

Commencement of Oil Export Ceremony
Erbil, Kurdistan Region - Iraq, 1st June 2009
Dr. Ashti Hawrami, Minister of Natural Resources

Welcome:

Your Excellencies: President Talabani & President Barzani

*Your Excellencies: Vice President - Kurdistan Region,
Speaker of Parliament - Kurdistan Region,
PM - Kurdistan Regional Government,*

Distinguished & Special Guests;

Ladies and Gentlemen;

Welcome. Welcome to this great event to witness the commencement of oil export from the Kurdistan Region.

President Talabani, President Barzani, I am honored and privileged to celebrate this success with you.

*Four years ago, the people of Iraq **voted overwhelmingly** for a new federal Constitution, **which you** and other political leaders helped to draft.*

This Constitution then laid the foundation for the achievements we are celebrating today.

***Today is a Special Day for the
Kurdistan Region and for the Whole of Iraq***

- We are witnessing the end to many decades of discrimination. For the first time in Iraq's history, the people of Kurdistan are making decisions on the natural resources of the Region.
- With today's announcement & our achievements, we shall leave the oil curse of the past behind us. Now, oil can be a blessing for our people & a source of prosperity & stability;
- Today, we are a successful example for the rest of Iraq. Today, we show that market-driven policies can aid the country's recovery.

***To our Friends who
Travelled from Baghdad, I Say***

- Most welcome. We are pleased to see you in Erbil today. We look forward to building new and stronger bridges of cooperation with you to formulate strategic policies for the oil sector.

***To the Regional Parliament
Members, I Say***

- Thank you for engaging in such intense debate to understand the significance of the Kurdistan Region Oil and Gas Law within the constitutional framework of Iraq; thus laying foundation for the contracts followed;
- I also thank you for mandating the Ministry of Natural Resources & the Regional Oil and Gas Council to manage this vital industry for the benefit of Kurdistan and all of Iraq;
- We shall continue to work transparently and efficiently. We will never put ourselves in a position for you to call into question our integrity, or performance;

To the Contractors and Investors I simply say

- Thank you. You are here to share our mutual achievements.
- I hope you see that what you have done is important. Indeed, it is an extraordinary achievement over adversity.

What does this mean for Iraq?

- Beginning today, Iraq's monthly oil exports will increase by 100,000 barrels per day. This will come from the Tawke and the Taq Taq oilfields.
- Within a year, oil exports from these two fields alone will increase to 250,000 barrels per day. We could have been at this level a year ago, had it not been for difficulties caused elsewhere;
- By the end of the next year, oil exports will increase to 450,000 barrels per day. Within 4 years I expect 1,000,000 barrels per day. This will increase Iraq's overall oil export by 50% from the present level.
- The oil export today is for the benefit of all of Iraq. Everyone will share that benefit. At today's oil price, KRG's efforts will generate \$2 Billion in revenue within a year. This will increase to \$5 Billion next year; and to a staggering \$20 Billion in just 4 years from now;
- The KRG has made a promise in the past to maximize returns for Iraq. There were many doubters. We are delighted today to be able to deliver on that promise;

- As for gas, we are planning a strategic pipeline to link up with the Nabucco pipeline. This will generate even more revenues for Iraq;

But, the KRG efforts alone are not enough!

- What is needed is a rapid recovery plan based on market-driven policies, and decentralization. Iraq needs to boost exports to at least 5,000,000 barrels per day by the time KRG's production target reaches 1,000,000 barrels per day;
- Needless to say, we also need to share the oil wealth, throughout the country. For sure, revenue distribution will bind us all together and all Iraqis will be able to unite around that;
- But, if federal oil policies are not changed to increase the exports and boost revenues; and if a fair & transparent Revenue Sharing Law is not enacted soon, the consequences will be serious. The security, unity and future of the country remain at risk.

Failure to Act Means Living in the Past

- For example, lack of cooperation with the KRG caused unnecessary delays for oil export from this Region. This has cost Iraq over \$10 billion so far. This must not be repeated;
- Flaring of associated gas has cost the country over \$30 billion over the last 3 years. There must be an end to this;
- Serious damage has been inflicted to our giant fields, resulting from poor reservoir management, with consequential revenue loss, estimated at \$60 billion at today's oil price. This must not be allowed to continue;
- Furthermore, oil exports are declining, despite massive state funding. This has created a big hole in the country's finances. If this continues, many vital infrastructure projects will be delayed;

Ladies & Gentlemen
the Answer to all of this is to Implement the Constitution

- The Constitution requires policies that maximize revenues for the Iraqi people.

- *The KRG Contracts meet that requirement:*
 - Investors are rewarded for spending less and achieving more. For example, Taq Taq oilfield has been discovered and developed with a cost of less than \$500 million. It will produce at least 180,000 barrels per day;

 - In the KRG Contracts, investors have strong incentives to invest quickly, leading to much earlier revenue returns to the people of Iraq;

 - The investor gets a gross profit share after cost recovery of around 10% to 12%. After allowing for exploration risk factors, the risked profit for the investor is less than 5%. All the costs of not finding oil are born by the investor;

- *Ministry of Oil contracts do not maximize returns for Iraq:*
 - As an example, Ahdab, which is a low-risk discovered field, is expected to produce 100,000 barrels per day. But, the contractor is allowed a massive \$3 billion in cost allowance, 10 times higher per barrel of production as compared to Taq Taq;
 - This finding is confirmed by the federal parliament's own independent expert. The expert concluded that investors under the Oil Ministry contracts are rewarded for having higher costs;

Your Excellencies, Ladies & Gentlemen

- The Constitution requires us to break with the past. Recent history has proven that, by maintaining centralized management practices, the country is economically disadvantaged. Competition is good. We should not be afraid of it.
- It is this competition, together with market-driven policies of the KRG, that have today produced tremendous results for all Iraqi people;

- Article-111 states that oil and gas belongs to all Iraqis. We are committed to Article-111. This means that oil revenue must be shared, and we honor that.
- Also, let us not forget that Article-115 has empowered the Region to manage all new fields. The exploration and production of oil and gas that has led to today's export is within the terms of the Constitution of Iraq.

Ladies & Gentlemen

- The KRG approach has much wider economic benefits. Such benefits include power generation, new refineries, skills training; transfer of technology, new jobs, more schools, more roads, social projects and other much needed infrastructure.
- In other words, the export of oil from these oilfields today also marks the beginning of a new era of prosperity, with immediate benefits for everyone.

Your Excellencies, to Conclude

- Many warned that investors would not sign contracts with the KRG. **They were wrong;**
- They said we would never be able to export. **They were wrong again;**
- There are representatives here from more than 20 countries. **I am delighted to welcome them all.**
- I am particularly pleased to see many friends from Turkey, who also helped to organize this event. **Their support is appreciated.**
- This tells me that we are entering a new of friendship. An era of cross-border cooperation, investment and stability;
- Also, there are leaders here from all parts of Iraq. This tells me that we are on the right path. The Constitution works. **Investors can take comfort.**
- **Today is a success for all of Iraq.**
- Your Excellencies, distinguished guests, ladies and gentlemen, **once again I thank you all for sharing this day with us.**

END