



## **Kurdistan Regional Government of Iraq**

Oil production, export, consumption and revenue for the period 1 April 2018 to 30 June 2018

11 December 2018

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Regional Council for Oil  
and Gas Affairs

Kurdistan Regional  
Government

Kurdistan Region, Iraq

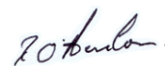
## **Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 April 2018 to 30 June 2018**

- 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 April 2018 to 30 June 2018 ("Q2 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 March 2018.
- 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 April 2018 to 30 June 2018 oil export and consumption data.
  - 1.4.2 Oil sales - We did not identify any misstatements in the 1 April 2018 to 30 June 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 April 2018 to 30 June 2018

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2)	30,190,384 bbls
Swaps of crude oil for diesel, and heavy fuel oil for use in KRG power plants	278,750 bbls
Local sales	957,010 bbls
<b>Total exported &amp; consumed (Note 3)</b>	<b>31,426,144 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 4)	28,398,248 bbls
Gross value of crude oil sold	1,784,943,575 USD
Average price per barrel achieved for oil sold (Note 5)	62.854 USD/bbl
 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)	957,010 bbls
Gross value of crude and condensate sold	53,874,980 USD
Average price per barrel achieved for oil sold (**)	56.295 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 exports and local sales)</b>	<b>1,838,818,555 USD</b>
Net movement in buyer account balances	201,654,971 USD
Interest and other charges from the buyers (Note 6)	(9,213,610) USD
Payments made to oil producers by, or on behalf of the KRG	(549,528,356) USD
Tariff payments to Turkish Energy Company (TEC)	(98,673,309) USD
Debt repayment to TEC and Turkish Petroleum International Company (TPIC)	(200,000,060) USD
Payments made to other parties by, or on behalf of the KRG (Note 7)	(70,953,536) USD
Additional net proceeds from PSC / pipeline licensing agreements (Note 8)	197,795,251 USD
<b>Net cash balance received by the KRG for the period sales and related activities</b>	<b>1,309,899,906 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 April 2018 to 30 June 2018

#### Note 1

All figures in Schedule 1 for the period 1 April 2018 to 30 June 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	28,563,489	bbls
Increase (decrease) in storage at oil terminal	1,626,895	bbls

**Piped export of crude oil** **30,190,384** **bbls**

#### Note 3

Total exports and consumption does not include crude oil and condensate allocated as compensation to producers. 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	1,681,373	bbls
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#### Note 4

Gross piped exports are 28,563,489 bbls whereas the net piped export sales are 28,398,248 bbls. The difference between the gross and net exports is due to the removal of contaminants such as water. There were no trucking exports during Q2 2018.

#### Note 5

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

April 2018	May 2018	June 2018	Q2 2018
8,842,381 bbls	9,612,707 bbls	9,943,160 bbls	28,398,248 bbls
59.995 USD/bbl	64.762 USD/bbl	63.551 USD/bbl	62.854 USD/bbl

#### Note 6

Interest and other charges from buyers of USD 9,213,610 is made up of the following:

- USD 4,138,383 in Q2 2018 interest charges;
- USD 175,916 in demurrage claims against current period shipments;
- USD 656,457 in prior period shipment cancellation charges;
- USD 12,907 in demurrage claims against prior period shipments approved in Q2 2018; and
- USD 4,229,947 for transportation costs from a field to the pipeline.

#### Note 7

Payments to other parties of USD 70,953,536 is made up of the following:

- USD 69,710,912 for fuel purchased for the Ministry of Electricity; and
- USD 1,242,624 for services provided to the Ministry of Electricity (Smart metering project).

#### Note 8

In addition to oil sales revenues, an amount of USD 197,795,251 was transferred to the KRG Ministry of Finance and Economy during Q2 2018 in relation to production sharing contracts (PSC) and pipeline licensing agreements. While these additional funds were not revenues from the sale of oil, they represent a material receipt of funds to the Ministry of Finance and Economy linked to the MNR's oil operations, and therefore have been included in this report.

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## دييلويت اند توش (الشرق الأوسط)

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