



## **Kurdistan Regional Government of Iraq**

Oil production, export, consumption and revenue for the period 1 January 2018 to 31 March 2018

12 August 2018

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Regional Council for Oil  
and Gas Affairs

Kurdistan Regional  
Government

Kurdistan Region, Iraq

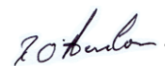
## **Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 January 2018 to 31 March 2018**

- 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 2018, as well as prior years 2014, 2015, 2016 and 2017.
- 1.2 We have completed our review of the schedule of oil export, consumption and revenue for the period 1 January 2018 to 31 March 2018, 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 31 December 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 January 2018 to 31 March 2018 oil export and consumption data.
  - 1.4.2 Oil sales – We did not identify any misstatements in the 1 January 2018 to 31 March 2018 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 January 2018 to 31 March 2018

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2)	28,337,999 bbls
Trucked export of crude oil from a Kurdistan Region Field (Note 3)	- bbls
Swaps of crude oil for diesel, and heavy fuel oil for use in KRG power plants	559,341 bbls
Sales to refineries	609,649 bbls
Local sales	996,458 bbls
<b>Total exported &amp; consumed (Note 4)</b>	<b>30,503,447 bbls</b>
 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)	28,447,848 bbls
Gross value of crude oil sold	1,559,412,410 USD
Average price per barrel achieved for oil sold (Note 6)	54.817 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)	408,277 bbls
Gross value of crude oil sold	20,117,037 USD
Average price per barrel achieved for oil sold (*)	49.273 USD/bbl
<i>(*) 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).</i>	
 Refinery and Local Sales Analysis	Period Total
Net oil (crude and condensate) lifted by the buyers (net quantity after removal of water content and evaporation losses during transportation)	1,606,107 bbls
Gross value of crude and condensate sold	84,179,334 USD
Average price per barrel achieved for oil sold (**)	52.412 USD/bbl
<i>(**) Condensate is priced as USD/MT, and has been converted to barrel equivalent for reporting purposes.</i>	
 Financial Flows	Period Total
<b>Gross value of crude oil and condensate sold (Piped and Trucked exports, and local sales)</b>	<b>1,663,708,781 USD</b>
Net movement in buyer account balances	(428,760,513) USD
Interest and other charges from the buyers (Note 7)	(13,731,436) USD
Payments made to oil producers by, or on behalf of the KRG	(459,263,330) USD
Payments made to third parties by, or on behalf of the KRG (Note 8)	(336,819,106) USD
Additional proceeds from pipeline licensing agreement (Note 9)	223,455,047 USD
<b>Net cash balance received by the KRG for the period sales and related activities</b>	<b>648,589,443 USD</b>

# NOTES TO 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 January 2018 to 31 March 2018

#### Note 1

All figures in Schedule 1 for the period 1 January 2018 to 31 March 2018 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	28,496,063	bbls
Increase (decrease) in storage at oil terminal	(158,064)	bbls
<b>Piped export of crude oil</b>	<b>28,337,999</b>	<b>bbls</b>

#### Note 3

Gross crude oil lifted by the buyers	408,757	bbls
Increase (decrease) in storage at oil terminal	(408,757)	bbls
<b>Trucked export of crude oil from a Kurdistan Region Field</b>	<b>-</b>	<b>bbls</b>

#### 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	1,524,739	bbls
Dana Gas condensate sales to other buyers	377,178	bbls
<b>Total crude oil and condensate compensation and/or sales by oil producers</b>	<b>1,901,917</b>	<b>bbls</b>

#### Note 5

Gross piped exports are 28,496,063 bbls whereas the net piped export sales are 28,447,848 bbls. Gross trucked exports are 408,757 bbls whereas the net trucked export sales are 408,277 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:

January 2018	February 2018	March 2018	Q1 2018
8,286,857 bbls	10,195,898 bbls	9,965,093 bbls	28,447,848 bbls
57.418 USD/bbl	52.800 USD/bbl	54.716 USD/bbl	54.817 USD/bbl

#### Note 7

Interest and other charges from buyers of USD 13,731,436 is made up of the following:

- USD 4,279,563 for trucking transportation costs;
- USD 4,633,325 in Q1 2018 interest charges;
- USD 77,833 in demurrage claims against prior period shipments approved in Q1 2018; and
- USD 4,740,715 in off-spec claims against prior period shipments approved in Q1 2018.

#### Note 8

Payments to third parties of USD 336,819,106 is made up of the following:

- USD 93,899,661 for Turkish Energy Company ("TEC") tariffs;
- USD 100,000,000 in debt repayment to TEC and Turkish Petroleum International Company ("TPIC");
- USD 7,103,157 in repayment related to the UK Export Finance loan for Biwater Project (Ministry of Municipality);
- USD 75,000,030 paid to Mass Global for the supply of electricity to the Kurdistan Region;
- USD 39,645,569 for fuel purchased for the Ministry of Electricity for power generation;
- USD 20,000,000 for professional services and retainer for the KRG, primarily relating to the Dana Gas settlement; and
- USD 1,170,689 for services provided to the Ministry of Electricity (Smart metering project).

#### Note 9

In addition to oil sales revenues, an amount of USD 223,455,047 was transferred to the KRG Ministry of Finance during Q1 2018 in relation to a pipeline licensing agreement. While these additional funds were not revenues from the sale of oil, they represent a material, one-off receipt of funds to the Ministry of Finance linked to the MNR's oil operations, and therefore have been included in this report.

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## دېلویٹ اند توش (الشرق الأوسط)

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