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PETROLEUM LAW OF THE KURDISTAN REGION - IRAQ

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**IN THE NAME OF THE PEOPLE
PRESIDENCY OF THE KURDISTAN REGION - IRAQ**

Pursuant to the Kurdistan Parliament legislation and in accordance with the provisions of Article 10(1) of Law No. 1 of the Presidency of the Kurdistan Region, we have enacted the following law:

PETROLEUM LAW OF THE KURDISTAN REGION - IRAQ

Law No. [] of 2007

CHAPTER 1 - DEFINITIONS

Article 2: [Definitions]

The following terms shall have the meanings hereunder:

Access Authorisation: an authorisation granted pursuant Article 24 (Access);

Asset: any item of immovable property, whether public or private;

Associated Natural Gas: any gas produced in association with Crude Oil under reservoir conditions;

Authorisation: an Access Authorisation, a Petroleum Contract, a Prospecting Authorisation or any agreement made in respect of such an Authorisation or Contract, issued by the Minister;

Authorised Person: in respect of a Petroleum Contract, a Contractor; and in respect of any other Authorisation, the Person to whom the Authorisation has been granted;

Commercial Production: a daily production of no less than five thousand (5,000) barrels over any twelve (12) month period;

Contract Area: the Authorisation area under a Petroleum Contract;

Contractor: a Person with whom the Ministry has entered into a Petroleum Contract;

Control: direct or indirect control of the majority of the voting rights of the applicable entity at the shareholders meetings;

Council of Ministers: the Council of Ministers of the Regional Government;

Crude Oil: all liquid hydrocarbons in their unprocessed state or obtained from Natural Gas by condensation or any other means of extraction;

Current Field: a Petroleum Field that has been in Commercial Production prior to 15 August 2005;

Delivery Point: the point, after extraction, at which the Crude Oil and Natural Gas is ready to be taken and sold, consistent with international practice, and the point at which a Person may acquire title to Petroleum in accordance with Article 3 (Ownership, regulation and revenue);

Environment Fund: the fund, administered by the Regional Government, to which Revenues will be allocated pursuant to Article 16 (Special allocations), and to which Contractors are required to contribute pursuant to the terms of a Production Sharing Contract, as specified in Article 37 (Production Sharing Contract terms);

Federal Constitution: the permanent constitution of Iraq approved by the Iraqi people in the general referendum of 15 October 2005;

Federal Government: the Federal Government of the Republic of Iraq;

Future Field: a Petroleum Field that was not in Commercial Production prior to 15 August 2005, and any other Petroleum Field that may have been, or may be, discovered as a result of subsequent exploration;

Minister: the person appointed by the Prime Minister of the Region, and approved by the Kurdistan Parliament, to direct the Ministry;

Ministry: the Ministry of Natural Resources of the Region;

Model Production Sharing Contract: a model Petroleum Contract that may be promulgated and revised from time to time by the Minister, which contains, *inter alia*, an element of commercial and technical risk undertaken by the Contractor in exchange for a share of production, and which may be used as the basis for negotiations for a Petroleum Contract between the Regional Government and Persons who have expressed an interest in carrying out Petroleum Operations;

Natural Gas: all gaseous hydrocarbons and inerts, including wet gas, dry gas, casing head gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas, but not Crude Oil;

Operator: an Authorised Person or other Person named in an Authorisation to manage Petroleum Operations;

Parliament: the Kurdistan Parliament-Iraq;

Person: a natural person, a corporation or other legal entity, whether Iraqi or foreign, or public or private;

Petroleum: any naturally occurring hydrocarbon, or any mixture of naturally occurring hydrocarbons, whether in a gaseous or liquid state; including hydrocarbon that has been returned to a Reservoir.

Petroleum Contract: means a contract, licence, permit or other authorisation made or given pursuant to Article 23 (Exploration and Development);

Petroleum Field: a Reservoir or group of Reservoirs within a common geological structure or feature from which Petroleum may be commercially produced under the prevailing technical and economic conditions;

Petroleum Operations: activities in the Region for the purposes of prospecting, exploration for, development, production, marketing, transportation, refining, storage, sale or export of Petroleum; or construction, installation or operation of any structures, facilities or installations for the development, production, transportation, refining, storage, and export of Petroleum, or decommissioning or removal of any such structure, facility or installation;

President: the President of the Region.

Prospecting Authorisation: an Authorisation granted pursuant to Article 21 (Prospecting);

Region: the Kurdistan Region of Iraq;

Regional Government: the Government of the Kurdistan Region-Iraq;

Reservoir: a subsurface rock formation containing an individual and separate natural accumulation of producible Petroleum characterised by a single natural pressure system;

Revenue: Regional Government revenue from Petroleum Operations including Petroleum sales by the Regional Government, Royalty, signature and production bonuses related to Petroleum Contracts with foreign and local companies, profit petroleum, and the Regional Government's share of revenue from petroleum operations in the rest of Iraq; and

Royalty: the percentage of Petroleum produced and saved from the Contract Area allocated for the Regional Government.

CHAPTER 2 – MATERIAL SCOPE OF THE ACT

Article 2: [Scope of Law]

Paragraph 1: This Law applies to:

- (a) Petroleum Operations, whether carried out by public companies or by private sector companies, whether Iraqi-owned or foreign.
- (b) All activities related to Petroleum Operations.

Paragraph 2: Pursuant to Article 115 and Article 121(2) of the Federal Constitution, no Federal legislation or other law, and no agreement, contract, memorandum of understanding or other Federal instrument shall have application to Petroleum Operations except with the express agreement of the Regional Government and pursuant to the provisions of this Law.

CHAPTER 3 – TITLE TO PETROLEUM AND GOVERNMENT RIGHTS

Article 3: [Ownership, regulation and revenue]

Paragraph 1: Petroleum in the Region is owned in a manner consistent with Article 111 of the Federal Constitution. The Regional Government shall share Revenue derived from Petroleum with all the people of Iraq, pursuant to Article 112 of the Federal Constitution and this Law.

Paragraph 2: The Regional Government shall oversee and regulate all Petroleum Operations, pursuant to Article 115 of the Federal Constitution and in a manner consistent with Article 112 of the Federal Constitution. The Minister may licence Petroleum Operations to third parties to maximise timely returns from the Petroleum resources of the Region.

Paragraph 3: The Regional Government shall oversee and regulate the marketing of the Regional Government's share of the extracted Petroleum from the Delivery Point where that Petroleum has been extracted from Petroleum Operations, and may licence the marketing of that share to third parties.

Paragraph 4: The Regional Government shall receive its share of all revenue derived from Petroleum Operations for the benefit of the people of the Region subject to Article 17 (Regional cooperation), and consistent with Article 112 of the Federal Constitution.

Paragraph 5: A Person may acquire title to Petroleum only at the Delivery Point.

CHAPTER 4 - THE MINISTRY AND THE RESPONSIBILITIES OF THE MINISTER

SECTION ONE

Article 4: [General competencies]

The Minister or his or her nominee shall:

- (a) oversee and regulate Petroleum Operations. The responsibilities of the Ministry include the formulation, regulation and monitoring of Petroleum Operation policies, as well as the regulation, planning, implementation, supervision, inspection, auditing and enforcement of all Petroleum Operations by all Persons and all activities relating thereto, including the marketing of Petroleum; and

- (b) Negotiate, agree and execute all Authorisations, including Petroleum Contracts, entered into by the Regional Government, as well as for amending the terms of any Authorisation to ensure that Petroleum Operations are carried out for the benefit of the people of the Region and Iraq.

Article 5: [Exercise by the Minister of his or her powers and functions]

The Minister shall exercise his or her powers and discharge its functions under this Law, including under Authorisations made hereunder, in such a manner as:

- (a) to ensure sound resource management;
- (b) to ensure that Petroleum is developed in a way that minimises damage to the natural environment, is economically sustainable, promotes further investment and contributes to the long-term development of the Region; and
- (c) is reasonable and consistent with good oil field practice.

SECTION TWO

Article 6: [Infrastructure and downstream activities]

The Minister shall:

- (a) oversee and regulate all infrastructure used directly or indirectly for Petroleum Operations, including Assets for production, refining, transportation including pipelines, valve stations, pump stations, compressor stations and associated installations, and distribution, including all centres and buildings, to optimise Petroleum exploration and production.
- (b) oversee and regulate all downstream Petroleum Operations, including refining, transportation, storage, and the production of petrochemicals.
- (c) make all infrastructure referred to in this Article available, pursuant to the provisions of this Law, to the Federal Government and to all other producing regions and Governorates for the benefit of all the people of Iraq, to integrate with agreed Iraq federal policy for export and distribution.
- (d) make any pipeline network with spare capacity available to any Persons lawfully conducting petroleum activities in Iraq, and access to such capacity shall be agreed by the Minister on terms to be defined by contract.
- (e) assign some of the Government's downstream rights in respect of Petroleum Operations to KODO.

SECTION THREE

Article 7: [Encouragement of investment]

The Minister shall:

- (a) encourage public and private sector investment in Petroleum Operations in a manner that ensures efficient management of the Petroleum resources of the Region to provide maximum timely returns to the people of the Region and Iraq; and
- (b) encourage the construction of all new downstream operations and plants, including pipelines and refineries, and shall encourage them to be built, where possible, by, or in partnership with, the private sector.

SECTION FOUR

Article 8: [Public entity regulation]

Paragraph 1: The Minister is responsible for regulating the operations of:

- (a) the Kurdistan Exploration and Production Company (KEPCO);
- (b) the Kurdistan National Oil Company (KNOC);
- (c) the Kurdistan Oil Marketing Organisation (KOMO);
- (d) the Kurdistan Organisation for Downstream Operations (KODO).

Paragraph 2: The Minister may recommend the creation of other public entities for Petroleum exploration, development, production, refining and for the supply and procurement of services to facilitate the effective conduct of Petroleum Operations.

CHAPTER 5 - THE PUBLIC ENTITIES

SECTION ONE

Article 9: [Establishment and competencies of KEPCO]

Paragraph 1: The Kurdistan Exploration and Production Company (KEPCO) is hereby established as a public company being a legal entity with independent finance and management.

Paragraph 2: Members of the Board of KEPCO shall be appointed by the Council of Ministers, and approved by a two-thirds majority of the Parliament. Members shall be independent of the Ministry, and shall have petroleum or other appropriate technical and management qualifications.

Paragraph 3: The appointment of all KEPCO Board members shall be for a fixed five (5) year term, renewable by the Parliament by a two-thirds majority.

Paragraph 4: KEPCO may, subject to the approval of the Council of Ministers:

- (a) compete for Authorisations for Future Fields;
- (b) enter into joint ventures and similar contractual arrangements, whether in the Region, in other regions and Governorates of Iraq or abroad; and
- (c) create operating subsidiaries for particular Petroleum Operations in respect of Future Fields.

SECTION TWO

Article 10: [Establishment and competencies of KNOC]

Paragraph 1: The Kurdistan National Oil Company (KNOC) is hereby established as a public company being a legal entity with independent finance and management.

Paragraph 2: Members of the Board of KNOC shall be appointed by the Council of Ministers, and approved by a two-thirds majority of the Parliament. Members shall be independent of the Ministry, and shall have petroleum or other appropriate technical and management qualifications.

Paragraph 3: Subject to an agreement pursuant to Article 18 (Conditions), an additional Board member may be appointed by the designated institution of the Federal Government.

Paragraph 4: The appointment of all KNOC Board members shall be for a fixed five (5) year term, renewable by the Parliament by a two-thirds majority.

Paragraph 5: KNOC may, with the approval of the Council of Ministers KNOC may:

- (a) compete with others for Authorisations for Current Fields;
- (b) enter into joint ventures with reputable and experienced international petroleum companies for Petroleum Operations to enhance production from Current Fields, to maximise early returns. Subject to the conditions referred to in Article 18 (Conditions), such a joint venture may also be subject to the approval of the designated institution of the Federal Government.
- (c) on a case by case basis, compete for Authorisations for Future Fields.

SECTION THREE

Article 11: [Establishment and competencies of KOMO]

Paragraph 1: The Kurdistan Oil Marketing Organisation (KOMO) is hereby established as a public company being a legal entity with independent finance and management.

Paragraph 2: Members of the Board of KOMO shall be appointed by the Council of Ministers. Members shall be independent of the Ministry, and shall have petroleum or other appropriate technical and management qualifications.

Paragraph 3: The appointment of all KOMO Board members shall be for a fixed five (5) year term, renewable by the Council of Ministers.

Paragraph 4: KOMO may market and regulate the marketing of the Regional Government's share of Petroleum from Petroleum Operations, and may, with the agreement of a Contractor to a Production Sharing Contract, market the Contractor's share of Petroleum.

SECTION FOUR

Article 12: [Establishment and competencies of KODO]

Paragraph 1: The Kurdistan Organisation for Downstream Operations (KODO) is hereby established as a public company being a legal entity with independent finance and management.

Paragraph 2: Members of the Board of KODO shall be appointed by the Regional Government, and approved by a two-thirds majority of the Parliament. Members shall be independent of the Ministry, and shall have petroleum or other appropriate technical and management qualifications.

Paragraph 3: KODO shall be governed by this Law, the regulations issued by the Minister, and other applicable laws and rules of the Region.

Paragraph 4: KODO may:

- (a) manage all Regional Government-owned infrastructure related to Petroleum Operations referred to in Article 6 (Infrastructure and downstream activities), and shall make available such infrastructure, including main pipeline networks, to all relevant public and private sector entities operating in the Region and offer on a first-come first-served basis for available capacity, and in a manner that integrates producing regions and Governorates of Iraq with Iraq national policy for export and distribution;
- (b) compete for Authorisations, 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;
- (c) enter into partnership with international oil companies or with the local private sector for new downstream Petroleum Operations, subject to the approval of the Regional Government; and

- (d) license the management of any of its infrastructure to third parties with the approval of the Minister.

SECTION FIVE

Article 13: [Establishment and competencies of KOTO]

Paragraph 1: The Kurdistan Oil Trust Organisation (KOTO) is hereby established as a public company being a legal entity with independent finance and management. KOTO shall be supervised by the Parliament.

Paragraph 2: Members of the governing body of KOTO shall be appointed by the Council of Ministers, and approved by a two-thirds majority of the Parliament. The powers and accountabilities of KOTO members shall be defined in detail by law.

Paragraph 3: The Minister shall provide all necessary financial information on Authorisations to KOTO in a timely manner.

Paragraph 4: 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 in the Region, or consistent with Article 17 (Regional cooperation) and Article 18 (Conditions).

Paragraph 5: Until such time as the conditions of Article 18 (Conditions) are met in full, 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 under the authority of the Parliament.

Paragraph 6: The Current Fields Account and the Future Fields Account shall be subject to regular independent audit, which shall be available to the public. 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.

CHAPTER 6 - REVENUE MANAGEMENT AND SPECIAL ALLOCATIONS

Article 14: [Petroleum Revenue Management Law]

The Parliament shall, in due course, promulgate a Petroleum Revenue Management Law to regulate KOTO and the management of Revenue in the Region, consistent with the highest international standards for transparency and accountability.

Article 15: [Parliamentary Committee for KOTO]

The Parliament shall establish a Committee to oversee the operation of KOTO. The Committee shall propose efficient, cost-effective means to make special allocations of Revenue.

Article 16: [Special allocations]

The following special allocations of Revenue shall be made:

- (a) an allocation of [] percent ([]%) to be distributed as an annual dividend to each and every citizen of the Region, and this shall be regulated by Law;
- (b) an allocation of not less than [] percent ([]%) to a Future Generations Fund for citizens of the Region, managed by trustees appointed by the Parliament, and invested on the basis of sound economic principles so as to become a significant source of income for the Region at such time as the petroleum wealth of the Region and Iraq declines;
- (c) an allocation of not less than [] percent ([]%) to be distributed as an annual dividend for citizens of the Region who suffered, or who suffer, extraordinary hardship as a result of the policies and practices

of the previous regime in Iraq, including veterans, dependents of those killed, and those who suffered physical or psychological disability or who suffered great loss of property;

- (d) an allocation of not less than [] percent ([]%) for the Environment Fund, for projects to restore and rehabilitate the natural environment of the Region, including reforestation, de-mining, anti-pollution measures, the creation of urban green spaces, national parks, and the preservation of wildlife; and
- (e) an allocation or allocations, to be distributed annually, in an amount or amounts to be recommended by the Parliamentary Committee, for any elected bodies of citizens of the Region who are members of an ethnic or religious minority, including Arabs, Turkomen, Chaldean-Syriac-Assyrians, Armenians, Sabeen-Mandeans, Yazidis, Shabak, Kakai, Jews, Baha'is, and other minorities, to support the special social, cultural and governmental needs of the minorities within the Region.
- (f) The net Petroleum Revenues after the deductions of the sums from (a) to (e) above shall be added to the other revenues to under the general budget of the Region.
- (g) The unused surplus funds from the general budget of the Region shall be used to fund any deficit that may arise in the following financial year or to invest in projects to develop the Region.

CHAPTER 7 - COOPERATION WITH FEDERAL AUTHORITIES

Article 17: [Regional cooperation]

The Regional Government shall, consistent with Article 18 (Conditions):

- (a) agree with the Federal Government in the joint management of oil and gas extracted from Current Fields in the Region;
- (b) cooperate with the Federal Government on strategic policies to develop the Petroleum resources of the Region in a balanced manner compared with the other Petroleum activities throughout the country, and in a way that achieves the highest benefit to the Iraqi people using the most advanced techniques of market principles and encouraging investment, consistent with the provisions of Article 112 of the Federal Constitution;
- (c) cooperate with an independent, intergovernmental federal oil and gas council ("the Federal Oil and Gas Council"), the composition of which is to be agreed with the Regional Government, to establish the standards, model contracts, and commercial terms for negotiations and contract award procedures in Iraq; and
- (d) agree that all the Revenues obtained by the Region from Petroleum Operations to be deposited to a general petroleum revenue fund for Iraq.

Article 18: [Conditions]

The cooperation and permissions referred to in Article 17 (Regional cooperation) shall have the following conditions:

- (a) a general petroleum revenue fund shall receive all of Iraq's petroleum revenue, to be managed by an intergovernmental commission pursuant to Article 112, 106 and 121 of the Federal Constitution, and maintained at a reputable international bank, with a sub-account for the Regional Government, into which an agreed share for the Region is deposited, through KOTO, to be under the exclusive authority of the Regional Government, the details of which arrangements are to be regulated by a Federal law accepted by the Regional Government;
- (b) the petroleum industry in Iraq shall be restructured in all of Iraq, with a fair role for an Iraq National Oil Company, attract private investment into Iraq consistent with the requirements of Article 112(2) of the Federal Constitution, to generate maximum revenues in a timely manner for the benefit of the people of Iraq;

- (c) the Regional Government shall have a joint role on the management of Current Fields in the Region, and a proportional role on the Federal Oil and Gas Council and the Iraq National Oil Company, consistent with Article 105 of the Federal Constitution; and
- (d) the Federal Government shall authorise no petroleum operations in the Disputed Territories without the approval of the Minister until such time as the referendum required by Article 140 of the Federal Constitution is conducted.

Article 19: [Federal Constitution]

Until the conditions set out in Article 18 are met in full, then the Regional Government shall proceed on the basis of Articles 112, 115, and 121(3) of the Constitution of Iraq, with Revenues collected by KOTO pursuant to Article 13 (Establishment and competencies of KOTO).

CHAPTER 8 - AUTHORISATIONS

SECTION ONE

Article 20: [Division into parcels of land]

For the purposes of this Law, the territory of the Region, or parts of the territory of the Region, shall be divided into parcels of land by the Ministry from time to time, and shall be defined by Universal Transverse Mercator (UTM) and geographic coordinates.

SECTION TWO

Article 21: [Prospecting]

Paragraph 1: The Minister may grant a Prospecting Authorisation, in respect of a specified area, to a Person or a group of Persons.

Paragraph 2:

- (a) A Prospecting Authorisation grants a right to perform geological, geophysical, geochemical and geotechnical surveys in the Authorisation area.
- (b) The Prospecting Authorisation may require the Authorised Person to report on the progress and results of such prospecting, and to maintain confidentiality with respect to such prospecting.
- (c) Nothing in a Prospecting Authorisation authorises the holder to drill a well or to have any preference or right to make a Petroleum Contract.

Paragraph 3:

- (a) The holder of a Prospecting Authorisation may surrender it at any time by written notice to the Minister, provided that the Authorised Person has fulfilled all its obligations under the Authorisation.
- (b) If the holder has not complied with a condition to which the Prospecting Authorisation is subject, the Minister may terminate it by written notice to the holder.

Article 22: [Consistency]

No Authorisation may be granted in respect of an area that is the subject matter of a Petroleum Contract or Prospecting Authorisation where the grant is inconsistent with the rights of the existing Authorised Person.

SECTION THREE

Article 23: [Exploration and Development]

Paragraph 1: The Minister may conclude a Petroleum Contract for exploration and development in respect of a specified area, with a Person or a group of Persons, provided that if a group, such group enters into a joint operating agreement approved by the Minister under Article 30 (Approvals). The Person, or group of Persons, may include private companies in the Region and other private Iraqi companies, as well as foreign petroleum companies.

Paragraph 2: A Petroleum Contract may be based on a Model Production Sharing Contract, or on other contracts which the Minister considers to provide good and timely returns to the people of the Region. The fiscal terms to be contained in a Production Sharing Contract are specified in CHAPTER 10.

Paragraph 3: In order to be eligible to enter into a Petroleum Contract, a Person must demonstrate:

- (a) the financial capability, and the technical knowledge and technical ability, to carry out the Petroleum Operations in the Contract Area, including direct experience in carrying out similar petroleum operations; and
- (b) a record of compliance with principles of good corporate citizenship, and a commitment to the Ten Principles of the Global Compact, launched by the United Nations on 26 July 2000.

Paragraph 4:

- (a) Without prejudice to Article 24 (Access), a Petroleum Contract grants to the Contractor the exclusive right to conduct Petroleum Operations in the Contract Area.
- (b) The Petroleum Contract may be limited to Crude Oil, Natural Gas or other constituents of Petroleum.

Paragraph 5:

- (a) A Contractor shall give written notice to the Minister within forty eight (48) hours whenever any Petroleum is encountered in its Authorisation area.
- (b) The Contractor shall provide in a timely manner such information relating to the Petroleum as requested by the Minister.

Paragraph 6: A Petroleum Contract shall oblige the Contractor to carry on Petroleum Operations only in accordance with work programs, plans and budgets approved by the Minister or as otherwise specified in the Contract.

SECTION FOUR

Article 24: [Access]

Paragraph 1: The Minister may grant an Access Authorisation, in respect of a specified area, to a Person or a group of Persons to:

- (a) construct, install and operate structures, facilities and installations; and
- (b) carry out other works.

Paragraph 2:

- (a) An Access Authorisation may be surrendered by the holder by written notice to the Minister, provided that the Authorised Person has fulfilled all its obligations thereunder.
- (b) An Access Authorisation may be terminated by the Minister at any time by written notice to the holder, if the holder has not complied with a condition to which the Authorisation is subject.
- (c) The Minister shall provide written notice of the surrender or termination to any Authorised Person in whose Authorisation area operations were authorised to be carried on by the Access Authorisation concerned.

Paragraph 3: The Minister may give a direction to the holders of Access Authorisations and to other Authorised Persons regarding the coordination of their respective Petroleum Operations.

Paragraph 4: Every Petroleum Contract and Access Authorisation shall require that third party access be granted on reasonable terms and conditions.

SECTION FIVE

Article 25: [Contract Evaluation Committee]

Paragraph 1: The Contract Evaluation Committee is hereby established. The appointment of the Chairman Committee members shall be by the Council of Ministers for a fixed three (3) year term, and may be extended..

Paragraph 2: The purpose of the Committee is to ensure that Petroleum Contracts meet the requirements set out in this Law for transparency, anti-corruption, the financial and technical abilities of a Contractor, and the maximisation of Regional Government Revenue.

Paragraph 3: Subject to an agreement pursuant to Article 18 (Conditions), an additional member of the Committee may be appointed by the designated institution of the Federal Government.

Paragraph 4: The Committee shall, pursuant to Article 26 (Invitations and awards), evaluate and report to the Minister on proposed Petroleum Contracts.

SECTION SIX

Article 26: [Invitations and awards]

Paragraph 1:

- (a) The Minister may invite, by public notice, applications for Authorisations.
- (b) The Minister may, where it is in the public interest to do so, elect to award Authorisations through direct negotiation.
- (c) The invitation may stipulate that applications be submitted in Kurdish, Arabic, or English.

Paragraph 2:

- (a) An invitation shall specify the area of the Authorisation, the proposed activities, the criteria upon which applications will be assessed, the applicable fees to be paid with the application, and the date and the manner in which the applications may be made.
- (b) Unless the invitation otherwise states, the Minister may choose not to award an Authorisation to any of the applicants.

Paragraph 3:

- (a) An application for an Authorisation shall include proposals for:
 - (1) securing the health, safety and welfare of persons involved in or affected by the Petroleum Operations;
 - (2) protecting the environment, preventing, minimising and remedying pollution, and other environmental harm from the Petroleum Operations;
 - (3) training of, and giving preference in employment in the Petroleum Operations to, citizens of the Region and other citizens of Iraq; and
 - (4) the acquisition of goods and services from Persons based in the Region and other parts of Iraq.

Paragraph 4: The Minister shall not grant an Authorisation in respect of an area until it has given due consideration to all applications made in response to, and in compliance with, an invitation.

Paragraph 5: The Minister shall not grant any Authorisation which is a Production Sharing Contract, until he or she has:

- (a) received a formal report from the Contract Evaluation Committee; and
- (b) obtained the approval of a special ministerial committee nominated by the Council of Ministers.

CHAPTER 9 – RIGHTS AND RESPONSIBILITIES OF AUTHORISED PERSONS

Article 27: [Work practices]

Paragraph 1: Production of Petroleum shall take place:

- (a) in such a manner that as much as possible of the Petroleum in place in each individual Petroleum deposit, or in several deposits in combination, will be produced;
- (b) in accordance with good oil field practice and sound economic principles as described in Article 37 (Production Sharing Contract terms); and
- (c) in such a manner that waste of Petroleum or Reservoir energy is avoided.

Paragraph 2: Authorised Persons shall carry out regular evaluation of Petroleum production strategy and technical solutions and shall take the necessary measures in order to achieve the objectives of Paragraph 1.

Article 28: [Petroleum development]

Paragraph 1: The existence of Petroleum Authorisations in force in a given area does not prevent permissions for the exploration and development of natural resources other than Petroleum, provided that such other activity does not seriously hinder the proper performance of the Petroleum Operations.

Paragraph 2: In the event that exercise of the rights and obligations referred to in Paragraph 1 are incompatible, the Minister shall decide which of the rights and obligations shall prevail and under what terms, without prejudice to any compensation which may be due to the holders of the rights thereby overridden.

Article 29: [Restrictions on exercise of rights]

Paragraph 1:

- (a) Regardless of the terms of an Authorisation, an Authorised Person shall not use any of the following:
 - (1) public Asset without the consent of the responsible authority;
 - (2) private Asset of the Regional Government without the consent of the responsible authority; or
 - (3) private Asset without payment of fair and reasonable compensation to the owner.
- (b) The owner of any Asset in an Authorisation area retains rights to the use of its Asset except in so far as the use interferes with Petroleum Operations.
- (c) An Authorisation may limit the use by an Authorised Person of public infrastructure, and the consumption of other natural resources, including trees, sand, gravel, rock and water.
- (d) An Authorisation does not constitute a waiver by the Regional Government of the Authorised Person's obligation to seek the consent of responsible authorities.

Paragraph 2:

- (a) The Authorised Person is liable to pay fair and reasonable compensation if, in the course of Petroleum Operations, it:
 - (1) disturbs the rights of the owner of any Asset, or causes any damage thereon; or
 - (2) demonstrably interferes with any other lawful activities.

- (b) If the Authorisation value has been increased because of violations under Paragraph 2(a), compensation payable by the Authorised Person shall, except in the case of serious violations, be no more than the incremental increase in the amount that would be payable if the value had not been so increased.

Paragraph 3: The Minister shall estimate and decide a fair and reasonable compensation payable by the Authorised Person under this Article, after having considered representations by interested parties. The Authorised Person shall be entitled to arbitration by an independent international expert appointed by the Minister and the Authorised Person, or otherwise in accordance with any arbitration provisions stipulated in the Authorisation.

Article 30: [Approvals]

An Authorisation shall specify the rights of the Minister to approve, or be notified of:

- (a) joint operating agreements, lifting arrangements and any other agreement related to the Petroleum Operations, as well as amendments to such agreements;
- (b) any changes in Control of an Authorised Person;
- (c) any assignment, transfer, conveyance, novation, merger, encumbrance or other similar dealing in respect of the Authorisation.

Article 31: [Joint and several liability]

If there is more than one Authorised Person in respect of a particular Authorisation, the obligations and liabilities of the Authorised Person under an Authorisation are the obligations and liabilities of them all, jointly and severally.

Article 32: [Title to data]

Paragraph 1: The Region shall have title to all data and information, whether raw, derived, processed, interpreted or analysed, regarding Petroleum in the Region.

Paragraph 2: Notwithstanding Paragraph 1, Authorised Persons may retain copies of data and information obtained pursuant to an Authorisation and may freely use some or all pursuant to the terms of a relevant Authorisation but shall have no title to such data after the termination of the Authorisation.

Paragraph 3: Data and information acquired during the course of Petroleum Operations may, with the permission of the Minister, be freely exported by Authorised Persons provided that the Minister may require that an original, or in the case of a core, rock, fluid or other physical sample, a usable portion of the original, of all data and information, both physical and electronic, be kept in the Region.

Article 33: [Audit and inspection]

The General Inspector under the supervision of the Minister shall oversee the Authorised Person. On request, an Authorised Person shall make its books and accounts available to the Minister for auditing.

Article 34: [Termination of Authorisations]

Paragraph 1:

- (a) The Minister shall have the power to terminate an Authorisation as set out in the Authorisation.
- (b) Termination of an Authorisation for any reason is without prejudice to rights and obligations expressed in this Law or the Authorisation to survive termination.

Paragraph 2: If there is more than one Authorised Person in respect of a particular Authorisation and circumstances arise in which the Minister may terminate an Authorisation, the Minister may elect to terminate the Authorisation, or terminate the Authorisation only in respect of those Authorised Persons whose acts or omissions have led to such circumstances, and shall so notify the remaining Authorised Persons.

Paragraph 3: In the event that the Minister elects to terminate an Authorisation pursuant to Paragraph 2, the interest of those Authorised Persons whose Authorisation has been terminated shall revert to the Minister and shall be used for the best interests of the people of the Region.

Article 35: [Indemnification of the Regional Government and Minister]

Paragraph 1: An Authorised Person shall defend, indemnify and hold harmless the Regional Government and Minister from all claims by third parties resulting, directly or indirectly, from Petroleum Operations.

Paragraph 2: An Authorised Person shall maintain insurance in respect of the potential liability under Paragraph 1 for such amount as the Minister requires from time to time.

Article 36: [Decommissioning and Restitution]

Paragraph 1: An Authorised Person shall decommission the Contract Area when:

- (a) termination of the Authorisation; or
- (b) when no longer required for Petroleum Operations.

Paragraph 2: Without prejudice to any criminal liability, a Person who engages in Petroleum Operations without an Authorisation shall:

- (a) make restitution to the Region of an amount equal to the market value of Petroleum developed, produced or exported, together with late payment interest thereon at a rate not to exceed the legal rate of interest to be determined by the Minister;
- (b) either forfeit all infrastructure and equipment used in engaging in those Petroleum Operations, or remove such infrastructure and equipment or be liable for the payment of the costs of such removal; and
- (c) clean up pollution resulting from those Petroleum Operations, or reimburse the costs of clean-up to the Region.

Paragraph 3: The liabilities under Paragraph 2 of Persons who, together, are engaged in, or have engaged in, Petroleum Operations are the liabilities of them all, jointly and severally.

CHAPTER 10 - CONTRACT TERMS

SECTION ONE

Article 37: [Production Sharing Contract terms]

Paragraph 1: The terms of a standard Production Sharing Contract shall include the following:

- (a) An initial exploration term of a maximum of five (5) years, divided into two sub-periods, of three (3) years and two (2) years, extendable on a yearly basis for up to a maximum total of seven (7) years;
- (b) relinquishment of twenty-five percent (25%) after the initial exploration term, with a further twenty-five percent (25%) 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;

- (c) 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;
- (d) a development period, following discovery, to be twenty (20) years, with an automatic right of the Contractor to a five (5) year extension, on the same terms and conditions, with possible further extensions to be negotiated;
- (e) Royalty, at a rate of ten percent (10%), and paid in accordance with Article 41 (Other conditions);
- (f) cost recovery from a portion of production after deduction of the Royalty, to a maximum not exceeding forty-five percent (45%) for oil; and not exceeding sixty percent (60%) for Natural Gas;
- (g) 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;
- (h) annual surface rental during exploration phases;
- (i) Regional Government participation for a direct working interest in exploration, development and production with participation terms which must be fixed and defined in each Contract;
- (j) a commitment to the payment of an agreed amount into an Environment Fund, to be administered by the Regional Government for the benefit of the natural environment of the Region, and
- (k) provisions for securing the health, safety and welfare, environmental protection, training, and acquisition of goods and services, consistent with international standards and with the proposals made in accordance with Article 26 (Invitations and awards).

Paragraph 2: For any Production Sharing Contract that the Minister considers to involve a high element of commercial risk or to require a high amount of up-front capital, the minimum Royalty percentage stated in Paragraph 1 (e) may be reduced and the cost recovery percentage stated in Paragraph 1 (f) may be increased according to the risk involved.

Paragraph 3: For any Production Sharing Contract that the Minister considers to involve a low element of commercial risk, a Royalty percentage up to the maximum, and a cost recovery percentage down to the minimum, may be applied.

Paragraph 4: The terms of a Production Sharing Contract shall include good oil field practice and procedures employed in the petroleum industry worldwide by prudent and diligent operators under conditions and circumstances similar to those experienced in connection with the relevant aspect or aspects of the Petroleum Operations, principally aimed at ensuring:

- (i) conservation of Petroleum resources, which implies the utilization of adequate methods and processes to maximise the recovery of hydrocarbons in a technically and economically sustainable manner, with a corresponding control of reserves decline, and to minimise losses at the surface;
- (ii) operational safety, which entails the use of methods and processes that promote occupational security and the prevention of accidents;
- (iii) environmental protection, that calls for the adoption of methods and processes which minimise the impact of Petroleum Operations on the natural environment;

Article 38: [Natural Gas]

Paragraph 1: Any Petroleum Contract shall clearly define the applicable terms with respect to Associated and non-Associated Natural Gas in such a manner to facilitate the development of a Natural Gas industry in the Region.

Paragraph 2: Those terms shall include provisions for the optimal utilisation of surplus volumes of produced Natural Gas, and terms to minimise the flaring of Natural Gas, consistent with international standards in the industry.

Paragraph 3: The Minister may, by regulation or in a Petroleum Contract, specify a method for the valuation of Natural Gas that shall be consistent with international standards in the industry and shall ensure the maximum returns to the people of the Region and Iraq.

Article 39: [Other Contracts]

The Minister may enter into Other Contracts, which may include service contracts, field management contracts, supply and installation contracts, construction contracts, consulting contracts, or any other types of contracts that the Minister may from time to time require to efficiently manage the Petroleum resources of the Region. Such Other Contracts may contain some element of risk to reward the contractor for performance, timely completion, and achieving high value targets.

SECTION TWO

Article 40: [Taxation]

Paragraph 1: A Contractor, Authorised Person or other Person associated with Petroleum Operations is liable for any applicable taxes of the Regional Government, including:

- (a) surface tax;
- (b) personal income tax;
- (c) corporate income tax;
- (d) customs duties and any other similar taxes;
- (e) windfall profits or additional profits tax; and
- (f) any other tax, levy or charge expressly included in its Petroleum Contract.

Paragraph 2: A Petroleum Contract shall clearly state the taxation liability of a Contractor. This provision shall apply notwithstanding any commitment by the Regional Government to pay that liability on behalf of the Contractor and to issue taxation certificates to the Contractor to that effect.

Paragraph 3: A Petroleum Contract may exempt a Contractor from tax and may contain a fiscal stabilisation and a tax indemnification agreement.

Paragraph 4: Applicable taxes of the Regional Government shall be the only taxes that apply to Petroleum Operations.

SECTION THREE

Article 41: [Other conditions]

Paragraph 1: The volume of Petroleum constituting the Royalty shall be calculated directly by applying the percentage specified in the Petroleum Contract.

Paragraph 2: The Minister may require from time to time that the Royalty be paid in kind or in cash, fully or partially, and the Royalty shall be paid quarterly or monthly as provided for in the Petroleum Contract.

Paragraph 3: Where there is no independent third party sale on an arm's length basis, the Contractor shall pay the Royalty on the international market price.

Article 42: [Disputed Territories]

Paragraph 1: The Minister may, together with the Federal Government, jointly regulate and administer Petroleum Operations in Disputed Territories until such time as the future of the Disputed Territories is decided in the referendum required by Article 140 of the Federal Constitution.

Paragraph 2: The Minister may, prior to the referendum required by Article 140 of the Federal Constitution, approve agreements concluded by the Federal Government related to petroleum activities in the Disputed Territories.

Paragraph 3: The Minister may, in the event of a decision of the citizens of the Disputed Territories that those Disputed Territories are to be part of the Region, declare invalid an agreement referred to in Paragraph 2 of this Article which has not been approved by the Minister.

Article 43: [Region consumption requirements]

A Contractor is obliged to sell and transfer to the Regional Government, upon written request of the Minister, any amounts of Crude Oil that the Regional Government shall deem necessary to meet the internal consumption requirements of the Region. The sales price of Crude Oil shall be established pursuant to the applicable Petroleum Contract, or in the absence thereof, fair market value.

Article 44: [Government Revenue and Contractor returns]

Paragraph 1: The Minister shall conduct his own inquiry into the likely Contractor compensation from a proposed Petroleum Contract, to ensure that Revenue is maximised for the people of the Region, but allows the Contractor terms which are fair and consistent with international standards.

Paragraph 2: For areas that contain proven Petroleum, the Minister shall ensure that the Petroleum Contract provides maximum Revenue, while allowing a reasonable return to the Contractor.

Article 45: [Sovereign immunity]

The Minister may, in a Petroleum Contract, waive on behalf of the Region any claim on to sovereign immunity with regard to legal proceedings and the enforcement of judgments.

CHAPTER 11 - LOCAL PARTICIPATION

Article 46: [Local content]

Paragraph 1: An Authorised Person shall give preference to:

- (a) competent local companies owned by Persons from the Region and other parts of Iraq, which must
 - (1) be bona fide companies not related to any public officer, directly or indirectly,
 - (2) have adequate resources and capacity to add value to the Petroleum Operations carried out by the Authorised Person, and
 - (3) be approved by the Minister, according to clear criteria which the Minister shall prescribe by regulation;
- (b) the employment of persons from the Region and other parts of Iraq to the extent such personnel have the qualifications, competence and experience required to perform the work; and
- (c) the purchase of local products and services from the Region and other parts of Iraq, wherever they are competitive in terms of price, quality and timely availability.

Paragraph 2: The Minister may give preference to an Authorised Person who partners with local companies.

Article 47: [Training and technology transfer]

Paragraph 1: An Authorisation shall include clearly defined training programs for local employees of the Authorised Person, which may be carried out in the Region, other parts of Iraq, or in foreign countries, and may include scholarships and other financial support for education.

Paragraph 2: An Authorisation shall include, where possible, a commitment by the Authorised Person to maximise knowledge transfer to the people of the Region, and to establish in the Region any necessary facilities for technical work, including the interpretation of data obtained from Petroleum Operations.

Article 48: [Contractor offices in the Region]

A Contractor shall maintain an office in the Region.

CHAPTER 12 - UNITISATION

SECTION ONE

Article 49: [Unitisation of Reservoirs within the Region]

Paragraph 1: If a Reservoir lies entirely within the Region, any unitisation of the Reservoir shall be the responsibility of the Minister, and shall be consistent with international standards in the petroleum industry.

Paragraph 2: If a Reservoir lies partly within a Contract Area, and partly in another Contract Area,

- (a) The Minister may require by written notice the Contractors to enter into a joint unitisation agreement each other for the purpose of securing the more effective and optimised production of Petroleum from the Reservoir; and
- (b) if no joint agreement has been reached within a reasonable period of time from receipt of written notice stated in Paragraph 2 (a), the Minister shall decide on the unitisation; and
- (c) if the Contractors do not agree with the Minister's decision, the Contractors shall be entitled to arbitration pursuant to the provisions of Article 52 (Resolution of disputes).

Paragraph 3: If a Reservoir lies partly within a Contract Area and partly in an area that is not the subject of any other Petroleum Contract:

- (a) The Minister may require by written notice the Contractor to enter into a joint unitisation agreement Reservoir with the Minister for the purpose of securing the more effective and optimised production of Petroleum from the Reservoir; and
- (b) if no agreement has been reached within a reasonable period of time from receipt of written notice as required in Paragraph 3 (a), the Minister shall decide on the unitisation; and, if the Contractor does not agree with the Minister's decision, the Contractor shall be entitled to independent arbitration, or the decision shall be according to the conditions of the Petroleum Contract where such a process is provided for under the Contract.

Paragraph 4: Any unitisation agreement reached shall define the amount of Petroleum in each area covered by the agreement, and shall appoint the Operator responsible for production of the Petroleum covered by the agreement.

Paragraph 5: The Minister may approve the development or production of Petroleum from the Reservoir only after it has approved or decided the unitisation agreement.

Paragraph 6: Any changes to the unitisation agreement shall be subject to prior approval by the Minister.

SECTION TWO

Article 50: [Unitisation of Reservoirs across a Region border, within Iraq]

Paragraph 1: If a Reservoir lies across a Region border into other areas that are part of Iraq, the unitisation of the Reservoir shall be the responsibility of the Minister; and the Minister shall endeavour to reach agreement with the Federal Government or the other concerned parties to manage the Reservoir as a single entity for development purposes. Any such agreement shall achieve the highest benefit to the people of the Region and all of Iraq using the most advanced techniques and market principles to encourage investment, consistent with Article 112 of the Federal Constitution.

Paragraph 2: Such an agreement may specify that the unitised Reservoir be administered by a joint management body which shall comprise representatives of the Minister and the Federal Government or the other concerned parties.

Paragraph 3: If no agreement is reached the Minister shall, if necessary, submit, with the Federal Government or with the concerned region or Governorate, the matter to arbitration by an independent international expert to be appointed by the Minister and representatives of the Federal Government, or the concerned region or Governorate.

SECTION THREE**Article 51: [Unitisation of Reservoirs across international borders]**

Paragraph 1: If a Reservoir lies across a Region border into areas that are part of the domain of a neighbouring country, the unitisation of the Reservoir shall be the responsibility of the Minister, who shall endeavour to reach agreement with the concerned neighbouring country to ensure a complete equitable benefit for both parties from the development of Petroleum from the Reservoir.

Paragraph 2: The Minister may assign to the Federal Government the right to represent the interests of the Region in any such agreement.

Paragraph 3: Any agreements leading to the development of Petroleum from such a Reservoir shall require the prior approval of the Minister and ratification by the Parliament and the President.

CHAPTER 13 - RESOLUTION OF DISPUTES**Article 52: [Resolution of disputes]**

Paragraph 1:

- (a) The Minister may inquire into and decide all disputes involving Persons engaged in Petroleum Operations, including disputes:
 - (1) among the Persons themselves, where agreements between them do not specify a dispute resolution mechanism; or
 - (2) in relation to other parties (other than the Regional Government) not so engaged.
- (b) The Minister may, taking into account all relevant circumstances, give any direction which may be necessary for the purpose of giving effect to his decision in proceedings, including ordering the payment, by any party to a dispute, to any other party to the dispute of such compensation as may be fair and reasonable.
- (c) The Minister may refuse to decide any dispute referred to him and, if he does so, he shall notify the parties to the dispute in writing.

Paragraph 2:

- (a) If a dispute arises relating to the interpretation and/or application of the terms of an Authorisation between an Authorised Person and the Minister, the parties shall attempt to resolve that dispute by means of negotiation.
- (b) If the dispute cannot be resolved by negotiation, either party may submit the dispute to arbitration.
- (c) Any arbitration between the Minister and an Authorised Person shall be conducted, by agreement between the Parties, in accordance with either:
 - (1) the 1965 Washington Convention, or the regulations and rules of the International Centre for the Settlement of Investment Disputes (ICSID) between States and Nationals of other States; or
 - (2) the rules set out in the ICSID Additional Facility adopted on 27 September 1978 by the Administrative Council at the ICSID between States and Nationals of other States, whenever the foreign party does not meet the requirements provided for in Article 25 of the Washington Convention; or
 - (3) the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL); or
 - (4) the arbitration rules of the London Court of International Arbitration (LCIA); or
 - (5) such other rules of recognised standing (as agreed by the Parties, in respect of the conditions for implementation, including the method for the designation of the arbitrators and the time limit within which the decision must be made).
- (d) The obligations of the Minister and the Authorised Person under the Authorisation shall continue pending the resolution of any matter submitted to arbitration.

Article 53: [Exemption from or variation of conditions]

The Minister may exempt an Authorised Person from complying with the conditions of its Authorisation, and may also agree to vary or suspend those conditions, either with or without conditions and either temporarily or permanently.

CHAPTER 14 – PUBLIC INFORMATION

Article 54: [Publications by Minister]

Paragraph 1: The Minister shall publish in the media:

- (a) invitations for applications for Authorisations; and
- (b) notice of the grant and termination of Authorisations.

Paragraph 2: The Minister shall publish invitations for applications for Authorisations in the media, in such manner as is required by regulation, and wherever possible, maintained by the Ministry.

Article 55: [Information available to public]

Paragraph 1:

- (a) The Minister shall make available to the public:
 - (1) details of all Authorisations and amendments thereto, whether or not terminated;
 - (2) details of exemptions from, or variations or suspensions of, the conditions of an Authorisation; and
 - (3) information regarding unitisation agreements.
- (b) The Minister shall make available to any member of the public, within a reasonable period of time of a request having been made by that person, summary details of:

- (1) the Authorisations (and amendments, whether or not terminated) and unitisation agreements;
- (2) an approved Development Plan; and
- (3) all assignments and other dealings consented to in respect of Authorisations, subject to commercial their commercial terms and conditions; and
- (4) Petroleum Operations.

Paragraph 2: Within ten (10) business days of a request having been made, the Minister shall publish brief reasons for:

- (a) granting an Authorisation subsequent to an invitation;
- (b) granting an Authorisation without inviting applications;
- (c) approving a Development Plan under a Petroleum Contract;
- (d) granting an exemption from, or agreeing to a variation or suspension of, the conditions of an Authorisation; and
- (e) making any decision or granting any approval that, under an Authorisation, requires publication.

Paragraph 3: Companies shall report on their compliance with requirements under this Law and Authorisations in such manner and detail as required by their Authorisation and as provided by regulation, and the Minister shall make available such reports to the public.

Paragraph 4: The Minister and Public Authorities shall make available to the public such reports by Authorised Persons on payments relating to Petroleum Operations made to the Regional Government as are required by law.

Paragraph 5: The information contemplated in this Article shall be available to any Person on payment of the required fee, to be provided by regulation.

CHAPTER 15 – REGULATIONS

Article 56: [Regulations]

Paragraph 1: The Minister may make regulations under this Law relating to the following:

- (a) graticulation of the territory of the Region;
- (b) Petroleum exploration and production;
- (c) the use and disclosure of data, information, records and reports;
- (d) the measurement and sale or disposal of Petroleum;
- (e) health and safety;
- (f) protection and restoration of the environment;
- (g) resources management;
- (h) structures, facilities and installations;
- (i) clean-up operations and other appropriate methods to remedy and remove the effects of the escape of Petroleum;
- (j) abandonment and decommissioning;
- (k) work programs and budgets;
- (l) the auditing of an Authorised Person and of its accounts and records;
- (m) reporting by Authorised Persons on compliance with obligations set out in the Law and Authorisations, including in relation to:
 - (1) the training and employment of Region citizens and other citizens of Iraq,
 - (2) procurement of Region and other Iraqi goods and services,
 - (3) occupational health and safety,
 - (4) environmental protection, and
- (n) fees to be paid, including by applicants for Authorisations, Authorised Persons, and Persons wishing to inspect the public register.

Paragraph 2: The Minister shall publish the necessary regulations and issue the necessary directions to facilitate the implementation of this Law.

Article 57: [Transitional provisions: Region agreements]

Paragraph 1: Any agreement related to Petroleum Operations entered into by the Regional Government prior to the entry into force of this Law, and approved by the Minister, shall remain in force.

Paragraph 2: For the purposes of this Chapter, an “agreement” includes a contract, license, permit, memorandum of understanding, or other legal act or dealing of any sort.

CHAPTER 16 - PENALTY PROVISIONS**Article 58: [Restrictions to rights of Public Officers]**

Paragraph 1: A public officer or his or her spouse or child or any Person on his behalf, shall not acquire, attempt to acquire or hold:

- (a) an Authorisation or an interest, whether direct or indirect, in an Authorisation; or
- (b) any direct or indirect interest or share in a corporation (or an affiliate of it) that holds an Authorisation, unless as part of a transparent process of privatisation of a Regional Government-owned entity.

Paragraph 2: The Minister shall require, by regulation, that all public officers be subject to the filing of financial disclosure statements, which, in the case of senior public officers, shall be made public.

Article 59: [Loss of Authorisation]

Paragraph 1: An Authorised Person shall be liable to the penalties set out in Paragraph 2 if that Person:

- (a) breaches legislation of the Region concerning corruption; or
- (b) directly or indirectly, in any measure or by any means, hinders the process of inspection by the General Inspector; or
- (c) in, or in connection with, any application or report under this Law, knowingly or recklessly gives information that is materially false or misleading; or
- (d) holds, sells, buys, or otherwise transfers, receives or deals in data and information to which the Region has title, pursuant to Article 32 (Title to data), unless that Person obtains a licence from the Minister, or does so pursuant to the terms of an Authorisation;

Paragraph 2: Where the Minister determines that an Authorised Person has engaged in any activities referred to in Paragraph 1, he or she shall:

- (a) cancel the Authorisation or part of the Authorisation;
- (b) cancel the right of the Authorised Person to participate in public tenders concerning Petroleum Operations, in particular those regarding Authorisations and the procurement of goods and services;
- (c) subject the Authorised Person an embargo of any construction works, in such cases as they may result in damage to relevant public interests;
- (d) subject the Authorised Person to disability, up to a maximum of two (2) years, of the exercise of activities, if the Authorised Person has, within the period of one (1) year starting from the date of the first contravention, contravened this Law, or regulations or directions issued thereunder; and/or
- (e) publish details of the activities.

Article 60: [Accessory penalty for non-compliance with regulations or directions]

A Person who fails or neglects to comply with regulations pursuant to Article 56 (Regulations), the Minister shall impose the costs and expenses incurred, plus interest.

CHAPTER 17 – FINAL AND TRANSITIONAL PROVISIONS

Article 61: [Transitional provisions: Federal Government agreements]

Paragraph 1: The Minister shall consult the Federal Government and review all agreements concluded by the Federal Government prior to the date of entry into force of this Law with respect to Petroleum Operations located in the Region, to bring those agreements into conformity with this Law.

Paragraph 2: Such agreements shall be invalid unless they are assigned to, and come under the exclusive control of, the Regional Government. If deemed necessary by the Regional Government, those assigned agreements allow for some continuing technical and administrative assistance from the Federal Government, to be approved by the Regional Government.

Article 62: [New agreements]

Any agreements related to Petroleum Operations that are concluded after the date of entry into force of this Law shall be invalid unless approved by the Ministry and concluded according to this Law.

Article 63: [Interpretation]

Paragraph 1: All legislation that is inconsistent with the provisions of this Law is invalid.

Paragraph 2: The provisions of the Law of Investment of the Kurdistan Region (Law No. 4 of 2006) do not apply to Petroleum Operations.

Article 64: [Entry into force]

This Law enters into force upon publication in the Official Gazette of the Region.

Necessitating reasons

This Law was issued to develop the petroleum wealth of the Region in a way that achieves the highest benefit to the people of the Region and all of Iraq, using the most advanced techniques of market principles and encouraging investment, consistent with Article 112 of the Federal Constitution, and with Articles 111 and 115 of the Federal Constitution, to promote and adhere to the highest standards of transparency, accountability, and equity in the petroleum sector, to provide special petroleum revenue allocations for all citizens of the Region, for the future generations of the Region, for those who suffered as a result of the previous regime in Iraq, for the special needs of ethnic and religious minorities and for the natural environment of the Region; and to facilitate cooperation on petroleum management with the Federal Government provided that revenue is shared equitably, as required by the Federal Constitution.