Keynote Address

Managing the Politics of Oil Reforms
Lessons from Iraq
By Peter D Cameron
GENERAL REVIEW AND KEY COUNTRY FEATURES, FOCUSING ON FEDERAL ISSUES

• Iraq as a post-conflict society
• Invasion in 2003; war with Iran, the Gulf War 1991 and decades of dictatorship under Saddam
• Massacres of some ethnic groups, e.g. the Kurds
• Arguably, a civil war between 2007 and 2009
• Oil as key to reconstruction and revival – with potential to rival Saudi Arabia
• Key event in 2009: international oil industry shows a willingness to accept service contracts
Federalism & Oil Laws

• Constitution 2005-06
• Art 111: “Oil and gas are owned by all the people of Iraq in all the regions and governorates
• Art 112: “The federal government, with the producing governorates and regional governments, shall undertake the management of oil and gas extracted from present fields...”
Federalism and Oil Laws

• Art 115: “All powers not stipulated in the exclusive powers of the federal government belong to the authorities of the regions and governorates that are not organised in a region”.

• So – with a Legal Opinion to support them, the Kurds introduced their own Oil and Gas law in 2007 to award contracts to IOCs for new (not present) fields in a PSC format
ISSUES 1: OIL LAWS

• Two routes emerged:
• The Kurdish route to foreign investment attracted about two dozen IOCs on PSCs and discoveries have led to production
• The Federal Oil and Gas Law has never been adopted due to difficulties in the Parliament (allegedly blockage by Kurdish factions)
• The Federal Law is effectively shelved
2: The Federal Alternative

• Absent a law, it is unclear what authority the Government in Baghdad has to award contracts but drawing on an interpretation of existing law, it has evolved a service contract model, offered it to IOCs and concluded 10 contracts for existing fields in 2009, signed 2010

• Parliamentary approval not required – they say
3: Conflict between centre and Kurdish region

- Legitimacy of Kurdish contracts challenged repeatedly by federal government
- Control of pipeline network by federal authorities means they have strong bargaining power with KRG as it moves into a production stage
- In 2010 much talk in media about a deal but nothing has transpired (pre-election talk)
CONCLUSIONS

• Stalemate likely to continue between federal authorities and KRG throughout 2010
• Exports likely to resume in 2011 but with a shift towards adoption of tougher terms for IOCs by KRG
• Success of Baghdad in obtaining tough terms from IOCs + Chinese + NOCs strengthens its hand in arguing that the KRG gave away rights to IOCs
• Tough terms for IOCs and continuing challenges to stability of their contracts