of withdrawal from the TSC contract on 6 September 2015, and South Oil Company (currently named Basra Oil Company), expressed its intention to acquire Occidental's participating interest. From January 2016, the continuing parties (KOGAS and ENI Iraq BV) were financing the pro-rata project activities. In September 2016, Occidental completed its withdrawal and BOC acquired their interest in the TSC.

[65] 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 2016. The License was transferred to Thi Qar Oil Company during 2017, after South Oil Company was restructured and Thi Qar Oil Company was established.

2) 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.

In addition to the changes in license ownership during the year 2016, the BOC reported that during July 2015, approval was granted to transfer 10% of Kuwait Energy's share in Block 9 to Egyptian General Petroleum Corporation (EGPC).

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

Field	Percentage ownership before transfer		Percentages of ownership after transfer		Date of license transfer
Zubair	ENI Iraq B.V Occidental KOGAS MOC	41.56% 29.69% 23.75% 5%	ENI Iraq B.V BOC KOGAS MOC	41.56% 29.69% 23.75% 5%	September 2016
Block 12	Bashneft Premier Oil	70% 30%	Bashneft	100%	2016 (effective date: 28 May 2017)
Block 9	Kuwait Energy Dragon Oil	70% 30%	Kuwait Energy Dragon Oil EGPC	60% 30% 10%	2015

Changes in license ownership beyond the calendar year 2016 are the following:

- The following statement was published on Shell's website: "On 14 September 2017, Shell Iraq Petroleum Development B.V. announced that the Ministry of Oil of Iraq has endorsed its proposal to pursue an amicable and mutually acceptable handover of the Shell interest in Majnoon, with timings to be agreed in due course"[66].
- According to the BOC, Shell sold its shares in West Qurna (Phase 1) field during end of 2017, to the Japanese Company – Itochu.

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[67]."

"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

[66] https://www.shell.com/media/news-and-media-releases/2018/shell-to-sell-its-stake.html

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

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[68].

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

As it related to the transfer of Garraf license 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.

Although this clarification was provided by the PCLD and it also confirmed through meetings that the process of transferring shares in the service contracts mentioned above was done in accordance with Article 28 of service contracts and its internal procedures, it did not present

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

documentation in that regard. Hence, we were unable to identify any deviations in this process (if any).

2.7.2. Kurdistan Region

The Ministry of Natural Resources of the Kurdistan Regional Government publishes production sharing contracts (PSCs) signed with international oil companies on the KRG website[69]. This list of PSCs published on the KRG website is included in Section 2.8 below. Based on a review of the PSC and amendments published on the KRG websites, we could not identify any amendments, or Assignment and Novation agreements signed during the year 2016, and thus we were unable to identify whether there were any transfer of ownership rights during the year under review.

2.8. Contracts in the extractive industries (Requirement 2.4)

2.8.1. Policy on contract disclosure

There MSG understands that there is no written policy of the Government of Iraq on the subject of contract disclosures in Federal Iraq. However, the MSG acknowledges that, although there is no written policy on the publication of oil and gas contracts, the current practice of the PCLD is to only publish 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.
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)

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

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

value of information. According to the MoO, it is common practice for resource rich countries to safeguard information related to their petroleum wealth[70].

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[71]. The following table lists out the 42 fields for which the related PSCs and amendments were published on the KRG 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[72]. 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[73].

In addition, the KRG entered into PSCs with Rosneft, a Russian integrated energy company, in October 2017[74] for five production blocks; Batil, Zawita, Qasrok, Harir-Bejil and Darato.

[70] https://oil.gov.iq/index.php?name=News&file=article&sid=1966
[71] http://mnr.krg.org/index.php/en/the-ministry/contracts/pscs-signed
[72] http://www.danagas.com/en-us/operations/iraq
[73] http://www.danagas.com/en-us/media-center/press-releases/press-release-details?ID=298
[74] 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:**

Recoverable Costs:

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.

Remuneration fees:

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. The following are excerpts from the model DPSC published on the MoO website[75].

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

Article 19.3: "Contractor shall start charging Petroleum Costs to the Operating Account as from the Effective Date, in accordance with this Contract and the Accounting Procedures, but the same shall be due and payable in accordance with Article 19.5 and the Accounting Procedures (Annex C)."

Article 19.4: "Contractor shall become entitled to Remuneration and shall start charging the same to the Operating Account only from the Eligibility Date. For the Quarter in which Remuneration first becomes payable, the Remuneration shall be an amount equal to the product of the Remuneration Percentage Bid and Remaining Net Deemed Revenue from the Eligibility Date to the end of that Quarter.

> (a) For any subsequent Quarter, the Remuneration shall be an amount equal to the product of the Remuneration Percentage Bid and Remaining Net Deemed Revenue.
>
> (b) For any Quarter in respect of which Remuneration is due and payable, the Remuneration Percentage Bid shall be adjusted by multiplying it by the Performance Factor. However, any adjustment of this Remuneration Percentage Bid shall cease for so long as the following cases shall apply: (i) Government imposed production curtailment under Article 12.5(d); or (ii) where normal production is curtailed or suspended through failure of the Transporter(s) to receive the same at the Transfer Point(s) at no fault of the Operator or Contractor under Article 12.5 (e)."

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 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. **<u>Training, technology and scholarship fund</u>:** 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 2016, 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 (Requirement 2.5)

The MSG has published a roadmap for disclosing beneficial ownership information in Iraq, on the website of the IEITI. 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 2016 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 over USD 100m signed during the calendar year 2016.

3. Extractive Industries Exploration, Production and Export Activities (Requirement 3)

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 2016, and was officially opened in 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. While the allocation of fields to national oil companies for the purpose of licensing round production was made in accordance with Law No. 101 of 1976, the allocation of fields to national oil companies for the purpose of national production is made in accordance with each company's activities as per their certificates of incorporation, and in accordance MoO plans. Hence these fields are not allocated to national oil companies through license round biddings.

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 2017. 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 2017, 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.

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 2- Artawi 3- Al-Nasriyah 4- Tuba 5- Subba 6- Luhais	1- West Qurna 2- Zubair 3- Majnoon 4- Rumaila 5- Garraf 6- Block 9 (Al-Faihaa)	1- Rachi 2- Jeraishan 3- Semawa 4- Abu-Khaima 5- Sindbad	1- Arido

Source: Ministry of Oil - Reservoir and Field Development Directorate

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 2- Khashab	None
	Oil Fields			
	1- Kirkuk* 2- Bai Hassan** 3- Jambur 4- Sufaiya** 5- Khabaz 6- Ajil 7- Tikrit 8- Balad 9- Ain Zalah + Butmah 10- Himrin	Al-Qaiyarah	1- Jawan 2- Ismail 3- Qasab 4- Makhmur 5- Judaida 6- Alan 7- Sasan 8- Qara Chauq 9- Pulkhana 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 2016:

* 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

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 2- Noor	1- Helfaya 2- Missan fields: * Buzurgan * Fauqi * Abu Ghirab	1- Abu-Amood 2- Kumait 3- Dujaila 4- Rifaee 5- Huwaiza 6- Dima	None

Source: Ministry of Oil - Reservoir and Field Development Directorate

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 2- Mansuriya
	Oil Fields			
	1- East Baghdad 2- Naft Khana	1- Ahdeb 2- Badra	1- Nahrawan 2- Khashim Al-Ahmar 3- Injana 4- Gilabat 5- Tel Ghazal 6- Nau Doman 7- Qumar 8- Dhufriya 9- Merjan 10- Kifl 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 2017, 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 2017, presented by national oil company.

Oil Reserves				
Company	No. of fields	Original Oil-In-Place (OOIP) Billion Bbls	Original Oil Reserves Billion Bbls	Remaining Oil Reserves Billion Bbls
BOC	19	339.7	124.8	102.2
MOC	12	39.7	11.1	10.1
NOC	24	114.2	41.9	24.4
MdOC	18	52.2	12.2	11.7
Total	**73**	**545.8**	**190**	**148.4**

Source: Ministry of Oil - Reservoir and Field Development Directorate

The following table display the proven gas reserves in federal Iraq as of 1 January 2017, presented by national oil company.

Gas Reserves								
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	19	268.6	94.56	80.06	3.86	2.74	2.74	82.8
MOC	12	22.1	5.71	5.2	-	-	-	5.2
NOC	24	39.4	14.6	7.6	22.1	17.6	16.6	24.2
MdOC	18	32.8	9.7	8.8	17.4	13.9	13.9	22.7
Total	**73**	**362.9**	**124.57**	**101.66**	**43.36**	**34.24**	**33.24**	**134.9**

Source: Ministry of Oil - Reservoir and Field Development Directorate

The following table display the proven condensate reserves in federal Iraq as of 1 January 2017, 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.

Condensate Reserves			
Company	No. of fields	Condensate (Million barrels)	
		Initial condensate reserve	Remaining condensate reserve
BOC	1	210	210
MOC	-	-	-
NOC	-	-	-
MdOC	2	110	110
Total	**3**	**320**	**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 2016 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 2016 for fields operated by national oil companies independently "national efforts":

Beneficiary	Location	Field	Number of wells drilled	Number of wells rehabilitated
South Oil Company (Basra Oil Company)	Al-Basrah and Dhi Qar	Al-Basrah and Dhi Qar fields	22.71	11.7
Missan Oil Company	Maysan	Amara field	2.15	2
Midland Oil Company	Baghdad	East Baghdad field	-	1.2
North Oil Company	Kirkuk	Kirkuk field	1.46	6.04
Total activities performed for nationally operated fields			**26.32**	**20.94**

Source: Data presented was reported by Iraqi Drilling Company

The following table displays the drilling and rehabilitation work performed by the IDC Company during 2016 for fields operated by IOCs under licensing round contracts:

Beneficiary	Location	Field	Number of wells drilled	Number of wells rehabilitated
ExxonMobil	Al-Basrah	West Qurna (Phase 1)	-	28
ENI		Zubair	5.03	52.75
BP		Rumaila	-	10
LUKOIL Mid-East Ltd		West Qurna (Phase 2)	6	1
Petronas	Thi Qar	Garraf	-	-
Total activities performed for IOC operated fields			**11.03**	**91.75**

Source: Data presented was reported by Iraqi Drilling Company

3.1.4. Significant exploration work carried out by the Oil Exploration Company (Requirement 3.1)

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 2016:

a. National seismic teams within the OEC conducted seismic surveys of the following areas during the year 2016, for the benefit of national oil companies and international oil companies operating under licensing rounds as follows:

Program	Survey type	Beneficiary
West Qurna (Phase 2)	3D	LUKOIL Mid-East Ltd
Block 9	3D	Kuwait Energy
Block 8	3D	Pakistan Petroleum Ltd (PPL)
Al-Okhaider	3D	National extractive companies
Laksh	3D	
Najaf – Karbala	3D	
Block 11	2D	
Remaining areas of Muthanna and Hadeer	2D	

Source: Oil Exploration Company

The teams carried out 3D seismic surveys covering 2,590 square kilometers, in addition to 2D seismic surveys covering 1,834 linear kilometers.

b. Vertical surveys of the following wells were performed during the year 2016 as follows:
- West Qurna (Phase 1) well by Halliburton Company
- Vertical survey of Sindbad (3) well at three recordings (long offset, zero offset, check offset)

2- **Exploratory drilling and evaluation**

OEC carried out geological appraisals and explorations for the following exploration and excavated wells during the year 2016:

Well	Beneficiary
Exploration well (Arido -1) of Block 10	LUKOIL Overseas Iraq Exploration (LOIE)
Excavated well (Faihaa -2) of Block 9	Kuwait Energy
Excavated well (Faihaa -3) of Block 9	Kuwait Energy
Excavated well (Sindbad -3)	Basra Oil Company

Source: Oil Exploration Company

3.1.5. Crude oil production for year 2016

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 2016, 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 2016:

National Efforts Production (barrels)	Licensing Rounds Production (barrels)	Total Production (barrels)
64,426,114[76]	1,106,408,010	1,170,834,124

Source: Data presented was reported by BOC

The following table presents crude oil production quantities reported by Midland Oil Company for year 2016:

National Efforts Production (barrels)	Licensing Rounds Production (barrels)	Total Production (barrels)
4,035,130	67,603,391	71,638,521

Source: Data presented was reported by MdOC

The following table presents crude oil production quantities reported by Missan Oil Company for year 2016:

National Efforts Production (barrels)	Licensing Rounds Production (barrels)	Total Production (barrels)
7,821,571	125,510,245	133,331,816

Source: Data presented was reported by MOC

The following table presents crude oil production quantities reported by North Oil Company for year 2016:

National Efforts Production (barrels)	Licensing Rounds Production (barrels)	Total Production (barrels)
58,232,852	-	58,232,852

Source: Data presented was reported by NOC

[76] Quantities produced from Al-Nasriyah oil field was reported by BOC under licensing round production quantities. However, BOC's Annual Statistics Report for the year 2016, displays production quantities by field, and therefore depicts the actual distribution of national vs licensing round production, including the production generated from Al-Nasiriya oil field.

National effort production figures reported by the national oil companies in the tables above (for year 2016) reflects production from the following fields:

National Oil Company	Producing fields
BOC	Al-Luhais
	Artawi
	Bin Omar
	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 81.65% of total production in federal Iraq during 2016.

The following is a breakdown of production by field reported by Basra Oil Company in its Annual Statistics Report for the year 2016:

Field	Total Production (barrels)
Rumaila	516,340,603
Zubair	134,711,571
Bin Omar	12,407,883
Al-Luhais	32,631,608
West Qurna 1	162,835,918
West Qurna 2	148,807,189
Majnoon	78,469,336
Tuba	13,262,897
Artawi	6,123,726
Al-Nasiriyah	26,023,131
Garraf	36,914,425
Faihaa (Block 9)	2,305,837
Total	**1,170,834,124**

3.1.6. Flow of crude oil for national oil companies during the year 2016

The following table presents the flow of crude oil quantities related to South Oil/Basra Oil Company for year 2016. 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

	BOC (barrels)
Beginning Balance	49,014,777
Crude Oil Produced	1,170,834,124
Quantities received from MdOC	51,254,378
Quantities received from MOC	127,617,594
Mixed residue	17,264,885
Crude Oil Exported	(1,201,145,804)
Refineries	(134,014,552)
Power plants	(32,529,137)
Others	(107,825)
Ending Balance	**48,188,440**

Source: Data presented was reported by BOC

The following table presents the flow of crude oil quantities related to Midland Oil Company for year 2016:

	MdOC (barrels)
Beginning Balance	605,382
Crude Oil Produced	71,638,521
Quantities received from the strategic line	2,222,884
Quantities received from NOC	6,260,990
Crude Oil Exported	(32,226,211)
Refineries	(510,020)
Power plants	(28,308,272)
Supplied quantities from Badra oil field to BOC	(19,028,166)
Loss	(8,850)
Others	(63,839)
Ending Balance	**582,419**

Source: Data presented was reported by MdOC

The following table presents the flow of crude oil quantities related to Missan Oil Company for year 2016:

	MOC (barrels)
Beginning Balance	433,219
Crude Oil Produced	133,331,816
Mixed residue	3,352,107
Crude Oil Exported	(123,528,620)
Refineries	(8,945,510)
Power plants	(4,088,974)
Others	(67,156)
Ending Balance	**486,882**

Source: Data presented was reported by MOC

The following table presents the flow of crude oil quantities related to North Oil Company for the year 2016:

	NOC (barrels)
Beginning Balance	3,660,558
Crude Oil Produced - National efforts	58,232,852
Crude Oil Produced- Supplied from Avana and Bai Hassan fields	-
Khor Mor condenser	-
Mixed residue and Gasoline	-
Crude Oil Exported	(7,297,425)
Refineries	(10,347,656)
Power plants	(6,285,446)
Loss	-
Crude Oil Exported through KRG pipelines system From IT1	(20,351,220)
Injected crude oil	(21,069,000)
Supplied to Ceyhan port	-
Others	(288,363)
Ending Balance	**3,551,725**

Source: Data presented was reported by NOC

3.1.7. Gas production during 2016

Associated gas is gas associated with 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)[77]. 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 2016, due to the challenging security reasons inflicted by the insurgency of ISIS in Iraq since 2014.

The following table presents gas production quantities, as well as the flow of gas produced for internal consumption, reported by North Oil Company for the calendar year 2016:

Gas Produced (mmscf)		Internal Consumption (mmscf)						
Jambur Dome gas	Associated gas	North Gas Company	Kirkuk Refinery	Mullah Abdallah Power station	Dibis Power station	Used for company purposes	KRG stations	Others
50,234	103,041	74,134	478.0	404.0	6,365.0	27,096.0	6,122.0	38,676

Source: Data presented was reported by NOC

The following table presents the quantities of associated gas produced, invested and burnt, reported by Basra Oil Company for the calendar year 2016:

Gas Produced (million cubic meter)	Invested Gas (Million Cubic Meter)			Burnt Gas (million cubic meter)	
Associated Gas	Supplied to gas companies	Direct supply to network	Condensates	Investable	Non-investable
739,697.90	207,904	39,114	321	36,192	456,166.9

Source: Data presented was reported by BOC

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

The following table presents the quantities of associated gas produced, invested and burnt, reported by Midland Oil Company for the calendar year 2016:

Gas Produced (mmscf)	Invested Gas (mmscf)			Burnt Gas (mmscf)
Associated Gas	Used	Dry gas supplied to Al-Zebadiah	Converted to LPG	
61,425.69	4,119.61	17,859.50	1,192.51	38,254.07

Source: Data presented was reported by MdOC

The following table presents the quantities of associated gas produced, invested and burnt reported by Missan Oil Company for the calendar year 2016:

Gas Produced (cubic meter)	Invested Gas (Cubic Meter)		Burnt Gas (cubic meter)
Associated Gas	Supplied to refineries	Used internally	
2,291,933,545.67	635,200,526.449	71,483,095.25	1,585,249,925.071

Source: Data presented was reported by MOC

3.1.8. Production and supply of petroleum products during 2016

3.1.8.1. LPG, Condensate and Dry Gas production by Basra Gas Company during 2016

The following table presents LPG and condensate produced by BGC during the year 2016:

2016			
Month	**LPG (Ton)**	**Condensate (Cubic Meter)**	**Dry Gas Dry Gas (Cubic Meter)**
January	101,625	23,269	344,803,311
February	98,400	29,345	336,243,066
March	91,575	32,545	331,906,625
April	100,525	43,158	363,472,531
May	102,231	51,466	373,018,331
June	89,697	46,852	329,569,453
July	93,563	51,522	372,342,522
August	101,800	62,366	396,474,530
September	93,893	58,610	400,585,701
October	79,767	52,355	402,049,953
November	88,700	42,070	348,379,466
December	99,188	43,688	358,319,488
Total	**1,140,964**	**537,246**	**435,716,498**

Source: This information was reported by BGC

3.1.8.2. Petroleum products supplied by refineries during 2016

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

RT Fuel		
Company	**Quantity (Cubic Meter)**	**Amount (IQD)**
NR	-	-
SR	39,824	6,969,200
MdR	51,649	9,096,289,409
Total	**91,473**	**9,103,258,609**

Source: This information was reported by the respective refineries

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

RT Fuel		
Company	**Quantity (Cubic Meter)**	**Amount (IQD)**
MdR	173,196	30,309,350,925
Total	**173,196**	**30,309,350,925**

Source: This information was reported by the MdR

The following table presents the quantities and values of Kerosene supplied by the Refineries to the OPDC:

Kerosene		
Company	**Quantity (Cubic Meter)**	**Amount (IQD)**
NR	224,795	13,485,900,000
SR	446,133	60,227,955
MdR	363,711	45,463,823,125
Total	**1,034,639**	**59,009,951,080**

Source: This information was reported by the respective refineries

The following table presents the quantities and values of Kerosene supplied by the Midland Refineries Company to the OPC:

Kerosene		
Company	**Quantity (Cubic Meter)**	**Amount (IQD)**
MdR	195,984	24,497,947,125
Total	**195,984**	**24,497,947,125**

Source: This information was reported by the MdR

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

Super Gasoline		
Company	**Quantity (Cubic Meter)**	**Amount (IQD)**
NR	-	-
SR	1,705,584	272,893,440
MdR	505,846	96,110,713,210
Total	**2,211,430**	**96,383,606,650**

Source: This information was reported by the respective refineries

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

Super Gasoline		
Company	Quantity (Cubic Meter)	Amount (IQD)
MdR	559,568	106,317,830,320
Total	**559,568**	**106,317,830,320**

Source: This information was reported by the MdR

The following table presents the quantities and values of High-octane Kerosene supplied by the South Refineries Company to the OPDC:

High-Octane Kerosene		
Company	Quantity (Cubic Meter)	Amount (IQD)
SR	1,231,029	196,964,640
Total	**1,231,029**	**196,964,640**

Source: This information was reported by the SR

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

Gas Oil		
Company	Quantity (Cubic Meter)	Amount (IQD)
NR	228,798	132,727,820,000
SR	1,828,597	246,860,595
MdR	992,237	124,029,595,500
Total	**3,049,632**	**257,004,276,095**

Source: This information was reported by the respective refineries

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

Gas Oil		
Company	Quantity (Cubic Meter)	Amount (IQD)
MdR	481,272	60,158,995,250
Total	**481,272**	**60,158,995,250**

Source: This information was reported by the MdR

The following table presents the quantities and values of diesel oil supplied by the Midland Refineries Company to the OPDC:

Diesel Oil		
Company	Quantity (Cubic Meter)	Amount (IQD)
MdR	150,955	8,000,629,734
Total	**150,955**	**8,000,629,734**

Source: This information was reported by the MdR

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

Fuel Oil		
Company	Quantity (Cubic Meter)	Amount (IQD)
NR	-	-
SR	1,498,512	89,910,720
MdR	3,907,095	234,425,721,420
Total	**5,405,607**	**234,515,632,140**

Source: This information was reported by the respective refineries

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

Fuel Oil		
Company	Quantity (Cubic Meter)	Amount (IQD)
MdR	551,508	43,590,014,046
Total	**551,508**	**43,590,014,046**

Source: This information was reported by the MdR

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

LPG		
Company	Quantity (Ton)	Amount (IQD)
SR	52,216	-*
MdR	61,842	4,328,910,390
Total	**114,058**	**4,328,910,390**

Source: This information was reported by the MdR and SR

* 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:

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
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

Mineral Deposit	Formation	Geographical Location(s)	Recorded Reserve	Uses
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 tons	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 About 450 million m^3 for cement industry	Brick & Cement industries
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

Mineral Deposit	Formation	Geographical Location(s)	Recorded Reserve	Uses
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 2016

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 2016 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 2016

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 2016:

Company	Status
Mining Industries Company	Operational during 2016. The company is involved in both extractive and transformational activities.
The State Company of Fertilizers – Southern Region[78]	Operational during 2016. The company is only involved in transformational activities (no extraction activities).
Sate Company for Petrochemical Industries	Operational during 2016. The company is only involved in transformational activities (no extraction activities), as reported by the company.
State Company for Iron & Steel	Operational during 2016. The company is only involved in transformational activities (no extraction activities), as reported by the company.
Iraq Sate Cement Company[78]	Operational during 2016. The company is only involved in transformational activities (no extraction activities).
The State Company of Fertilizers– Northern Region	Not operational during 2016
Phosphate Company	Not operational during 2016
Mishraq Sulphur Company	Not operational since 2003

[78] 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.

Company	Status
Iraqi Geological Survey and Mining Company (Geosurv-Iraq)	This SOE does not carry out any production activities.

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 2016.

Mineral	Production quantities (Tons)	Sales quantities (Tons)	Uses
Industrial salt	21,232	8,728.25	Industrial uses (petrochemical - petroleum - food – chemical)
Ore salt	9,721.10	31,805.64	
Silica sand for black cement	-	-	Black cement manufacturing
Silica sand (non-granulated)	-	-	Glass and ceramics manufacturing
Silica sand for foundry	-	-	Sand casting for engineering and mechanical molds
Bentonite product	-	-	Industrial uses (petroleum - civil and construction work)
Raw bentonite	-	-	
Standard sand	8.68	8.135	Cement strength testing
Filter sand	190	190	Drinking water treatment
Total	**31,151.78**	**40,732.03**	

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:

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 2016

Despite the numerous efforts exerted by the IEITI and the IA to secure KRG's participation in the IEIT reporting for year 2016, 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[79].

The MNR published on its website a production report, showing daily gross field production figures during the period from January 2015 to September 2016. According to the report, the producing oil fields during that period are Tawke, Taq Taq, Shaikan, Khurmala Dome[80], Bai Hassan[80], Avana Dome[80], Sarsang, Sarqala, Hawler, Akri Bijel, and Khalakan. In addition to the filed production report, the MNR published on its website, monthly export data for the period from January 2016 to October 2016. These two reports were relied on for the purpose of reporting KRG production and export figures.

Since the production report presented production data up to September 2016 only, we relied on the production data included in the monthly export report for the month of October 2016:

2016	Daily Gross Production (bpd)	Month Total (barrels)
January	578,703	17,939,793
February	358,262	10,389,598
March	457,430	14,180,330
April	582,131	17,463,930
May	586,488	18,181,128
June	571,229	17,136,870
July	572,771	17,755,901
August	479,046	14,850,426
September	562,879	16,886,370
October	614,071	19,036,203
Total	**5,313,622**	**163,820,549**

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

[80] These fields are operated by North Oil Company but have been under the control of KRG (Khurmala Dome and Bai Hassan since 2009, Avana Dome since 11 July 2014)

The following table presents a breakdown of the daily gross production by field. However, a breakdown for the month of October 2016 is not presented, as it was not included in the field production report published by the MNR (as discussed above):

	Daily Gross Field Production							
2016	Tawke (bpd)	Taq Taq (bpd)	Shaikan (bpd)	Khurmala/Bai Hassan/Avana (bpd)	Sarsang (bpd)	Sarqala (bpd)	Hawler (bpd)	Khalakan (bpd)
January	121,829	81,244	36,065	336,026	1,987	842	710	-
February	74,134	62,176	22,084	197,895	1,883	-	90	-
March	79,703	75,326	21,703	275,090	2,525	1,234	1,849	-
April	119,038	67,405	40,839	344,596	350	3,693	3,417	2,793
May	117,773	63,697	40,096	347,040	4,777	5,452	3,158	4,495
June	114,319	62,979	38,108	340,674	2,616	5,487	2,856	4,190
July	118,025	61,788	38,763	338,515	3,079	5,003	3,054	4,544
August	96,764	57,668	39,077	267,589	6,420	5,538	2,679	3,311
September	112,720	56,076	27,302	347,821	7,941	5,452	2,902	2,665
Total	**954,305**	**588,359**	**304,037**	**2,795,246**	**31,578**	**32,701**	**20,715**	**21,998**

The following monthly production figures were calculated by multiplying the daily gross field production quantities (listed in the above table) by the number of days corresponding to each month:

	Monthly Production							
2016	Tawke (barrels)	Taq Taq (barrels)	Shaikan (barrels)	Khurmala/Bai Hassan/Avana (barrels)	Sarsang (barrels)	Sarqala (barrels)	Hawler (barrels)	Khalakan (barrels)
January	3,776,699	2,518,564	1,118,015	10,416,806	61,597	26,102	22,010	-
February	2,149,886	1,803,104	640,436	5,738,955	54,607	-	2,610	-
March	2,470,793	2,335,106	672,793	8,527,790	78,275	38,254	57,319	-
April	3,571,140	2,022,150	1,225,170	10,337,880	10,500	110,790	102,510	83,790
May	3,650,963	1,974,607	1,242,976	10,758,240	148,087	169,012	97,898	139,345
June	3,429,570	1,889,370	1,143,240	10,220,220	78,480	164,610	85,680	125,700
July	3,658,775	1,915,428	1,201,653	10,493,965	95,449	155,093	94,674	140,864
August	2,999,684	1,787,708	1,211,387	8,295,259	199,020	171,678	83,049	102,641
September	3,381,600	1,682,280	819,060	10,434,630	238,230	163,560	87,060	79,950
Total	**29,089,110**	**17,928,317**	**9,274,730**	**85,223,745**	**964,245**	**999,099**	**632,810**	**672,290**

3.3.2. KRG natural gas production for year 2016

The MNR gross field production report for the period from January 2015 to September 2016 does not include any figures for gas production quantities. In addition, the monthly export reports only contained information of produced gas quantities (supplied to electricity generation plants) for the months of June, July and August 2016 as presented in the table below:

Net Gas Production		
Month	**Daily Average (mmscfd)**	**Month Total (mmscfd)**
June	311.9	9,356
July	306.6	9,504
August	311.6	9,661
Total	**930.1**	**28,521**

3.3.3. KRG Mineral production for year 2016

We were unable to identify any public information about mineral production in the Kurdistan Region during the year 2016.

3.4. Extractive Industries Export data (Requirement 3.3)

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 following section has been prepared in accordance with the information presented by SOMO, in relation to its adopted set of standards and mechanisms as follows:

1. **Criteria for the allocation of the quantity of crude oil available for export to companies:**

The main eligibility criterion used by SOMO for contracting with qualified companies to purchase Iraq's crude oil is summarized as follows:

- Large international oil companies, vertically-integrated medium sized oil companies (government owned or independent), and top-rated international petroleum companies capable of refining and have extensive distribution networks in various countries
- Companies specialized in the production and distribution of refined petroleum products
- National oil companies and/or entities, authorized by their respective governments to enter into contracts for the benefit of their national refineries (e.g. China and Japan)

2. **The basis for determining the allocation of quantities of crude oil available for export to qualifying companies:**

SOMO bases its allocation of the quantity of crude oil, which is designated for sale to a qualifying company, on a set of similar principles applicable to all buyers defined as follows:

- All quantities of crude oil designated for export (after allocation of crude oil quantities needed for domestic use by refineries and power plants) are sold in global markets according to global price formulas in order to achieve maximum return on Iraq's resources
- Priority, in terms of allocation, is given to qualified companies that have large refining capacities, as these companies are able to withstand sudden price fluctuations and, at the same time, maintain the demand for Iraqi crude oil over the long-term
- This policy intends to ensure even distribution of Iraqi oil throughout the major global markets (American, European and Asian markets) under a sound and an adjustable allocation system. This enables exports to increase in a manner that meets world demand

3. Contracting mechanism

SOMO's contracts with qualified companies are semi-annual, annual or long-term contracts and are designed to operate according to the following process:

- SOMO directly invites all oil companies who meet the criteria set out in Section 2 (those who have valid contracts or were recently identified through the selection process) to submit their projected quantity needs of Iraqi oil
- SOMO only reviews the companies' projected quantity needs that are provided via the official communication of the respective company. SOMO does not deal with requests through brokers, agents, international organizations, or diplomatic missions operating in Iraq or abroad. Final quantity allocation to qualifying companies is made in accordance with oil selling criteria described above
- SOMO also receives a number of requests (via e-mail) from companies, brokers, agents and international organizations (other than those previously identified and directly invited) indicating their interest in buying Iraqi crude oil. The following procedures are performed by a technical committee (formed by an administrative order) comprised of specialists from SOMO:
    - Study the activities of the companies or the institutions that have made oil purchase requests in order to establish whether they comply with the principles and criteria applicable to the contracts with regard to the purchase of Iraqi crude oil
    - Companies and institutions that are excluded on this basis are notified of the reason of their exclusion and are placed on the list of companies that are not eligible. Eligible companies and institutions are listed on the allocation tables under the new companies caption
    - These tables are presented to SOMO's Board of Directors and to the Ministerial Committee which reviews and approves the Technical Committee's decisions
- After obtaining the Minister of Oil's approval on the allocated quantities, eligible companies and institutions are notified of the allocated quantities. Upon approval of SOMO's contractual terms, contracts are finalized and qualified companies and institutions are added to the list of qualified buyers of Iraqi crude oil.

4. Contract implementation:

- The execution of the contract begins when the Shipping & Quantities Division and the Financial Commercial Division of SOMO are provided with the contract execution details
- SOMO sets the date on which the shipments should be loaded and requests the purchasing company to inform the carrier to make all necessary arrangements in order to load the shipment in a timely manner. The purchasing company officially informs SOMO of the nominated carrier. In turn, SOMO would need to approve the carrier depending on the carrier's technical specifications and the specifications of the loading port

- The purchasing company issues an irrevocable letter of credit through a recognized bank to the benefit of the Central Bank of Iraq, prior to approving the carrier and not less than seven days of that date. The letter of credit should be issued for not less than the estimated amount of the shipment. SOMO then instructs the loading port to load the vessels, with an emphasis on the fact that the destination of the shipment may not be amended once the letter of credit is issued
- After completion of loading, the port issues a bill of lading which includes the quantity loaded, the degree of density (API Gravity), date, and the final destination of shipment in addition to other related documents
- Afterwards, SOMO calculates the barrel's final price in accordance with the terms of the contract and informs the purchasing company in order for the company to settle the value of the shipment within 30 days from the bill of lading date
- Crude oil is not sold on the basis of a fixed price or a discount or a specific premium. It is sold using a standard pricing mechanism for each market, globally known as the official selling price

Source: Oil Marketing Company (SOMO)

5. **SOMO Pricing mechanisms:**

SOMO uses the Official Selling Price (OSP) for crude oil export sales to enhance the transparency when dealing with its buyers, and to avoid price negotiations with buyers through the consolidation of crude oil prices for all buyers in each market.

General crude oil price formula: OSP + (-) D + (-) API + (-) F

OSP: The average reference oil price (according to international price lists, as per shipment destination)

D: refers to the price differences that are calculated on a monthly basis

API: refers to price difference for density fluctuations (API Gravity) between contract specifications and the actual shipment

F: represents the Freight rate (according to international daily bulletins)

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 2016:

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)	Differences* (Barrel)
January	101,839,744	88,588,631	101,839,744	(13,251,113)
February	93,536,524	80,920,505	93,536,524	(12,616,019)
March	101,865,415	87,464,565	101,865,415	(14,400,850)
April	100,916,053	87,547,332	100,916,053	(13,368,721)
May	99,205,367	86,068,494	99,205,367	(13,136,873)
June	95,260,683	82,907,739	95,260,683	(12,352,944)
July	99,266,184	86,666,440	99,266,184	(12,599,744)
August	100,130,104	87,690,605	100,130,104	(12,439,499)
September	97,349,969	85,381,878	97,349,969	(11,968,091)
October	102,620,595	89,724,398	102,620,595	(12,896,197)
November	102,199,824	89,022,478	102,199,824	(13,177,346)
December	106,955,342	93,407,908	106,955,342	(13,547,434)
Total	**1,201,145,804**	**1,045,390,973**	**1,201,145,804**	**(155,754,831)**

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

*No difference 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 32,226,211 barrels, and quantities supplied from MOC amounting to 123,528,620 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 2016:

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)	Differences (Barrel)
January	10,105,935	10,105,935	10,105,935	-
February	9,664,466	9,664,466	9,664,466	-
March	10,745,097	10,745,097	10,745,097	-
April	10,129,508	10,129,508	10,129,508	-
May	10,493,895	10,493,895	10,493,895	-
June	9,840,380	9,840,380	9,840,380	-
July	10,257,744	10,257,744	10,257,744	-
August	10,232,480	10,232,480	10,232,480	-
September	9,854,054	9,854,054	9,854,054	-
October	10,478,982	10,478,982	10,478,982	-
November	10,539,437	10,539,437	10,539,437	-
December	11,186,642	11,186,642	11,186,642	-
Total	**123,528,620**	**123,528,620**	**123,528,620**	-

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 2016:

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)	Differences (Barrel)
January	3,145,178	3,145,178	3,145,178	-
February	2,951,553	2,951,553	2,951,553	-
March	3,655,753	3,655,753	3,655,753	-
April	3,239,213	3,239,213	3,239,213	-
May	2,642,978	2,642,978	2,642,978	-
June	2,512,564	2,512,564	2,512,564	-
July	2,342,000	2,342,000	2,342,000	-
August	2,207,019	2,207,019	2,207,019	-
September	2,114,037	2,114,037	2,114,037	-
October	2,417,215	2,417,215	2,417,215	-
November	2,637,898	2,637,898	2,637,898	-
December	2,360,803	2,360,803	2,360,803	-
Total	**32,226,211**	**32,226,211**	**32,226,211**	-

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 2016:

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	-	-	-	-
February	-	-	-	-
March	-	-	-	-
April	-	-	-	-
May	-	-	-	-
June	-	-	-	-
July	-	-	-	-
August	-	-	-	-
September	935,270	935,270	935,270	-
October	2,294,327	2,294,327	2,294,327	-
November	1,915,987	1,915,987	1,915,987	-
December	2,151,841	2,151,841	2,151,841	-
Total	**7,297,425**	**7,297,425**	**7,297,425**	**-**

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

3.4.3. Crude oil exports during 2016

The following table presents export volumes and values reported by SOMO disaggregated by buyer, during the calendar year 2016.

No.	Buyer	Amount (USD)	Quantities (barrel)
1	Al Waha Petroleum	949,382,831	28,542,846
2	API	255,665,418	6,975,044
3	BHARAT OMAN	197,797,902	5,425,724
4	BHARAT PETROLEUM	24,514,909	698,938
5	BP & PETROCHINA INTERNATIONAL	2,902,043,591	78,305,500
6	BP OIL	725,572,194	22,042,265
7	CANAL	549,574,243	14,875,317
8	CEPSA	371,754,858	10,316,436
9	CHENNAI PETROLEUM CORPORATION LTD	617,897,175	17,277,492
10	CHEVRON	978,911,116	28,245,146
11	CHINA INTERNATIONAL	4,096,691,420	109,199,283
12	CHINA NATIONAL	1,494,359,889	43,072,272
13	CHINA OFFSHORE OIL	371,611,409	9,800,688
14	CNOOC IRAQ LIMITED & TP	365,213,165	10,994,398
16	ENI IRAQ B.V.	846,432,255	23,080,447
17	ENI SOC (Partnership contracts)	194,429,481	4,996,189
18	ENI TRADING	341,003,530	9,558,420
19	ESSAR OIL	38,178,999	1,045,914
20	EXXON MOBIL IRAQ LIMITED	318,330,411	8,823,760
21	EXXON MOBIL SALES AND SUPPLY CORPORTION GALLOWS	395,799,826	11,223,730
22	GAZPROM NEFT BADRA B.V.	141,000,083	3,792,869
23	GS CALTEX (Project of Karbala Refinery)	344,651,360	8,995,274
24	GS CALTEX SINGAPORE PTE. LTD.	1,344,523,262	37,126,436
25	GUNVOR	146,095,477	4,072,509
26	HELLENIC	36,058,142	1,006,564
27	HINDUSTAN PETROLEUM CORPORATION LIMITED	758,312,457	20,645,195
28	HPCL-MITTAL	707,817,720	19,258,535
29	INDIAN	3,418,806,784	90,334,372
30	IPLOM	116,170,810	3,127,109
31	JAPEX	283,819,236	8,947,673
32	JX NIPPON OIL	518,383,616	14,058,456
33	KOCH SUPPLY & TRADING	220,119,109	6,181,507
34	KOGAS BADRA B.V.	132,147,008	3,543,010
35	KOGAS ZUBAIR	499,255,063	13,483,424

No.	Buyer	Amount (USD)	Quantities (barrel)
36	KUWAIT ENERGY	22,651,516	523,444
37	LITASCO	336,441,675	8,297,972
38	LUKOIL	2,110,921,802	62,866,412
39	MOTOR OIL	713,296,013	19,624,664
40	NORTH PETROLEUM	618,246,995	17,407,231
41	OCCIDENTAL ENERGY IRAQ LLC	145,388,719	4,023,276
42	PERTAMINA (PERSERO)	212,736,520	4,938,759
43	PETRO DIAMOND	317,239,599	9,783,044
44	PETROBRAS	195,037,592	4,657,625
45	PETROCHINA HALFAYA	580,222,138	17,021,652
46	PETROCHINA WEST QURNA	325,299,060	9,716,278
47	PETROGAL	136,347,160	3,091,008
48	PETRONAS	192,468,568	5,925,925
49	PETRONAS BADRA	68,271,232	1,797,607
50	PETRONAS GARRAF	547,822,225	17,011,732
51	PETRONAS HALFAYA	272,689,953	8,017,234
52	PETRONAS MAJNOON	429,788,526	12,104,085
53	PHILLIPS 66	1,172,198,606	34,322,985
54	PT PERTAMINA IRAK	141,612,379	3,963,702
55	RELIANCE INDUSTRIES LIMITED(RIL)	1,160,500,072	35,769,787
56	REPSOL	552,932,799	15,534,059
57	SARAS SPA - MILANO	427,490,043	11,258,975
58	SHELL	366,391,683	10,055,797
59	SHELL MAJNOON	741,516,631	20,998,679
60	SHELL WEST QURNA	184,652,178	5,001,378
61	SINOCHEM	3,205,534,045	85,896,885
62	SK ENERGY	463,153,473	12,110,776
63	SOCAR	252,355,472	6,819,920
64	TOTSA TOTAL	731,211,184	21,334,258
65	TOTSA TOTAL HALFAYA CONTRACT	271,939,979	8,009,380
66	TOYOTA	610,789,754	17,959,264
67	TP BADRA LTD.	28,804,419	838,322
68	TP MISSAN	53,520,479	1,353,840
69	TUPRAS	179,522,511	4,153,896
70	VALERO MARKETING &SUPPLY COMPANY	890,384,979	24,108,657
71	VITOL	88,902,511	3,071,979
Sub total		**43,450,607,236**	**1,208,443,229**

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 2016 with regard to the American, European and Asian Markets, exported through Basrah Port by SOMO for year 2016:

Month	Basrah Port (Barrel)			Monthly Average Price (USD)		
	USA	Europe	Far East	USA	Europe	Far East
January	9,414,295	25,119,806	67,305,643	24.87	21.71	21.81
February	11,805,030	19,279,158	62,452,336	23.25	27.41	22.50
March	17,343,871	18,710,464	65,811,080	24.81	29.77	28.45
April	13,524,946	20,430,593	66,960,514	29.56	36.54	32.77
May	10,723,034	21,864,931	66,617,402	34.99	39.95	37.26
June	15,938,849	26,393,148	52,928,686	39.09	38.23	41.14
July	17,340,936	35,927,480	45,493,144	38.56	35.13	40.32
August	16,890,890	14,207,231	69,031,983	37.00	39.27	39.34
September	15,931,876	12,190,820	69,227,273	38.17	41.35	38.57
October	20,025,784	19,487,712	63,107,099	42.07	39.13	42.69
November	20,901,545	27,201,529	54,407,054	38.32	42.02	40.66
December	23,432,056	27,067,603	56,455,683	43.42	47.30	46.31
Total	**193,273,112**	**267,880,475**	**739,797,897**			

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 2016 with regard to the American, European and Asian Markets, exported through Ceyhan Port by SOMO for year 2016:

Month	Ceyhan Port (Barrel)				Monthly Average Price (USD)			
	USA	Europe	Far East	Jordan	USA	Europe	Far East	Jordan
January	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-
July	-	504,624	-	-	-	36.59	-	-
August	-	-	-	-	-	-	-	-
September	-	935,270	-	-	-	41.51	-	-
October	-	2,294,327	-	-	-	42.44	-	-
November	-	1,605,683	-	-	-	38.98	-	-
December	-	2,151,841	-	-	-	47.51	-	-
Total	**-**	**7,491,745**	**-**	**-**				

Source: data presented in the table was reported by SOMO

3.4.5. Exported petroleum products - Naptha

Naptha 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 Naptha exported through SOMO during the calendar year 2016:

Date	Port	Ton	Liter	List Price	Value (USD)
31/1/2016	Midland Refineries	14,385.55	20,777,000	202.664	2,915,433.11
29/2/2016	Midland Refineries	14,677.05	21,246,000	184.452	2,707,211.23
31/3/2016	Midland Refineries	25,920.90	37,475,500	231.727	6,006,572.39
30/4/2016	Midland Refineries	25,707.60	37,661,000	261.018	6,710,146.34
31/5/2016	Midland Refineries	27,859.52	40,727,000	278.703	7,764,532.36
30/6/2016	Midland Refineries	7,305.58	10,646,000	291.676	2,130,862.35
31/7/2016	Dora Najaf Samaoura	17,853.91	26,024,500	256.876	4,586,240.99
31/7/2016	Midland Refineries	11,081.67	16,040,000	256.876	2,846,615.06
31/8/2016	Dora Najaf Samaoura	31,657.37	45,846,000	242.628	7,680,964.37
30/9/2016	Dora Najaf Samaoura	25,236.56	36,613,000	267.105	6,740,811.36
31/10/2016	Al-Daura	1,490.61	2,139,500	360.289	537,050.39
31/10/2016	Al-Najaf	1,741.68	2,556,000	366.589	638,480.73
31/10/2016	Al-Samawah	2,815.78	4,152,500	371.089	1,044,905.73
31/10/2016	Diwaniya	1,980.00	2,904,000	368.389	729,410.22
30/11/2016	Al-Najaf	1,573.06	2,300,000	355.946	559,924.41
30/11/2016	Al-Samawah	1,676.73	2,444,500	360.446	604,370.62
30/11/2016	Diwaniya	3,876.02	5,876.02	357.746	1,386,630.65
30/12/2016	Al-Daura	1,222.27	1,659,500	393.358	480,789.68
30/12/2016	Al-Najaf	369.94	538,000	399.658	147,849.48
30/12/2016	Al-Samawah	1,620.69	2,356,000	404.158	655,014.83
31/12/2016	Diwaniya	1,361.08	1,963,000	401.458	546,416.45
30/12/2016	Midland Refineries	5,087.66	7,213,500	383.658	1,951,921.46
30/12/2016	Midland Refineries	3,936.01	5,601,000	383.658	1,510,081.72
Total		**230,437.24**	**328,889,376.02**		**60,882,235.93**

Source: data presented in the table was reported by SOMO

3.4.6. Exported petroleum products - LPG and Condensate

The following table presents the volumes and values of Condensate produced by BGC, and exported by SOMO during the year 2016:

Condensate			
B/L Date	Quantity (Ton)	Price (USD)	Value (USD)
20/03/2016	6,718.00	286.28	1,923,235.76
30/03/2016	6,835.28	299.27	2,045,567.20
23/05/2016	14,240.01	349.82	4,981,438.90
04/06/2016	14,122.28	355.66	5,022,717.41
22/07/2016	15,917.23	331.67	5,279,316.42
31/07/2016	15,770.55	303.55	4,787,102.84
20/08/2016	14,348.51	346.50	4,971,742.63
22/09/2016	15,753.37	358.02	5,639,942.76
30/09/2016	15,822.26	364.99	5,774,996.50
24/10/2016	14,778.27	406.17	6,002,458.74
12/11/2016	13,285.41	375.18	4,984,420.87
22/11/2016	13,491.76	392.84	5,300,115.31
23/12/2016	14,814.09	433.15	6,416,722.65
Total	**175,897,007**		**63,129,777.990**

Source: This information was reported by SOMO

The following table presents the volumes and values of LPG produced by BGC, and exported by SOMO during the year 2016:

LPG			
B/L Date	**Quantity (Ton)**	**Price (USD)**	**Value (USD)**
6/7/2016	1,160.80	209.55	243,242.90
22/07/2016	1,602.48	210.57	337,439.44
29/07/2016	1,569.68	176.62	277,237.57
3/8/2016	1,579.53	194.31	306,919.87
5/8/2016	1,548.31	194.49	301,133.13
9/8/2016	1,474.27	161.40	237,946.35
18/08/2016	1,534.07	161.87	248,319.75
20/08/2016	1,601.10	162.15	259,625.42
31/08/2016	1,523.84	161.99	246,844.67
31/08/2016	1,582.46	162.43	257,039.91
14/09/2016	1,574.10	181.46	285,632.13
14/09/2016	1,549.50	180.25	279,294.82
24/09/2016	3,125.31	230.71	721,049.88
27/09/2016	1,544.96	179.70	277,612.96
28/09/2016	1,546.94	180.77	279,645.35
8/10/2016	3,075.87	277.79	854,441.74
18/10/2016	2,742.85	284.75	781,016.42
Total	**30,336.05**		**6,194,442.3**

Source: This information was reported by SOMO

3.4.7. Mining and Minerals Sector in federal Iraq

Iraq did not export minerals during the year 2016, 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

As discussed in Section 3.3 above, the MNR published on its website, monthly export data for the period from January 2016 to October 2016. The following table presents the KRG reported export quantiles for the period from January 2016 to October 2016, which were exported through the Kurdistan pipeline network to the port of Ceyhan in Turkey. With regards to the quantities exported during the month of January, the value received (in USD) was not identified in the report.

Month	Total Exported (barrels)	Value Received (USD)
January	18,656,131	-
February	10,151,944	303,943,433
March	10,148,487	207,272,177
April	15,356,651	376,395,901
May	15,904,271	390,748,957
June	15,427,074	561,953,676
July	14,176,761	461,196,477
August	12,763,566	413,994,993
September	16,944,237	611,764,928
October	16,766,563	636,364,810
Total	**146,295,685**	**3,963,635,352**

Source: MNR website (http://mnr.krg.org/index.php/en/oil/monthly-export-production-data)

4. Revenue Collection

4.1. Materiality (Requirement 4.1)

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. 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 2016.

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 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. **Naptha:** Naptha 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 Naptha 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 quantities and revenues earned by KRG were obtained by referring to monthly export reports published on the MNR website. However, data published on the MNR website covered the period from January to October 2016, so the estimate revenue figure for the full year was obtained by dividing the revenue declared for 9 months, and then multiplying the figure by 12 months. This was done in order to assess the quantitative materiality threshold of KRG crude oil export revenues.
ii. **Royalties**
iii. **Bonuses**
iv. **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%.

	Revenue stream			Percentage of total extractive revenue %[81]	MSG decision to reconcile - (Y/N)
#		Paid by	Received by / Reported by	2016	
Oil and Gas (Federal Iraq)					
1	**Crude oil exports**	Oil buyers	SOMO*	87.57	Yes
2	**Corporate income tax**	IOCs	MoO**	1.07	No
3	**Signature bonus**	IOCs	MoF	0.00	No
4	**Treasury share of SOE reported profits (45%)***			**0.65**	No
4a	South Refineries Company	South Refineries Company	MoF	0.14	
4b	SOMO	SOMO	MoF	0.05	
4c	North Oil Company	North Oil Company	MoF	0.03	
4d	Basra Oil Company	South Oil Company	MoF	0.18	
4e	Missan Oil Company	Missan Oil Company	MoF	0.20	
4f	Oil Tankers Company	Oil Tankers Company	MoF	0.00	
4g	Midland Refineries Company	Midland Refineries Company	MoF	0.04	
4h	Oil Exploration Company	Oil Exploration Company	MoF	0.01	
5	**State partner share from remuneration fees**	MoO	MoF	0.44	No
Mining and Minerals (Federal Iraq)					
6	**Treasury share of SOE reported profits (45%) - The State Company of Fertilizers/ Southern Region**	SOEs	MoF	0.005	No
Oil and Gas (KRG)					
7	**Crude oil exports**	Oil buyers	MNR****	9.19	Yes
8	**Royalties*****	IOCs	MNR****	0.23	No
9	**Capacity building payments and bonuses*****	IOCs	MNR****	0.19	No
10	**Taxes**	IOCs	MNR****	0.00	No

Note: Footnotes are on the next page

[81] The percentage contribution of revenue streams to total extractive revenue, presented in the table, are based on materiality calculations made by the MSG.

* 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.
** The practice of the MoO - 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 in turn, transfer the withheld amounts to the GCT. Therefore, the reporting entity for CIT revenues, for the purpose of this EITI report, is the MoO.
*** 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) for the year 2016. 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 2016 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 year 2016, 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.

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. A three-way reconciliation was performed as follows:

- Reconciliation of cost recovery and remuneration fees between SOMO and the IOCs receiving such payments
- Reconciliation of cost recovery and remuneration fees between the PCLD (of the MoO), which is the entity responsible for approving cost recovery and remuneration fees amounts, and the IOCs receiving the payments

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

Reporting entity	Revenue/Payment streams
International Oil Buyers[82]	Crude oil export revenue
International Oil Companies[83]	Cost recovery and remuneration fees

[82] The complete list of reporting international oil buyers is included in Annex 9

[83] The complete list of reporting IOCs is included in Annex 10

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:

Company	Reason for selection
SOMO	1- SOMO maintains record of exported crude oil revenue 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

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 2016

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. As presented in Section 4.4.1, 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.

No	Buyer	Amount by SOMO (USD)	Amount by Buyer (USD)	Difference (USD)	Note
1	Al Waha Petroleum	949,382,831	968,787,547	(19,404,716)	A
2	API	255,665,418	259,368,241	(3,702,823)	B
3	BHARAT OMAN	197,797,902	153,029,265	44,768,637	C
4	BHARAT PETROLEUM	24,514,909	24,583,562	(68,653)	B
5	BP & PETROCHINA INTERNATIONAL	2,902,043,590	2,904,576,090	(2,532,500)	D
6	BP OIL	725,572,194	729,080,080	(3,507,886)	B
7	CANAL	549,574,243	549,574,243	-	-
8	CEPSA	371,754,858	324,453,926	47,300,932	E
9	CHENNAI PETROLEUM CORPORATION LTD	617,897,175	631,227,103	(13,329,928)	B
10	CHEVRON	978,911,116	939,274,464	39,636,652	F
11	CHINA INTERNATIONAL	4,096,691,420	4,094,096,758	2,594,662	G
12	CHINA NATIONAL	1,494,359,889	1,495,864,673	(1,504,784)	B
13	CHINA OFFSHORE OIL	371,611,409	372,350,879	(739,470)	B
14	CNOOC IRAQ LIMITED & TP	365,213,165	365,213,165	-	-
15	ENI IRAQ B.V.	846,432,255	849,440,588	(3,008,333)	B
16	ENI SOC (Partnership contracts)	194,429,480	194,204,652	224,828	I
17	ENI TRADING	341,003,530	341,003,530	-	-
18	ESSAR OIL	38,178,999	38,178,999	-	-
19	EXXON MOBIL IRAQ LIMITED	318,330,410	335,898,573	(17,568,163)	K
20	EXXON MOBIL SALES AND SUPPLY CORPORTION GALLOWS	395,799,826	397,659,814	(1,859,988)	B
21	GAZPROM NEFT BADRA B.V.	141,000,083	141,249,751	(249,668)	B
22	GS CALTEX (Project of Karbala Refinery)	344,651,360	344,651,360	-	-
23	GS CALTEX SINGAPORE PTE. LTD.	1,344,523,262	1,369,767,228	(25,243,966)	L
24	GUNVOR	146,095,477	95,997,386	50,098,091	M

No	Buyer	Amount by SOMO (USD)	Amount by buyer (USD)	Difference (USD)	Note
25	HELLENIC	36,058,142	36,058,142	-	-
26	HINDUSTAN PETROLEUM CORPORATION LIMITED	758,312,457	746,258,101	12,054,356	N
27	HPCL-MITTAL	707,817,720	639,159,931	68,657,789	O
28	INDIAN	3,418,806,784	3,428,540,616	(9,733,832)	B
29	IPLOM	116,170,810	116,899,210	(728,400)	B
30	JAPEX	283,819,236	284,778,533	(959,297)	B
31	JX NIPPON OIL	518,383,616	516,087,945	2,295,671	P
32	KOCH SUPPLY & TRADING	220,119,109	220,759,351	(640,242)	B
33	KOGAS BADRA B.V.	132,147,008	125,247,199	6,899,809	Q
34	KOGAS ZUBAIR	499,255,063	465,536,228	33,718,835	Q
35	KUWAIT ENERGY[84]	22,651,516	22,651,516	-	-
36	LITASCO	336,441,675	337,729,709	(1,288,034)	B
37	LUKOIL Mid-East	2,110,921,802	1,337,499,492	773,422,310	Q
38	MOTOR OIL	713,296,013	716,485,551	(3,189,538)	B
39	NORTH PETROLEUM	618,246,995	716,524,450	(98,277,455)	R
40	OCCIDENTAL ENERGY IRAQ LLC[85]	145,388,719	145,388,719	-	-
41	PERTAMINA (PERSERO)	212,736,520	212,736,520	-	-
42	PETRO DIAMOND	317,239,599	317,984,456	(744,857)	B
43	PETROBRAS	195,037,592	195,037,592	-	-
44	PETROCHINA HALFAYA	580,222,138	580,911,714	(689,576)	B
45	PETROCHINA WEST QURNA	325,299,060	326,033,698	(734,638)	B
46	PETROGAL	136,347,160	136,845,964	(498,804)	B
47	PETRONAS	192,468,568	194,128,842	(1,660,274)	B
48	PETRONAS BADRA	68,271,232	68,271,232	-	-
49	PETRONAS GARRAF	547,822,225	548,450,928	(628,703)	B
50	PETRONAS HALFAYA	272,689,953	272,689,953	-	-
51	PETRONAS MAJNOON	429,788,526	429,788,526	-	-
52	PHILLIPS 66	1,172,198,606	1,178,815,548	(6,616,942)	B
53	PT PERTAMINA IRAQ	141,612,379	141,612,379[86]	-	-

[84] The figures reported by SOMO and Kuwait Energy relates to oil liftings made by Kuwait Energy on behalf of the entire consortium (in Faihaa – Block 9), which includes Dragon Oil and EGPC

[85] The figures reported under Occidental were reported by BOC being the legal successor, since BOC bought Occidentals shares in Zubair field effective September 2016. Occidental is no longer operating in Iraq, and has not responded to data requests.

[86] The figures reported under the PT PERTAMINA IRAQ, SHELL MAJNOON and SHELL WEST QURNA were reported by BOC for to the following reasons:

- Shell Majnoon reported that it had sold its shares in Majnoon field to BOC, and therefore reliance should be on information reported by BOC
- PT Pertamina and Shell West Qurna (Phase 1) field did not report the requested information, however, BOC reported

No	Buyer	Amount by SOMO (USD)	Amount by buyer (USD)	Difference (USD)	Note
54	RELIANCE INDUSTRIES LIMITED (RIL)	1,160,500,072	1,097,989,156	62,510,916	S
55	REPSOL	552,932,799	505,966,485	46,966,314	T
56	SARAS SPA - MILANO	427,490,043	291,591,183	135,898,860	J
57	SHELL	366,391,683	277,270,594	89,121,089	U
58	SHELL MAJNOON	741,516,631	663,018,087[86]	78,498,544	V
59	SHELL WEST QURNA	184,652,178	184,652,178[86]	-	-
60	SINOCHEM	3,205,534,045	3,228,733,093	(23,199,048)	W
61	SK ENERGY	463,153,473	359,584,696	103,568,777	X
62	SOCAR	252,355,472	270,460,415	(18,104,943)	AC
63	TOTSA TOTAL	731,211,184	751,075,629	(19,864,445)	Y
64	TOTSA TOTAL HALFAYA CONTRACT	271,939,979	265,023,042	6,916,937	Z
65	TOYOTA	610,789,754	614,688,041	(3,898,287)	B
66	TP BADRA LTD.	28,804,419	28,804,419	-	-
67	TP MISSAN	53,520,479	60,778,289	(7,257,810)	AA
68	TUPRAS	179,522,511	179,522,511	-	-
69	VALERO MARKETING &SUPPLY COMPANY	890,384,979	859,928,804	30,456,175	AB
70	VITOL	88,902,511	90,160,304	(1,257,793)	B
Total		**43,450,607,236**	**42,107,690,848**	**1,342,916,388**	

Notes:

B Differences noted under note (B) are due to delay penalties reported by SOMO.

the value of liftings made by these IOCs being the license holder of West Qurna (Phase 1) field. The revenue reported by SOMO in respect of these two companies represents 0.75% of total crude oil export revenue, and therefore, the non-compliance of this company does not have a material impact on the comprehensiveness of the reconciliation efforts. None the less, figures reported by BOC were used for the reconciliation purposes for the aforementioned reason.

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

<table>
<tr><th>Ref</th><th>Notes</th><th>Amounts reported by SOMO not reported by the buyer (USD)</th><th>Amounts reported by buyer not reported by SOMO (USD)</th><th>Difference (USD)</th></tr>
<tr><td rowspan="2">A</td><td>The differences represent one delay penalty amounting to USD 210,201 reported by SOMO not reported by the buyer.</td><td>(210,201)</td><td>-</td><td rowspan="2">(19,404,716)</td></tr>
<tr><td>The difference is due to:
- The value of one invoice related to 2015 amounting to USD 20,444,788 reported by the buyer not reported by SOMO.
- Difference in the value of one invoice where the buyer recorded an invoice amount less than the invoice amount reported by SOMO by USD 718,735
- The value of one delay penalty amounting to USD 531,539 reported by the buyer not reported by SOMO.</td><td>-</td><td>(19,194,515)</td></tr>
<tr><td rowspan="2">C</td><td>The differences represents the value of 5 invoices related to November and December 2016 totaling USD 68,515,776 reported by SOMO not reported by the buyer.</td><td>68,515,776</td><td>-</td><td rowspan="2">44,768,637</td></tr>
<tr><td>The difference represents the value of one invoice related to 2015 amounting to USD 23,747,139 reported by the buyer not reported by SOMO.</td><td>-</td><td>(23,747,139)</td></tr>
<tr><td>D</td><td>Unjustified Difference</td><td>-</td><td>(2,532,500)</td><td>(2,532,500)</td></tr>
<tr><td>E</td><td>The differences represent the value of one invoice related to December 2016 amounting to USD 48,651,878, and 6 delay penalties totaling USD 1,350,946 reported by SOMO not reported by the buyer.</td><td>47,300,932</td><td>-</td><td>47,300,932</td></tr>
<tr><td>F</td><td>The difference represents the value of one invoice related to December 2016 amounting to USD 46,096,000, and the value of 10 delay penalties for a total of USD 6,459,348 reported by SOMO not reported by the buyer.</td><td>39,636,652</td><td>-</td><td>39,636,652</td></tr>
</table>

Ref	Notes	Amounts reported by SOMO not reported by the buyer (USD)	Amounts reported by buyer not reported by SOMO (USD)	Difference (USD)
G	The difference represents the value of one invoice reported by SOMO and not reported by the buyer amounting to USD 25,737,304, and delay penalties reported by SOMO not reported by the buyer for an amount of USD 23,142,642	2,594,662	-	2,594,662
I	The difference represents the value of commercialization fees reported by the buyer not reported by SOMO.	-	224,828	224,828
J	The reason for this difference is that the buyer reported the figures on accrual basis.	135,898,860	-	135,898,860
K	The difference represents USD (318,993) in delay penalties reported by SOMO related to terms contract under LC, not reported by the buyer.	(318,993)	-	(17,568,163)
	The difference represents the value of corporate income tax of USD 17,249,170 related to the buyer's service contract under licensing rounds, reported by the buyer not reported by SOMO	-	(17,249,170)	
L	The difference represents the value of one invoice related to December 2016 amounting to USD 100,225,923 and delay penalties totaling USD 8,737,353 reported by SOMO not reported by the buyer.	91,488,570	-	(25,243,966)
	The difference represents the value of 2 invoices related to 2015 totaling USD 116,732,536 reported by the buyer not reported by SOMO.	-	(116,732,536)	
M	The difference represents the value of 1 invoice related to December 2016 amounting to USD 50,038,464 reported by SOMO not reported by the buyer.	50,038,464	-	50,098,091
	The difference represents the value of delay penalties amounting to USD 59,627 reported by the buyer not reported by SOMO.	-	59,627	

Ref	Notes	Amounts reported by SOMO not reported by the buyer (USD)	Amounts reported by buyer not reported by SOMO (USD)	Difference (USD)
N	The difference represents the value of 4 invoices related to November and December 2016 totaling USD 127,829,203, and two delay penalties amounting to USD 432,877 reported by SOMO not reported by the buyer.	127,396,326	-	12,054,356
	The difference represents the value of 5 invoices related to 2015 totaling USD 115,341,970 reported by the buyer not reported by SOMO.	-	(115,341,970)	
O	The difference represents the value of 6 invoices related to November and December 2016 totaling USD 139,265,550, and two delay penalties amounting to USD 2,537,373 reported by SOMO not reported by the buyer.	136,728,177	-	68,657,789
	The difference represents the value of 4 invoices related to 2015 totaling USD 68,070,388 reported by the buyer not reported by SOMO.	-	(68,070,388)	
P	The difference represents price differences amounting to USD 3,251,182 and delay penalties totaling USD 955,511 reported by SOMO not reported by the buyer.	2,295,671	-	2,295,671
Q	The amount reported represents the value of crude oil quantities lifted by the buyers as service fees (cost recover and remuneration fees). The reason for the difference is because the buyers have reported the approved amount of service fees not the actual value of lifting.	-	814,040,954	814,040,954
R	The difference relates to one delay penalty amounting to USD 179,320 reported by SOMO not reported by the buyer.	(179,320)	-	(98,277,455)
	The difference represents the value of 2 invoices related to January 2017 totaling USD 98,098,135 reported by the buyer not reported by SOMO.	-	(98,098,135)	

Ref	Notes	Amounts reported by SOMO not reported by the buyer (USD)	Amounts reported by buyer not reported by SOMO (USD)	Difference (USD)
S	The differences represents the value of 8 invoices related to November and December 2016 totaling USD 161,602,549, and two delay penalties totaling USD 833,852 reported by SOMO not reported by the buyer.	160,768,697	-	62,510,916
	The difference represents the value of 4 invoices related to 2015 totaling USD 98,257,781 reported by the buyer not reported by SOMO.	-	(98,257,781)	
T	The difference represents the value of one invoice related to December 2016 amounting to USD 49,065,620 and 7 delay penalties amounting to USD 2,099,306 reported by SOMO not reported by the buyer.	46,966,314	-	46,966,314
U	The difference represents the value of one invoice related to December 2016 amounted of USD 89,121,089 reported by SOMO not reported by the buyer.	89,121,089	-	89,121,089
V	The differences represent one invoice related to December 2016.	78,498,544	-	78,498,544
W	The differences represent 12 delay penalties amounted of USD 11,983,380 reported by SOMO not reported by the buyer.	(11,983,380)	-	(23,199,048)
	The difference represents the value of one invoice related to 2017 amounting to of USD 11,215,668 reported by the buyer not reported by SOMO.	-	(11,215,668)	
X	The difference represents the value of one invoice related to December 2016 amounting to USD 103,568,777 reported by SOMO not reported by the buyer.	103,568,777	-	103,568,777

Ref	Notes	Amounts reported by SOMO not reported by the buyer (USD)	Amounts reported by buyer not reported by SOMO (USD)	Difference (USD)
Y	The difference represents the value of 9 delay penalties totaling USD 5,759,044 reported by SOMO not reported by the buyer.	(5,759,045)	-	(19,864,445)
	The difference represents the value of one invoice related to 2017 amounting to USD 14,105,400 reported by the buyer not reported by SOMO.	-	(14,105,400)	
Z	The difference is due to the fact that the buyer has reported different prices in two invoices than the prices reported by SOMO for the same invoice.	-	6,916,937	6,916,936
AA	The difference represents the value of two invoices totaling USD 7,257,810 reported by the buyer not reported by SOMO.	-	(7,257,810)	(7,257,810)
AB	The difference represents one invoice related to November and December 2016 amounting to USD 93,099,312 and 7 delay penalties totaling USD 2,143,551 reported by SOMO not reported by the buyer.	90,955,761	-	30,456,175
	The difference represents the value of one invoice related to 2015 amounting to USD 60,499,586 reported by the buyer not reported by SOMO.	-	(60,499,586)	
AC	The difference is unjustified, as the buyer did not respond to our questions regarding the difference.	-	(18,104,943)	(18,104,943)

4.5.1.1. Cost recovery reconciliation

The following table displays the reconciliation of cost recovery between the PCLD (MoO) and the IOCs for the year 2016. Figures reported by the PCLD represent the cost recovery accrual for the year 2016, i.e. the amount of cost recovery approved during the year 2016.

Field	Company	Cost recovery/ PCLD (USD)	Cost recovery/ Companies (USD)	Difference (USD)	Note
Rumaila	BP	1,824,004,522	1,088,902,188	(419,660,278)	A
	Petrochina		1,154,762,612		
Missan fields	CNOOC	503,756,976	503,756,976[87]	-	-
	TPAO				
Halfaya	Petrochina	769,512,138	784,384,373[88]	(14,872,235)	B
	Totsa Total				
	Petronas				
Garraf	Petronas	556,255,398	532,277,479	(250,018,315)	C
	JAPEX		273,996,234		
West Qurna (Phase 2)	Lukoil Mid-East	831,413,778	1,096,631,931	(265,218,153)	D
Badra	TPAO	413,721,446	28,804,419	(101,439,954)	E
	Petronas		68,271,232		
	KOGAS		125,247,199		
	JSC Gazprom		292,838,550		
Ahdeb	Al-Waha Petroleum	890,471,300	968,787,547	(78,316,247)	F
Faihaa (Block 9)	Kuwait Energy	42,892,085	42,892,085[89]	-	-
	Dragon Oil				
	EGPC				
Total		**5,832,027,643**	**6,961,552,825**	**(1,129,525,182)**	

Notes:

A The differences is due to the fact that the PCLD reported the data on accrual basis (the cost recovery approved during 2016 not the cost recovered during 2016)

B The difference is due to the following:
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 14,872,235 from petroleum costs.

C The differences is due to the fact that the PCLD reported the data on accrual basis (the cost recovery approved during 2016 not the cost recovered during 2016).

[87] This figure was reported by the field operator CNOOC Iraq, on behalf of the entire consortium

[88] This figure was reported by the field operator Petrochina Halfaya, on behalf of the entire consortium

[89] This figure was reported by the field operator Kuwait Energy on behalf of the entire consortium

D The difference relates to a 2015 fourth quarter cost recovery invoice amounting to USD 395,807,645 reported by the company and not reported by PCLD, and a 2016 fourth quarter cost recovery invoice amounting to USD 130,589,492 reported by the PCLD not reported by the company.

E The differences is due to the fact that the PCLD reported the data on accrual basis (the cost recovery approved during 2016 not the cost recovered during 2016).

F The differences is due to the fact that the PCLD reported the data on accrual basis (the cost recovery approved during 2016 not the cost recovered during 2016).

The table below shows reconciliations of cost recovery and remuneration fees of West Qurna (Phase 1) field and Majnoon field for the year 2016 between the PCLD and the respective IOCs. As stated in Section 4.5.1, Shell West Qurna, Shell Majnoon, Occidental and Pertamina did not report on their liftings made during the year 2016 (equivalent to cost recovery and remuneration fees earned by these companies), however, 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
2- Occidental has sold its shares in Zubair field to BOC, 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.

<table>
<tr><th>Field</th><th>Company</th><th>Cost recovery and remuneration fees / PCLD (USD)</th><th>Cost recovery and remuneration fees/ Companies (USD)</th><th>Difference (USD)</th><th>Note</th></tr>
<tr><td rowspan="3">Zubair</td><td>ENI</td><td rowspan="3">1,444,490,848</td><td>812,278,414</td><td rowspan="3">21,287,487</td><td rowspan="9">A</td></tr>
<tr><td>KOGAS</td><td>465,536,228</td></tr>
<tr><td>Occidental[90]</td><td>145,388,719</td></tr>
<tr><td rowspan="4">West Qurna (Phase 1)</td><td>ExxonMobil</td><td rowspan="4">806,445,221</td><td>335,898,574</td><td rowspan="4">(1,284,136,820)</td></tr>
<tr><td>Petrochina</td><td>1,428,418,910</td></tr>
<tr><td>Shell West Qurna[90]</td><td>184,652,178</td></tr>
<tr><td>Pertamina[90]</td><td>141,612,379</td></tr>
<tr><td rowspan="2">Majnoun</td><td>Shell Majnoon[90]</td><td rowspan="2">727,338,455</td><td>663,018,087</td><td rowspan="2">(396,242,440)</td></tr>
<tr><td>Petronas</td><td>460,562,808</td></tr>
<tr><td colspan="2">Total</td><td>2,978,274,524</td><td>4,637,366,297</td><td>(1,659,091,773)</td><td></td></tr>
</table>

Note:

A The differences between PCLD reported figures and BOC reported figures remain unjustified due to not receiving the required justifications in time, however, part of the difference is due to the PCLD reporting the data on accrual basis (the cost recovery approved during 2016 not the cost recovered during 2016).

[90] The figures in relation to these companies were reported by BOC

4.5.1.2. Remuneration fees reconciliation

The following table displays the reconciliation of remuneration fees between the PCLD (MoO) and the IOCs for the year 2016. Figures reported by the PCLD represent the remuneration fee accruals for the year 2016, i.e. the amount of remuneration fees approved during the year 2016.

<table>
<tr><th>Field</th><th>Company</th><th>Remuneration fees / PCLD (USD)</th><th>Remuneration fees / Companies (USD)</th><th>Difference (USD)</th><th>Note</th></tr>
<tr><td rowspan="2">Rumaila</td><td>BP</td><td rowspan="2">400,822,678</td><td>387,254,992</td><td rowspan="2">(260,088,612)</td><td rowspan="2">A</td></tr>
<tr><td>Petrochina</td><td>273,656,298</td></tr>
<tr><td rowspan="2">Missan fields[91]</td><td>CNOOC</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">-</td></tr>
<tr><td>TPAO</td></tr>
<tr><td rowspan="3">Halfaya</td><td>Petrochina</td><td rowspan="3">69,815,036</td><td rowspan="3">65,443,536[92]</td><td rowspan="3">4,371,500</td><td rowspan="3">B</td></tr>
<tr><td>Totsa Total</td></tr>
<tr><td>Petronas</td></tr>
<tr><td rowspan="2">Garraf</td><td>Petronas</td><td rowspan="2">53,126,281</td><td>16,173,449</td><td rowspan="2">26,170,533</td><td rowspan="2">C</td></tr>
<tr><td>JAPEX</td><td>10,782,299</td></tr>
<tr><td>West Qurna (Phase 2)</td><td>Lukoil Mid-East</td><td>119,303,133</td><td>240,867,561</td><td>(121,564,428)</td><td>D</td></tr>
<tr><td rowspan="4">Badra[91]</td><td>TPAO</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td><td rowspan="4">-</td></tr>
<tr><td>Petronas</td></tr>
<tr><td>KOGAS</td></tr>
<tr><td>JSC Gazprom</td></tr>
<tr><td>Ahdeb</td><td>Al-Waha Petroleum</td><td>218,413,152</td><td>218,413,152</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Faihaa (Block 9)</td><td>Kuwait Energy</td><td rowspan="3">7,194,218</td><td rowspan="3">7,194,218[93]</td><td rowspan="3">-</td><td rowspan="3">-</td></tr>
<tr><td>Dragon Oil</td></tr>
<tr><td>EGPC</td></tr>
<tr><td colspan="2">Total</td><td>868,674,498</td><td>1,219,785,505</td><td>(351,111,007)</td><td></td></tr>
</table>

Notes:

A The differences is because the PCLD reported the data on accrual basis (the remuneration fees approved during 2016 not the remuneration fees received during 2016).

B **The difference is due to the net effect of the following:**

1- Corporate income tax withheld from cost recovery amounting to USD 14,872,235 (as sated in Section 4.5.1.1) was added to the value of remuneration fees (in the PCLD records)

2- The companies reported the state partner's share in remuneration fees amounting to 10,500,735, while the PCLD did not.

[91] There were no remuneration fees reported during the year 2016, in respect of these fields

[92] This figure was reported by the field operator Petrochina Halfaya, on behalf of the entire consortium

[93] This figure was reported by the field operator Kuwait Energy on behalf of the entire consortium

C **The difference is due to the following:**

1- The PCLD reported the data on accrual basis (the remuneration fees approved during 2016 not the remuneration fees received during 2016).

2- The amount reported in the companies' column represents the total of figures reported by Petronas and JAPEX. However, we were unable to identify whether the amount reported by JAPEX represents its share only, or is representative of field total remuneration fees.

D The difference relates to a 2015 fourth quarter remuneration fees invoice amounting to USD 153,414,362 reported by the company and not reported by PCLD, and a 2016 fourth quarter remuneration fees invoice amounting to USD 31,849,934 reported by the PCLD not reported by the company.

For the reconciliation of remuneration fees related to the West Qurna (Phase 1) and Majnoon fields, please refer to Section 4.5.1.1.

4.5.2. 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.

The following table presents the amounts reported by the PCLD for the year 2016, which represents CIT balances approved during the year. As it relates to Ahdeb field, the CIT reported in the special purpose financial statements for year 2016, 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, 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 (Majnoun, Rumaila, and Faihaa), and hence we could not confirm the recoverability of those expenses.

Oil Field	Company name	Tax / PCLD (USD)
Rumaila	BP	187,446,603
	Petrochina	
Zubair	ENI	64,407,384
	KOGAS	
	Occidental	
West Qurna (Phase 1)	ExxonMobil	62,827,345
	Petrochina	
	Shell	
	Pertamina	
Missan fields	CNOOC	-
	TPAO	
Helfaya	Petrochina	33,077,318
	Totsa Total	
	Petronas	
Majnoun	Shell	28,631,499
	Petronas	
Garraf	Petronas	18,594,198
	JAPEX	
West Qurna (Phase 2)	LUKOIL Mid-East Ltd	60,549,356
Badra*	TPAO	-
	Petronas	
	KOGAS	
	JSC Gazprom	
Ahdeb	Al-Waha Petroleum	76,444,603
Faihaa (Block 9)	Kuwait Energy	2,857,147
	Dragon Oil	
	EGPC	
Total		**534,835,453**

* According to Midland Oil Company (the license holder for Badra field), CIT was not paid by the contractor, because the contractor did not receive any remuneration fees during the year.

4.5.3. 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). 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 2016. The amounts presented by the MoF are reported on a cash basis; therefore, amounts received during 2016 do not necessarily represent amounts accrued during the fiscal year 2016:

SOE	IQD	USD Equivalent[94]
Basra Oil Company	103,224,585,053	87,330,444
SOMO	30,200,429,140	25,550,278
Iraqi Oil Tankers Company	2,327,717,178	1,969,304
Oil Exploration Company	7,428,327,006	6,284,541
The State Company Of Fertilizers/ Southern Region	2,942,491,142	2,489,417
North Oil Company	15,713,629,161	13,294,103
South Refineries	84,614,047,823	71,585,489
Missan Oil Company	117,670,239,534	99,551,810
Midland Refineries	22,975,350,328	19,437,691
Total	**387,096,816,365**	**327,493,077**

Source: This information was reported by the MoF

Only one of the eight SOEs operating in the mining sector had paid its share of net profits to the MoF treasury during 2016. This is because all operational SOEs, excluding the State Company of Fertilizers, realized a net loss during the calendar year 2016. In addition, the State Company for Phosphate, and the Mishraq Sulphur Company were not operational during 2016.

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 2016 had not been approved by the FBSA during 2016. Therefore, payments made to the state treasury represent payments in respect of outstanding balances, accrued in years prior to 2016. Accordingly, some SOEs have made no payments to the MoF during 2016.

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:

[94] 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 2016.

- 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.

4.5.4. State partner shares in field remuneration fees

The following table represents the value of the sate partner's share of remuneration fees paid during 2016, which is reported by the Ministry of Oil.

Filed Name	Sate Partner	State partner ownership %*	Total state partner revenue (USD)
Rumaila	SOMO	6	25,744,544
Zubair	MOC	5	11,785,983
West Qurna (Phase 1)	OEC	5	12,819,371
West Qurna (Phase 2)	NOC	25	98,187,529
Majnoon	MOC	25	32,496,248
Garraf	NOC	25	19,336,914
Faihaa (Block 9)[95]	-	-	-
Ahdeb	SOMO	25	-
Halfaya	BOC	10	18,339,994
Missan fields	Iraqi Drilling Company	25	-
Badra	OEC	25	-
Total			**218,710,583**

Source: This data was presented by the MoO

* These percentages reflect the ownership interest of state partners during 2016

[95] There is no state partnership in Block 9

4.5.5. Internal Service payments (Requirement 4.5)

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.

The following table represents a reconciliation between SOMO and the respective national oil companies, and the Oil Exploration Company for year 2016:

Month	Amount by SOMO (IQD)	Amount by Company (IQD)	Difference* (IQD)
Basra Oil Company	19,000,000,000	19,000,000,000	-
Missan Oil Company	98,000,000,000	98,000,000,000	-
Midland Oil Company	60,000,000,000	60,000,000,000	-
North Oil Company	267,000,000,000	267,000,000,000	-
Oil Exploration Company**	33,000,000,000	27,000,000,000	6,000,000,000
Total	**477,000,000,000**	**471,000,000,000**	**6,000,000,000**

* The difference is due to a partial settlement of an advance in relation to July 2015 for IQD 6,000,000 reported by SOMO, and not reported by the EOC.

** The Oil Exploration Company's ISP for the year 2016 (IQD 33 billion) was paid by SOMO through contributions from the four 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 (Requirement 4.6)

4.6.1. KRG Revenue

Crude oil export revenues received by the KRG during 2016:

Month	Value realized for the exported crude oil (USD)	Allocated to main producers according to their PSC entitlement (USD)	Retained by buyers against past prepayments (USD)	**Net export revenue received by the KRG (USD)**
January*	-	-	-	-
February	303,943,433	(70,933,433)	(43,200,644)	**189,809,356**
March	207,272,177	(36,014,177)	-	**171,258,000**
April	376,395,901	(58,895,901)	-	**317,500,000**
May	390,748,957	(75,262,856)	-	**315,486,101**
June	561,953,676	(81,443,291)	(97,840,813)	**382,669,572**
July	461,196,477	(24,914,718)	(63,424,530)	**372,857,229**
August	413,994,993	(60,346,909)	(90,778,431)	**262,869,653**
September	611,764,928	(75,773,752)	(173,376,207)	**362,614,969**
October	636,364,810	(74,568,710)	(153,802,371)	**407,993,729**
Total				**2,783,058,609**

Source: MNR website (http://mnr.krg.org/index.php/en/oil/monthly-export-production-data)

* With regards to the quantities exported during the month of January, the value received (in USD) was not identified in the report.

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, which was discussed in Section 3.3 of the report, the four largest producers of KRG oil (per filed) for the year 2016 are:

1) Tawke – DNO A.S (Genel Energy is also a partner, but DNO A.S is the operator)
2) Taq Taq – TTOPCO (is a special purpose entity established by Genel Energy and Addax Petroleum, and is the operator of Taq Taq field)
3) Shaikan – Gulf Keystone Petroleum (Operator)
4) 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 plc.

Genel Energy plc.	Amount (USD)	
	Taq Taq*	Tawke**
Royalties	83,170,000	-
Capacity Building Payments	13,600,000	10,900,000
Total	**96,770,000**	**10,900,000**

Source: Genel Energy plc. Payments to Government 2016 report

* As reported by Genel Energy, the amount reported for Taq Taq, with the exception of capacity building payments, is the gross payment made to the Kurdistan Region of Iraq (KRI) by the operating company (TTOPCO), Genel's share of these payments is equal to 55%.

** As reported by Genel Energy, payments in relation to Tawke are made by the Operator with the exception of capacity building payments, which are made directly by Genel in relation to its interest in the Tawke Production Sharing Contract.

Gulf Keystone Petroleum Ltd (GKP).

Gulf Keystone Petroleum Ltd.	Amount (USD)
Royalties	30,522,577
Payables to the MNR offset against Revenue*	72,577,496
Total	**103,100,073**

Source: Gulf Keystone Petroleum Ltd. Payments to Government 2016 report

* As reported by GKP, "GKP payables to the MNR include Shaikan Building Payments, production bonuses, security invoices and PSC charges. These costs were recognized as payables to the MNR but have been offset against revenue arrears owed to GKP by the MNR"

4.7. In-Kind Revenues, barter agreements, and transportation revenues (Requirements 4.2 -4.4)

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, and the IEITI observed through a review of a sample of PSCs published by the KRG that there are no barter or swap provisions in KRG oil and gas production sharing contracts.
- There are no transportation revenues received by the Government of Iraq

4.8. Data Quality and Assurance (Requirement 4.9)

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[96].

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.

[96] http://ieiti.org.iq/mediafiles/articles/doc-546-2018_11_08_07_14_50.pdf

4.8.2. 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.

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).

4.8.3. 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, is 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

4.8.4. 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 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 2016 financial statements that have been approved by the Internal Audit Department and Board of Directors

Signed Templates	Financial statements approved by Internal Audit and BOD	Financial Statement approved by FBSA[97]
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, 78.3% presented signed and stamped templates
- Of the oil buyers who completed the reporting templates, 26% presented the related SOMO invoices to support the amounts reported
- Of the oil buyers who completed the reporting templates, 43.5% presented the audited financial statements for the year 2016

Signed Templates	SOMO invoices	Audited financial statements
78.3%	26%	43.5%

<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, 69.6% presented signed and stamped templates
- Of the IOCs who completed the reporting templates, 26.1% presented the company's audited financial statements for year 2016
- Of the IOCs who completed the reporting templates, 74% presented the audited field financial statements for year 2016

Signed Templates	Company's audited financial statements	Field financial statements
69.6%	26.1%	74%

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

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.

4.8.5. 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 the PCLD's financial reporting is performed on a cash accounting basis, the PCLD reported cost recovery, remuneration fees, and corporate income tax amounts that were approved during the year 2016 (2016 accrual).

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 as reported by the Ministry of Oil / PCLD and international oil extracting companies;

c. Reconciliation of total payments made by the Government of Iraq as remuneration fees as reported by the Ministry of Oil / PCLD and international oil extracting companies;

d. 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 (Requirement 5.1)

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[98].

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."
>
> "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

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

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:

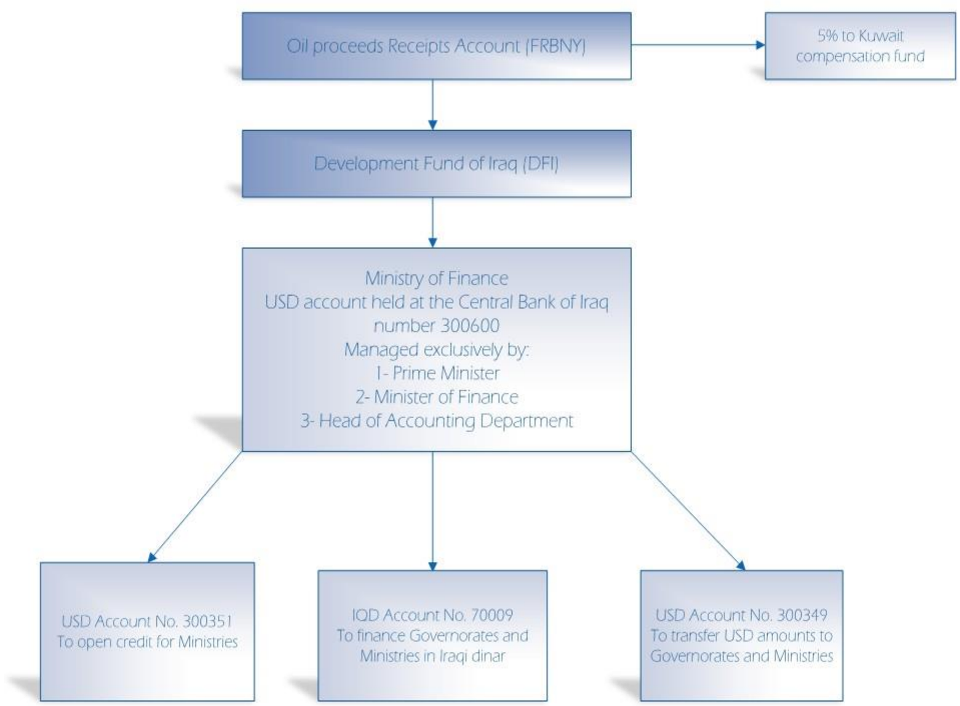


Diagram 2: Oil and gas sector revenue flows in Federal Iraq

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[99]. The DFI

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

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.

During the year 2016, 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[100].

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 2016, 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 2016, and accordingly, the 17% KRG budgetary allocation was not transferred to the KRG.

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

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.

According to 2016 DFI audited financial statements, the total export sales of petroleum was in thousand USD 30,684,570 (Refer to Annex 13) while the figure reported by SOMO for the same year was in thousand USD 43,622,928 as shown in the table below:

Total export sales as per DFI report (Thousand USD)	Total export sales as reported by SOMO (Thousand USD)	Difference (Thousand USD)
30,684,570	43,622,928	12,938,358

Details of this difference is as follows:

	Thousand USD
Total export sales as reported by SOMO	43,622,928
Value of crude oil shipments lifted by IOCs	(12,399,270)
Value of crude oil shipments lifted by GS CALTEX for Karbala Refineries	(344,658)
Value of crude oil shipments lifted by ENI for Partnership contracts	(194,430)
Total export sales/ DFI report	**30,684,570**

5.2. Insight in to the Federal Budget of 2016

The Federal Budget Act for 2016 was approved in January 2016, and forecasts a total revenue of IQD 81.7 trillion (approximately USD 69.12 billion). Revenue from the export of crude oil was estimated at IQD 69.773 trillion (approximately USD 59 billion) at an estimate export rate of 3.6 million barrels per day (bpd) and an average price of USD 45 per barrel. This figure includes an estimate contribution of 250,000 bpd from the exported crude oil produced by KRG, and 300,000 bpd produced by Kirkuk.

The following table presents the 2016 federal budget forecast revenue, expenditure and financing figures. Budget oil revenues amounting to IQD 69. 773 billion represent 85.4 of total budget revenue. The total budget expenditure for 2016 amounted to IQD 105.896 billion, with 75.7% of total expenditures allocated to current expenditures, and 24.3% allocated to capital expenditures.

Budget Estimates	Amount (Thousand IQD)
Total Revenue	**81,700,803,138**
Oil Revenue	69,773,400,000
Non-Oil Revenue	11,927,403,138
Total Expenditures	**105,895,722,619**
Current Expenses	80,149,411,081
Capital Expenses	25,746,311,538
Planned Deficit	**24,194,919,481**
Financing the Deficit	
Account balances of ministries and non-ministry related entities at government banks	3,188,518,624
Islamic Development Bank loan	590,000,000
Issuance of foreign bonds	2,360,000,000
Japan International Cooperation Agency (JICA) loan	592,000,000
Issuance of public debt bonds to the public	5,000,000,000
Issuance of bonds and transfers of treasury funds to government banks, deducted from the Central Bank of Iraq	7,000,000,000
Loan from JICA for budget support	284,000,000
Transfers of treasury funds and loans from commercial banks	5,121,400,857
World Bank loan	59,000,000

Source: Federal Budget Act 2016

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 2016:

Type	Amount (Billion IQD)	Percentage of Capital Expenditure
Investment projects expenditures	23.416	91.0%
Governorate Development Program expenditures	1.244	4.8%
Petrodollar Allocations	1.086	4.2%
Total	**25.746**	

Source: Federal Budget Act 2016

Analysis of current budget expenditures (operational expenses):

The following table presents a breakdown of 2016 budgeted current expenditure, as follows:

Type	Amount (Billion IQD)	Percentage of Current Expenditure
Salaries for workers in the country including the security forces	39.145	48.8%
Social welfare	17.704	22.1%
Commodity expenditure	4.506	5.6%
Service expenditures	2.127	2.7%
Maintenance expenditure	0.522	0.7%
Capital goods expenditure	0.270	0.3%
Grants, debt servicing and contributions	14.519	18.1%
External contributions and aids	0.657	0.8%
Special programs	0.700	0.9%
Total	**80.150**	

Source: Federal Budget Act 2016

5.3. Subnational transfers (Requirement 5.2)

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

The below is a description of the methodology applied by the MoF for calculating petrodollar allocations (as presented by the MoF):

- Petrodollar allocations are calculated in accordance with Article 2 (1) of the Federal Budget Act for year 2016. Article 2 (1) of the federal budget provides that the amount of USD 5 shall be allocated for every barrel of crude oil produced in the governorate, and, USD 5 for every barrel of crude oil refined in the governorate refineries, and USD 5 of each 150 cubic meters of natural gas 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 presents the petrodollar allocations calculated by the MoF in accordance with the process described above, the actual petrodollar transfers made, and the differences between allocated and transferred petrodollar amounts for year 2016:

Governorate	Petrodollar Allocations (IQD)	Actual Amount transferred (IQD)	Petrodollar Allocations (USD equivalent)	Actual Amount transferred (USD equivalent)	Amounts allocated but not transferred (USD equivalent)
Al-Basrah	231,170,265,000	160,000,000,000	195,575,520	135,363,790	60,211,730
Al-Muthanna	705,463,000	-	596,838	-	596,838
Karbala	-	-	-	-	-
Al-Najaf	2,500,000,000	-	2,115,059	-	2,115,059
Salah Al-deen	-	-	-	-	-
Ninawa	9,116,276,000	-	7,712,585	-	7,712,585
Dhi Qar	-	-	-	-	-
Al-Diwaniyah	3,564,048,000	-	3,015,269	-	3,015,269
Babel	-	-	-	-	-
Wasit	-	-	-	-	-
Al-Anbar	5,757,076,000	-	4,870,623	-	4,870,623
Diyala	-	-	-	-	-
Baghdad	19,833,004,200	-	16,779,191	-	16,779,191
Maysan	-	-	-	-	-
Kirkuk	-	-	-	-	-
Total	**1,645,730,847,621**	**160,000,000,000**	**1,392,327,282**	**134,861,767**	**95,301,296**

Source: Ministry of Finance

According to the Accounting Directorate at MoF, the difference between allocated and transferred petrodollar 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.

5.3.2. 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 2016, 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.

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 2016:

Governorate	Governorates' Development Allocation (IQD)	Actual Amount transferred (IQD)	Governorates' Development Allocation (USD equivalent)	Actual Amount transferred (USD equivalent)	Amounts allocated but not transferred (USD equivalent)
Al-Basrah	733,428,955,398	5,000,000,000	620,498,270	4,230,118	616,268,152
Al-Muthanna	33,111,832,000	-	28,013,394	-	28,013,394
Karbala	32,918,825,844	1,851,745,148	27,850,106	1,566,620	26,283,486
Al-Najaf	55,407,040,000	-	46,875,668	-	46,875,668
Salah Al-deen	48,148,561,923	15,700,000,000	40,734,824	13,282,572	27,452,252
Ninawa	61,343,356,098	10,949,500,000	51,897,932	9,263,536	42,634,396
Dhi Qar	107,286,195,278	3,113,500,000	90,766,663	2,634,095	88,132,568
Al-Diwaniyah	58,610,900,000	938,039,000	49,586,210	793,603	48,792,607
Babel	72,438,949,810	12,740,986,168	61,285,068	10,779,176	50,505,892
Wasit	99,729,332,057	2,808,698,450	84,373,377	2,376,225	81,997,152
Al-Anbar	66,346,931,414	46,500,000,000	56,131,076	39,340,102	16,790,974
Diyala	50,520,384,672	5,859,035,800	42,741,442	4,956,883	37,784,559
Baghdad	271,918,350,000	32,696,602,307	230,049,365	27,662,100	202,387,265
Maysan	92,679,340,000	-	78,408,917	-	78,408,917
Kirkuk	-	-	-	-	-
Total	**1,783,888,954,494**	**138,158,106,873**	**1,509,212,312**	**116,885,030**	**1,392,327,282**

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[101].

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.

[101] 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 (Requirement 6.1)

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 2016 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 2016; 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 2016 (1st to 4th licensing round fields):

Field/Block	Operator	Mandatory Social Expenditures
Missan Fields (Abu Gharib, Buzurgan, Fauqi)	CNOOC Iraq	Mandatory social expenditure information was reported by the filed operator
Halfaya	Petrochina International FZE Iraq	Mandatory social expenditures were reported by the field operator
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 2016 due to a delay in announcing social projects
Zubair	ENI B.V	Mandatory social expenditures were reported by the operator
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
Garraf	PETRONAS Iraq Garraf	Mandatory social expenditures were reported by the operator
Akkas	KOGAS Akkas	KOGAS Akkas, the operator of Akkas field declared that no mandatory social expenditures were made by the company during the year 2016. This was also confirmed by Midland Oil Company (license holder for Akkas field), who stated that field operations were suspended during 2016 due to the security situation in Iraq
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 2016 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 400,034 was allocated to mandatory social expenditures during 2016, but there were no payments actually made during the year.
Rumaila	British Petroleum (BP)	Mandatory social expenditures were reported by the operator
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

Field/Block	Operator	Mandatory Social Expenditures
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
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 2016
Block 9	Kuwait Energy Co.	The filed operator declared that no mandatory social expenditures were made during the year 2016
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)

The following tables represent the mandatory social expenditures reported by the IOCs/national oil for the year 2016:

Field	Field Operator	Project	Beneficiary	Funds Recipient/ Contractor	Amount (USD)
Missan fields	CNOOC Iraq	Amara-Musharah road maintenance	-	Missan Oil Company	50,000

Source: This information was provided by CNOOC Iraq

Field	Field Operator	Project	Beneficiary	Funds Recipient/ Contractor	Amount (USD)
Zubair	ENI B.V	Construction of 8 classrooms for Janat Al Burjazia School	-	Liqaa AL-Ashiqaa For Contracting	314,933
		Supply of school furniture including computers, printers, and various electrical devices for 15 schools in El Marbid & AL Burjazia	-	Roaa Milan Company for Trading	578,948
		Electric Works for AL Burjazia School	-	AL-Emaraa AL-Mutaaleqa	12,280
Total					**906,161**

Source: This information was provided by Eni B.V

Field	Field Operator	Project	Beneficiary	Funds Recipient/ Contractor	Amount (USD)
Halfaya	Petrochina International FZE Iraq	Repairing access road to Ashab Al-Husain School along 1,200m near PCH Basecamp	Community Primary School (Ashab Al-Husain School)	-	15,210

Source: This information was provided by Petrochina International FZE Iraq

Field	Field Operator	Project	Beneficiary[102]	Funds Recipient/ Contractor	Amount (USD)
West Qurna (Phase 1)	ExxonMobil	-	-	-	400,000

Source: This information was provided by Basra Oil Company

Field	Field Operator	Project	Beneficiary	Funds Recipient/ Contractor	Amount (USD)
Rumaila	British Petroleum (BP)	AMAR ICF, Basra Directorate of Health	Al Khora Community, Basra Directorate of Health	-	13,646
		AMAR ICF, Rumaila Community Committee	Al Khora/North Rumaila Communities, Rumaila Community Committee, External Government Stakeholders	-	16,318
		Khor Zubair Training Centre, AMAR ICF, Basra Directorate of Education, Basra Directorate of Health	Al Khora Community, Basra Directorate of Education, Basra Directorate of Health	-	757,194
		AMAR ICF	Rumaila Operating Organization	-	27,500
		Al Hilu Company, AMAR ICF	Al Khora Community, Basra Directorate of Health	-	440,209
		AMAR ICF, Basra Directorate of Health	Al Khora Community, Basra Directorate of Health	-	232,015
		Al Hilu Company, AMAR ICF, Basra Directorate of Health	Al Khora Community, Basra Directorate of Health, Basra Directorate of Water	-	707,556
		AMAR ICF, Basra Directorate of Health	North Rumaila Community, Basra Directorate of Health	-	21,232
		Manhel Al Basra Company, Al Manar Company, AMAR ICF	Al Khora/North Rumaila Communities, Qarmat Ali Local Council, Basra Oil Company	-	283,037
		AMAR ICF	Al Khora Community, Basra Directorate of Education	-	48,151
		Al Fares United Company, AMAR ICF	North Rumaila Community, Basra Oil Company	-	248,250
Total					**2,795,108**

Source: This information was provided by BP

[102] 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.

Field	Field Operator	Project	Beneficiary	Funds Recipient/ Contractor	Amount (USD)
Majnoon	Shell	Building a secondary school for girls in Al-Nashwa area	Basra Directorate of Education	Amar Charitable Foundation	658,111

Source: This information was provided by Basra Oil Company

Field	Field Operator	Project	Beneficiary	Funds Recipient/ Contractor	Amount (USD)
Badra	Gazprom Neft Badra B.V	Developing the electrical network for Badra and Jassan areas	Wasit Governorate	-	5,996,088

Source: This information was provided by Midland Oil Company

Field	Field Operator	Project	Beneficiary	Funds Recipient/ Contractor	Amount (USD)
Garraf	Petronas Iraq	Equipping the University of Sumer - Kala'at Sukkar with Internet network	Sumer University IT College	-	17,900
		RO Water Distribution Project	Community within Garraf Oil Field	-	67,237
Total					**85,137**

Source: This information was provided by Petronas Iraq

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 2016 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 was only one profitable mining sector SOE during 2016, only one payment was expected. However, this information is not disclosed in the report as it was not readily available by the mining SOE.

The following table represent the amounts reported by the extractive SOEs for the year 2016:

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 2016
BOC	-	No social expenditures were made by the BOC, as its final accounts were not approved by the FBSA during the year 2016
MdOC	439,606,972	-
NOC	3,522,801,324	-

Source: This information was provided by the respective NOCs

The following table presents a breakdown of the amounts paid by North Oil Company during the year 2016. However, these payments are reported on a cash basis and therefore do not necessarily represent amounts accrued during the year 2016:

Payment purpose	Amounts paid (IQD)
Health Insurance Fund	1,068,070,247
Social Security Fund	143,503,615
MoO Guest House and the Oil Cultural Center	236,455,309
Amount paid in support of sports clubs in Iraq	323,836,779
Amount paid in support of residential investment projects in Iraq	571,510,335
Various social initiatives	1,179,425,039
Total	**3,522,801,324**

Source: This information was provided by NOC

The following table presents a breakdown of the amounts paid by Midland Oil Company during the year 2016. However, these payments are reported on a cash basis and therefore do not necessarily represent amounts accrued during the year 2016:

Payment purpose	Amounts paid (IQD)
Amounts paid in support of company employees	5,248,000
Health Insurance Fund	434,358,972
Total	**439,606,972**

Source: This information was provided by MdOC

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 2016 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 2016). 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.

Contractor	Field	Project	Beneficiary	Funds Recipient / contractor	Amount (USD)
LUKOIL Mid-East Ltd	West Qurna (Phase 2)	Rehabilitate and develop the multi-use playground in Eiz El-Deen Saleem Youth and Sport Forum	Eiz El-Deen Saleem citizens	Al-Areka Company for Trading Agency and General Trading Ltd (a local company from Eiz El-Deen Saleem)	126,000
		Supply of various toys to three kindergartens in Eiz El-Deen Saleem Sub-district	Eiz El-Deen Saleem citizens	Al-Safeer Al-Turkey for Furniture and Kids Toys (a local company from Eiz El-Deen Saleem)	18,429
		Supply of drinking water to 36 school buildings in Eiz El-Deen Saleem Sub-district, during the school year	Eiz El-Deen Saleem citizens	Al-Kawthar Water Station (a local company from Eiz El-Deen Saleem)	5,600
Total					**150,029**

Source: This information was provided by LUKOIL Mid-East Ltd

The following table presents the voluntary expenditures made by Kuwait Energy during 2016, in relation to Siba field:

Contractor	Field	Project	Beneficiary[103]	Funds Recipient / contractor	Amount (USD)
Kuwait Energy	Siba	Distributed 150 pieces of clothing to Siba orphans during Eid Al-Fitr	Siba community	-	3,000
		Primary school and Siba town hall refurbishment		HALI	-
		Restoring Merah Al-Tofoola Nursery		UNHCR	-
Total					**3,000**

Source: This information was provided by Kuwait Energy

The following table presents the voluntary social expenditures made by Petronas Iraq during 2016 in relation to Garraf and Majnoon fields:

Contractor	Field	Project	Beneficiary	Funds Recipient / contractor	Amount (USD)
Petronas Iraq	Garraf	1. PETROSAINS (Creative Science and Math Workshop) 2. Embracing Ramadan' food distribution to 750 underprivileged families 3. Maukib set-up during Arba'een for pilgrimages 4. HSE awareness program at 9 Schools 5. Improvement of Health-care clinics 6. Improvement of school facilities 7. Providing equipment to IT laboratory, Sumer University 8. Distribution of winter clothing to Garraf School Children	Community	-	67,699
	Majnoon	1. Mobile health clinics 2. The Women Volunteers 3. Primary school road safety education 4. Livelihood projects 5. Distribution of Eid parcels for children	Community	-	162,612
Total					**230,311**

Source: This information was provided by Petronas Iraq

The following companies all declared that no voluntary social payments were made during the year 2016:

[103] 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 West Qurna 1 project inception.

- 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)

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 2016.

6.3. Quasi Fiscal expenditures (Requirement 6.2)

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."[104]

According to the MSG, quasi-fiscal expenditures are not applicable in Iraq.

[104] https://www.imf.org/external/np/fad/trans/manual/sec02a.htm

6.4. Economic Contribution of the Extractive Industries on the Iraq Economy (Requirement 6.3)

6.4.1. Overview of the Iraqi economy in 2016

Iraq has been impacted by two crises since 2014: the ISIS insurgency, and the steep decline in global oil prices[105]. 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 low crude oil prices in 2016 resulted in an average selling price of USD 35.5 per barrel compared to USD 45 estimated in the 2016 Federal Budget Act. While the quantities of crude oil exports have increased by 10.18% in 2016 from 2015, the total revenue generated from crude oil exports have decreased, which means that the quantity of crude oil exports increased at a lower rate than the decrease in crude oil prices.

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[106].

6.4.2. The volume of extractive industries as absolute value and as a percentage of GDP for the year 2016

The following table displays the changes in GDP indicators from year 2015 to year 2016, based on MoP preliminary estimates for the year 2016. The table shows that despite the slight increase in GDP, the GDP per capita has decreased, which indicates that the GDP has increased at a lower rate than the increase in population.

Economic Indicator	2015	2016	% change
Gross Domestic Product at basic current prices (billion IQD)	199,715.70	203,869.80	2.08%
Gross Domestic Product at basic current prices (billion USD)	171.1	172.5	0.81%
GPD per capita at current prices (000 IQD)	5671.7	5636.6	-0.62%
GPD per capita at current prices (000 USD)	4.9	4.8	-2.04%

Source: Ministry of Planning[107]

[105] http://www.worldbank.org/en/country/iraq/publication/economic-outlook-spring-2016

[106] http://www.worldbank.org/en/country/iraq/publication/economic-outlook-fall-2016

[107] http://www.cosit.gov.iq/documents/national_accounts/national_income/reports/gdp/التقديرات%20الفعلية%20للناتج%20المحلي%20والدخل%20الق
ومي%20لسنة%202016.pdf

The following table was presented by the Ministry of Planning, and is based on annual preliminary estimates for the year 2016. According to the below table, Iraq's extractive sector contributes to the Country's total estimate GDP by IQD 61,361,951.5 million which translates into 29.83% of total GDP.

Economic Activities	Million IQD	Relative share of GDP (at basic current prices)
Agriculture, forestry, hunting & fishing	7,832,046.90	3.81%
Mining and quarrying: Crude oil	60,965,276.90	29.64%
Mining and quarrying: Other types of mining	396,674.60	0.19%
Manufacturing industry	4,118,518.50	2.00%
Electricity and water	6,334,599.20	3.08%
Building and construction	19,170,772.80	9.32%
Transport, communications and storage	22,683,246.90	11.03%
Wholesale, retail trade, and hotels & others	19,780,800.40	9.62%
Finance, insurance, real estate and business services: Banks and insurance	1,734,192.10	0.84%
Finance, insurance, real estate and business services: Ownership of dwellings	14,379,154.50	6.99%
Social and personal services: General government	41,523,299.70	20.19%
Social and personal services: Personal services	6,760,921.00	3.29%
Total by activities	**205,679,503.50**	
Less: Imputed bank service charge	1,809,671.30	
GDP	**203,869,832.20**	
Non-oil GDP	**142,904,555.30**	

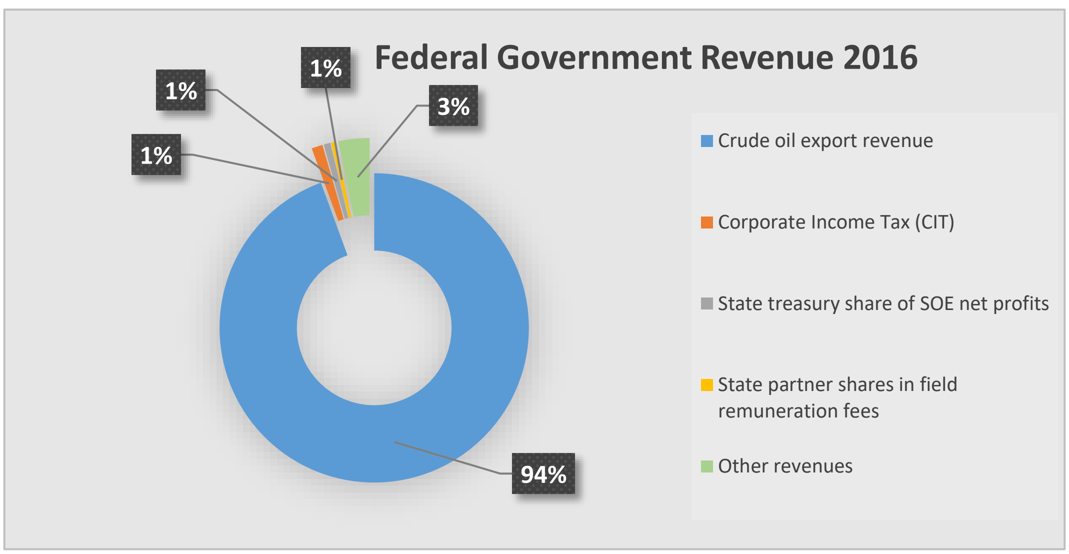
Source: Ministry of Planning

6.4.3. Total government revenue from extractive industries for the year 2016

Actual revenue figures during 2016 indicate that the extractive sector's contribution to total government revenue is 96.7%, as shown in in the table below:

Revenue	Actual Revenue 2016 (USD)
Crude oil export revenue	43,450,607,236
Corporate Income Tax (CIT)	534,835,453
State treasury share of SOE net profits	327,493,077
State partner shares in field remuneration fees	218,710,583
Total extractive sector revenue in Federal Iraq	**44,531,646,349**
Total Revenue in Federal Iraq	**46,031,531,234***
Share of extractive sector revenue from total revenue	**96.7%**

* Actual revenues are reported by the Ministry of Finance on its OBS portal[108], and have been converted to USD using the approved exchange rate of IQD 1,182 = USD 1.



[108] https://app.powerbi.com/view?r=eyJrIjoiYmFjMTM4NGEtYmQwOC00MDY3LThlMDgtYThhYjUzYWM1MjQxIiwidCI6IjU5NzAxNDZjLWM4YWUtNDMyNy1iZDAxLTg3YjY2M2Y2NmUyYiIsImMiOjEwfQ%3D%3D

6.4.4. Exports of extractive industries in terms of absolute value and as a percentage of total exports for the year 2016

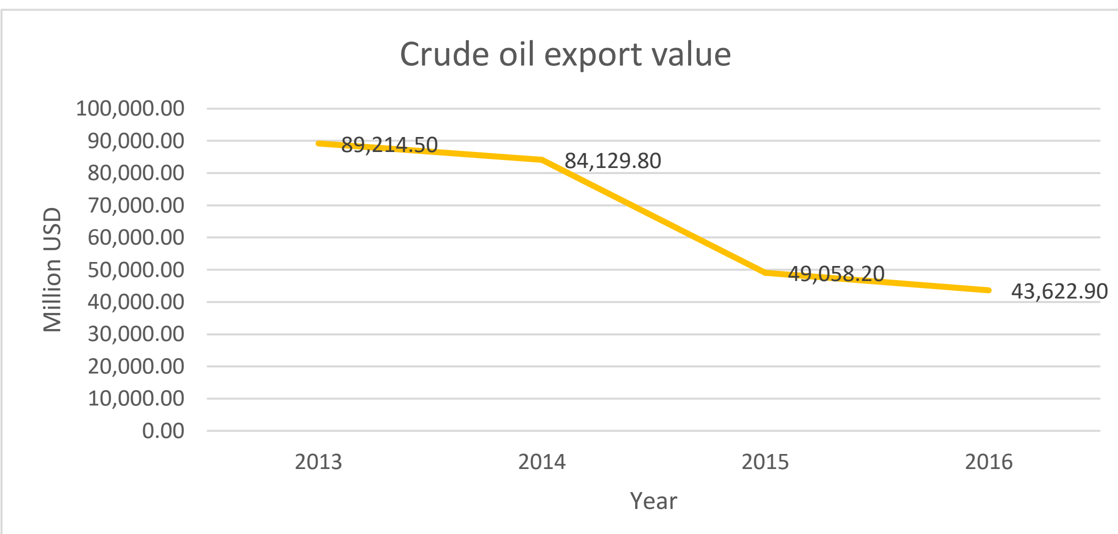
The following table presents the value of extractive industry exports compared with total country exports, for the period from 2013 to 2016. Exports from the oil sector makes up the majority of total exports. In combination with the limited commodity exports, this leaves the Iraqi economy vulnerable to oil price fluctuations.

As displayed in the table below, crude oil and oil product exports for the year 2016 make up 99.79% 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 2013 to year 2016. While the quantities of crude oil exports have increased by 10.18% in 2016 from 2015, the value of crude oil exports have decreased by 11.07%.

Commodity Export	2013		2014		2015		2016	
	Bill (IQD)	Mill (USD)	Bill (IQD)	Mill (USD)	Bill (IQD)	Mill (USD)	Bill (IQD)	Mill (USD)
Crude oil	104,024.1	89,214.5	98,095.4	84,129.8	57,201.8	49,058.2	51,562.3	43,622.9
Oil products								
Regular fuel oil	-	-	33.1	28.4	82.9	71.1	-	-
Total products oil	3.6	3.1	2.2	2	1.1	0.9	-	-
Residue of the distillation	215.6	184.9	167	143.2	-	-	-	-
Naphtha	-	-	-	-	94.6	81.1	71.9	60.8
Total oil products	**219.2**	**188.0**	**202.3**	**173.6**	**178.6**	**153.1**	**71.9**	**60.8**
Commodity export	402.2	339.4	241.5	202.7	230.5	191.2	108.3	90.3
Total Exports	**104,645.5**	**89,741.9**	**98,539.2**	**84,506.1**	**57,610.9**	**49,402.5**	**51,742.5**	**43,774.0**

Source: Ministry of Planning



6.4.5. Employment in extractive sector in the year 2016

The following table presents total number of employees in the MoO and its formations, for the year 2016:

Employment in the Oil and Gas Sector (Federal Iraq)		
#	Entity	Number of employees
1	Ministry HQ	1,332
2	Oil Exploration Company	1,990
3	Iraqi Drilling Company	8,185
4	Oil Pipeline Company	6,381
5	State Company for Oil Projects (Oil Projects Company)	3,362
6	Heavy Engineering Equipment State Company	2,178
7	State Oil Marketing Company (SOMO)	302
8	Gas Filling Company	7,013
9	Oil Products Distribution Company	22,516
10	South Gas Company	5,319
11	North Gas Company	3,384
12	South Refineries Company	7,249
13	North Refineries Company	9,928
14	Midland Refineries Company	6,878
15	Iraqi Oil Tankers Company	487
16	Basra Oil Company	28,864
17	North Oil Company	12,454
18	Midland Oil Company (MdOC)	2,711
19	ThiQar Oil Company	1,907
20	Missan Oil Company	4,699
21	Petroleum Research & Development Center (PRDC)	354
Total		**137,493**
Total number of employees in Iraq during 2016[109]		**1,534,094**
Percentage of employment in the oil and gas sector (public and governmental entities), relative to the total number employment in Iraq during 2016		**8.96%**

[109] The total number of employees in Iraq was obtained from the MoP through the IEITI

Employment in the oil and gas extractive SOEs		
#	Entity	Number of employees
1	North Oil Company	12,454
2	Midland Oil Company (MdOC)	2,711
3	ThiQar Oil Company	1,907
4	Missan Oil Company	4,699
5	Basra Oil Company	28,864
6	Oil Exploration Company	1,990
Total		**52,625**
Total number of employees in Iraq during 2016[110]		**1,534,094**
Percentage of employment in the oil and gas extractive SOEs, relative to the total number employment in Iraq during 2016		**3.43%**

The following table presents total number of employees in MoIM (including its formations), for the year 2016:

Employment in the Mining Sector (Federal Iraq)	
Entity	Number of employees
Ministry of Industry and Minerals[111]	117,482
Total number of employees in Iraq during 2016	**1,534,094**
Percentage of employment in the mining sector (public and governmental entities), relative to the total number employment in Iraq during 2016	**7.65%**

[110] The total number of employees in Iraq was obtained from the MoP through the IEITI

[111] The total number of employees in the Ministry of Industry and Planning was obtained from the MoP through the IEITI

6.4.6. Employment under licensing rounds during the year 2016

The following table illustrates the total number of employees in licensing round fields during 2016. 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.

Field employees during the year 2016					
Field	**Number of national employees**	**Number of foreign employees**	**Total field employees**	**Percentage of national employees**	**Percentage of foreign employees**
Rumaila	6,851	503	7,354	93.2%	6.8%
Zubair	2,483	206	2,689	92.3%	7.7%
West Qurna (Phase 1)	1,675	134	1,809	92.6%	7.4%
Garraf	275	460	735	37.4%	62.6%
Majnoun	652	811	1,463	44.6%	55.4%
West Qurna (Phase 2)	611	546	1,157	52.8%	47.2%
Siba	97	6	103	94.2%	5.8%
Block 8	1	6	7	14.3%	85.7%
Badra	1,265	783	2,048	61.8%	38.2%
Ahdeb	2,776	1,019	3,795	73.1%	26.9%
Total	**16,686**	**4,474**	**21,160**		

Source: data received from the respective NOCs

The following table presents the total employment by IOCs in their respective local Iraq branches, during the year 2016.

IOC (Iraq branch) employees during the year 2016						
IOC 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	856	111	967	88.5%	11.5%
BP Iraq	Rumaila	6,644	441	7085	93.8%	6.2%
ENI Iraq B.V	Zubair	13	379	392	3.3%	96.7%
Kogas	Akkas	4	45	49	8.2%	91.8%
Petrochina	Halfaya	1040	404	1444	72.0%	28.0%
LUKOIL Mid-East	West Qurna Phase 2	630	1028	1658	38.0%	62.0%
PPL Asia E&P B.V Iraq	Block 8	1	3	4	25.0%	75.0%
Petronas Iraq	Garraf	338	342	680	49.7%	50.3%
CNNOC Iraq	Missan fields	1,570	238	1808	86.8%	13.2%
Kuwait Energy	Siba	61	11	72	84.7%	15.3%
	Block 9	53	8	61	86.9%	13.1%
Inpex	Block 10	1	1	2	50.0%	50.0%
LUKOIL Overseas Exploration (LOEI)	Block 10	2	37	39	5%	95%
Total		**11,213**	**3,048**	**14,261**		

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".

6.4.7. Training under licensing rounds

The following table reflects the value of amounts spent by IOCs during 2016 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. Amounts paid by IOCs in respect of the TTS fund, are mandatory expenditures as per the contract terms, however, do not constitute a form of mandatory social expenditures.

IOC	Field	Training course name	Number of beneficiaries	Cost (USD)	Training requirement
Al-Waha Petroleum	Ahdeb	1-Oil and Gas refining and analysis	12	318,559	TTS Fund
		2- HSE for oil and gas industry safety	12		
		3- Field Development planning at oil and gas facility	12		
BP	Rumaila	-	-	625,490	-
ENI	Zubair	1- Introduction to Finance Management	12	79,710	Voluntary
		2- Auditing of Contracts	9	91,470	
		3- Piping and Long Distance Pipelines	12	37,000	
		4- English Language	317	168,000	TTS Fund
		5- HSE	9,466	473,298	
Petrochina	Halfaya	1- The Fiducially Procurement system used by contractor in contracts and licensing	-	67,400	TTS Fund
		2- Service contracts, Petroleum licenses and sharing contracts	-	134,500	
		3- Modern techniques in planning and following up	-	130,349	
		4- Financial Obligation in contracts and Licensing	-	163,021	
		5- Gas Processing (LPG-LNG-NLG) production, management and handling	-	216,339	
		6- English Language Training for MOC	-	90,420	
LUKOIL Mid-East ltd	West Qurna (Phase 2)	International Arbitration Course	15	61,500	TTS Fund
		Technology payments (not training course)	N/A	105,000	
		Scholarship payments (not training course)	N/A	848630	
Kuwait Energy	Siba	No training programs were undertaken during the year 2016			
	Block 9	No training programs were undertaken during the year 2016			

IOC	Field	Training course name	Number of beneficiaries	Cost (USD)	Payment / training requirement
Inpex	Block 10	No training programs were undertaken during the year 2016			
Kogas	Akkas	No training programs were undertaken during the year 2016			
PPL Asia E&P B.V Iraq	Block 8	No training programs were undertaken during the year 2016			
LUKOIL Overseas Exploration (LOEI)	Block 10	1- Operation and maintenance of centrifugal pump	10	207,081	TTS Fund
		2- Oil refining Catalytic process	10	208,587	TTS Fund
		3- Advanced Vibration Monitoring System	10	210,967	TTS Fund
CNOOC Iraq	Missan fields	Various (Refer to Annex 14 for details)		985,272	TTS Fund
PT. Pertamina International - Iraq	West Qurna (Phase 1)	-	-	522,789[112]	TTS Fund
Shell	Majnoun	-	-	4,592,217[113]	TTS Fund
Total				**10,337,599**	

[112] According to the contractor, the details of the training costs is with the field operator.

[113] This figure was reported by BOC on behalf of Shell

7. Outcomes and impact

7.1. Data accessibility and public debate (Requirements 7.1 and 7.2)

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 2016 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. Observations and Recommendations

Observation	Recommendation
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.	• 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 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.
Although delays in reporting data was 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 the this initiative than were the non-governmental entities.	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.

Observation	Recommendation
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.	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.
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 this IEIT 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.	It is recommended that more attention is 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.
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 2016.	We recommend that the PCLD enhance 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 publish on its website a description of the instructions for participating in the bidding process of licensing rounds.
It was noted that petrodollar allocations and Governorate Development Program allocations reported by the MoF, were higher than the amounts allocated in the Federal Budget Act for the year 2016.	While the difference is potentially due to allocations that have been carried forward from previous years, the MSG recommends that the MoF report annual allocations, clearly identifying the amounts that have been carried forward from previous years.
It was noted that each of the national oil companies applies a different methodology for calculating gas production costs.	It is recommended that a unified mechanism for calculating gas production be adopted by all national oil companies, to allow for consistency in cost calculation.
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.	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.

7.3. Follow up on recommendations

Annual activity reports are published on the IEIT website to demonstrate actions taken and progress made against previous recommendations. The progress against the recommendation of the IEITI report for the year 2015 can be found in the IEITI Annual Progress Report for year 2016[114] published on its website. In addition, progress has been made against a number of EITI recommendations based on the Validation of the 2015 IEITI report. Although not all the benefits of the action points were noticeable during the 2016 reporting period, it is expected that these changes will continue to drive improvements in the completeness and accuracy of data relating to the extractive sector in Iraq for future EITI reports. Progress made against the following recommendations, was primarily based on information provided by the Iraqi EITI, as follows:

Recommendation	Action points taken
In accordance with requirement 1.1, the government should demonstrate that it is fully, actively and effectively engaged in the EITI process. The government should demonstrate its commitment to the EITI by appointing a government lead to chair the process and ensure that senior government officials are represented and engaged in the multi-stakeholder group. The government should also ensure that links are made between Iraq's EITI's objectives and ongoing work within their respective agencies.	In response to this recommendation, the MSG exerted the following efforts: 1- The MSG's Internal Governance Policy was approved by the MSG in its meeting no. 54 dated 4 June 2018, and stipulates that the Chair of the MSG should preferably be a Minister. 2- On 13 December 2018, the MSG obtained preliminary approval to appoint the Deputy Prime Minister of Energy /Minister of Oil as the Chair of the MSG (the MSG authorized the National Coordinator to approach the Deputy Prime Minister in that regard). 3- The Iraqi Government, represented by the General Secretariat of the Council of Ministers provided the State Council with the draft Extractive Industries Transparency Committee Law (Letter No. 39321 on 4 December 2017), for review. 4- A commission was formed to ensure the proper implementation of the EITI corrective actions (Decree No. 40397 dated 14 December 2017 issued by the Iraqi Government) 5- Executive Order No. 135 dated 21 December 2017, was issued by the Iraqi Government, to form the Extractive Industries Transparency Committee 6- The Minister of Oil approved the adoption of the work plan submitted by the MSG's government representatives, in relation to direct disclosure project (based on executive order no. 52 dated 1 February 2018). In addition, the Ministry of Oil's Legal Affairs Office issued a letter to circulate the plan to the concerned parties, for adoption by national oil companies.

[114] http://ieiti.org.iq/ar/listing/reports-and-publications/activity-report

Recommendation	Action points taken
In line with Requirement 1.2, the MSG should develop a plan to engage more actively with the industry constituency, for instance through the Iraq Oil Company Forum. To galvanise industry's attention, the MSG should ensure extensive consultations with industry are undertaken to ensure EITI implementation objectives are consistent with priorities of the industry constituency.	1. The MSG arranged multiple meetings to motivate active industry participation. In addition, a letter was sent by the MSG explaining the responsibilities of the respective industry participants 2. Substitutes for the representatives of the International Oil Companies on the MSG were elected as follows: • Mr. Mustafa Mohammad Reda, an alternate for Mr. Zaid Yaseri (representative of BP), to attend MSG meetings when Mr Zaid is unable to attend • Mr. Ghassan Alsidawi, an alternate for Mr. Gati Al-Jebouri (representative of LUKOIL Mid-East), to attend MSG meetings when Mr Gati is unable to attend • Mr. Najm al-Ta'ie, an alternate for Mr. Abd Malik Jaffar (representative of PETRONAS), to attend MSG meetings when Mr Abd Malek is unable to attend
In line with Requirement 1.3, to strengthen implementation, civil society members of the MSG may wish to consider formalizing and strengthening their mechanisms for canvassing the broader constituency on key EITI documents, in order to broaden public oversight of EITI reporting and implementation. Basic improvements in MSG governance such as the use of Arabic as the working language should encourage more active civil society participation	1. The MSG civil society representatives were elected on 15 September 2018 2. The MSG adopted the use of Arabic as the MSG's working language (Meeting No. 44 on 17 May 2017)
In line with Requirement 1.4, to strengthen implementation, the MSG should update its internal governance rules to cover all provisions of Requirement 1.4, develop a language policy that is conducive to achieving the goals of implementation in Iraq and publish procedures for nominating and changing MSG representatives, including the duration of mandates. The MSG should revisit its internal decision-making procedures to ensure statutory MSG rules are in line with current practice and treat each of the constituencies as equal. The MSG should also clarify whether there is a practice of per diems for attending EITI meetings or other payments to MSG members, consider keeping public attendance records and consider posting MSG minutes online.	1. The MSG representatives were restructured in accordance with Executive Order No. 135 dated 21 December 2017 2. MSG representatives nomination/election procedures were published on IEITI website and the official newspapers (in Arabic and Kurdish languages), in addition to the official website of the General Secretariat of the Council of Ministers and it's affiliate in KRG. 3. The MSG drafted the Extractive Industries Transparency Committee Law, which was approved. 4. The MSG issued an Internal Governance Policy in line with EITI requirements 5. The duration of mandates of the MSG representatives was stipulated in the Internal Governance Policy adopted by the MSG 6. 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. 7. The MSG minutes of meeting are published on the IEITI website.

Recommendation	Action points taken
In line with Requirement 1.5, MSG members should in the future consult with stakeholders from all constituencies and ensure that national priorities are adequately reflected in the work plan in order to continue building on the recent efforts to bring the work plan in line with the EITI's requirements	The MSG issued a work plan reflecting the national priorities of the extractive industries, and specified a timeframe for its implementation (May 2018 – April 2019)
MSG should ensure that future IEITI Reports provide descriptions of the main laws and fiscal terms related to the mining, oil and gas sectors and of recent or ongoing reforms	1. The MSG outlined all applicable laws governing the extractive sectors in Iraq (including KRG). In addition, the IEITI prepared and published on its website, a study of the legal framework applicable to the extractive sector in Iraq. 2. The MSG identified the roles and responsibilities of the entities in charge of overseeing the extractive sectors in Iraq. This information has been presented in the IEITI 2016 report. In addition, a description of the recent and ongoing legal reforms were identified by the MSG and have been described in the report.
In line with Requirement 2.2, the MSG should ensure that future IEITI Reports clearly define the number of licenses (including Technical Service Contracts) awarded and transferred in the year(s) under review in both mining and oil and gas, describe the actual process and highlight any non-trivial deviations in practice. The MSG should clarify the technical and financial criteria (and their weightings) used for assessing allocations and transfers of licenses and equity in TSC consortia, both for any discretionary oil and gas contracts (including in the KRG) and for mining license awards and transfers. The MSG may also wish to comment on the efficiency of the current contract allocation and transfer system as a means of clarifying procedures and curbing non-trivial deviations.	1. The PCLD has provided the Iraqi ETI with the technical and financial criteria used in awarding licenses under all five licensing rounds conducted up to year 2018. This process has accordingly been described in the report. 2. Despite numerous efforts exerted by the MSG, IEITI and the IA, KRG and the companies operating in the Kurdistan Region did not report the requested information. Due to the KRG's lack of cooperation in the IEITI 2016 reporting process, all information included in the report is based on publicly available information. As it relates to the KRG, limited information was available on the Ministry of Natural Resources and the KRG's website in relation to the licensing process applied when entering into PSCs with IOCs, or when assigning ownership interest in PSCs. Publicly available information was described in the report. However, information relevant identified online was included in the report. 3. The Ministry of Mining did not provide the Independent Administrator with a description of the criteria used when contracting with private and public sector companies, or when transferring ownership interest in a contract.
The MSG should ensure that future IEITI Reports provide all information covered under Requirement 2.3 for all licenses held by material companies (including both oil and gas and mining) or provide a link to where such license information is available to the public. The MSG may also wish to work with the MoO and MIM to disclose license information for all material companies through a publicly accessible cadastral system and provide free access to such a register online.	1. The IEITI website is currently a repository of applicable laws and regulations, licensing round contract templates, and the PCLD's licenses register. 2. The MSG worked on ensuring that the current IEITI Report provides all information covered under Requirement 2.3

Recommendation	Action points taken
In line with Requirement 2.4, the MSG should work with government representatives to clarify the Federal Government's policy on contract disclosure and document any instances of contract disclosure either through future IEITI Reports or through other channels such as the IEITI website. The MSG is also encouraged to undertake a detailed review of which PSCs have been published by the KRG, with a view to clarifying the practice of contract disclosure in the KRG.	The MSG worked with the Government and different governmental bodies such as the MoO to clarify the Federal Government's policy on contract disclosures. Accordingly, the identified state policy on contract disclosures has been disclosed in the 2016 IEITI report.
In line with Requirement 2.5, the MSG should clarify the government's policy on beneficial ownership disclosure in future IEITI Reports and provide the legal ownership of all material companies. The MSG may wish to consider how reporting of transfers of equity in TSC consortia and mining licenses under Requirement 2.2 may help support work on beneficial ownership disclosure.	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 2016 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.
The MSG should ensure that all aspects of Requirement 2.6 are adequately addressed during the scoping for future IEITI Reports. It should clearly establish its definition of SOEs to delineate the SOEs within the scope of EITI reporting. The MSG should include a comprehensive list of SOEs and their subsidiaries in the next IEITI Report, clarifying the financial relations in practice between SOEs and government as well as any loans and loan guarantees from the government or SOEs to upstream mining, oil and gas companies. The MSG may wish to work closely with MoO and the NOCs to shape the structure of routine disclosures as a means of publishing information required under the EITI Standard on a timelier basis.	1. The MSG has defined SOEs in accordance with Law No. 22 of 1997 (as amended). As per the Law, mixed sector companies are not considered state-owned entities, and are governed by a different law (Law No.21 of 1997). 2. The MSG has identified all SOEs operating in the extractive industries, and has described the fiscal relationships between the state owned entities and the government. 3. The MSG has provided a description of both the statutory and actual financial relations between the government and SOEs. 4. The MSG has also provided a descriptive illustration of the financial relations between the government entities, SOEs, and international companies involved in the extractive sector in Iraq (oil buyers and companies working in Iraq under service contracts), in both mining, and oil and gas sectors. 5. There MSG has clarified that, while the law (Law No. 22 of 1997 as amended) allows public companies to obtain and grant third-party financing. In practice, SOEs do not obtain direct third-party financing.
In line with Requirement 3.2, the MSG should ensure that future IEITI Reports disclose the production volumes and values for all every extractives commodity produced, including crude oil, natural gas and every mineral produced. To continue improving under Requirement 3.1, the MSG may wish to expand its coverage of the mining sector by including more specific updates on current production, primarily in quarrying.	1. The 2016 IEITI report discloses the volumes of production in the extractive sector for oil, gas and minerals, and provides a description of the methods adopted by each of the national oil companies in the calculation of volumes and cost of oil and gas production. 2. The IEITI report for year 2016 clearly distinguishes between fields under the control of the federal and regional government.

Recommendation	Action points taken
In line with Requirement 4.1, the MSG should consider undertaking a comprehensive scoping study to consider options for defining materiality thresholds ahead of agreeing the ToR for its next EITI Report. The MSG should ensure that all material revenue flows (in both petroleum and mining) listed under Requirement 4.1.b are included in the scope of reconciliation and that the materiality threshold for selecting companies ensures that all payments that could affect the comprehensiveness of EITI reporting be included in the scope of reconciliation. The list of material companies should also clearly be defined. The MSG is invited to consider whether setting a quantitative materiality threshold for selecting companies would ensure these aims are met. The MSG should ensure that Iraq's next IEITI Report includes the IA's assessment of the materiality of omissions, its statement on the comprehensiveness of the IEITI Report and that full unilateral government disclosure of material revenues from non-material companies is included. In accordance with requirement 8.3.c.i, the MSG is required to develop and disclose an action plan for addressing weaknesses in data comprehensiveness documented in the initial assessment and Validator's report within three months of the Board's decision, i.e. by 26 January 2018.	1. The MSG considered a quantitative materiality threshold to determine which revenue streams would be deemed material for the purpose of the 2016 IEITI report. 2. The quantitative threshold applied to define materiality was all revenue streams and payments that are known to contribute two percent or more of the revenue received by the government from the mining and oil and gas sectors. 3. The MSG considered a zero materiality threshold for companies contributing to the material revenue streams in Iraq. 4. The IEITI report for 2016 includes the IA's assessment of the materiality of omissions, for companies that did not report the requested revenue related data. 5. Where material companies did not report their respective revenue-related data, the IEITI report presented the revenue unilaterally disclosed by the Government.
While there is no evidence of barters or infrastructure agreements in the KRG, the MSG is encouraged to examine all of the published KRG PSCs to assess the potential for infrastructure provisions or barter components of these PSCs in line with Requirement 4.3	The IEITI has reviewed a sample of contracts published on the website of the KRG, and did not identify any barter provisions or swaps within the PSC terms.
In line with Requirement 4.4, the MSG is strongly encouraged to review the financial statements of the six SOEs engaged in transportation, distribution and marketing of oil and gas to assess the materiality of any potential revenues to government, through transfers to the MoF.	The MSG has clarified that the Government receives its share of the revenues generated by the six transportation, marketing and distribution state owned entities through the 45% treasury share remittances, which is applicable to all SOEs operating in Iraq.
In line with Requirement 4.5, the MSG should clarify the scope of transactions between SOEs and other government agencies as well as between SOEs and companies in the mining, oil and gas sector. Drawing upon the MSG's definition of SOEs under Requirement 2.6, the MSG should ensure future IEITI Reports disclose the disaggregated value of such financial transactions for the year under review. Given the lack of clarity surrounding financial relations between oil and gas SOEs and the government, the MSG is encouraged to consider whether reconciliation of such financial transactions (both statutory and ad hoc) would further the broader objective of transparency in transactions between SOEs and government.	1. The MSG has clarified the financial relations between SOEs and the government, and has assessed the materiality of such transactions. 2. The MSG has determined that Internal Service payments, which are made by the MoF (though SOMO) to national oil companies to cover cost of production that is exported, should be reconciled in the IEITI 2016 report, due to their importance, regardless of their quantitate materiality. In addition, the MSG has clarified that Oil Exploration Company has started receiving ISP from SOMO during 2016, due to its indirect involvement in the export process (through its exploration work).

Recommendation	Action points taken
The MSG should secure the KRG's active participation in scoping and shaping Iraqi EITI disclosures of direct subnational payments under Requirement 4.6. The MSG is encouraged to consider whether working with the MoO and the KRG to establish its own regional-level structure for EITI implementation could ensure more efficient coverage of subnational direct payments. The KRG's EITI MSG could publish its own reports, which could then be included in the national IEITI Reports	The MSG and the IA repeatedly attempted to attain the KRG's participation in the IEITI reporting for the year 2016; however, 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 Kurdistan Region in the IEITI 2016 report.
The MSG should ensure that all reconciled financial data is disaggregated by company, revenue stream and government entity.	All reconciled financial data is disaggregated by revenue stream, government entity, and where possible, by company (in some instances reconciled data is presented by field).
In line with Requirement 4.9, the MSG should ensure that a review of actual auditing practices by reporting companies and government entities be conducted before agreeing procedures to ensure the reliability of EITI information. The MSG should also ensure that the ToR for the IA is in line with the standard ToR approved by the EITI Board and that its agreement on any deviations from the ToR in the final EITI Reports be properly documented. The MSG should also ensure that the IA include an assessment of whether the payments and revenues disclosed in the EITI Reports were subject to credible, independent audit, applying international auditing standards as well as a description of follow-up on past EITI recommendations.	The auditing practices of reporting companies and government entities were described in the IEITI's scoping study, and accordingly data quality assurance measures, were determined jointly by the MSG and the IA to ensure the reliability of reported information in the IEITI 2016 report.
In line with Requirement 5.1, the MSG should work with the IA in preparing the next IEITI Report to clearly trace any mining, oil and gas revenues that are not recorded in the national budget and clearly explain the allocation of any off-budget revenues. To further strengthen implementation under Requirement 5.3, the MSG could consider tracking more comprehensively the spending of extractive industry revenues earmarked for specific purposes. This form of annual diagnostic of public financial management would be of particular relevance to the IMF's standby agreement with Iraq.	The MSG assessed all revenue streams and determined that all revenues are recorded in the federal budget with the exception of the KRG revenues.
In line with Requirement 5.2, the MSG should assess the materiality of subnational transfers and ensure that future IEITI Reports provide the specific formula for calculating subnational transfers linked to extractives revenues to individual governorates, disclose any material subnational transfers and any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity.	The MSG identified the types of subnational transfers applicable in Iraq, and ensured that the IEITI Report provides: • the specific formula for calculating subnational transfers linked to extractives revenues to individual governorates, • disclose any material subnational transfers and any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity

Recommendation	Action points taken
In line with Requirement 5.3, the MSG could consider working with relevant stakeholders including parliamentarians to ensure that future EITI Reports provide additional information on budgetary oil price and production assumptions as well as revenue forecasts.	Budgetary oil price and production assumptions are included in the Annual Federal Budget Act of Iraq.
In line with Requirement 6.1, the MSG should clarify ensure that reporting of mandatory social expenditures be disaggregated by type of payment and beneficiary, clarifying the name and function of any non-government (third party) beneficiaries of mandatory social expenditures. The MSG may also wish to consider the feasibility of reconciling mandatory social expenditures.	1. The IEITI conducted a social expenditures study to identify all mandatory and voluntary social expenditures. 2. The MSG has assessed the materiality of mandatory social expenditures
The MSG should ensure that future IEITI Reports provide the extractive industries, in oil and gas as well as mining in Iraq (including Kurdistan), share of GDP, government revenues, exports and employment in absolute and relative terms. It should also ensure that the location of all significant production is clearly delineated.	The current IEIT report provides extractive industries share of GDP, government revenues, exports and employment in absolute and relative terms.
In line with Requirement 7.1, IEITI should ensure that future reports are comprehensible, actively promoted, publicly accessible and contribute to public debate. IETI should consider developing a communications strategy that looks beyond building brand recognition to addressing the national priorities identified in the work plan. IEITI should also agree a clear policy on the access, release and re-use of EITI data and make EITI Reports available in an open data format online.	1. The IEITI reports are published on the IEITI website and made available in an open data format online. In addition, reports are made available on USB flash drives in order to encourage the different parties to share information easily 2. The Terms of Reference for the IEITI reports for years 2016 and 2017 have been published on the IEITI website.
In line with Requirement 7.3, the MSG should consider how to act upon lessons learned in regards to the KRG and identify opportunities to increase engagement with stakeholders there. The MSG could also take a proactive role in formulating its own recommendations.	1. The MSG made several and extensive efforts to attain KRG's participation in the initiative, as follows: • The MSGF 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 • 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. • 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. 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.

Recommendation	Action points taken
In line with Requirement 7.4, the MSG should ensure that annual progress reports reflect activities in the year under review clearly and that progress against the work plan is clear. The MSG should also ensure that all stakeholders are given an opportunity to provide input to the annual progress report and that their views are adequately reflected. As secretariat staff participating in meetings makes up a large part of the annual progress report's listed activities, the MSG may wish to consider what kind of activities the report should include. The MSG should also consider drafting and publishing annual progress reports in Arabic to improve the dialogue between stakeholders and ensure that there is a common understanding of the activities carried out by the MSG in the year under review.	1. Annual progress reports are published on the IEITI website. 2. The MSG uses annual progress reports to monitor implementation of action points to address recommendation, and efficiently improve the work plans. 3. The annual progress reports reflect the annual activities carried out by the MSG.

Annex 1 – List of bidders during the first licensing round

Field	Bidding companies or (consortia)	Bid Rem. Fee (RFB) $/b	Companies Plateau production target (PPT) B/d	Comments
Rumaila	BP+CNPC	3.99	2,850,000	Awarded at a remuneration fee of $2/barrel, which was set by the Ministry of Oil (MRF)
	ExxonMobil + Petronas	4.8	3,100,000	
West Qurna (Phase 1)	Total	7.5	900,000	
	ExxonMobil + Shell	4	2,326,000	Awarded at a remuneration fee of $1.9/barrel, which was set by the Ministry of Oil (MRF)
	Repsol+ Statoil + Maersk	19.3	650,000	
	LUKOIL + ConocoPhillips	6.49	1,500,000	
	CNPC + Japex + Petronas	2.6	1,900,000	
Zubair	Eni + Sinopec+ OXY + Kogas	4.8	1,125,000	Awarded at a later date to (Eni+ Oxy + Kogas) at a remuneration fee of $2.3/barrel, which was set by the Ministry of Oil (MRF)
	ExxonMobil+ Sell+ Petronas	4.8	850,000	
	ONGC + Gazprom+ TPAO	9.9	525,000	
	CNPC+BP	4.09	1,075,000	
Missan fields	CNOOC + Sinochem Co.	21.4	450,000	Awarded at a later date to (CNOOC + TPAO) at a remuneration fee of $2.3/barrel, which was set by the Ministry of Oil (MRF)
Kirkuk	Shell + CNPC + Sinopec + TPAO	7.89	825,000	The field was not awarded
Bai-Hussain	ConocoPhillips +CNOOC + Sinochem Co.	26.7	390,000	The field was not awarded
Akkas	Edison + Kogas + Petronas + CNPC+ TPAO	38	425mmscfd	The field was not awarded in that round
Al-Mansuriya	No Bidder			The field was not awarded in that round

Source of tables in Annex 1 through Annex 5 is the Ministry of Oil - PCLD

Annex 2 – List of bidders during the second licensing round

Field	Bidding companies or (consortia)	Bid Rem Fee (RFB) $/b	Companies Plateau Production Target (PPT) B/d	Comments
Majnoon	Shell + Petronas	1.39	1,800,000	The winning consortium at a remuneration fee of $1.39/barrel
	Total + CNPC	1.75	1,405,000	
Halfaya	ONGC + TPAO + Oil India	1.76	550,000	
	CNPC + Petronas + Total	1.4	535,000	The winning consortium at a remuneration fee of $1.4/barrel
	Eni + Sonangol+ CNOOC + Korea Gas + Occidental	12.9	400,000	
	Statoil + LUKOIL	1.53	600,000	
West Qurna (Phase 2)	Total	1.71	1,430,000	
	PETRONAS + Pertamina + Petro Vietnam	1.25	1,200,000	
	BP + CNPC	1.65	888,000	
	Statoil + LUKOIL	1.15	1,800,000	The winning consortium at a remuneration fee of $1.15/barrel
Garraf	TPAO + ONGC	2.76	200,000	
	Kazmunai + Kogas + Edison	2.55	185,000	
	Petronas + Japex	1.49	230,000	The winning consortium at a remuneration fee of $1.49/barrel
	Pertamina	7.5	150,000	
Badra	Gazprom + TPAO + Kogas + Petronas	6	170,000	The winning consortium at a remuneration fee of $5.5/barrel
Qaiyarah	Sonangol	12.5	120,000	The winning company at a remuneration fee of $5/barrel
Najmah	Sonangol	8.5	110,000	The winning company at a remuneration fee of $6.0/barrel
East Baghdad	No Bidder			
Eastern Fields	No Bidder			
Middle Furat	No Bidder			

Annex 3 – List of bidders during the third licensing round

Field	Bidding companies or (consortia)	Bid Rem Fee (RFB) $/BOE	Companies Plateau Production Target (PPT) MMSCFD	Comments
Akkas	TPAO + Total S.A	19	375	
	Kogas + Kazmunai Gas	5.5	400	The winning consortium at a remuneration fee of $5.5/barrel
Siba	Energy + TPAO Kuwait	7.5	100	The winning consortium at a remuneration fee of $7.5/barrel
	Kazmunai Gas	16	65	
Mansuriya	TPAO + Kuwait Energy + Kogas	10	320	The winning consortium at a remuneration fee of $7/barrel

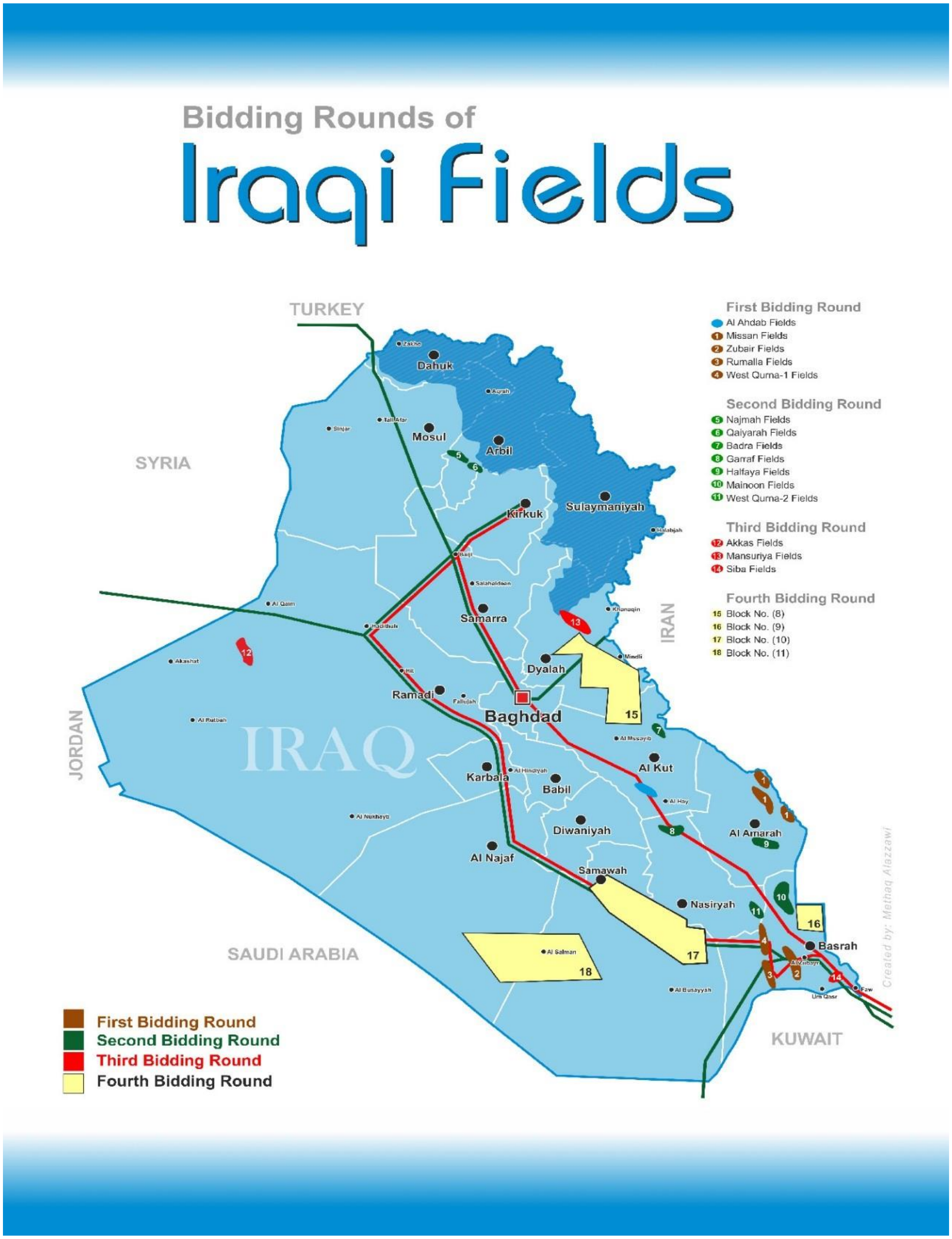
Annex 4 – List of bidders during the fourth licensing round

Block No.	Bidding companies or (consortia)	Bid Rem Fee (RFB) $/BOE	Comments
Block No.1	No bidder	-	-
Block No.2	No bidder	-	-
Block No.3	No bidder	-	-
Block No.4	No bidder	-	-
Block No.5	No bidder	-	-
Block No.6	No bidder	-	-
Block No.7	No bidder	-	-
Block No.8	Pakistan Petroleum Ltd	5.38	The winning company at a remuneration fee of $5.38/barrel
	Japex + Itochu	10.57	
Block No.9	Kuwait Energy + TPAO + Dragon oil	6.24	The contract was later awarded to the Kuwait Energy + Dragon Oil consortium at a remuneration fee of $6.24/barrel
Block No.10	Petro Vietnam + Bashneft + Premier Oil	7.07	
	LUKOIL Overseas + Inpex	5.99	The winning consortium at a remuneration fee of $5.99/barrel
	Kuwait Energy + Dragon oil	6.24	
Block No.11	No Bidder		
Block No.12	Petro Vietnam + Bashneft + Premier Oil	6.24	The contract was later awarded to the Bashneft + Premier consortium at a remuneration fee of $5/barrel

Annex 5 – List of bidders during the fifth licensing round

Contract Area	Company Name	Company Interest	MRPB	RPB
Gilabat-Qumar	Crescent Petroleum	100%	16.65%	9.21%
Khashim Ahmer-Injana	Crescent Petroleum	100%	20%	19.99%
Naft Khana	Geo-Jade Petroleum	100%	24.45%	14.67%
Zurbatiya	No Offer			
Shihabi	No Offer			
Huwaiza	Geo-Jade Petroleum	100%	7.16%	7.15%
Sindbad	United Energy Group (UEG)	100%	6.11%	4.55%
FAO	No Offer			
Jabal Sanam	No Offer			
Crescent Petroleum	Crescent Petroleum	100%	13.76%	13.75%
Arabian Gulf	No Offer			

Annex 6 – Map of Iraqi oil and gas fields (Licensing rounds in federal Iraq)



Annex 7 – Coordinates of Iraqi oil and gas fields (Licensing rounds in Federal Iraq)

All field and block coordinates listed in Annex 7 was obtained from the PCLD

First licensing round:

Missan Fields								
Abu Ghirab Field			Buzurgan Field			Fauqi Field		
Cornerpoint	Northing	Easting	Cornerpoint	Northing	Easting	Cornerpoint	Northing	Easting
B	3,575,400	734,500	A	3,546,300	739,500	A	3,549,800	740,400
C	3,573,500	731,700	B	3,544,000	730,000	B	3,561,250	734,400
D	3,591,000	718,500	C	3,562,000	716,500	C	3,566,000	734,400
E	3,593,750	711,500	D	3,568,800	706,200	D	3,566,000	741,655
F	3,595,750	714,000	E	3,579,500	707,000	E	3,564,800	741,655
G	3,592,000	723,250	F	3,579,000	710,000	F	3,563,750	740,800
H	3,582,250	730,500	G	3,565,700	723,600	G	3,562,350	739,400
I	3,581,675	729,200	H	3,546,300	739,500	H	3,561,825	738,100
J	3,581,000	730,710				I	3,561,300	738,450
K	3,577,650	731,600				J	3,559,300	739,000
L	3,577,500	733,500				K	3,558,500	738,400
						L	3,556,350	741,400
						M	3,555,850	741,050
						N	3,555,300	741,800
						O	3,555,500	743,050
						P	3,555,450	744,150
						Q	3,555,800	744,600
						R	3,553,750	748,000
						S	3,552,800	749,000
						T	3,552,700	749,300
						U	3,549,800	749,300
						V	3,549,800	740,400

First licensing round (excluding Ahdeb field):

Rumaila		
Cornerpoint	Northing	Easting
A	3,407,000	733,107
B	3,369,290	730,070
C	3,333,000	744,840
D	3,332,982	744,031
E	3,332,962	743,134
F	3,332,947	742,449
G	3,332,923	741,331
H	3,332,895	740,068
I	3,332,884	739,543
J	3,332,871	738,942
K	3,332,847	737,867
L	3,332,819	736,555
M	3,332,812	736,239
N	3,332,790	735,181
O	3,332,771	734,323
P	3,332,756	733,612
Q	3,332,729	732,317
R	3,332,699	730,895
S	3,332,691	730,504
T	3,332,670	729,538
U	3,332,649	728,502
V	3,332,400	728,185
W	3,331,904	727,551
X	3,331,606	726,657
Y	3,331,761	726,600
Z	3,331,764	726,593
AA	3,347,378	717,116
CC	3,361,650	714,500
DD	3,407,000	714,500
EE	3,407,000	733,107
FF	3,400,000	732,535

Ahdeb		
Cornerpoint	Northing	Easting
A	A-548800	3,604,950
B	B-576300	3,590,800
C	C-569650	3,582,850
D	D-544400	3,596,100

West Qurna (Phase 1)		
Cornerpoint	Northing	Easting
A	3,426,000	714,000
B	3,426,000	731,000
C	3,400,000	731,000
D	3,400,000	714,000
E	3,426,000	714,000

Zubair		
Cornerpoint	Northing	Easting
A	3,399,000	750,600
B	3,363,500	760,200
C	3,353,000	771,000
D	3,329,100	771,000
E	3,331,700	764,000
F	3,331,700	760,700
G	3,361,800	742,200
H	3,393,200	738,600
I	3,399,000	750,600

Second licensing round:

West Qurna (Phase 2)		
Cornerpoint	Northing	Easting
A	3,450,350	713,250
B	3,450,350	723,900
C	3,426,000	731,000
D	3,426,000	714,000
E	3,436,600	713,350

Majnoon		
Cornerpoint	Northing	Easting
A	3,477,750	748,000
B	3,477,750	754,500
C	3,432,250	756,000
D	3,429,500	758,750
E	3,425,000	751,500
F	3,435,000	745,000
G	3,447,250	741,250
H	3,457,750	742,000

Halfaya		
Cornerpoint	Northing	Easting
A	3,516,150	717,250
B	3,514,000	732,500
C	3,510,615	737,850
D	3,506,250	740,000
E	3,501,000	748,150
F	3,499,250	747,300
G	3,497,000	737,250
H	3,505,000	723,380
I	3,515,000	717,000

Badra		
Cornerpoint	Northing	Easting
A	3,665,195	596,358
B	3,663,195	597,358
C	3,650,750	602,400
D	3,657,195	590,358

Qaiyarah		
Cornerpoint	Northing	Easting
A	3,972,500	337,000
B	3,967,696	343,115
C	3,964,846	349,665
D	3,958,796	348,765
E	3,961,196	342,365
F	3,963,496	339,365
G	3,969,000	334,000

Najmah		
Cornerpoint	Northing	Easting
A	3,978,500	329,250
B	3,977,196	333,365
C	3,973,196	337,365
D	3,969,250	334,000
E	3,971,196	330,365
F	3,973,750	326,500

Garraf		
Cornerpoint	Northing	Easting
A	3,528,250	586,500
B	3,523,000	601,750
C	3,512,500	614,750
D	3,505,500	610,250
E	3,518,750	582,750

Third licensing round:

Mansuriya		
Cornerpoint	Northing	Easting
A	3,786,000	490,000
B	3,772,000	500,000
C	3,770,000	498,000
D	3,770,000	494,000
E	3,780,000	486,000
F	3,784,000	486,000

Siba		
Cornerpoint	Northing	Easting
A	3,368,000	805,000
B	3,354,000	789,000
C	3,360,000	787,000
D	3,373,000	791,000

Akkas		
Cornerpoint	Northing	Easting
A	3,792,000	678,500
B	3,787,000	682,500
C	3,783,000	684,000
D	3,781,500	686,000
E	3,771,000	700,000
F	3,760,000	710,000
G	3,750,000	710,000
H	3,745,000	700,000
I	3,750,000	690,000
J	3,780,000	665,000
K	3,790,000	667,500

Fourth licensing round:

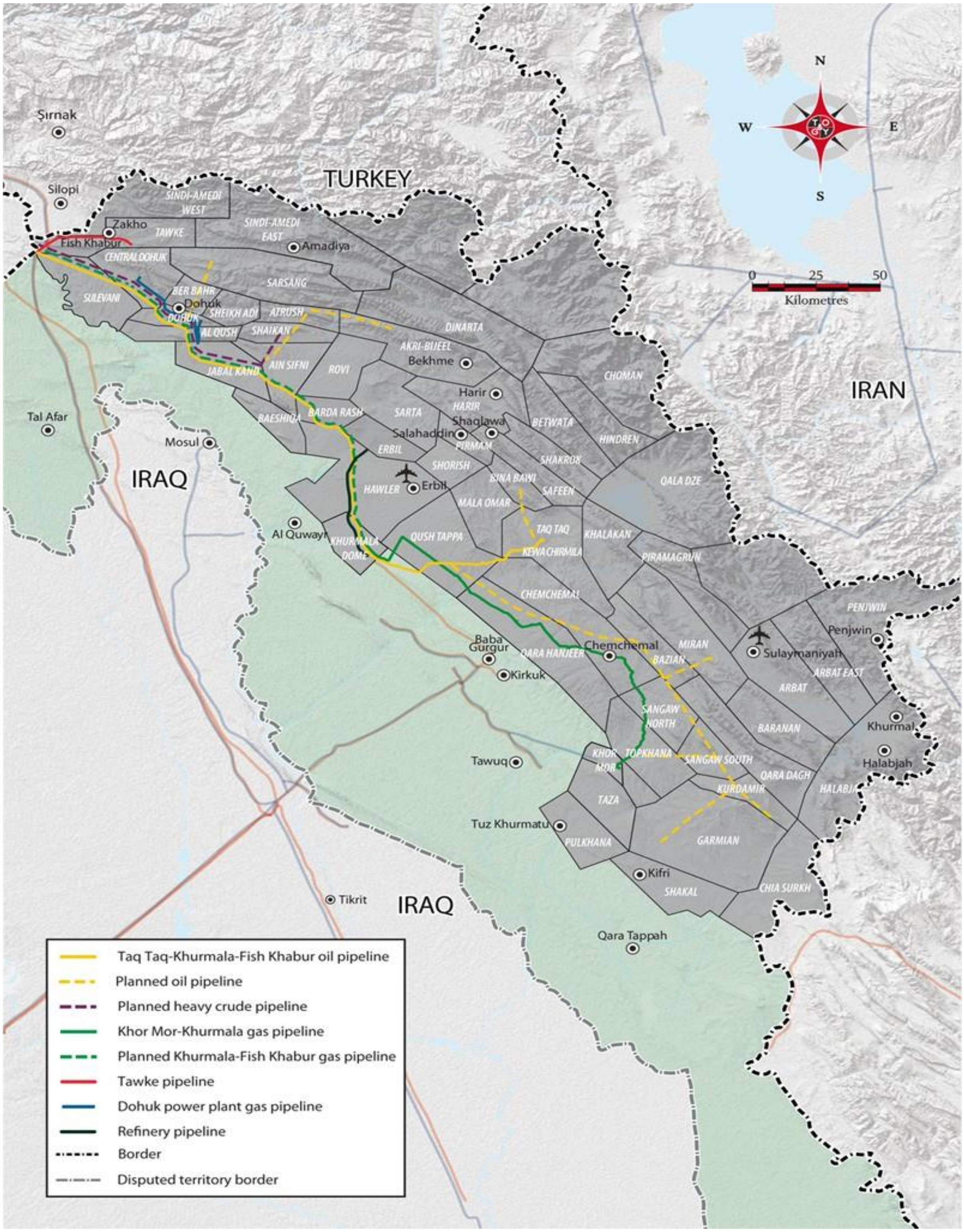
Block 8		
Cornerpoint	Northing	Easting
A	3,767,000	498,000
B	3,760,000	500,000
C	3,740,000	534,000
D	3,715,000	575,000
E	3,650,000	578,000
F	3,650,000	535,000
G	3,700,000	534,000
H	3,700,000	500,000
I	3,740,000	500,000
J	3,740,000	470,000
K	3,745,000	470,000

Block 9		
Cornerpoint	Northing	Easting
A	3,432,725	765,650
B	3,433,225	785,225
C	3,398,000	785,225
D	3,398,000	765,650

Block 12		
Cornerpoint	Northing	Easting
A	3,400,000	360,000
B	3,400,000	490,000
C	3,340,000	536,000
D	3,340,000	410,000

Block 10		
Cornerpoint	Northing	Easting
A	3,460,000	530,000
B	3,450,000	562,000
C	3,430,000	605,000
D	3,415,000	625,000
E	3,400,000	625,000
F	3,400,000	650,000
G	3,360,000	650,000
H	3,360,000	625,000
I	3,423,000	538,000
J	3,452,000	514,000

Annex 8 – Map of Iraqi oil and gas fields (KRG)



Annex 9 – Coordinates of Iraqi oil and gas fields (KRG)

Ain Sifni				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 44 05	42 59 04	320 042	4067 331
Point B	36 44 18	43 14 20	342 768	4067 294
Point C	36 45 13	43 14 45	343 406	4068 983
Point D	36 43 56	43 19 48	350 884	4066 467
Point E	36 44 23	43 39 04	379 577	4066 846
Point F	36 36 44	43 33 20	370 830	4052 821
Point G	36 32 05	43 29 51	365 500	4044 300
Point H	36 35 39	43 17 33	347 250	4051 194
Point I	36 39 51	42 59 09	320 000	4059 500

Akri Bijeel				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 51 58	43 40 49	382 370	4080 837
Point B	36 46 41	44 04 29	417 438	4070 662
Point C	36 42 28	44 18 13	437 805	4062 683
Point D	36 39 02	44 22 23	443 951	4056 300
Point E	36 34 39	44 15 35	433 758	4048 249
Point F	36 36 48	44 00 46	411 716	4052 445
Point G	36 44 33	43 51 12	397 536	4059 522
Point H	36 44 14	43 53 04	400 395	4066 302
Point I	36 46 36	43 40 44	382 100	4070 900

Arbat				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	35 41 06	45 30 30	545 986	3949 122
Point B	35 16 33	45 51 38	578 264	3903 961
Point C	35 12 21	45 46 47	570 980	3896 145
Point D	35 27 32	45 25 00	537 799	3924 011
Point E	35 33 16	45 20 31	531 002	3934 583
Point F	35 38 47	45 25 23	538 285	3944 795

Atrush				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 53 56	43 20 19	351,977	4,084,954
Point B	36 51 58	43 40 49	382,370	4,080,837
Point C	36 46 36	43 40 44	382,100	4,070,900
Point D	36 48 42	43 30 59	367,655	4,075,019
Point E	36 48 55	43 18 20	348,857	4,075,711
Point F	36 49 42	43 20 25	351,977	4,077,104

Baranan				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	35 27 32	45 25 00	537 799	3924 011
Point B	35 12 21	45 46 47	570 980	3896 145
Point C	35 05 40	45 42 06	563 951	3883 730
Point D	35 12 38	45 27 21	541 485	3896 486
Point E	35 21 24	45 19 16	529 171	3912 629

Barda Rash				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 32 05N	43 29 51E	365 500	4044 300
Point B	36 31 13N	43 43 35E	385 977	4042 422
Point C	36 28 00N	43 47 49E	392 200	4036 400
Point D	36 24 29N	43 41 30E	382 700	4030 000
Point E	36 26 24N	43 30 32E	366 358	4033 785

Pulkhana				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	34 57 35	44 32 39	458,386	3,868,672
Point B	35 01 35	44 39 42	469,142	3,876,034
Point C	34 47 44	44 55 03	492,441	3,850,381
Point D	34 45 54	44 50 11	485,028	3,847,006
Point E	34 43 28	44 42 52	473,851	3,842,519

Erbil		
	X (mE)	Y (mN)
Point A	392000	4036500
Point B	416000	4020000
Point C	411000	4016500
Point D	397000	4018000
Point E	383000	4030000

Bazian				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	35 47 18N	44 51 55E	487 823	3960 471
Point B	35 28 22N	45 12 49E	519 366	3925 488
Point C	35 25 02N	45 06 17E	509 496	3919 304
Point D	35 41 17N	44 49 08E	483 608	3949 365
Point E	35 42 17N	44 50 59E	486 395	3951 209
Point F	35 43 25N	44 51 21E	486 966	3953 291
Point G	35 45 24N	44 49 38E	484 380	3956 980

Bina Bawi				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 16 15	44 18 01	437 138	4014 203
Point B	36 16 41	44 19 55	440 000	4015 000
Point C	36 19 23	44 20 36	441 059	4019 967
Point D	36 13 11	44 29 21	454 088	4008 427
Point E	36 07 16	44 35 48	463 692	3997 443
Point F	36 05 53	44 31 06	456 640	3994 930
Point G	36 08 07	44 25 44	448 614	3999 114
Point H	36 10 39	44 23 25	445 172	4003 813

Central Dohuk				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	37 03 06	42 35 19	285 577	4103 317
Point B	37 05 23	42 40 25	293 240	4107 347
Point C	37 05 41	42 57 01	317 832	4107 347
Point D	37 01 46	42 57 10	317 911	4100 106
Point E	36 59 28	43 01 06	323 658	4095 715
Point F	36 51 30	42 54 33	313 596	4081 196
Point G	36 51 26	42 50 24	307 438	4081 196

Ber Bahr		
	X (mE)	Y (mN)
Point A	323 658	4095 715
Point B	327 174	4093 034
Point C	337 851	4089 544
Point D	328 900	4077 765

Dinarta				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	37 00 40	43 54 19	402 608	4096 666
Point B	37 02 05	43 57 35	407 489	4099 244
Point C	36 45 27	44 33 07	460 014	4067 931
Point D	36 39 16	44 29 37	454 738	4066 657
Point E	36 37 22	44 24 26	446 991	4053 174
Point F	36 39 02	44 22 23	443 951	4056 300
Point G	36 42 28	44 18 13	437 805	4062 683
Point H	36 46 41	44 04 29	417 438	4070 662
Point I	36 51 02	43 44 56	388 468	4079 015
Point J	36 56 21	43 46 48	391 368	4088 831
Point K	36 56 47	43 53 30	401 314	4089 499

Garmain				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	34.63551	45.3713	534031.75	3832686.29
Point B	34.79561	44.91737	492441.35	3850381.01
Point C	34.96277	44.94763	495219.19	3868916.11
Point D	34.98045	45.02579	502353.68	3870875.46
Point a	35.06713	45.16177	514750	3880500
Point b	35.03623	45.2075	518926.57	3877080.68
Point c	35.02421	45.26352	524040	3875760
Point d	35.00764	45.29284	526720	3873930
Point e	34.98434	45.40145	536640	38871380
Point f	34.87771	45.58477	553441.19	3859637.79
Point G	34.80646	45.52121	547673.04	3851704.89
Point H	34.6507	45.45126	541352.78	3834401.17

Sindi Amedi				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	37 12 45 N	43 38 20 E	379222	4119299
Point B	37 02 05 N	43 57 35 E	407489	4099244
Point C	37 00 40 N	43 54 19 E	402608	4096665
Point D	36 56 47 N	43 53 30 E	401314	4089499
Point E	36 56 21 N	43 46 48 E	391368	4088831
Point F	36 56 16 N	43 43 59 E	387178	4088720
Point G	37 00 10 N	43 38 18 E	378852	4096047
Point H	37 02 13 N	43 38 49 E	379673	4099827
Point I	37 05 48 N	43 17 36 E	348326	4106959
Point J	37 05 48 N	43 03 26 E	327342	4107347
Point K	37 12 29 N	43 03 16 E	327368	4119718
Point L	37 12 09 N	42 40 13 E	293240	4119886
Point M	37 08 06 N	42 40 20 E	293240	4112389
Point N	37 07 39 N	42 26 15 E	272367	4112082

Harir				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 39 02	44 22 23	443 951	4056 300
Point B	36 37 22	44 22 26	446 991	4053 174
Point C	36 35 07	44 24 17	446 753	4049 029
Point D	36 31 31	44 27 24	451 367	4042 358
Point E	36 25 16	44 29 52	454 972	4030 768
Point F	36 28 39	44 23 36	445 645	4037 082
Point G	36 28 05	44 22 39	444 221	4036 044
Point H	36 24 31	44 24 38	447 157	4029 433
Point I	36 23 32	44 23 01	444 709	4027 627
Point J	36 25 54	44 17 47	436 930	4032 054
Point K	36 23 44	44 14 21	431 780	4028 102
Point L	36 28 59	44 06 50	420 628	4037 878
Point M	36 34 24	43 57 03	406 126	4048 065
Point N	36 36 48	44 00 46	411 716	4052 445
Point O	36 34 39	44 15 35	433 758	4048 249

Shakal				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	34 38 08	45 22 17	534 032	3832 686
Point B	34 47 44	44 55 03	492 441	3850 381
Point C	34 45 54	44 50 11	485 028	3847 006
Point D	34 32 56	45 04 55	507 518	3823 022
Point E	34 34 05	45 09 36	514 676	3825 162
Point F	34 32 30	45 12 50	519 630	3822 237
Point G	34 34 02	45 15 08	523 126	3825 073
Point H	34 32 33	45 17 30	526 768	3822 338

Tawke				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	37 07 39	42 26 15	272 367	4112 082
Point B	37 08 06	42 40 20	293 240	4112 389
Point C	37 12 09	43 40 13	293 240	4119 886
Point D	37 12 29	43 03 16	327 368	4119 718
Point E	37 05 48	43 03 26	327 342	4107 347
Point F	37 05 41	42 57 01	317 832	4107 347
Point G	37 05 23	42 40 25	293 240	4107 347
Point H	37 03 06	42 35 19	285 577	4103 317
Point I	37 03 52	42 22 29	266 595	4105 251

Taq Taq		
	Latitude (deg min sec)	Longitude (deg min sec)
1	36 07 06.00 N	044 28 03.76 E
2	36 05 49.36 N	044 31 01.37 E
3	36 07 12.00 N	044 35 54.35 E
4	36 07 12.00 N	044 43 12.00 E
5	35 55 12.00 N	044 43 12.00E
6	35 45 24.20 N	044 49 37.95 E
7	35 43 24.61 N	044 51 21.17 E
8	35 42 16.99 N	044 50 58.62 E
9	35 41 17.04 N	044 49 07.80E
10	35 45 17.00 N	044 43 30.00 E
11	35 55 12.00 N	044 30 17.08E
12	35 55 12.00 N	044 22 48.00 E
13	36 03 57.59N	044 22 48.00 E

Dohuk		
	X (mE)	Y (mN)
Point A	296978	4112389
Point B	296978	4107347
Point C	317832	4107347
Point D	317911	4100106
Point E	327174	4093034
Point F	351977	4084954
Point G	351977	4077104
Point H	345355	4074146
Point I	342768	4067294
Point J	304710	4067356
Point K	298547	4071762
Point L	309823	4087727
Point M	284825	4105440
Point N	265980	4105251
Point O	272243	4112089

Shaikan				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 48 55	43 18 20	348 857	4075 711
Point B	36 48 42	43 30 59	367 655	4075 019
Point C	36 46 36	43 40 44	382 100	4070 900
Point D	36 44 23	43 39 04	379 577	4066 846
Point E	36 43 56	43 19 48	350 884	4066 467
Point F	36 45 13	43 14 45	343 406	4068 983
Point G	36 48 02	43 16 00	345 355	4074 146

Sangaw North				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
1	35 23 25 N	44 52 18 E	488 339	3916 338
2	35 28 05 N	45 03 04 E	504 636	3924 948
3	35 25 02 N	45 06 17 E	509 496	3919 304
4	35 18 22 N	45 12 49 E	519 410	3907 007
5	35 09 49 N	45 07 21 E	511 145	3891 192

Sulevani				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	37 03 52	42 35 19	266 595	4105 251
Point B	37 03 06	42 35 19	285 577	4103 317
Point C	36 51 26	42 50 24	307 438	4081 196
Point D	36 48 47	42 46 24	301 378	4076 449
Point E	36 46 13	42 44 34	298 547	4071 762

Sangaw South				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	35 18 22	45 12 49	519 410	3907 007
Point B	35 05 43	45 25 09	538 210	3883 689
Point C	35 03 54	45 21 17	532 347	3880 313
Point D	35 05 32	45 12 04	518 327	3883 273
Point E	35 09 49	45 07 21	511 145	3891 192

Sarta				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 40 33	43 51 12	397536	4059522
Point B	36 36 48	44 00 46	411716	4052445
Point C	36 34 24	43 57 03	406126	4048065
Point D	36 28 59	44 06 50	420628	4037878
Point E	36 20 55	44 05 41	418768	4023000
Point F	36 19 17	44 03 39	415700	4020000
Point G	36 28 00	43 47 49	392200	4036400
Point H	36 31 13	43 43 35	385977	4042422
Point I	36 33 18	43 44 49	387850	4046250
Point J	36 38 30	43 46 13	390066	4955827

Shorish				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 16 15	44 18 01	437 138	4014 203
Point B	36 10 39	44 23 25	445 172	4003 813
Point C	36 08 07	44 25 44	448 614	3999 114
Point D	36 07 06	44 28 04	452 099	3997 205
Point E	36 03 58	44 22 48	444 167	3991 447
Point F	35 55 12	44 22 48	444 064	3975 253
Point G	35 58 20	44 16 10	434 134	3981 101
Point H	36 10 45	44 09 30	424 308	4004 160

Shakrok				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 28 05	44 22 39	444 221	4036 044
Point B	36 28 39	44 23 36	445 645	4037 082
Point C	36 23 22	44 33 23	460 210	4027 221
Point D	36 13 14	44 48 02	482 063	4008 426
Point E	36 08 55	44 44 07	476 180	4000 454
Point F	36 23 32	44 23 01	444 709	4027 627
Point G	36 24 31	44 24 38	447 157	4029 433

Rovi				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 46 45	43 40 44	382100	4070900
Point B	36 44 23	43 53 04	400395	4066302
Point C	36 40 42	43 51 12	397536	4059522
Point D	36 38 39	43 46 13	390066	4055827
Point E	36 33 28	43 44 49	387850	4046250
Point F	36 31 23	43 43 35	385977	4042422
Point G	36 32 14	43 29 51	365500	4044300

Qara Dagh				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	35 28 22	45 12 49	519 366	3925 488
Point B	35 12 38	45 27 21	541 485	3896 486
Point C	35 05 40	45 42 06	563 951	3883 730
Point D	35 00 54	45 39 08	559 448	3874 893
Point E	34 54 58	45 37 08	556 545	3863 906
Point F	35 05 43	45 25 09	538 210	3883 689
Point G	35 25 02	45 06 17	509 469	3919 304

Miran				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	35 54 09	44 59 05	498 628	3973 147
Point B	35 50 31	45 04 44	507 123	3966 422
Point C	35 33 16	45 20 31	531 002	3934 583
Point D	35 27 32	45 25 00	537 799	3924 011
Point E	35 21 02	45 18 58	528 718	3911 965
Point F	35 28 22	45 12 49	519 366	3925 488
Point G	35 47 18	44 51 55	487 823	3960 471

Chia Surkh		
	Latitude (deg min sec)	Longitude (deg min sec)
Point A	34 27 00 N	45 26 07 E
Point B	34 32 33 N	45 17 30 E
Point C	34 38 08 N	45 22 17 E
Point D	34 39 03 N	45 27 05 E
Point E	34 38 23 N	45 31 16 E
Point F	34 54 58 N	45 37 08 E
Point G	34 49 56 N	45 43 03 E

Topkhana		
	X(mE)	Y(mN)
Point A	489,078	3,895,533
Point B	483814.506	3900462.395
Point C	484283.194	3902337.147
Point D	485421.436	3913451.744
Point E	488339	3916338
Point F	498767	3904840
Point G	518327	3883273
Point H	506795	3874322

Hawler				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	26 26 24	43 30 32	366 358	4033 785
Point B	36 24 29	43 41 30	382 700	4030 000
Point C	36 18 05	43 51 10	397 000	4106 000
Point D	36 17 06	44 00 32	411 000	4016 000
Point E	36 10 45	44 09 30	424 308	4004 160
Point F	36 02 59	43 56 43	405 000	3990 00
Point G	35 58 25	43 52 03	397 891	3981 622
Point H	36 05 21	43 43 18	384 915	3994 592
Point I	36 02 47	43 37 05	375 507	3989 979
Point J	36 10 49	43 27 33	361 433	4005 036
Point K	36 13 04	43 33 10	369 919	4009 088
Point L	36 11 48	43 35 07	372 800	4006 700
Point M	36 17 27	43 41 25	382 400	4017 000
Point N	36 18 48	43 33 01	369 860	4019 675
Point O	36 22 25	43 31 58	368 276	4026 378

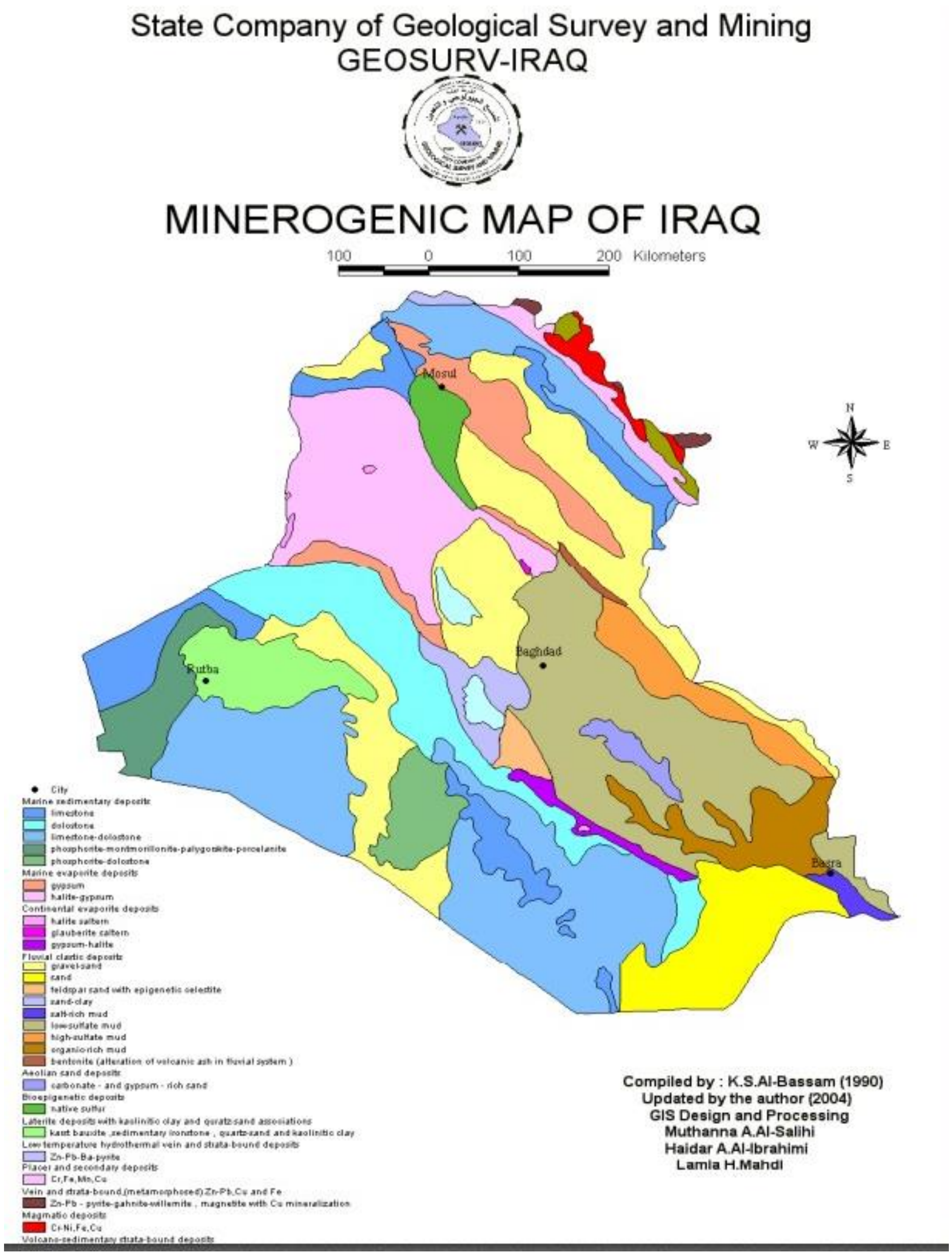
Safen				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 25 54	44 17 47	436 930	4032 054
Point B	36 23 32	44 23 01	444 709	4027 627
Point C	36 08 55	44 44 07	476 180	4000 454
Point D	36 07 12	44 43 12	474 803	3997 295
Point E	36 07 16	44 35 48	463 692	3997 443
Point F	36 13 11	44 29 21	454 088	4008 427
Point G	36 19 23	44 20 36	441 059	4019 967
Point H	36 23 44	44 14 21	431 780	4028 102
Point I	36 25 54	44 17 47	436 930	4032 054
Point J	36 23 32	44 23 01	444 709	4027 627
Point K	36 08 55	44 44 07	476 180	4000 454
Point L	36 07 12	44 43 12	474 803	3997 295
Point M	36 07 16	44 35 48	463 692	3997 443
Point N	36 13 11	44 29 21	454 088	4008 427
Point O	36 19 23	44 20 36	441 059	4019 967

Qush Tapa				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	36 10 45	44 09 30	424 308	4004 160
Point B	35 58 20	44 16 10	434 134	3981 101
Point C	35 55 12	44 22 48	444 064	3975 253
Point D	35 50 54	44 11 28	426 445	3958 058
Point E	35 45 50	44 11 28	426 876	4030 768
Point F	35 58 25	43 52 03	397 891	3981 622
Point G	36 02 59	43 56 43	405 000	3990 000

Kurdamir				
	Latitude (deg min sec)	Longitude (deg min sec)	X (mE)	Y (mN)
Point A	34 38 8	45 22 17	534031.75	3832686.29
Point B	34 47 44	44 55 3	492441.35	3850381.01
Point C	34 57 46	44 56 51	495219.19	3868916.11
Point D	34 58 50	45 1 33	502353.68	3870875.46
Point E1	35 5 31	45 12 4	518326.91	3883273.04
Point E2	35 3 54	45 21 17	532347.44	3880312.81
Point E3	35 5 43	45 25 9	538210.27	3883689.15
Point F	34 54 58	45 37 8	556544.53	3863905.79
Point G	34 48 23	45 31 16	547673.04	3851704.89
Point H	34 39 3	45 27 5	541352.78	3834401.17

Source: PSCs published on the KRG's website

Annex 10 – Map of Mineral locations in Iraq



Annex 11 – Reporting Companies: International Oil Buyers

Company Name	
API	GS CALTEX SINGAPORE PTE. LTD.
BHARAT OMAN	GUNVOR
BHARAT PETROLEUM	HELLENIC
BP OIL	HINDUSTAN PETROLEUM CORPORATION LIMITED
CANAL	HPCL-MITTAL
CEPSA	INDIAN
CHENNAI PETROLEUM CORPORATION LTD	IPLOM
CHEVRON	JX NIPPON OIL
CHINA INTERNATIONAL	KOCH SUPPLY & TRADING
CHINA NATIONAL	MOTOR OIL
CHINA OFFSHORE OIL	NORTH PETROLEUM
ENI TRADING	PERTAMINA (PERSERO)
ESSAR OIL	PERTAMINA ENERGY SERVICE
EXXON MOBIL SALES AND SUPPLY CORPORTION GALLOWS	PETRO DIAMOND
LITASCO	PETROBRAS
PERTAMINA ENERGY SERVICE	SARAS TRADING SA.
PETRO DIAMOND	SHELL
PETROBRAS	SINOCHEM
PERTAMINA ENERGY SERVICE	SK ENERGY
PETRO DIAMOND	SOCAR
TOTSA TOTAL	VALERO MARKETING &SUPPLY COMPANY
TOYOTA	VITOL
TUPRAS	

Annex 12 – Reporting Companies: International Oil Companies (working in 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
Basra Oil Company

Annex 13 - DFI 2016 Statement of Proceeds of Oil Export Sales

Development Fund for Iraq

STATEMENT OF CASH RECEIPTS AND PAYMENTS

For the year ended 31 December 2016

IN THOUSAND USD

	2016	2015
Total export sales of petroleum as reported by SOMO	30,684,570	35,457,722
Less:		
Demurrage claims deducted from export sales invoices	(91,011)	(80,508)
Proceeds deposited in Oil Proceeds Receipts Account after end of period	(4,525,505)	(2,024,192)
Add:		
Proceeds deposited in Oil Proceeds Receipts Account related to prior export sales invoices	2,026,487	3,993,419
Amounts transferred by the Central Bank of Iraq for crude oil shipments by international oil companies	0	5,698,776
Interest on delayed bank transfers	21	8
Total Proceeds deposited in Oil Proceeds Receipts Account	28,094,562	43,045,225
Amounts transferred to the United Nation Compensation Fund (5%)	0	0
Net proceeds deposited in the Development Fund for Iraq (95%)	28,094,562	43,045,225

Annex 14 – Breakdown of training expenditures

The following table presents a breakdown of training expenditures incurred by CNOOC Iraq in relation to Missan fields:

Training course Name	Training accredited hours	No. of beneficiaries	Budgeted training amount (USD)	Training Cost (USD)	Amount paid during 2016 (USD)	Training requirement
Programmable Logic Controllers Training	1,386	11	192,700	120,753	120,753	TTS Fund
Petroleum Accounting & Treasury	1890	15	209,475	205,000	205,000	TTS Fund
Senior safety shift 2	2142	17	244,388	220,237	220,237	TTS Fund
Instrumentation Process Control Shift 2	900	15	17,250	16,500	16,500	TTS Fund
Instrumentation Process Control Shift 3	840	14	17,250	16,500	16,500	TTS Fund
Diesel Generators/ Engines Maintenance Shift 3	780	13	17,250	16,500	16,500	TTS Fund
Project Management shift 1	570	19	9,000	8,250	8,250	TTS Fund
Project Management shift 2	630	21	9,000	8,250	8,250	TTS Fund
Pump Maintenance Shift 3	900	15	17,250	16,500	16,500	TTS Fund
IELTS Scholarship	N/A	4	1,260	1,260	1,260	TTS Fund
Lab Equipment for PRDC	N/A	1	850,000	620,090	59,609	TTS Fund
Training Center	N/A	1	4,000,000	3,426,600	466,650	TTS Fund

Training course Name	Training accredited hours	No. of beneficiaries	Budgeted training amount (USD)	Training Cost (USD)	Amount paid during 2016 (USD)	Training requirement
Valve Maintenance Shift 1	960	16	17,250	16,500	16,500	TTS Fund
Project Management shift 3	660	22	9,000	8,250	8,250	TTS Fund
Performance Appraisal Shift 1	420	14	9,000	8,250	8,250	TTS Fund
Performance Appraisal Shift 2	450	15	9,000	8,250	8,250	TTS Fund
Performance Appraisal Shift 3	360	12	9,000	8,250	8,250	TTS Fund
NASP Constructions	690	23	646,00	646,00	-	TTS Fund
NASP General Industry	600	20	1,485	1,485	-	TTS Fund
Total			**5,639,558**	**4,727,425**	**985,272**	

Source: CNOOC Iraq

Annex 15 – National oil and gas companies mechanisms for calculating production quantities and production costs

i. **Missan Oil Company:** the following section was prepared by Missan Oil Company

Mechanism of measuring crude oil production quantities:

- Crude oil produced is measured using metering systems of financial accounting and correcting (Net Standard Volume) using daily measurement records. The quantities are confirmed by performing monthly reconciliation
- Excess crude oil returned to Missan refinery is calculated using installed meters. The quantities are confirmed by performing daily reconciliation.
- At the beginning of the measurement, crude oil in storage tanks is calculated according to the beginning balance inventory
- At the end of the measurement, crude oil in storage tanks is calculated according to the ending balance inventory
- Crude oil produced by each field is calculated according to the following criteria:
    - Ending balance inventory is deducted from beginning balance inventory and the result (±) is added or subtracted to/from the total processed quantity
    - Excess oil quantity is deducted from total processed quantity

Crude oil field production = total processed quantities – returned excess ± inventory difference

- Final quantities are divided among the production fields across the Company using a correction factor

The mechanism of measuring extracted gas amounts

- Gas produced for the field = standard amount of crude oil produced x GOR value for the field ÷ 1,000,000 (extracted gas is measured using Million Cubic Feet per Day Gas)
- In the fields where meters have been installed and are operating, produced gas is calculated using metering systems. Monthly reconciliations are performed and documented in jointly prepared minutes of meetings.

Calculating crude oil barrel cost:

production cost + production services cost – production residuals + beginning balance inventory – ending balance inventory + marketing costs + administrative services costs + 382 and 3834 accounts + account 391 – Gas costs – account 42,43,45,46,48,49.

1) Missan Oil Company does not have a specific mechanism of calculating gas cost (since gas is associated with crude oil production). Therefore, the Ministry determined a fixed price amounting to IQD50/M3
2) The Refinery Company and the Ministry of Electricity are accounted according to the cost of crude oil barrel, which is determined prior to the beginning of each financial year according to the above formula (taking into consideration the production costs for the next year).
3) The Refinery Company and the Ministry of Electricity are accounted for sales gas according to a fixed price IQD50/M3

4) Crude oil transfer cost = quantity of processed barrels / 6.2898 square meter (every 1000 M3 is for IQD 250)

ii. **North Oil Company:** the following section was prepared by North Oil Company

1. The mechanism of measuring the quantities of extracted oil

1) Quantity of extracted crude oil is measured through performing production tests in the fields using insulators and test tanks, and corrected according to standard conditions
2) Total daily production rates are measured and corrected to meet standard conditions according to the average daily production rates per reservoir
3) Quantity of oil produced is measured depending on the property transfer meters of the drainage outlets and beneficiaries (export, refineries, stations, electricity, etc.)
4) Quantity of crude oil extracted from each reservoir is amended and corrected to meet the standard conditions

2. The mechanism of measuring the quantities of extracted gas

A. <u>Associated Gas</u>

1) Extracted gas quantity is measured through performing production tests of the reservoirs located in the fields using gas meters installed on test insulators (if found), and corrected according to standard conditions
2) Total daily production rates are measured and corrected to meet standard conditions according to the quantity of associated gas received from the company's compression stations
3) Final quantity of extracted associated gas is measured in accordance to North Gas Company monthly reports of associated gas discharge. Periodic reconciliations are performed between the two companies

B. <u>Dome Gas</u>

1) Quantity of dome gas extracted from Jambur and Ajil fields is measured through performing production tests of the reservoirs located in the fields using gas meters installed on test insulators (if found), and corrected according to standard conditions
2) Total daily production rates are measured and corrected to meet standard conditions according to the quantity of dome gas received by South Jambur and Ajil fields. The rates are measured based on the beneficiary's property transfer meters (North Gas Company, National Power Plants). Total daily production rates are calculated, and corrected, to meet standard condition
3) Final quantity of extracted dome gas is measured in accordance to the beneficiaries monthly reports of fuel gas discharge
4) Quantity of dome gas extracted from each reservoir is amended and corrected to meet standard rates, and is finally used to calculate the quantity of dome gas extracted from both fields (Jambur and Ajil)

3. The mechanism of calculating production costs of a crude oil barrel

$$\text{Production costs of a crude oil barrel} = \frac{\textit{Net operating costs}}{\textit{Number of crude oil barrels produced}}$$

4. **The mechanism of calculating production costs of Million Cubic Feet per Day Gas**

   Production costs of Million Cubic Feet per Day Gas = $\frac{Gas\ production\ operating\ costs}{Quantity\ of\ produced\ gas}$

5. **The mechanism of calculating crude oil barrel returns to refineries and electricity**

   A- **Refineries companies:** calculated using the planned price (after confirming it), and at the end of the year. Differences between the planned price and actual price are settled, and according to central instruction, the Ministry of Finance accounts for the difference.

   B- **Power Plants:** calculated using a planned price (after confirming it).

6. **The mechanism of calculating Million Cubic Feet per Day Gas sales returns to gas companies**

   Calculated using a planned price and under the company's budget after approving it. Differences between schematic and real prices are settled at year-end.

7. **The mechanism of calculating transportation costs of a crude oil barrel within the extractive companies' network**

   Transportation costs = $\frac{Gross\ operating\ costs\ related\ to\ oil\ transportation}{Quantities\ of\ barrels\ produced}$

8. **The mechanism of calculating transportation costs of gas within the Pipeline Companies' network :**

   Transportation costs = $\frac{Gross\ operating\ costs\ related\ to\ oil\ transportation}{Quantity\ of\ gas\ produced}$

iii. **Basra Oil Company:** the following section was prepared by Basra Oil Company

First: The mechanism of crude oil production (measured using the two methods specified below (the unit is in barrels)):

Method 1: According to Metering Systems:
The quantity of crude oil produced is measured using metering systems of financial accounting and correcting (Net Standard Volume) using daily measurement records. Quantities are confirmed using monthly reconciliation procedures between all parties involved in the crude oil production (fields and companies).

Method 2: According to (ULLAGE):
This method is no longer present in production accounts due to the installation of meter systems for financial accounting (as in the first method). In addition, this method is considered an alternative measurement method and is used in the event of malfunction or maintenance of meter systems for long periods, whilst taking into consideration the application of all standard conditions when used.

Method 3: Reverse balancing:

1) Crude oil quantities provided for internal drainage (electricity and refineries) are calculated using metering systems, and corrected to standard conditions.
2) Crude oil exported via the southern ports is calculated either by using metering systems, or "ULLAGE". The quantities are corrected to standard conditions, and bills of lading showing the exported quantities are issued.
3) Calculating total processing quantities (internal + export).
4) Inventory readings of crude oil warehouses are recorded at 12:00 am at the beginning of the period.
5) Inventory readings of crude oil warehouses are recorded at 12:00 pm at the end of the period.
6) The inventory ending balance shown in point 5 above is deducted from the inventory beginning balance shown in point 4 above, the result (±) is then added or subtracted to/from the total processed quantities.
7) Excess oil returned from Basra Refinery is measured using the meter found in Basra Refinery, and is corrected to the standard conditions through daily measurements. The quantities are confirmed by performing monthly reconciliations.
8) Condensate mixed with exported oil is measured using metering systems found in the 'Siba field'. The quantities are confirmed by performing monthly reconciliations.
9) Field production is calculated using the following equation:
<u>Crude oil field production</u> **= total processed quantities (point 3) ± inventory difference (point 6) – returned excess (point 7) – condensates (point 8)**

Based on the above, and to avoid any difference between the first and third methods; the quantities in method 1 are corrected using a 'Correction Factor'.

<u>**Second: The mechanism of measuring extracted gas quantities (measured using the two methods specified below):**</u>

Method 1: According to metering systems:
In the fields where meters have been installed and are operating, produced gas quantities are measured using metering systems. Monthly reconciliations are performed and documented in jointly prepared minutes of meetings.

Method 2: According to the "GOR" value:

1) Produced gas quantity is measured using a "GOR" value for each reservoir (depending on the oil field).
2) The below equation illustrates the mechanism of calculating gas quantities for each field: **Gas produced for the field = standard quantity of crude oil produced x GOR value for the field ÷ 1,000,000** (extracted gas is measured using mmscfd)

Method of calculating barrel cost:

- **Total expenditures**
  Wages
  Commodity Supplies
  Service Supplies
  Depletion
  Contributions
  Prior years' expenses related to the activity
- **deductions from total expenditures**
  Affiliates' Wages
  Depreciation expenses
  Miscellaneous Revenue
  Service Activity Revenue
  Prior years' revenue related to the activity
  = Net Expenditures divided by number of produced barrels
  = Barrel cost without profit margin * profit margin
  = Actual barrel cost including profit margin

iv. **Midland Oil Company:** the following section was prepared by Midland Oil Company

The method used by Midland Oil Company to calculate the quantity of crude oil produced in its fields is based on the budget formula as follows:

Production = (Change in inventory) + exports – received quantities

According to the MdOC, this method is used by most extractive companies including the IOCs investing in some of the oilfields managed/owned by the company. There are measurement meters along production lines to measure crude oil quantities produced, noting that measurement of quantities is in accordance with standard conditions.

There are two methods to calculate the quantity of associated gas produced:

1) The use of meters along the gas line leaving the gas isolators, and this is the method adopted by the company in measuring gas quantities produced from producing fields.
2) Relying on the gas/oil ratio (GOR) of produced oil, which according to MdOC is an old method that is not adopted by the company.

Method of calculating the production cost of barrel of crude oil:

- **Barrel cost** = total expenses/ total production

- **Profit margin** = 20% of barrel cost
- **Final price** = barrel price + profit margin

Method of calculating the production cost of mmscfd of gas:

The company does not have a separate formula for calculating the value of gas production, since all gas produced is associated gas, and not free gas, and therefore the cost is calculated within the cost of crude oil production.

Method of calculating the value of proceeds from the sale of a barrel of crude oil to refineries and electricity directorates:

Total sales revenue = Quantities prepared (barrels) * agreed price/barrel

v. **North Gas Company:** the following section was prepared by North Gas Company

The mechanism of measuring gas is summarized as follows:

1) North Oil Company (NOC) provides North Gas Company (NGC) with the Associated Petroleum Gas (APG) and the gas from domes via a gas receiving terminal using four multi-track ultrasonic meters, which are 0.5% accurate and designed according to a measurement and calibration criteria. The multi-track ultrasonic meters belong to NOC, and are approved by both, NOC and NGC. NOC does not have special meters for measuring the quantities of gas sent to NOC
2) Hydrocarbon liquids and condensate are measured using four thermally corrected turbine meters
3) Sales gas produced for Oil Pipelines Company is measured using two ultrasonic meters operating under both production lines
4) Measured quantities are reconciled and documented in the minutes of meetings held between the relevant parties according to the following manner:
    i. The opening balance is recorded at 12:00 am on the first day of each month
    ii. The ending balance is recorded at 12:00 am on the last day of each month

vi. **Basra Gas and South Gas Company:** the following section was prepared by Basra Gas Company

Contract Price for Raw Gas (CP_{RG})

The Contract Price for Raw Gas for any calendar month shall be determined in accordance with the following formula:

CP_{RG} = [(1-ML) * IP_{RG} * C_x] + [(ML * RP_{RG})]

Where:

CP_{RG} is the Contract Price for Raw Gas applicable in the relevant Month, expressed in U.S Dollars per Mmscf;

Cx is an inflation factor = $(1 + 0.02)^n$, provided that during the first year after the BGDA Effective Date, C_x shall be 1;

N is the number of years, expressed as an integer, between the BGDA Effective Date and the date of calculation of the Contract Price for Raw Gas;

ML is the Matching Level determined on the most recent Calculation Date, expressed to four decimal places;

IP_{RG} is the Initial Price for Raw Gas, being USD 16.95 per MMscf; and

RP_{RG} is the Reference Price for Raw Gas applicable in the relevant Month, expressed in Dollars per MMscf.

Calculation of n and C_x:
BGDA Effective Date is November 2011, so **n = 5**, and **C_x = 1.1041**

Calculation of ML:-

$$ML = \frac{A}{\left(\frac{B}{C}\ x\ D\right)}$$

where:

A is the sum of Capitalisable Costs incurred and Cash Calls paid by the Private Shareholders up to the Calculation Date (without double counting), expressed in U.S. Dollars;

B is the sum of the Proportionate Shares of the Private Shareholders;

C is the Proportionate Share of SGC; and

D is the sum of the Initial Asset Transfer Price plus the Additional Assets Transfer Price of any Additional Assets which have been the subject of a completion on or prior to First Completion Date, expressed in U.S Dollars

Calculation of A:

A	is the sum of Capitalizable Costs incurred and Cash Calls paid by the Private Shareholders up to the Calculation Date (without double counting), expressed in U.S. Dollars;

Calculation of D:

D	is the sum of the Initial Asset Transfer Price plus the Additional Assets Transfer Price of any Additional Assets which have been the subject of a Completion on or prior to First Completion Date, expressed in U.S Dollars

Calculation of Reference Price for Raw Gas (RP_{RG}):

The Reference Price for Raw Gas ("RP_{RG}") for any Month shall be determined in accordance with the following formula:

$$RP_{RG} = [(X * R) + ((1 - X) * W)] / V$$

Where:

V is the total volume of Raw Gas supplied during the immediately preceding month*, expressed in million standard cubic feet (mmscf)

X is a constant determined for each calendar year. For the calendar year in which the BGDA Effective Date occurs, "X" shall be equal to 0.1000 (or 10%).

R is the sum, expressed in U.S Dollars and without double counting, of:

i. the Dry Gas Payment for the immediately preceding month*; plus
ii. the LPG Payment for the immediately preceding month; plus
iii. the Condensate Payment for the immediately preceding month; plus
iv. the sales proceeds from the sale of other Petroleum Products (if any) and Ancillary Products (if any) by BGC in the immediately preceding month pursuant to any Sale and Purchase Agreement; plus
v. the sales proceeds from the sale of electricity (if any) by BGC in the immediately preceding month pursuant to any agreement for such sales (which electricity has been produced using Raw Gas delivered to BGC by SGC); less
vi. all Taxes (other than corporate income tax) payable by BGC in respect of the sale of any of the aforementioned products in any month (less any value added or other taxes that are recovered in the relevant month, either by deduction from amounts payable to a Government Agency or through a refund); less
vii. the cost of any transport and delivery beyond the applicable delivery points for the aforementioned products to the extent that such costs are incurred by BGC; less
viii. any fees paid to SOMO pursuant to the SOMO Marketing Agency Agreement in respect of the sale of the aforementioned products.

W is the windfall adjustment expressed in US Dollar

Calculation of V:

V is the total volume of Raw Gas supplied during the immediately preceding month, expressed in million standard cubic feet (mmscf).

Calculation of W

W is the windfall adjustment expressed in US Dollar which is determined in accordance with following formula:

W=K x DV x D

Where:

K is a constant with value 0.75;

DV is the volume of Dry Gas sold under the Dry Gas Supply Agreement during the immediately preceding month expressed in MMBtu;

D equals Contract Price for Dry Gas Price minus Baseline Price for Dry Gas Price, expressed in USD/MMBtu.

Both contract Price for Dry Gas and Baseline Price for Dry Gas are for the same month as the volume of Dry Gas used in the calculation for W

Calculation of D

D equals Contract Price for Dry Gas Price minus Baseline Price for Dry Gas Price, expressed in USD/MMBtu.

Calculation of Baseline Price for Dry Gas

The Baseline Price for Dry Gas, expressed in USD/MMBtu, is determined in accordance with the following formula:

Baseline Price for Dry Gas = [(1-ML] * (IPDG * CX)] + [(ML * BP)]

Where,

IPDG is the Initial Price for Dry Gas, being USD 1.04 per MMBtu;

CX is an inflation factor = (1 + 0.02) n, provided that during the first year after the BGDA Effective Date, CX shall be 1:

n is the number of years, expressed as an integer, between the BGDA Effective Date and the date of calculation of the Contract Price for Raw Gas;

ML is the Matching Level determined on the most recent Calculation Date, expressed to four decimal places;

BP represents Contract Price for Dry Gas under assumed pricing conditions for Brent Crude Oil, expressed in US Dollar per MMBtu,

Calculation of BP

BP represents contract Price for Dry Gas under assumed pricing conditions for Brent Crude Oil, expressed in US Dollar per MMBtu, and determined in accordance with the following formula:

$$BP = F * [(BB * CX * Z) - Y]/ H$$

Where:

- **F** is a constant with value of 0.336;
- **BB** is a constant with value 50 reflecting the baseline value of Brent Crude Oil;
- **Z** is a constant with value 0.82 reflecting the slope in the linear relationship between HSFO prices and Brent Crude Oil prices;
- **Y** is a constant with value 6 reflecting the intercept in the linear relationship between HSFO prices and Brent Crude Oil prices; and
- **H** is a constant with value 5.794 reflecting the heating value of a metric ton of HSFO expressed in MMBtu.

Calculation of Contract Price for Raw Gas (CP_{RG}):

Putting all the above values in the formula for Raw Gas Price:

$$CP_{RG} = [(1-ML) * IP_{RG} * CX] + [(ML * RP_{RG})]$$

Calculation of real price of dry gas:

The real price of dry gas refers to the dry gas price after deducting the windfall component and it is always less than the contract price of dry gas. The Windfall component "W" provides a discount to adjust for the variation of the global prices of Dry Gas, this adjustment is included in the Raw Gas pricing formula as per the agreement.

This calculation is detailed in the following steps.

First, the Windfall component is deducted from the total Dry Gas payment instead of being added to the Raw Gas payment.

Second, the Windfall Discount is calculated by dividing the Windfall component by the volume of dry gas of the current month.

The Real Price of Dry Gas is the Effective Price of Dry Gas (CP_{DG}) minus the Windfall Discount.

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