



Kurdistan Regional Government of Iraq

Oil production, export, consumption and revenue for the period 1 July 2017 to 31 December 2017

31 July 2018

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Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

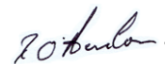
Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 July 2017 to 31 December 2017

- 1.1 We were appointed by the Regional Council for Oil and Gas Affairs ("RCOG") of the Kurdistan Regional Government ("KRG") to review oil production, export, consumption and revenue for 2017, as well as prior years 2014, 2015 and 2016.
- 1.2 We have completed our review of the schedule of oil export, consumption and revenue for the period 1 July 2017 to 31 December 2017, attached as Schedule 1 to this report. We have previously reviewed and reported on the schedule of oil export, consumption and revenue for the period 1 January 2017 to 30 June 2017.
- 1.3 Our procedures involved reviewing export and sales records; undertaking site visits; making inquiries of oil producers; and undertaking other procedures as required.
- 1.4 We report our findings below:
 - 1.4.1 Oil export and consumption - We did not identify any misstatements in the 1 July 2017 to 31 December 2017 oil export and consumption data.
 - 1.4.2 Oil sales – We did not identify any misstatements in the 1 July 2017 to 31 December 2017 oil sales data and the net amount received in the period by the KRG.
- 1.5 This report is limited to the data contained in Schedule 1 and does not extend to any further information that may have been produced or published by the KRG. We note that production contributions for the individual fields is subject to additional reconciliation and verification procedures and this exercise is currently in progress.
- 1.6 We used sampling and other techniques to the extent we considered necessary to verify the data in Schedule 1. Our review was dependent on documentation provided by all stakeholders (oil producers, refineries, oil traders, the pipeline operator, and the KRG's Ministry of Natural Resources), and the accuracy and completeness thereof.
- 1.7 This report has been prepared for RCOG. Deloitte accepts no responsibility or liability to any third parties for any opinions expressed or any inaccuracy, omission or error regarding any information contained within this report. No party, other than the RCOG, is entitled to rely on this report for any purpose whatsoever.
- 1.8 This report and Schedule 1 have also been published in the Arabic and Kurdish languages. In the event of any discrepancies between these documents, the English version is definitive.

Yours faithfully,



Neil Hargreaves
Deloitte Professional Services (DIFC) Limited





Robert O'Hanlon
Deloitte & Touche (M.E.)


SCHEDULE 1

Oil export, consumption and revenue


Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 July 2017 to 31 December 2017

 Oil Exports and Consumption	Period Total
Piped export of crude oil (KRG and NOC contribution) (Note 2)	81,548,972 bbls
Trucked export of crude oil from a Kurdistan Region Field (Note 3)	4,913,910 bbls
Crude delivered to refineries for MNR refining	1,457,965 bbls
Sales to refineries	664,220 bbls
Swaps of crude oil for diesel, and heavy fuel oil for use in KRG power plants	1,787,091 bbls
Local sales	625,756 bbls
Total exported & consumed (Note 4)	90,997,914 bbls

 Pipeline Export Sales Analysis	Period Total
Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 2 and Note 5)	81,835,881 bbls
Gross value of crude oil sold	3,648,592,406 USD
Average price per barrel achieved for oil sold (Note 6)	44.584 USD/bbl

 Trucking Export Sales Analysis	Period Total
Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 3 and Note 5)	5,144,729 bbls
Gross value of crude oil sold	205,185,451 USD
Average price per barrel achieved for oil sold (**)	39.883 USD/bbl

(**) For trucking export sales, additional export costs which have been paid for directly by the buyer have been factored into the sales price (e.g. handling costs and storage costs).

 Financial Flows	Period Total
Gross value of crude oil sold (Piped and Trucked exports)	3,853,777,857 USD
Net movement in buyer account balances (excluding advance payments)	(121,200,706) USD
Interest and other charges from the buyers (Note 7)	(91,228,136) USD
Payments made to oil producers by, or on behalf of the KRG	(624,998,472) USD
Payments made to third parties by, or on behalf of the KRG (Note 8)	(638,178,647) USD
Payment made to Kirkuk Governorate for oil lifted from Kirkuk (petrodollar payment)	(30,000,000) USD
Payments made to the Ministry of Finance for oil security costs	(14,592,100) USD
Payments made against arbitration settlement (Note 9)	(518,169,127) USD
Net cash balance received by the KRG for the period sales	1,815,410,669 USD
Additional advance payments made by buyers against future sales	183,825,333 USD

NOTES TO SCHEDULE 1

Oil export, consumption and revenue

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Note 1

All figures in Schedule 1 for the period 1 July 2017 to 31 December 2017 oil export, consumption and revenue data are based on the records provided by stakeholders to the KRG.

Note 2

Gross crude oil lifted by the buyers	82,020,385	bbls
Increase (decrease) in storage at oil terminal	(471,413)	bbls
Piped export of crude oil (KRG and NOC contribution)	81,548,972	bbls

Note 3

Gross crude oil lifted by the buyers	5,149,928	bbls
Increase (decrease) in storage at oil terminal	(236,018)	bbls
Trucked export of crude oil from a Kurdistan Region Field	4,913,910	bbls

Note 4

Total exports and consumption does not include: (1) crude oil and condensate allocated as compensation to producers; and (2) condensate sales by Dana Gas. These amounts have not been included in total exports and consumption on Schedule 1 as the MNR is not entitled to any of the proceeds from the sale or consumption of this crude oil / condensate.

Crude oil / condensate allocated as compensation to producers	4,008,125	bbls
Dana Gas condensate sales to other buyers	347,206	bbls
Total crude oil and condensate compensation and/or sales by oil producers	4,355,331	bbls

Note 5

Gross piped exports are 82,020,385 bbls whereas the net piped export sales are 81,835,881 bbls. Gross trucked exports are 5,149,928 bbls whereas the net trucked export sales are 5,144,729 bbls. The difference between the gross and net exports is due to the removal of contaminants such as water.

Note 6

The net piped export barrels and average price per barrel achieved for oil sold by month is as follows:

Jul 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	H2 2017
16,338,649 bbls	17,448,727 bbls	18,283,930 bbls	12,988,534 bbls	7,382,831 bbls	9,393,210 bbls	81,835,881 bbls
37.806 USD/bbl	41.411 USD/bbl	45.046 USD/bbl	46.933 USD/bbl	51.508 USD/bbl	52.679 USD/bbl	44.584 USD/bbl

Note 7

Interest and other charges from buyers of USD 91,228,136 is made up of the following:

- USD 51,447,288 for trucking transportation costs;
- USD 441,703 in demurrage claims against H2 2017 crude oil shipments;
- USD 666,563 in shipment cancellation charges;
- USD 13,193,138 in H2 2017 interest charges and fees; and
- USD 25,479,444 in off-spec claims against prior period shipments (2015, 2016 and H1 2017) approved in H2 2017.

Note 8

Payments to third parties of USD 638,178,647 is made up of the following:

- USD 233,940,615 for Turkish Energy Company ("TEC") tariffs;
- USD 160,000,000 in debt repayment to TEC and Turkish Petroleum International Company ("TPIC");
- USD 7,315,924 in repayment related to the UK Export Finance loan for Biwater Project (Ministry of Municipality);
- USD 77,540,001 for pipeline expansion;
- USD 100,000,000 paid to Mass Global for the supply of electricity to the Kurdistan Region;
- USD 54,782,107 for fuel purchased for the Ministry of Electricity for power generation; and
- USD 4,600,000 to cover the costs of other projects of the Ministry of Municipality.

Note 9

USD 518,169,127 was paid out of oil revenues in connection with an arbitration settlement agreement. The total settlement was higher than this amount and the balance was provided from other KRG revenue sources.

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