



The Federal Oil & Gas Draft Law

The Iraqi Parliament Version

English Translation

Compiled by the Parliamentarian Oil & Energy Committee
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Translated by Iraq Energy Institute



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Republic of Iraq
Iraqi House of Representatives
Oil, Energy and Natural Resources Committee

Report of the Oil and Energy Committee
On the Oil and Gas Draft Law

First: The first Oil and Gas Draft Law was referred to the House of Representatives on 04/07/2007 as per a decision from the Council of Ministers in its extraordinary session held on 26/02/2007. A second copy was sent on 10/07/2007. On 10/11/2008, the Council of Ministers secretariat sent a letter stating that the Shura Council has commented thereon, and the project was re-drafted as per its letter no. 911 dated 13/05/2007. This draft law was reviewed by the Council of Ministers in its ordinary twenty eighth session held on 03/07/2007, where the Council of Ministers made no objections to the amendment in form, which does not affect the essence of the principles, bases and procedures approved by the Council of Ministers on 26/02/2007.

Second: The Oil and Gas Law is the most important law regulating the oil and Gas sector. The delay in its enactment led to governmental and federal contracts, and contracts concluded by the Kurdistan Regional Government having no strategic framework as mandated by the Constitution in articles (111 – 112). This resulted in adverse conflicts between the federal and regional governments, and the impatience of some of the governorates to take matters into their own hands.

Third: All the political powers in the previous and current sessions hereby acknowledge the necessity of enacting an oil and Gas law, and demand the prompt action and the legislation thereof as a matter of high priority. The Committee finds the current draft to adopt all the principles agreed in the 15 February 2007 draft, first referred to the House during its previous session on 04/07/2007, and to comply in form to the framework adopted by the Shura Council in the draft presented to our Committee on 15/07/2007.

The Committee, thus, unanimously agrees to present the draft law to a first reading by the House, having been approved by the Legal Committee in form. The Committee welcomes any proposed amendments or comments on the issue.

Oil and Energy Committee
17/08/2011

**In the Name of the People
President of the Republic**

Based on what was passed by the House of Representatives and endorsed by the Presidency Council, and as per the provisions of item (I) of article (61), item (III) of article (73), and articles (111) and (112) of the Constitution, the following law is hereby enacted:

**Law no. () of 2011
Oil and Gas Law**

**Part I
Basic Principles**

**Chapter I
Definitions**

Article (1)

For the purposes of this Law, the following words and phrases shall have the meanings assigned thereto.

First – Ministry – Federal Ministry of Oil.

Second – Competent Bodies – the Oil Ministry or the competent authority in the Region or Producing Governorate.

Fourth – Council – Federal Council of Oil Gas.

Fifth – the Region – All Regions formed or to be formed in accordance with the provisions of the Constitution.

Sixth – Licensing Rounds – The stages of the process of selecting the best competitor, which include (public announcement of exploratory patches and discovered undeveloped Fields, registration of the company with the Competent Body, invitation for bids, opening and analyzing of bids, and selection of the best for the purpose of negotiation).

Seventh – Petroleum – Crude Oil, Gas, oil shale oil, tar sands oil and any hydrocarbons produced or that can be produced from same.

Eighth – Crude Oil – All hydrocarbons, regardless of specific gravity, that are produced from the Field in a liquid state at the temperature and pressure in the Reservoir, including asphalt, tar and known liquid hydrocarbons.

Ninth – Exploration – The search for Petroleum by geological, geophysical and other means, including the drilling of exploratory and evaluation wells.

Tenth – Development – Activities carried out by the Holder of the Exploration and Development and Production license based on the Field Development Plan, or the Main Pipelines development plan aiming at producing and transporting Petroleum.

Eleventh – Production – Petroleum extraction and discharge.

Twelfth – Producing Governorate – A governorate achieving sustained Petroleum production at commercial rates of no less than (150,000) one hundred and fifty thousand barrels of oil equivalent per day.

Thirteenth – Petroleum Operations – Activities related to Exploration, Development, Production, separation, treatment, storage, transport and sale or delivery of Petroleum at the agreed point of delivery, point of export, or point of processing within or outside Iraq.

Fourteenth – Transporter – The entity designated by the Council to receive Petroleum from the Holder of the Exploration, Development and Production license at the Transfer Point, and deliver the Petroleum for export to the Holder of the Exploration, Development and Production license at the Delivery Point.

Fifteenth – Production Measurement Point – The site or sites at which the volume and quality of Petroleum is measured.

Sixteenth – Supply Point – The site at which Petroleum from the Main Pipeline or the Field pipeline is transferred to a different type of transport, processing or use.

Seventeenth – Iraqi Company – Any company with an independent corporate personality, registered in accordance with the provisions of the Companies Law, provided that headquarters thereof is in Iraq and more than (50%) fifty percent of capital shares thereof is owned by Iraqi citizens, or public or private Iraqi companies.

Eighteenth – Foreign Company – Any non-Iraqi company with a corporate personality, registered in accordance with the provisions of the Companies Law

that is owned directly or indirectly, and by more than (50%) fifty percent of its capital shares, by foreigners, or foreign private or public companies.

Nineteenth – Bureau – Bureau of Advisers annexed to the Federal Council of Oil and Gas.

Twentieth – Discovery – The first Petroleum shows encountered in the Reservoir through drilling, which can be recovered at the surface with modern Petroleum industry methods.

Twenty First – Development and Production Area – A part of the Contract Area to be defined in light of a Commercial Discovery.

Twenty Second – Commercial Discovery – Hydrocarbon accumulation prepared for Development.

Twenty Third – Field – An area that contains a Reservoir or a number of Reservoirs connected or linked to the same geological structure or stratigraphic setup, including both surface and subsurface.

Twenty Fourth – Field Development Plan – The schedule and estimated cost set for the Appraisal and Development of the activities required to Develop and Produce Petroleum from a specific Field or group of Fields by the Holder of an Exploration, Development and Production license.

Twenty Fifth – Reservoir – A separate Petroleum gathering in a specific geological unit with specific lithological characteristics, structural or stratigraphic boundaries, and clear or diffuse Petroleum-water contact in the structure, so that the production of Petroleum from any part thereof affects the total pressure therein.

Twenty Sixth – Best International Petroleum Industry Practices – good, safe, environmentally friendly, economic and effective practices in Petroleum Exploration and Production.

Twenty Seventh – Gas – Hydrocarbons in a Gaseous state at the temperature and pressure of the Reservoir, whether associated or non-associated with liquid hydrocarbons, as well as the Gas remaining after the extraction of the liquid hydrocarbons from the Reservoir.

Twenty Eighth – Associated Gas – Gas in the Reservoir that is either dissolved in a hydrocarbon liquid or in a Gaseous dome over and in contact with Crude Oil.

Twenty Ninth – Non-Associated Gas – Free Gas in a Gaseous state at the temperature and pressure of the Reservoir.

Thirtieth – Main Pipeline – An engineering system including transport pipes, valve stations, pumping stations, compressor stations, and related facilities constructed by the Transporter or License Holders to transport Petroleum from a Field or several Fields or sources within or outside Iraq, with the exception of Field Pipelines.

Thirty First – Field Pipeline – the set of pipelines that collect Crude Oil or Gas from a Field or group of Fields to be delivered to the Transfer Point for further transport, including valve stations, pumping stations, compressor stations and related facilities.

Thirty Second – Transfer Point – entry flange of pipelines coming out of the Production Measurement Point.

Thirty Third – Delivery Point – The point or points of arrival of Oil to the entry flange of the vessel's tank or the agreed point in the Exploration, Development and Production contract, within or outside Iraq.

Thirty Fourth – Best Practices in Pipeline Management – Good, safe, environmentally friendly, economic and efficient practices in the transport of Petroleum.

Thirty Fifth – License Holders – A Foreign or Iraqi Company, group of companies, or any form of alliance for the purpose of contracting in the Petroleum domain in Iraq.

Thirty Sixth – Contract Area – The area in which the Holder of an Exploration, Development and Production license is authorized to perform Exploration, Development and Production of Petroleum.

Chapter II **Objectives and Scope of Enforcement**

Article (2)

This law shall aim at:

First – Setting strategic policies for the regulation and development of the Petroleum extraction industry to achieve the highest benefit to the Iraqi People and in line with the Federal Constitution.

Second – Managing Petroleum Operations to achieve the highest benefit to the Iraqi People.

Third – Ensuring coordination and partnership between the Federal Government, Regions and Producing Governorates in the management and development of Petroleum resources to achieve national interest at all stages of Petroleum Operations.

Fourth – Achieving the highest level of growth in reserves and production.

Fifth – Maximizing the financial resources of Iraq through the optimum investment and preservation of the Petroleum wealth on sound and rewarding technical and economic bases.

Sixth – Insuring the transfer of technology, and the training and development of Iraqi staff in this industry.

Seventh – Optimizing the use and development of infrastructure, and protecting the environment.

Eighth – Providing care to and enabling the Iraqi private sector to be effective, competent and able to contribute substantially in the Petroleum Operations.

Ninth – Ensuring the full professional, technical and economic efficiency of License Holders and dealers from the Iraqi and foreign private sector in this field in accordance with international standards.

Article (3)

This law shall seek to achieve objectives thereof by the following means:

First – Establishing a modern and developed system to manage Petroleum Operations in Iraq, including setting strategies, policies and long, medium and short term plans through consultation and coordination between the Federal Government, Regions and Producing Governorates.

Second – Laying the foundations for cooperation between the Competent Bodies.

Third – Laying the foundations for coordination and consultation in Petroleum affairs between the federal, regional and governorate authorities.

Fourth – Expanding the use of direct effort in the Iraqi public and private sectors to carry out Petroleum Operations in Iraq based on the latest technologies and market economy, and benefiting from the capabilities of foreign institutions and companies.

Fifth – Exchanging experiences between the Iraqi oil sector and the global oil industry.

Article (4)

This law shall apply to Petroleum Operations on land, inland waters, territorial waters, special economic zone and below same in all parts of the Republic of Iraq, and in any part subject to Iraqi Law, all under an agreement, international law or international norms.

Article (5)

First – A council by the name of the Federal Council of Oil and Gas shall be established, comprising:

- | | | |
|---|---|---------|
| a | Chairman of the Council | |
| b | Vice-Chairman | Member |
| c | Minister of Oil | Member |
| d | Minister of Finance | Member |
| e | Minister of Planning and Development Cooperation | Member |
| f | Three independent experts in the field of oil, gas, finance and economy | Members |

- g An experienced and specialized representative from each Members
producing Region and from governorates not part of a
Region

Second – The chairman, deputy-chairman and the three independent experts shall be nominated by the presidency of the House of Representatives and endorsed by the absolute majority of the members of the House.

Part II Management of Petroleum Resources

Chapter One Competencies

Article (6)

The following entities shall manage Petroleum sources, as per respective powers thereof according to this law:

First – the House of Representatives.

Second – The Council of Ministers.

Third – The Federal Council of Oil and Gas.

Fourth – The Ministry of Oil.

Fifth – A representative from each Region.

Sixth – A representative from each Producing Governorate.

Article (7)

The Council of Representatives shall:

First – Legislate federal laws for the operations related to the Petroleum sector.

Second – Approve international agreements related to the Petroleum sector.

Article (8)

The Council of Ministers shall:

First – Submit recommendations to the House of Representatives on the proposed draft laws for the Discovery and Development of Petroleum sources.

Second – Ensure that the House and the Ministry adopt the appropriate and sound means for consultation and coordination with Regional bodies and Petroleum Producing Governorates to achieve the objectives of this law.

Article (9)

First – The Council shall:

- a. Set and amend federal Petroleum policies and general plans for the Exploration and Development of Fields and Main Pipelines.
- b. Issue instructions on negotiation standards; and contracting for the granting of licenses or Development and Production contracts, and qualification criteria for companies.
- c. Prepare, approve, amend and adopt models for Exploration, Development and Production contracts in accordance with the standards set herein as per the classification of Fields and Exploration areas to achieve the highest benefit to the Iraqi People.
- d. Study, decide on and amend Exploration, Development and Production contracts granting licenses by the Competent Body to carry out Petroleum Operations in accordance with the mechanism provided in article (18) of this law.
- e. Approve the transfer of shares among License Holders and subsequent amendments as per the mechanism provided in article (18) of this law.
- f. Coordinate between the Competent Bodies to set an Exploration program in Iraq to ascertain Oil and Gas reserves, compensate for the production, and add new reserves.
- g. Coordinate with the Competent Bodies to ensure, the development and utilization of Petroleum resources in the best interest of the Iraqi people as per the provisions of applicable laws and regulations, contractual terms, and international standards.

- h. Set the national level of Petroleum production as per the national policy, provided that the setting is fairly and justly implemented on the basis of the production rate of each Contract Area as per the approved Field Development Plans.

Second – The Council shall meet on invitation of the Chairman, or in absence thereof by the Vice-chairman, at least once a month, and take decisions on setting Petroleum policies, plans, model contracts, and instructions on negotiations and deciding contracts by a two-thirds majority of members thereof, as set in article (18) of this law.

Third – The formations, divisions and functions of the Council shall be set by regulations issued by the Council with a two-thirds majority of members.

Fourth – At the end of the term specified in paragraph (e) of item (I) of article (13) of this law, the Council shall decide on the responsibility for the management and operation of the main oil and Gas pipelines and export ports.

Article (10)

First – The Council shall form a bureau under the name of the Bureau of Independent Advisers to study Exploration, Development and Production contracts, Oil and Gas Fields Development Plans, and all other matters related thereto; and provide advice and recommendations on same to the Council.

Second – The Bureau shall comprise a number of Iraqi and foreign experts in the field of Petroleum and law, the number of which to be specified by the Council. The experts shall be selected by a two-thirds majority of the members of the Council, and contracted for a non-renewable term of three years.

Article (11)

The Ministry of Oil shall:

First – Propose Petroleum policies, laws and plans.

Second – Prepare draft regulations and issue instructions and statements for the implementation of Petroleum policies, laws and plans; and submit same to the Council for approval.

Third – Monitor and supervise Petroleum Operations in light of relevant legislations, contractual terms and adopted international standards, in

coordination with other Competent Bodies to ensure the uniform implementation and harmonized application of the Petroleum policy in all parts of Iraq.

Fourth – Propose the most successful programs and methods for the Development of discovered undeveloped Fields, and submit same to the Council for approval.

Fifth – Prepare draft policies and federal plans targeting Exploration, Development and Production provided that same specify the required levels of production for the short and long terms; and coming to optimal solutions for the geographical distribution and timing of Exploration, Development and Production methods, in consultation and coordination with other Competent Bodies, and submitting same to the Council for review and approval.

Sixth – Propose a comprehensive plan to the Council for the Exploration of Oil and Gas in all parts of Iraq in consultation with other Competent Bodies, and the classification of areas according to Petroleum prospects.

Seventh – Participate with the Council in the preparation of model Exploration, Development and Production contracts, in collaboration and coordination with other Competent Bodies, according to the respective responsibilities of each as specified in this law.

Eighth– Audit the costs and expenses incurred by License Holders with other Competent Bodies.

Ninth – Negotiate with other countries and international and regional organizations on relevant international agreements in accordance with the law.

Tenth – Represent the Republic of Iraq on matters related to Petroleum in regional and international forums in accordance with the law.

Article (12)

The Competent Bodies shall supervise the implementation of preparation services contracts for Petroleum Operations outside the scope of Exploration, Development and Production contracts, in accordance with the applicable laws.

Article (13)

First – The Iraq National Oil Company shall:

- a. Manage, operate and develop through subsidiaries currently producing Fields specified by the Council.
- b. Develop, produce and operate discovered undeveloped Fields assigned thereto by the Council.
- c. Participate in the Exploration, Development and Production operations within Iraq, and on a competitive basis in Licensing Rounds.
- d. Carry out Exploration, Development, Production, transport, storage, marketing and sales in accordance with the provisions of this law.
- e. Manage and operate the Oil and Gas pipeline network and export ports in Iraq, and enter into Oil and Gas shipping contracts until the completion of the re-regulation of joint transportation pipes for a maximum of two years from the date of entry into force of this law.

Second – To achieve purposes thereof, the Iraq National Oil Company may:

- a. Contribute as a trading partner in international contracts related to the transport, marketing and sale of Oil and Gas in Exploration, Development and Production contracts outside of Iraq, upon obtaining the approval of the Council of Ministers.
- b. Establish fully-owned subsidiaries in areas selected on the basis of the existence of Oil Fields, the volume of Oil and Gas reserves, production capacities, or feasibility; or upon the re-organization and distribution of tasks between existing companies as per the volume of work for the purpose of increasing efficiency and benefiting the Iraqi people.
- c. Establish operating companies with other companies, or own shares in companies within or outside Iraq, upon obtaining the approval of the Council of Ministers.
- d. Owning movable and immovable property, and material and moral rights belonging to natural or corporate persons, in accordance with the law.

Article (14)

The Competent Bodies in the Regions shall:

First – Propose activities and plans on behalf of the Regions in preparation for inclusion in the federal Petroleum Operations plans, and assist the federal authorities in consultations for the completion of said plans.

Second – Take the necessary actions for Licensing Rounds related to Petroleum activities in the Regions for Exploration, Development and Production of discovered undeveloped Fields in accordance with the mechanisms provided for in articles (15), (16) and (17) of this law, and in the presence of an expert from the Bureau of Independent Advisors to be identified by the Council.

Third – Cooperate with the Ministry in implementing the provisions of items (Third), (Seventh) and (Eighth) of article (11) of this law.

Fourth – Negotiate and conclude contracts in accordance with the mechanisms provided for in article (18) of this law.

Fifth – Monitor and supervise Petroleum operations, and audit the costs and expenses of companies operating in the Regions to ensure the uniform implementation and harmonized application of the Petroleum policy in all parts of Iraq in accordance with the instructions issued by the Council.

Chapter II Licenses

Article (15)

First – The Competent Bodies shall issue licenses for Oil operations to an Iraqi or Foreign Company on the basis of an Exploration, Development and Production contract, or a Development and Production contract to be concluded between the Ministry or the regional body and an Iraqi or Foreign Company, in which the technical and financial capabilities are specified in accordance with the qualification criteria for companies set by the Council and the negotiation and contracting mechanisms stipulated in article (18) of this law.

Second – In granting the licenses specified in item (First) hereinabove, the following principles shall be observed:

- a. Respecting national sovereignty and interest.

- b. Adoption of the weighing method for the selection of the qualified candidate through competitive Licensing Rounds based on clear terms.
- c. Inclusion of the main items of the model contract in the call for contracting.
- d. The model contract granting the license includes the characteristics and requirements for each proposed area, Field, or prospect, especially data on resources identifying whether said sources are discovered or undiscovered, the potential risks and benefits, and the technological and operational challenges.
- e. The company is qualified in accordance with accepted principles in the Petroleum industry.
- f. The selection and classification of accepted applicants on the basis of the quality and efficiency of the proposed plans and the economic benefit to Iraq.
- g. The Competent Bodies announce the text of the Exploration, Development and Production contracts, and the Development and Production contracts no later than (60) sixty days from the date of endorsement thereof by the Council.

Article (16)

Model contracts for Petroleum Operations shall include the following criteria:

First - National sovereignty.

Second – Iraq’s ownership of Petroleum sources.

Third – Maximum national economic return.

Fourth – Waiver by the License Holder of unused lands within the Contract Area in accordance with contractual terms.

Fifth – Appropriate return for the investor in accordance with the provisions of this law.

Sixth – Obligations of contract parties and the consequences of breach.

Seventh – The arrangements and conditions for the exercise of rights relating to data.

Eighth – The granting of specified privileges and incentives for Iraqi service companies.

Ninth – Maximum extraction of Petroleum.

Tenth – Transfer of technology.

Eleventh – Training and development of Iraqi staff working in the field of Petroleum.

Twelfth – Optimal use and development of the infrastructure.

Thirteenth – Plans and solutions to ensure the protection of the environment.

Article (17)

In granting licenses, the Competent Bodies shall abide by the provisions of this law and the relevant instructions issued by the Council.

Chapter III Mechanisms of Negotiation and Contracting

Article (18)

First - The Competent Bodies, each according to competence and responsibilities thereof, and upon the completion of the initial actions for the Licensing Rounds, shall initially sign a licensing contract with the selected License Holder.

Second – The initial contract concluded in accordance with the provisions of item (First) of this article shall be referred to the Council within thirty (30) days from the date of signing thereof for a decision as per the procedures set forth in item (Fourth) of this Article.

Third – The initial contract referred to in (Second) of this Article shall take effect in the absence of objection by the Council.

Fourth – In taking decisions regarding the contracts submitted thereto by the Competent Bodies, the Council shall apply the following steps:

- a. Refer the contract to the Bureau of Independent Advisers to study the contract; present an opinion on conformity thereof to the model licensing contracts approved by the Council and the instructions issued by same regulating Petroleum Operations; and make recommendations thereon.
- b. In the event of the contract having substantial violations to the model contracts and the instructions issued by the Council, the Council objects to the contract, guided by the recommendations of the Bureau of Independent Advisers, if the contract is not in conformity with the principles of the model contract.
- c. The Council informs the Competent Body of objection decision including the causes of said objection within (60) sixty days from the date of receipt.
- d. In the event the Council is unable to convene within the (60) days referred to in (b) and (c) hereinabove, the Chairman of the Council shall inform the party that referred the initial contract of an extension period of (45) additional days, at the end of which the contract is enforced.

Fifth – The Competent Bodies shall address the causes of objection to the contract expressed by the Council by amending the initial contract and re-submitting same to the Council.

Sixth – In case of any remaining objections to the contract, the procedures referred to in (Fourth) hereinabove shall continue, otherwise the contract shall be enforced.

Article (19)

To ensure transparency and equal opportunity for all competitors, public bids shall have sufficient notice periods, with an explanation of the bases upon which the tender is to be awarded. The results and reasons for selection shall be published, and other competitors shall be entitled to submit an objection on the referral for consideration.

Article (20)

First – Oil companies operating in Iraq shall announce public tenders on competitive basis when requesting any offers for goods or services in accordance with the instructions for the execution of contracts.

Second – The announcement of bids by License Holders shall be on competitive basis and consistent with the terms of the contract and international standards.

Third –Public tenders shall include sufficient notice periods and the bases upon which the tender is to be awarded. The results of said tenders and the reasons for selecting same shall be published, and competitors given an opportunity to object to the referral.

Fourth – The request of any offer and the conclusion of any contract in violation of the provisions of this article shall be deemed null and void and shall have no impact.

Part III Petroleum Operations

Chapter I Exploration, Development, Production and Marketing

Article (21)

First –The license contract shall grant the contracted the right to perform Petroleum Exploration, Development and Production operations or part thereof in the Contract Area, and transportation of same.

Second –The period of Exploration, Development, Production and marketing shall be set in the model contract in accordance with the following:

- a. An initial period of not more than four (4) years, during which the License Holder shall perform all obligations thereof in accordance with a schedule determined by the contract.
- b. In contracts that include Exploration, the Competent Body may grant additional time if warranted based on the adherence of the License Holder to the work program and quality of work, provided that the extension does not exceed two years.
- c. The durations set forth in paragraphs (a) and (b) hereinabove shall be subject to the terms of retrieval of the Contract Area as per the model contract.
- d. The contracting body may grant the Holder of the Exploration, Development and Production License additional time of not more than (2) two years in case of Discovery for the purpose of evaluating or

determining the commercial value of the Discovery; a period of not more than (4) four years in case of Discovery of Non-Associated Natural Gas; and a period of not more than (2) two years to complete the evaluation of the discovered undeveloped Fields in Development and Production contracts.

Third -

- a. License Holders may retain the right of Oil Exploration, Development and Production within the Development and Production Area for a period to be specified by the Competent Body, provided that the said period does not exceed twenty (20) years from the date of approval of the Development of the Field.
- b. In determining the appropriate period specified in paragraph (a) hereinabove, the Competent Body shall base decision thereof on the data relevant to the best extraction of Petroleum and the best use of existing infrastructure.
- c. The Competent Body may for technical and economic considerations extend the contract for a further period not exceeding five (5) years as per terms to be re-negotiated. In all cases, the area outside the area of Development and Petroleum Operations shall be retrieved upon the expiry of the Exploration, Development and Production license.
- d. The contract shall determine the retrieval of any part of the Development Area in case the License Holder fails to comply with the terms of the contract.

Fourth – Approval of the appointment of the operator by the Competent Body shall be in accordance with the appointment procedures set forth in the initial contract and based on the criteria and instructions issued by the Council.

Fifth – The marketing and investment of Petroleum shall be on the basis of achieving maximum benefit from the returns of the value of alternative opportunities.

Chapter II **Obligations of License Holders**

Article (22)

The License Holder shall:

First – Perform Petroleum Operations in accordance with the provisions of this law, applicable legislations and Petroleum regulations, and the Best International Petroleum Industry Practices.

Second - Inform the Competent Body of any Discovery within the Contract Area.

Third – Identify and asses the Discovery, evaluate the commercial value thereof, and inform the Ministry in writing of work stages and results.

Fourth – Prepare and amend a Field Development Plan in the case of Commercial Discovery.

Fifth – Implement the Field Development Plan or amended version thereof upon the approval of the Competent Bodies.

Sixth – Compensate affected parties for any loss or damage resulting from carrying out the Petroleum Operations in accordance with the law.

Seventh – Provide support to Iraqi institutions to participate in the services and development of Petroleum Operations.

Eighth – Supply the Competent Bodies free of charge with the data collected through the Petroleum Operations in accordance with the provisions of this law and Petroleum regulations.

Article (23)

The License Holder shall observe the following:

First – Giving preference to the purchase and use of Iraqi products and services in a percentage specified by the Council, taking into account quality, required quantities and timeframes.

Second – Employing and training experienced Iraqis with the necessary qualifications.

Third – Working on increasing the opportunities for training of, development of and technology transfer to Iraqis and Iraqi institutions with regard to all phases of Petroleum Operations, including management.

Article (24)

First – License Holders shall in managing Petroleum Operations comply with the following:

- a. Observe legislations relevant to the protection of the environment and prevention of pollution thereof.
- b. Comply with environmental management criteria set forth in applicable laws.
- c. Nonoccurrence of environmental damage or destruction as a result of the Petroleum Operations.
- d. Submit to the relevant bodies for approval a report on the size of environmental impact for each Petroleum process and the measures that can mitigate this effect.
- e. Notify the Competent Bodies immediately of any emergency or accident affecting the environment.
- f. Control the flow and prevent the leakage or loss of Petroleum discovered or produced within the Contract Area, and submit reports to the Competent Body on the size of incidental and operational flow and leakage resulting from Petroleum Operations.
- g. Nonoccurrence of damage to Oil Reservoirs.
- h. Clean the site upon the end of the commissioning, shut-down Petroleum Operations, and comply with the environmental rehabilitation requirements.
- i. Take the necessary preventive measures to ensure the safety of workers.
- j. Compensate those affected by the Petroleum Operations activities in accordance with the law.

- k. Handle polluted water and Petroleum waste as per applicable laws and internationally adopted methods; and safely close all testing and other wells before abandoning same.

Second – Without prejudice to any penalty provided by Law, violators of the provisions stipulated in item (First) of this article shall pay compensations in accordance with applicable legislations and international standards.

Chapter III

Unitization of Development and Production in Joint Fields

Article (25)

First – Development shall take place upon the approval of the Council to the measures necessary to protect the interests of the Iraqi People in the case of the Petroleum Discovery extending from the licensed Production Areas to the non-licensed Production areas.

Second – The Council of Ministers shall take the necessary measures to protect the interests of the whole Iraqi People in Petroleum Fields and Discoveries extending beyond Iraqi borders.

Third – Development and operation shall be jointly conducted in the case of discovering a Petroleum Field located in more than one Contract Area in Iraq, according to a unitization agreement within Iraq enforced on the License Holders. The agreement shall be referred to the Competent Bodies to decide thereupon, and consequently referred to the Council for approval.

Fourth – If License Holders fail to reach an agreement on the unitization terms within (180) one hundred and eighty days from the date of notification to submit the agreement, the matter shall be referred to the Council to take the necessary measures as per internationally adopted mechanisms in the Petroleum industry.

Chapter IV Gas Usage

Article (26)

First – Gas shall be handled as an important Petroleum resource to be specifically used for the following purposes:

- a. Gas Injection in appropriate Reservoirs to improve Oil recovery, when needed.
- b. Generation of electric power.
- c. Petrochemical and chemical industries.
- d. Household uses.
- e. Industrial operations.
- f. Export and substitution for liquid fuel.

Second – License Holders shall commit to optimum utilization of excess produced quantities of Gas in accordance with the purposes set forth in item (First) of this Article, or delivery at no cost of the excess quantities of Gas to the party specified by the Council at the borders of the Field according to a plan approved by the Council.

Article (27)

First – License Holders may use at no cost the required quantities of Gas in case needed for Petroleum Operations.

Second – License Holders shall propose, within the Field Development Plan, optimal plans for the use or disposal of Gas.

Third – Associated Gas produced from the Reservoir and not used in the Petroleum Operations shall be delivered at no cost to the Competent Body.

Article (28)

Gas may not be burned except in cases of commissioning, testing of facilities, safety precautions, or during the waiting period for the completion of Gas transportation facilities within the period specified in the contract, provided that

the burned quantities shall be kept to a minimum under the contract, and the Competent Body informed accordingly.

Article (29)

The Development and Production of Gas or liquid components thereof resulting from the Discovery of Non-Associated Gas shall be subject to the approval of the Field Development Plan by the Competent Body. In the case of the Production of liquid Petroleum only, a plan for the re-injection of Gas or any other acceptable plan for disposal thereof shall be submitted to the Competent Body.

Chapter V Transport

Article (30)

First – the ownership of the current Main Pipelines shall be to the Federal Government.

Second – The Transporter shall be required to transport the Petroleum of the party contracted with the Competent Body in accordance with reasonable commercial standards, provided that:

- a. The capacity of the pipeline allows.
- b. No irreconcilable technical problems exist that prevent the use of the pipeline.
- c. The Competent Bodies set systems for the use of pipelines by License Holders.

Third -

- a. Disputes on commercial standards for Petroleum transport in the Main Pipeline, or Oil and Gas Fields pipeline; or the availability of unused capacity in the relevant pipeline or the pipeline whose capacity it is proposed to be increased shall be referred to the Competent Body for resolution.
- b. Failing to reach a solution, the dispute shall be settled by the Council, and decision thereof shall be final.

Fourth - The Council shall set the general rules for joint transport in the current and future Main Pipelines according to Best International Petroleum Industry Practices.

Article (31)

First -

- a. The ownership, management and operation of the Main Pipelines shall be to the body specified by the Council.
- b. License Holders shall construct and operate Field Pipelines.
- c. The Transporter specified by the Council shall transport the Oil and Gas to specific Delivery Points, and shall design, operate and provide maintenance for the Main Pipelines to serve the requirements for Petroleum transport within and outside Iraq.

Second –The construction and operation of the Main Pipeline, and any significant amendments thereon, shall be subject to the approval of the Council on the basis of a development plan formulated for this purpose.

Third – License Holders shall deliver Petroleum to the Main Pipeline at the appropriate Transfer Point or Points.

Fourth – The Competent Bodies shall be responsible for regulating the supervision of operations relating to the transport of Petroleum through pipelines outside Iraqi territories to the point of export.

Fifth – The performance of all the activities provided for in this article shall be in accordance with the Best Practices in Pipelines Management.

Article (32)

First – The Exploration, Development and Production contract shall grant the right of access to the Main Pipelines under reasonable commercial terms, the right of constructing and operating Field Pipelines for the delivery of Oil or Gas from the Contract Area to the Transfer Point in preparation for further transport through the Main Pipeline to the Delivery Point.

Second –The License Holders shall:

- a. Prepare and implement a Field Development Plan, and construct Field Pipelines connected to the Main Pipeline and any amendments thereto with the approval of the Competent Bodies.

- b. Prepare a plan for the development of the modified Main Pipeline to include any significant additions and modifications to the existing network in case of a lack in capacity therein under the applicable contract, and submit same to a Transporter specified by the Council.
- c. Negotiate with the Transporter on the use of the Main Pipeline, and report to the Ministry on the details of the negotiations.

Chapter VI Protection of Petroleum Resources

Article (33)

When extracting the Petroleum resource, License Holders shall:

First –Avoid wasting, prevent leaks from pipelines, and provide optimal maintenance for the energy in the Oil Reservoir using the Best International Petroleum Industry Practices and Best Practices in Pipelines Management.

Second –Apply new technology and Petroleum Fields operations that lead to optimal recovery from the Reservoirs targeted as part of the Field Development Plans.

Third – Continue to improve knowledge of the Reservoir through optimal collection of information, Reservoir monitoring and identifying and implementing means to improve Petroleum extraction.

Article (34)

Field Development Plans shall be based on full investigation of strategic extraction alternatives to select the solution that combines the highest level of Petroleum extraction, high acceptable levels of Production and technical and economic efficiency.

Chapter VII Ownership of Data

Article (35)

First – The Ministry shall establish a national center for Petroleum information; and shall store same by modern technical methods, and shall conduct studies thereon and provide the Competent Bodies with the results for benefit.

Second – The Ministry shall provide copies of the Petroleum information available therewith to the other Competent Bodies, and the said Bodies shall provide the Ministry with updated information on the Petroleum Operations carried out by the Competent Bodies.

Third – The ownership of all data obtained pursuant to any contract under this law shall be to the National Information Center and the Competent Bodies. The said information may not be published or republished without the prior approval of same.

Fourth – The National Information Center and the Competent Bodies shall set the conditions for the exercise of rights with respect to data on Petroleum, including geological and geophysical reports, engineering data, samples, models, simulations and wells' surveys, whether derived, primary, processed, interpreted or analyzed.

Article (36)

First – The possession, sale, purchase, transfer, delivery, or handling of the information and data herein specified in (Second) of Article (35) of this law shall be prohibited, unless the contract stipulates otherwise.

Secondly – Without prejudice to any penalty provided by Law, violators of item (First) of this article shall be punished by the confiscation of the data. The National Center for information and the Competent Bodies may also seek compensation.

Article (37)

First – The Competent Bodies may grant License Holders a permit for the possession, sale, purchase, transfer or receipt of old data on Oil and Gas, whether derived, primary, processed, interpreted or analyzed, provided the Competent Body be given said data or a copy thereof.

Second – The Competent Bodies may refuse to grant the permit herein referred to in (First) for a justifiable cause.

Chapter VIII Inspection

Article (38)

First – The Competent Bodies or any person delegated thereby may inspect the sites in which Petroleum Operations are conducted, including buildings, facilities, property, records, and data maintained by License Holders.

Second – During inspection, the Competent Bodies may not interfere in the Petroleum Operations without reasonable justification, unless the matter relates to protecting the environment, occupational health, industrial safety, or preserving the Petroleum resource in accordance with applicable laws and regulations.

Third – The terms for inspection shall be set by regulations issued by the Council in coordination and consultation with the Competent Bodies.

Chapter IX Completion of Mandate

Article (39)

First – The ownership of all works and facilities shall be assigned to the relevant federal authority or the relevant Competent Body in the state of actual operation at the expiry of the license contract or the Main Pipeline contract.

Second – All costs for retrieval of the site and the costs listed in the completion of mandate plan shall be payable upon the assigning of ownership.

Third – The Field Development Plan and Main Pipeline development plan submitted to the Council shall include a detailed statement of the license expiry plan.

Part IV Financial Provisions

Article (40)

First – License Holders shall pay the taxes and fees defined by the law and licensing contracts.

Second – The accounts of License Holders shall be under the control and audit of the Supreme Audit Board with respect to activities thereof inside Iraq.

Third – Foreigners shall be entitled to invest the returns of their interests in accordance with Iraqi Law, and may transfer shares of interests thereof as per paragraph (e) of (First) of Article (9) of this law.

Article (41)

First – License Holders may transfer net profits resulting from Petroleum Operations outside Iraq after the payment of any taxes or fees defined by the law and the licensing contracts.

Second – License Holders shall keep and maintain accounting records in Arabic as per the terms of the contract and the requirements of relevant laws; and shall prepare and submit financial statements to the Competent Body and the Supreme Audit Board.

Part V General Provisions

Chapter I Publishing Information

Article (42)

First – The Competent Bodies shall publish Petroleum related activities – while being conducted – in two local daily newspapers and any other media, including:

- a. Revenues, in-kind payments and receipts in the excess of (1) billion Iraqi Dinars delivered to any entity representing the State or the public sector, which resulted from any Petroleum related activity. Revenues shall include revenue from the sale of Petroleum and derivatives; signature and production bonuses; property rights; revenues from the sale of assets; taxes and fees; shares in consortia in the Petroleum domain; commercial activities resulting from Petroleum and derivatives contracts; the returns from investments of Petroleum returns; and any payments resulting or arising from the commercial Production of Petroleum.
- b. Returns from the use and distribution of Petroleum, including distribution among government agencies.

- c. Financially significant contracts related to Exploration, Development, Production, processing and marketing of Petroleum resources in Iraq.
- d. Financially significant contracts related to the invitation of bids for the supply of services and goods for Petroleum industry from any entity representing the State or the public sector.
- e. Annual and periodic License Holders' reports, including budgets audited as per international accounting standards.
- f. Any other information defined by this law or regulations issued thereunder to be published.

Second – The provisions of item (First) of this article may not be applied to non-financial information.

Third – Any condition or agreement to block access or aim to block access to documents or information mandated to be published as per the provisions of item (First) of this article shall be null and void.

Fourth – The Council shall issue bylaws to facilitate the implementation of the provisions of this article, including listing the bases upon which a contract is to be deemed financially significant, and the scope of the exception contained in item (Second) of this article.

Chapter II Conflict Resolution

Article (43)

First – Conflicts resulting from the interpretation and application of this law or the regulations issued thereunder shall be resolved by negotiations between the relevant parties and based on good faith.

Second – In case of failure to resolve the conflict by agreement, the matter shall be referred to the Council to be resolved in consultation with the relevant License Holders.

Third – In case of failure to reach a solution in good faith, the conflict shall be referred to arbitration or to the competent judicial authorities as per the agreement provided for in the contract.

Fourth –

- a. In the arbitration between the Competent Bodies and foreign License Holders, the Iraqi Law shall be applicable in merit; and in form, the arbitration procedures of the International Chamber of Commerce in Paris or Geneva, or the Cairo Regional Centre for International Commercial Arbitration shall be observed, as per the agreement provided for in the contract.
- b. The contract shall include the terms for appointing arbitrators, the deciding arbitrator, seat of arbitration, expenses of arbitration and the timeframe for issuing decisions.

Article (44)

First – The license contract shall be deemed null and void in case of violation of this law and applicable legislation.

Second – The Iraqi Law shall apply to the interpretation and execution of contracts concluded in accordance with the provisions of this law.

PART VI Transparency and Integrity

Article (45)

All License Holders shall adhere to the principles of transparency and integrity in accordance with applicable Iraqi laws and the international principles to combat corruption.

Part VII Closing Provisions

Article (46)

First – This Law shall apply to the licensing contracts concluded following enactment thereof.

Second – Contracts concluded by the Competent Bodies prior to the enactment of this law shall be reviewed by a committee comprising the Minister of Oil, the relevant Minister of the Kurdistan Region, and the Chairman of the Oil, Energy and Natural Resources Committee of the House of Representatives.

Third – The Committee formed pursuant to paragraph (Second) of this article may seek the assistance of experts and specialists as needed, and submit results thereof to the Council.

Fourth – The Committee shall reach consensual solutions with the relevant parties concerned, and any pending matters shall be resolved by the leaders of the three main political blocs.

Article (47)

First – Land utilization for the purpose of Petroleum Operations shall be in accordance with the Law, and shall take the following into consideration:

- a. The term of use and usufruct shall be no longer than the term of the contract.
- b. Lands with Petroleum establishments shall have restricted areas to be specified in accordance with the instructions issued by the Competent Body.
- c. Owners of lands within the Contract Area shall be compensated for damages caused by Petroleum Operations.

Second – In case the land owner or the holder of the right of disposal or usufruct is Iraqi, the land shall be leased therefrom in accordance with the law.

Article (48)

The provisions of this law are not applicable to Petroleum refining operations and Gas manufacturing, and the industrial uses of the same; and also to storage, transport and distribution of Oil products.

Article (49)

This law shall be enforced as of date of publication in the Official Gazette.

Grounds

Whereas the Republic of Iraq entered a new phase upon the coming into force of the Constitution in 2006, which established the principle that Oil and Gas belong to all Iraqi people and defined the responsibilities and powers of the federal authorities, and the authorities of Regions and governorates, including those relevant to the Oil and Gas sector; whereas the Republic of Iraq is rich in discovered and undiscovered Petroleum resources; whereas the production capacity of Iraq during the past decades has been low compared to those sources; whereas the revenues of Oil and Gas are the main pillars for the re-development of the country in general, and the Iraqi economy in particular, on sustainable and sober bases and in a coordinated and planned manner that takes into account the objectives of the Constitution including the unity of the Republic of Iraq and the depletable nature of natural Petroleum resources; for the purpose of forming a Council to set federal policies, plan, supervise, follow-up and improve operational efficiency in Petroleum Production, which requires the involvement of the main commercial and technical bodies including an independent Iraqi National Oil Company, and granting Regions and Producing Governorates a role in Petroleum Operations; for the purpose of ensuring the effectiveness of coordination among these entities; for the purpose of additional modernizing and development of the Petroleum industry through the participation of international and local investors with practical, managerial and technical skills to reflect positively on Oil revenues and help in modernizing and increasing the efficiency of national experiences; and for the purpose of encouraging and supporting the national private sector associated directly or indirectly with the Oil and Gas sector,

This Law is hereby enacted.