

BP – Stealing Iraq’s Future



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The war in Iraq has brought enormous suffering to the Iraqi people. Over one million Iraqis have died as a direct result of the war and occupation [1] while over three million have been displaced from their homes [2].

But BP sees this as a business opportunity.

BP’s history of exploitation in Iraq

This is not the first time that BP has profited at the expense of the Iraqi people. In fact, BP was one of the first companies to exploit Iraqi oil. In 1925, a 75-year concession contract was granted to a consortium [3] 23.75% owned by BP, together with other British, French and American companies.

Combined with two further contracts signed in the 1930s, the consortium gained control over all of Iraq’s oil.

The terms of the contracts, reflected the fact that Iraq was occupied by Britain (under a League of Nations Mandate) with a British-installed Monarch – King Faisal. The deals gave most of the oil revenue to the companies, along with complete control over decision-making. Yet these terms long outlasted the occupation. The historical parallels to the present day are stark.

Throughout the 1940s and 1950s, successive Iraqi governments tried to change the unfair terms of the contract. Ultimately, following the overthrow of the British-installed monarchy in 1958, the consortium’s rights were restricted in 1961 to cover only existing producing fields. Between 1972 and 1975, those fields too were brought under national control, like those of all of the major oil producers of the Middle East. Iraqis vowed that never again would they allow foreign companies to control their most important economic resource. But now BP is attempting to reverse this change.

In October 2002, five months before the bombs started falling on Baghdad, BP’s then Chief Executive John Browne insisted that “there should be a level playing field for the selection of oil companies to go in there.”[4] In other words,

Iraq’s oil should benefit not just US companies, but European companies too. (The idea that it might benefit the Iraqi people was somehow neglected).

Since then, BP’s strategy has worked closely with the UK and US governments, as military occupation powers, to create the framework for multinational companies to take control of Iraqi oil.

The company had little difficulty persuading the two governments of this approach. There has long been a revolving door between BP and the British Foreign Office. Indeed, of the last five (civil servant) heads of the Foreign Office, four have gone on to become directors of oil and gas companies – including BP [5].

Former BP executives Terry Adams and Bob Morgan both held senior posts as advisors within the Iraqi Ministry of Oil under the Coalition provisional Authority from 2003-2004. Employed by the Foreign Office, their job was to restructure the Iraqi oil industry and write codes of practice for the new ministry. [6]

BP was also one of six oil companies that sponsored a lobbying effort beginning in June 2003, coordinated by the International Tax & Investment Centre. The purpose was to pressure the Iraqi government to grant the companies long-term contracts called production sharing agreements (PSAs) which would give them exclusive rights to extract Iraq’s oil, along with potentially unlimited profit [7]

Again, the British government stepped in to help: the British Ambassador formally presented the lobbying document to the Iraqi Finance Minister [8], and a British diplomat helped arrange the meeting at which BP managers (and those of other companies) met directly with Iraqi ministers and officials [9]

The oil law

In order for BP and its fellow companies to feel legally secure, they needed an oil law to confirm their rights to the oil.

1 Poll conducted by leading British polling group Opinion Business Research in January 2008.

2 Statistics on Displaced Iraqis around the World, September 2007, UNHCR.

3 The consortium was called the Turkish Petroleum Company, later renamed the Iraq Petroleum Company. The companies that would later become Shell and Total also had 23.75% stakes, and a group of American companies (primarily the forbears of Exxon and Mobil) between them held another 23.75%. The remaining 5% was held by deal fixer Calouste Gulbenkian.

4 The Guardian, October 30, 2002, ‘BP chief fears US will carve up Iraqi oil riches’, by Terry Macalister.

5 Lord Wright of Richmond, (Ambassador to Saudi Arabia from 1984 to 1986, Permanent Under-Secretary for Foreign Affairs and Head of the Diplomatic Service from 1986 to 1991 and Director of BP from 1991 to 2001). And Sir John Coles, Permanent Under-Secretary of State, FCO 1994-1997, now non-executive director of British Gas since 1998. The other two went to Shell, Sir Anthony Acland (Permanent Under-Secretary of State, Foreign & Commonwealth Office, 1982-86; Ambassador to USA 1986-91; non-executive director of Shell 1991-99) and Sir John Kerr (PUS, FCO, 1997-2002; non-executive director, Shell, 2002 to date; currently deputy chairman).

6 Crude Designs, Greg Muttitt 2005 <http://www.globalpolicy.org/security/oil/2005/crudedesigns.htm>.

7 See International Tax & Investment Centre, ‘Petroleum and Iraq’s Future’, <http://www.iticnet.org/publications/Iraq-book.pdf>.

8 ITIC Bulletin, November/December 2004, p.8.

9 Interview by Greg Muttitt with Dan Witt, President, ITIC, 17/5/06. See ‘A Game As Old As Empire’, ed. Stephen Hiatt, pub. Berrett-Koehler, 2007, chapter 7. See also <http://www.carbonweb.org/showitem.asp?article=257&parent=39>.

Based on ideas proposed by a US State Department committee before the occupation of Iraq, the first draft was written in July 2006, and was seen by BP and other oil companies within two weeks.[10]

Members of the Iraqi parliament would not see it until eight months later; while Iraqi civil society was excluded altogether.

The interest groups involved in the drafting were reflected in the content: the law proposes that multinational companies will play the primary role in developing Iraq's oil, for the first time since the 1970s. It offers them contracts of up to 30 years, with exclusive rights to develop the oil, and extensive legal powers – everything BP had been asking for.

If these contracts are signed while Iraq is unstable and still occupied – as is planned – these circumstances will be reflected in the terms of any contracts. As such, we could see a repeat of history, with unfair terms of a contract signed under occupation, but lasting a generation.

Opposed by Iraqis

Most Iraqis believe that oil production should remain in the public sector, controlled by Iraqi companies. In December 2006, the leaderships of all five of Iraq's trade union federations stated that "Iraqi public opinion strongly opposes the handing of authority and control over the oil to foreign companies, that aim to make big profits at the expense of the people... We strongly reject the privatization of our oil wealth, as well as production sharing agreements, and there is no room for discussing this matter. This is the demand of the Iraqi street, and the privatization of oil is a red line that may not be crossed." [11]

The 26,000 strong Iraqi Federation of Oil Unions has since threatened to take strike action should the oil law be passed. President Hassan Jumaa Awad sent a message to foreign oil companies at a conference in Basra early last year, "We strongly warn all the foreign companies and foreign capital against coming into our lands under the guise of production-sharing agreements." [12]

Iraqi oil experts also oppose the oil law.

Over 400 Iraqi oil experts, including senior Iraqi oil company representatives, former oil ministers and intellectuals have signed statements calling for no contracts to be signed whilst the country is under occupation and Iraqi unions have called for a referendum. [13]

Opposed by British citizens

British Parliamentarians have also expressed their unease at British governmental and corporate involvement in Iraqi oil

policy. By September 2007 145 MPs across all parties signed an early day motion calling for disclosure of all representations made by the UK government on the behalf of oil companies and affirmed the right of Iraqis to decide their economic future free from external interference. [14]

February 23 saw 'Hands Off Iraqi Oil' campaigners in 27 cities around the UK take direct action at the petrol stations of both BP and Shell for their involvement in pushing for oil privatization under occupation [15]

'It's what we all want...Production Sharing Agreements'

At the Iraq Petroleum conference in Dubai in September 2007, Iraq country manager John Heavyside was asked if BP wanted PSAs in Iraq, he replied: 'We want to take risks and get incentivised to perform better; service contracts don't really allow us to do that. It's what we all want, all the international companies here. Production-sharing agreements offer a win-win situation.' [16].

War zone for Iraqis, comfort zone for BP

BP is currently looking to sign a \$500m contract to develop Iraq's largest producing oil field, Rumaila, in Basra. The contract is only for two years, but BP sees it as a stepping stone to the long-term contracts it really wants.

Steve Peacock, president of BP's Middle East and South Asia exploration and production unit told Reuters in April 2008, 'These contracts are valid for a couple of years; how does that link with what comes afterwards?'

Confirming the company's long-term agenda for Iraq, Peacock continued, 'We've studied the whole of the rest of the country, so we're waiting for what comes next after the service agreements. And we have an opinion on which bits we'd be more interested in [17]

Is the company ready to move Beyond Petroleum? Or is it in fact embedding itself in a country, that despite being a hydrocarbon comfort zone for the company, is a war-zone for the people of Iraq?

If BP were to enter into long-term contracts in Iraq, it would be operating against the wishes of the Iraqi people. Opposition in the occupied country is fierce, and BP would have to rely upon the security services of mercenary companies and a military occupation in order to carry out business. Can the risks, both moral and economic, political and practical really be justified?

10 Nine multinational oil companies (including BP) discussed the law at a meeting in Washington DC chaired by US Energy Secretary Sam Bodman in July 2006.

11 See statement at <http://www.carbonweb.org/showitem.asp?article=222&parent=4>

12 Speech at Basra oil conference, February 2007 http://www.basraoilunion.org/archive/2007_02_01_archive.html

13 419 Iraqi Intellectuals Reject Proposed Oil Law (MEES, August 2007) <http://www.mees.com/postedarticles/oped/v50n33-5OD02.htm>

14 EDM 1180 Iraqi Oil Law tabled by Katy Clark MP (Labour) <http://edmi.parliament.uk/EDMI/EDMIDetails.aspx?EDMID=32937>

15 www.handsoffiraqioil.org

16 Independent on Sunday, 'Black Gold turns grey' Ewa Jasiewicz, September 2007

17 Speaking to Simon Webb, Reuters, April 2008 <http://uk.reuters.com/article/oilRpt/idUKL0775970020080407?pageNumber=2&virtualBrandChannel=0>