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Slick Connections: U.S. Influence on Iraqi Oil

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July 17, 2007

"The oil belongs to the Iraqi people. It's their asset," declared President George W. Bush in a press conference on the White House lawn in June 2006. He had just returned from a surprise visit to Baghdad, in which oil had been one of the main subjects of discussion.

"We talked about how to advise the government to best use that money for the benefit of the people", he clarified.

But by January 2007, the euphemism of "advice" had been dropped, as passage of an oil law became a "benchmark", an instruction to the Iraqi government.

Violating the very notions of freedom and democracy Bush invokes in nearly every speech on Iraq, the U.S. government has actively intervened in the restructuring of Iraq's oil industry since at least 2002. At different times, the Iraqi government has been threatened that passing the oil law was a pre-condition for partial reduction of Saddam Hussein's debts, for the provision of reconstruction funds, and even for the continued survival (through U.S. military support) of the al-Maliki government itself.

The issues could hardly be more important for Iraq. Oil accounts for more than 90% of government revenue, and is the main driver of Iraq's economy. And decisions made in the coming months will not be reversible—once contracts are signed, they will have a major bearing on Iraq's economy and politics for decades to come.

No wonder polls have shown that roughly 75% of Iraqis think one of the main reasons why the United States invaded Iraq, was "to control Iraqi oil".[i]

Attempting to reverse this perception and change U.S. policy, lawmakers passed legislation stating that the United States should not exert "control over any oil resource of Iraq." But contradicting this sentiment, the Congress also passed a law that required reporting on set of U.S. imposed benchmarks, which included language for the Iraqi parliament to pass "legislation to ensure the equitable distribution of hydrocarbon resources." The Administration has used this benchmark to push a law that has almost nothing to do with revenue distribution among Iraq's sectarian groups, and everything to with creating highly profitable opportunities for multinational oil corporations.[ii]

Under pressure from the U.S. government, the Iraqi cabinet has endorsed the controversial oil law, which now awaits approval in the Parliament. Yet among Iraqis, the law faces extensive opposition, including from two of the law's three original authors—as well as more than 100 of Iraq’s most senior oil experts, the powerful oil unions and other religious and secular civil society organizations.

Ironically, the law deemed to be needed to bring the country together, instead has the potential to violently rip it apart.

Oil Pressure: A History of U.S. Involvement in Iraq’s Oil Development

Feb.-March 2001: White House Energy Taskforce produces a list of “Foreign Suitors for Iraqi Oilfield Contracts.”[iii]

December 2002-April 2003: U.S. State Department Oil and Energy Working Group brought together influential Iraqi exiles, U.S. government officials, and international consultants. The result of the project's work was a “draft framework for Iraq's oil policy” that would form the foundation for the energy policy now being considered by the Iraqi Parliament. The final report noted that that Iraq “should be opened to international oil companies as quickly as possible after the war.[iv] Later, several Iraqi members of the group became part of the Iraqi government. The Group included future Iraqi Oil Minister, Bahr al-Uloum.

January 2003: The *Wall Street Journal* reported that representatives from Exxon Mobil Corp., ChevronTexaco Corp., ConocoPhillips and Halliburton, among others, were meeting with Vice President Cheney's staff to plan the post- war revival of Iraq's oil industry.[v]

January 2003: Phillip Carroll, a former Chief Executive with Royal Dutch-Shell, and a 15-member “board of advisors” were appointed to oversee Iraq's oil industry during the transition period. According to the *Guardian*, the group's chief executive would represent Iraq at meetings of Organization of the Petroleum Exporting Countries (OPEC).[vi] Carroll had been working with the Pentagon for months before the invasion —even while the administration was still insisting that it sought a peaceful resolution to the Iraq crisis—“developing contingency plans for Iraq's oil sector in the event of war.”

Carroll, in addition to running Shell Oil in the U.S., was a former CEO of the Fluor Corporation, a well-connected oil services firm with extensive projects in Saudi Arabia and Kuwait and at least $1.6 billion in contracts for Iraq's reconstruction.

One month after the invasion, Carroll took control of Iraq's oil production for the U.S. Government He was joined by Gary Vogler, a former executive with ExxonMobil, in Iraq's Office of Reconstruction and Humanitarian Assistance.

Mr. Carroll made it clear to Paul Bremer, the U.S. occupation chief who arrived in Iraq in May 2003, that, “There was to be no privatization of Iraqi oil resources or facilities while he was involved.”[vii] Carroll leaves his job seven months later.

March 2003: Iraqi Oil Ministry was one of the few structures the invading forces protected from looters in the first days of the war.

April 2003: During the initial assault on Baghdad, soldiers set up forward bases named Camp Shell and Camp Exxon.[viii]

April 2003: President Bush called for UN sanctions against Iraq to be dropped. The request sounds innocuous enough, but it masks an urgent U.S. desire for a free hand to start pumping Iraqi crude once again to raise funds for rebuilding the country.[ix]

April 2003: USAID Solicits Bid to Draft Economic Reorganization Plan for Iraq. The U.S. Agency for International Development asks BearingPoint, Inc to bid on a sole-sourced contract for “economic governance” work in Iraq. The contract document was written by

Treasury Department officials and reviewed by financial consultants. The confidential 100-page request, titled “Moving The Iraqi Economy From Recovery to Sustainable Growth,” states that the contractor will help support “private sector involvement in strategic sectors, including privatization, asset sales, concessions, leases and management contracts, especially in the oil and supporting industries.” [x]

May 22, 2003: UN Security Council passed a resolution ending sanctions on Iraq. Significantly, the resolution gave the U.S. decision making power over how the oil funds would be used with regard to relief, reconstruction, disarmament and “other purposes benefiting the people of Iraq.”[xi]

May 22, 2003: President Bush signed Executive Order 13303 providing full legal immunity to all U.S. oil companies doing business in Iraq in order to facilitate the country's “orderly reconstruction.”

June 22, 2003: Iraq ships crude oil for the first time since the start of the war. Head of the Coalition Provisional Authority, Paul Bremer, broached the politically sensitive issue of how oil revenue should be spent, proposing that some of the money be shared with Iraqis through a system of dividend payments or a national trust fund to finance public pensions.”Iraq’s resources cannot be restricted to a lucky or powerful few,” Bremer said. “Iraq’s natural resources should be shared by all Iraqis.”[xii]

July 2003: Bremer appoints the members of the Iraqi Government Council. Ibrahim Bahr al-Uloum, a member of the State Department's energy working group, is tapped as Iraq's oil minister. Al-Uloum soon proposed a privatization program, and endorsed production sharing agreements as the route to that goal.[xiii]

October 2003: Carroll was replaced by Robert McKee, a former ConocoPhillips executive. According to the *Houston Chronicle*, “His selection as the Bush administration's energy czar in Iraq” drew fire from Congressional Democrats “because of his ties to the prime contractor in the Iraqi oil fields, Houston-based Halliburton Co. He's the chairman of a venture partitioned by the … firm.”[xiv]

The administration selected ChevronTexaco Vice President Norm Szydlowski to serve as a liaison between the Coalition Provisional Authority and the Iraqi Oil Ministry. Now the CEO of the appropriately named Colonial Pipeline company, Szydlowski continued to work with the Iraq Energy Roundtable, a project of the U.S. Trade and Development Agency, that sponsored meetings to “bring together oil and gas sector leaders in the U.S. with key decision makers from the Iraq Ministry of Oil.”[xv] Terry Adams and Bob Morgan of BP, and Mike Stinson of ConocoPhillips would also serve as advisors during the transition.[xvi]

November 2003: McKee quietly ordered a new plan for Iraq's oil. The drafting would be overseen by a “senior adviser,” Amy Jaffe, who had worked for Morse when he was the Chairman of the Council on Foreign Relations. Jaffe now works for James Baker, the former Secretary of State, whose law firm serves as counsel to both ExxonMobil and the defense minister of Saudi Arabia. The plan, written by State Department contractor BearingPoint, was guided, says Jaffe, by a handful of oil-industry consultants and executives.[xvii]

December 19, 2003: BearingPoint releases “Options for Developing a Long Term Sustainable Iraqi Oil Industry,” a report on the Iraqi oil industry favoring foreign participation as the most efficient way of developing the sector.[xviii]

March 2004: CPA names new Iraq Oil Advisors: Mike Stinson of ConocoPhillips and Bob Morgan of BP.[xix]

March 2004: Iraq's interim constitution, the Transitional Administrative Law (TAL) passed in March 2004 by Iraq's Governing Council, sets forth that CPA laws, regulations, and orders are to remain in force after the transfer of sovereignty unless a duly enacted piece of legislation rescinds or amends them.[xx]

June 2004: U.S. handover to the Iraq Interim Government. Mike Stinson becomes an advisor to the U.S. Embassy in Baghdad.[xxi] Thamir al-Ghadban is named as Iraqi Oil Minister.

November 2004: International oil companies launched voluntary efforts to train Iraq's oil workers and provide technical assistance, hoping to generate goodwill and eventually get access to the country's huge oil reserves. Companies from the United States, Britain and Russia—including ChevronTexaco Corp., BP, Royal Dutch/Shell Group and Lukoil—are paying to send Iraqi oil workers out of the country to teach them the latest techniques in developing and managing oil fields.[xxii]

December 22, 2004: Iraqi Finance Minister Mahdi, in a joint press conference with U.S. Undersecretary of State Alan Larson at the National Press Club, announced Iraq's plans for a new petroleum law to open the oil sector to foreign private investment. Mahdi explained, "So I think this is very promising to the American investors and to American enterprise, certainly to oil companies."[xxiii]

Early 2005: New Government, old oil minister, al-Uloum reappointed to position of Minister for Oil. Ahmed Chalabi, head of the U.S. backed Iraqi National Congress, was appointed chair of the Energy Council. In 2002, Chalabi said, "U.S. companies will have a big shot at Iraqi oil."[xxiv]

May 2005: Approximately 30 international oil companies signed Memoranda of Understanding with Iraq, generally for the training of Iraqi staff, consulting work, and studies.[xxv]

August 30, 2005: Bush says U.S. troops would continue fighting in Iraq in order to protect the country's vast oil fields, which he said would otherwise fall under the control of terrorist extremists.[xxvi]

October 15 2005: The national referendum for the Iraqi constitution passes, containing an outline for oil revenue sharing and development.

December 2005: Iraq enters into agreement with the International Monetary Fund committing Iraq to draft a new petroleum law by the end of 2006 to allow foreign investment in the country's oil industry. The arrangement was signed before the new Iraqi government had been appointed and one week after the December 2005 elections thus denying Iraqi voters a chance to react through the ballot box.

February 2006-June 2006: USAID contracts with Bearing Point to draft Iraq's oil law to provide "legal and regulatory advice in drafting the framework of petroleum and other energy-related legislation, including foreign investment".[xxvii]

March 15, 2006: Gen. John Abizaid, the Army general overseeing U.S. military operations in Iraq said the United States may want to keep a long-term military presence in Iraq to bolster moderates against extremists in the region and protect the flow of oil. [xxviii]

May 2006, Iraq's new oil minister, Hussein al-Sharistani, began drafting legislation to govern Iraq's oil sector. Following his appointment, Shahristani announced that one of his top priorities would be to pass a law allowing privatization through parliament by the end of 2006

July 2006: U.S. Government and oil companies get a copy of the draft oil law.[xxix]

September 2006: International Monetary Fund and World Bank receive a copy of draft oil law. [xxx]

October 17, 2006: President Bush signs the 2007 Defense Authorization Act (PL No: 109-364) which states in SEC. 1519,"No funds … in this Act may be obligated or expended … To exercise United States economic control of the oil resources of Iraq.

February 2007: U.S. Ambassador to Iraq, Zalmay Khalilzad, "has been in intense talks with Kurdish leaders in the north to overcome their objections to the draft. Iraqi officials say Mr. Khalilzad's negotiations were crucial to winning unanimous cabinet approval."[xxxi]

February 18, 2007: "Draft Hydrocarbon Law" was submitted to the Iraqi Cabinet (Council of Ministers).[xxxii]

February 26, 2007: "Draft Hydrocarbon Law" was submitted to the Iraqi Parliament (Council of Representatives) by the Iraqi Cabinet.[xxxiii]

April 19, 2007: Defense Secretary Robert Gates travels to Baghdad to push political benchmarks and specifically the oil law [xxxiv]

May 9 2007: U.S. Vice President Dick Cheney travels to Baghdad to push political benchmarks and specifically the oil law.[xxxv]

June 12, 2007: U.S. Admiral Fallon, head of the Central Command, warned Iraq's prime minister Nouri al-Maliki in a closed-door conversation to pass the oil law by July.[xxxvi]

July 3, 2007: Iraq cabinet approves oil law draft.[xxxvii]

July 12, 2007: The White House released its Initial Benchmark Assessment Report. Benchmark #3, **"**Enacting and implementing legislation to ensure the equitable distribution of hydrocarbon resources" is found to be not met. The report notes, "The effect of limited progress toward this benchmark has been to reduce the perceived confidence in, and effectiveness of, the Iraqi Government. This does not, however, necessitate a revision to our current plan and strategy, under which we have assigned a high priority to this subject, and the process overall has continued to move forward." [xxxviii]

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[i] University of Michigan, 14 June 2006, 'Iraq attitudes: Survey documents big changes', available at www.umich.edu/news/index.html?Releases/2006/Jun06/r061406a

[ii] In the law pushed by the US Administration, just one out of 43 articles mentions revenues: and that simply establishes two bank accounts, and states that the distribution will be determined by a separate law. This separate law was put together as an afterthought in summer 2007 – attracting almost no interest from the Administration; whilst as the timeline shows, the law providing for long-term contracts with multinational companies was consistently pushed by US officials.

[iii] Documents from the Cheney-led National Energy Policy Development Group, available at: www.judicialwatch.org; Larry Everest, "Cheney, Energy and Iraq Invasion: Supreme Court to Rule on Secrecy," *San Francisco Chronicle*, March 21, 2004; Michael Schwartz, "The Struggle Over Iraqi Oil," TomDispatch May 8, 2007. Available at: http://www.globalpolicy.org/security/oil/2007/0508struggleiraqioil.htm.

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[xviii] Muttitt, Crude Designs. Op. cit.

[xix] Muttitt, Crude Designs. Op. cit.

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