



Kurdistan Regional Government of Iraq

Annual oil production, export, consumption and revenue
for the year ended 31 December 2018

27 May 2019

27 May 2019

Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

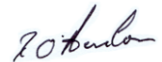
**Review of the Kurdistan Regional Government of Iraq's oil production,
export, consumption and revenue for the period 1 January 2018 to
31 December 2018**

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.
2. We have reviewed and reported on the quarterly oil export, consumption and revenue for the period 1 January 2017 to 31 December 2018.
3. Schedule 1, attached to this report, is a consolidation of the oil exports, consumption and revenues from the following 2018 quarterly reports:
 - 3.1 Report on oil export, consumption and revenue covering period 1 January 2018 to 31 March, issued on 12 August 2018.
 - 3.2 Report on oil export, consumption and revenue covering period 1 April 2018 to 30 June 2018, issued on 11 December 2018.
 - 3.3 Report on oil export, consumption and revenue covering period 1 July 2018 to 30 September 2018, issued on 26 February 2019.
 - 3.4 Report on oil export, consumption and revenue covering period 1 October 2018 to 31 December 2018, issued on 26 May 2019.
4. 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 RCOG, is entitled to rely on this report for any purpose whatsoever.

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 annual oil production, export, consumption and revenue for the year ended 31 December 2018

 Oil Exports and Consumption	2018 Total
Piped export of crude oil (Note 2 and Note 3)	133,174,416 bbls
Swaps of crude oil for diesel, and heavy fuel oil for use in KRG power plants (Note 2)	2,179,813 bbls
Sales to refineries	809,945 bbls
Local sales	2,477,182 bbls
Total exported & consumed (Note 5)	138,641,356 bbls
 Pipeline Export Sales Analysis	2018 Total
Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 3 and Note 6)	131,729,397 bbls
Gross value of crude oil sold	7,720,310,473 USD
Average price per barrel achieved for oil sold	58.607 USD/bbl
 Trucking Export Sales Analysis	2018 Total
Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 4 and Note 6)	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	2018 Total
Net oil (crude and condensate) lifted by the buyers (net quantity after removal of water content and evaporation losses during transportation)	3,287,127 bbls
Gross value of crude and condensate sold	174,319,365 USD
Average price per barrel achieved for oil sold (**)	53.031 USD/bbl
<i>(**) Condensate is priced as USD/MT, and has been converted to barrel equivalent for reporting purposes.</i>	
 Financial Flows	2018 Total
Gross value of crude oil and condensate sold (Piped exports, trucked exports, and local sales)	7,914,746,875 USD
Net movement in buyer account balances	(316,921,410) USD
Interest and other charges from the buyers (Note 7)	(40,455,233) USD
Payments made to oil producers by, or on behalf of the KRG	(2,407,136,306) USD
Tariff payments to Turkish Energy Company (TEC)	(436,249,206) USD
Debt repayment to TEC and Turkish Petroleum International Company (TPIC)	(690,000,280) USD
Payments made to other parties by, or on behalf of the KRG (Note 8)	(548,497,883) USD
Additional net proceeds from PSC / pipeline licensing agreements (Note 9)	868,254,693 USD
Net cash balance received by the KRG for the period sales and related activities	4,343,741,250 USD
Additional advance payments made by buyers against future sales	190,598,002 USD

NOTES TO SCHEDULE 1

Oil export, consumption and revenue

Review of the Kurdistan Regional Government of Iraq's annual oil production, export, consumption and revenue for the year ended 31 December 2018

Note 1

All figures in Schedule 1 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 1,234,449 bbls of refined heavy fuel oil surplus to internal consumption during the period.

Note 3

Gross crude oil lifted by the buyers	132,061,954	bbls
Increase (decrease) in storage at oil terminal	1,112,462	bbls
Piped export of crude oil	133,174,416	bbls

Note 4

Gross trucked crude oil lifted by the buyers	408,757	bbls
Increase (decrease) in trucked crude oil stored at oil terminal	(408,757)	bbls
Trucked export of crude oil from a Kurdistan Region Field (***)	-	bbls

(***) In 2018, no crude oil volumes were exported via truck from Kurdistan Region Fields. The 2018 trucked export sales represent trucked crude oil from 2017 that was stored at the export terminal until its sale in 2018.

Note 5

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	5,387,020	bbls
Dana Gas condensate sales to other buyers	377,178	bbls
Total crude oil and condensate compensation and/or sales by oil producers	5,764,198	bbls

Note 6

Gross piped exports are 132,061,954 bbls whereas the net piped export sales are 131,729,397 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 7

Interest and other charges from buyers of USD 40,455,233 is made up of the following:

- i. USD 20,670,342 in interest charges;
- ii. USD 9,772,516 for transportation costs from a field to the pipeline;
- iii. USD 4,740,715 in off-spec claims against prior period shipments approved in 2018;
- iv. USD 4,279,563 for trucking and transportation costs related to oil trucked in 2017;
- v. USD 656,457 in shipment cancellation charges; and
- vi. USD 335,640 in demurrage claims.

NOTES TO SCHEDULE 1

Oil export, consumption and revenue

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Note 8

Payments to other parties of USD 548,497,883 is made up of the following:

- i. USD 218,000,150 for supply of electricity to the Kurdistan Region;
- ii. USD 189,523,018 for fuel purchased for the Ministry of Electricity;
- iii. USD 75,000,100 for the settlement of debt by the KRG;
- iv. USD 24,587,158 for legal services and retainer for the KRG;
- v. USD 14,549,692 for payment of refinery processing fees;
- vi. USD 10,754,209 for pipeline diagnostic and inspection services;
- vii. USD 7,103,157 in repayment related to the UK Export Finance Loan for the Biwater Project (Ministry of Municipality);
- viii. USD 5,086,526 for expenses paid by a third party on behalf of the MNR, including: crude oil quality testing, chemicals, software services, salaries, travel and accommodation, etc.; and
- ix. USD 3,893,873 for services provided by a supplier to the Ministry of Electricity (smart metering project).

Note 9

In addition to oil sales revenues, an amount of USD 868,254,693 was transferred to the KRG Ministry of Finance and Economy in 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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ديوليت اند توش (الشرق الأوسط)

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