



Kurdistan Regional Government of Iraq

Oil production, export, consumption and revenue for the period 1 October 2018 to 31 December 2018

26 May 2019

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Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

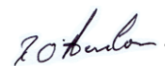
Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 October 2018 to 31 December 2018

- 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 October 2018 to 31 December 2018 ("Q4 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 September 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 October 2018 to 31 December 2018 oil export and consumption data.
 - 1.4.2 Oil sales - We did not identify any misstatements in the 1 October 2018 to 31 December 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 October 2018 to 31 December 2018

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2 and Note 3)	39,399,182 bbls
Swaps of crude oil for diesel, and heavy fuel oil for use in KRG power plants (Note 2)	1,011,902 bbls
Sales to refineries	200,296 bbls
Local sales	348,953 bbls
Total exported & consumed (Note 4)	40,960,333 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)	39,215,669 bbls
Gross value of crude oil sold	2,125,381,980 USD
Average price per barrel achieved for oil sold (Note 6)	54.197 USD/bbl
 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)	549,249 bbls
Gross value of crude and condensate sold	24,427,775 USD
Average price per barrel achieved for oil sold (*)	44.475 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)	2,149,809,755 USD
Net movement in buyer account balances	91,569,430 USD
Interest and other charges from the buyers (Note 7)	(9,913,068) USD
Payments made to oil producers by, or on behalf of the KRG	(782,195,553) USD
Tariff payments to Turkish Energy Company (TEC)	(135,581,373) USD
Debt repayment to TEC and Turkish Petroleum International Company (TPIC)	(275,000,160) USD
Payments made to other parties by, or on behalf of the KRG (Note 8)	(253,928,037) USD
Additional net proceeds from PSC / pipeline licensing agreements (Note 9)	311,717,533 USD
Net cash balance received by the KRG for the period sales and related activities	1,096,478,527 USD
Additional advance payments made by buyers against future sales	86,000,000 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 October 2018 to 31 December 2018 oil export, consumption and revenue data are based on the records provided by stakeholders to the KRG. The KRG pipeline has also been used to export North Oil Company (NOC) crude oil during the period. This oil is not included in Schedule 1.

Note 2

Piped export of crude oil includes 990,841 bbls of refined heavy fuel oil surplus to internal consumption during the period.

Note 3

Gross crude oil lifted by the buyers	39,266,628	bbls
Increase (decrease) in storage at oil terminal	132,554	bbls
Piped export of crude oil	39,399,182	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	680,183	bbls
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Note 5

Gross piped exports are 39,266,628 bbls whereas the net piped export sales are 39,215,669 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:

October 2018	November 2018	December 2018	Q4 2018
12,935,811 bbls	12,892,780 bbls	13,387,078 bbls	39,215,669 bbls
67.506 USD/bbl	51.571 USD/bbl	43.866 USD/bbl	54.197 USD/bbl

Note 7

Interest and other charges from buyers of USD 9,913,068 is made up of the following:

- USD 7,303,095 in Q4 2018 interest charges;
- USD 2,575,289 for transportation costs from a field to the pipeline; and
- USD 34,684 in demurrage claims against prior period shipments that were approved during Q4 2018.

Note 8

Payments to other parties of USD 253,928,037 is made up of the following:

- USD 104,000,090 for supply of electricity to the Kurdistan Region;
- USD 75,000,100 for the settlement of debt by the KRG;
- USD 56,049,532 for fuel purchased for the Ministry of Electricity;
- USD 14,549,692 for payment of refinery processing fees;
- USD 2,922,862 for expenses paid by a third party on behalf of the MNR, including crude oil quality testing, salaries, and travel and accommodation; and
- USD 1,405,761 for pipeline diagnostic and inspection services.

Note 9

In addition to oil sales revenues, an amount of USD 311,717,533 was transferred to the KRG Ministry of Finance and Economy during Q4 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.

