



Kurdistan Regional Government of Iraq

Oil production, export, consumption and revenue for the period 1 July 2018 to 30 September 2018

26 February 2019

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Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

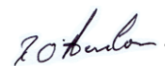
Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 July 2018 to 30 September 2018

- 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 July 2018 to 30 September 2018 ("Q3 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 30 June 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 July 2018 to 30 September 2018 oil export and consumption data.
 - 1.4.2 Oil sales - We did not identify any misstatements in the 1 July 2018 to 30 September 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 July 2018 to 30 September 2018

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2 and Note 3)	35,246,851 bbls
Swaps of crude oil for diesel, and heavy fuel oil for use in KRG power plants	329,820 bbls
Local sales	174,761 bbls
Total exported & consumed (Note 4)	35,751,432 bbls
 Pipeline 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)	35,667,632 bbls
Gross value of crude oil sold	2,250,572,508 USD
Average price per barrel achieved for oil sold (Note 6)	63.098 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)	174,761 bbls
Gross value of crude and condensate sold	11,837,276 USD
Average price per barrel achieved for oil sold (**)	67.734 USD/bbl
<i>(**) Condensate is priced as USD/MT, and has been converted to barrel equivalent for reporting purposes.</i>	
 Financial Flows	Period Total
Gross value of crude oil and condensate sold (Piped exports and local sales)	2,262,409,784 USD
Net movement in buyer account balances	(181,385,298) USD
Interest and other charges from the buyers (Note 7)	(7,597,119) USD
Payments made to oil producers by, or on behalf of the KRG	(616,149,067) USD
Tariff payments to Turkish Energy Company (TEC)	(108,094,863) USD
Debt repayment to TEC and Turkish Petroleum International Company (TPIC)	(115,000,060) USD
Payments made to other parties by, or on behalf of the KRG (Note 8)	(80,696,865) USD
Additional net proceeds from PSC / pipeline licensing agreements (Note 9)	135,286,862 USD
Net cash balance received by the KRG for the period sales and related activities	1,288,773,374 USD
Additional advance payments made by buyers against future sales	104,598,002 USD

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 July 2018 to 30 September 2018

Note 1

All figures in Schedule 1 for the period 1 July 2018 to 30 September 2018 oil export, consumption and revenue data are based on the records provided by stakeholders to the KRG.

Note 2

Piped export of crude oil includes 243,608 bbls of refined heavy fuel oil surplus to internal consumption during the period.

Note 3

Gross crude oil lifted by the buyers	35,735,774	bbls
Increase (decrease) in storage at oil terminal	(488,923)	bbls
Piped export of crude oil	35,246,851	bbls

Note 4

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	1,500,725	bbls
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Note 5

Gross piped exports are 35,735,774 bbls whereas the net piped export sales are 35,667,632 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:

July 2018	August 2018	September 2018	Q3 2018
10,200,433 bbls	13,776,406 bbls	11,690,793 bbls	35,667,632 bbls
62.676 USD/bbl	60.135 USD/bbl	66.960 USD/bbl	63.098 USD/bbl

Note 7

Interest and other charges from buyers of USD 7,597,119 is made up of the following:

- USD 4,595,539 in Q3 2018 interest charges;
- USD 2,967,280 for transportation costs from a field to the pipeline; and
- USD 34,300 in demurrage claims against current period shipments.

Note 8

Payments to other parties of USD 80,696,865 is made up of the following:

- USD 39,000,030 for supply of electricity to the Kurdistan Region;
- USD 24,117,005 for fuel purchased for the Ministry of Electricity;
- USD 9,348,448 for pipeline diagnostic and inspection services;
- USD 4,587,158 for legal services and retainer for the KRG;
- USD 2,163,664 for expenses paid by a third party on behalf of the MNR (chemicals, crude oil quality testing, software services, etc.); and
- USD 1,480,560 for services provided to the Ministry of Electricity (Smart metering project).

Note 9

In addition to oil sales revenues, an amount of USD 135,286,862 was transferred to the KRG Ministry of Finance and Economy during Q3 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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دېلویٹ اند توش (الشرق الأوسط)

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