



Kurdistan Regional Government of Iraq

Oil production, export, consumption and revenue for
the period 1 January 2019 to 31 March 2019

29 April 2020

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Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

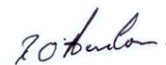
Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 January 2019 to 31 March 2019

- 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 2019, as well as prior years 2014 to 2018.
- 1.2 We have completed our review of the schedule of oil export, consumption and revenue for the period 1 January 2019 to 31 March 2019 ("Q1 2019"), attached as Schedule 1 to this report. We have also reviewed and reported on the schedule of oil export, consumption and revenue for the period 1 January 2017 to 31 December 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 January 2019 to 31 March 2019 oil export and consumption data.
 - 1.4.2 Oil sales - We did not identify any misstatements in the 1 January 2019 to 31 March 2019 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 2019 to 31 March 2019

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2 and Note 3)	38,163,989 bbls
Crude oil delivered to refineries for MNR refining	2,437,524 bbls
Sales to refineries	265,639 bbls
Local sales	473,493 bbls
Total exported & consumed	41,340,645 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 4)	38,584,174 bbls
Gross value of crude oil sold	1,998,920,739 USD
Average price per barrel achieved for oil sold (Note 5)	51.807 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)	739,132 bbls
Gross value of crude and condensate sold	33,943,058 USD
Average price per barrel achieved for oil sold (*)	45.923 USD/bbl

(*) Condensate is priced as USD/MT, and has been converted to barrel equivalent for reporting purposes.

 Financial Flows	Period Total
Gross value of crude oil and condensate sold (Piped exports and local sales)	2,032,863,797 USD
Net movement in buyer account balances (Note 6)	45,461,314 USD
Long term advance payments (Note 7)	1,121,808,000 USD
Interest and other charges from the buyers (Note 8)	(8,596,529) USD
Payments made to oil producers by, or on behalf of, the KRG	(756,581,239) USD
Tariff payments to Turkish Energy Company (TEC)	(134,996,619) USD
Payments made to Kurdistan Pipeline Company (KPC) under the pipeline concession agreement	(122,055,061) USD
Debt repayment to TEC and Turkish Petroleum International Company (TPIC)	(310,000,160) USD
Payments made to other parties by, or on behalf of, the KRG (Note 9)	(516,790,247) USD
Additional proceeds from PSC / pipeline licensing agreement (Note 10)	288,644,188 USD
Net cash balance received by the KRG for sales and related activities	1,639,757,444 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 January 2019 to 31 March 2019

Note 1

All figures in Schedule 1 for the period 1 January 2019 to 31 March 2019 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 669,815 bbls of refined heavy fuel oil surplus to internal consumption during the period.

Note 3

Gross crude oil lifted by the buyers	38,674,456	bbls
Increase (decrease) in storage at oil terminal	(510,467)	bbls

Piped export of crude oil **38,163,989** **bbls**

Note 4

Gross piped exports are 38,674,456 bbls whereas the net piped export sales are 38,584,174 bbls. The difference between the gross and net exports is due to the removal of contaminants such as water.

Note 5

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

January 2019	February 2019	March 2019	Q1 2019
13,366,974 bbls	10,471,400 bbls	14,745,800 bbls	38,584,174 bbls
46.989 USD/bbl	52.713 USD/bbl	55.531 USD/bbl	51.807 USD/bbl

Note 6

Excluding additional long term advance payments, the net movement in buyer account balances during the period was an increase of USD 45,461,314. The resulting total balance owing from the KRG to buyers at the end of the period was USD 3,732,523,486. Claims from the buyers that are pending MNR approval are not included in this balance.

Note 7

During the period, USD 1,121,808,000 in long term advance payments against future crude oil purchases were received. These advances are repayable, either in cash or by way of offset against payments due for crude oil deliveries, and therefore have been shown separately from the net movement in buyer account balances referred to in note 6 above.

Note 8

Interest and other charges from buyers of USD 8,596,529 is made up of the following:

- USD 6,069,263 in Q1 2019 interest charges;
- USD 2,457,016 for transportation costs from a field to the pipeline; and
- USD 70,250 in demurrage claims against current period shipments.

Note 9

Payments to other parties of USD 516,790,247 is made up of the following:

- USD 258,578,039 for supply of electricity to the Kurdistan Region;
- USD 180,000,120 for payment of refinery processing fees;
- USD 63,018,476 for the settlement of debt by the KRG;
- USD 14,542,524 for fuel purchased for the Ministry of Electricity; and
- USD 651,088 for services provided to the Ministry of Electricity (Smart metering project).

Note 10

In addition to oil sales revenues, an amount of USD 288,644,188 has been received by the KRG in relation to production sharing contracts and pipeline licensing agreements. While these additional funds were not revenue from the sale of oil, they represent material receipt of funds to the KRG linked to the MNR's oil operations, and therefore have been included in this report.

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