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Iraq to lose up to \$194 billion in oil "rip-off"

New report reveals corporate oil grab, backed by US and UK

Control of Iraq's future oil wealth is being handed to multinational oil companies through long-term contracts that will cost Iraq hundreds of billions of dollars, according to a new report published today in London.

Crude Designs: The Rip-Off of Iraq's Oil Wealth reveals that current Iraqi oil policy will allocate the development of at least 64% of Iraq's reserves to foreign oil companies. Iraq has the world's third largest oil reserves.

Figures published in the report for the first time show:

- the estimated cost to Iraq over the life of the new oil contracts is \$74 to \$194 billion, compared with leaving oil development in public hands. These sums represent between two and seven times the current Iraqi state budget.
- the contracts would guarantee massive profits to foreign companies, with rates of return of 42% to 162%.

The kinds of contracts that will provide these returns are known as production sharing agreements (PSAs). PSAs have been heavily promoted by the US government and oil majors and have the backing of senior figures in the Iraqi Oil Ministry. Britain has also encouraged Iraq to open its oilfields to foreign investment.

However PSAs last for 25-40 years, are usually secret and prevent governments from later altering the terms of the contract. "Crude Designs" lead researcher, Greg Muttitt of PLATFORM, said:

"The form of contracts being promoted is the most expensive and undemocratic option available. Iraq's oil should be for the benefit of the Iraqi people, not foreign oil companies."

The new Iraqi constitution opened the way for much greater foreign involvement in Iraq's oilfields. Negotiations with oil companies are already underway, ahead of elections in December and prior to the passing of a new Petroleum Law. This report calls for full and open debate in Iraq about the way oil resources are to be developed, not 30-year deals negotiated behind closed doors.

Not only are these deals being negotiated without public discussion, ongoing violence in Iraq puts it at considerable disadvantage. Mr Muttitt explains:

"Iraq's institutions are new and weak. Experience in other countries shows that oil companies generally get the upper hand in PSA negotiations with governments. The companies will inevitably use Iraq's current instability to push for highly advantageous terms and lock Iraq to those terms for decades."

Andrew Simms, Policy Director at the new economics foundation (nef) and co-publisher of the report says:

"Over the last century Britain and the US left a global trail of conflict, social upheaval and environmental damage as they sought to capture and control a disproportionate share of the world's oil reserves. Now it seems they are determined to increase their ecological debts at Iraq's expense. Instead of a new beginning Iraq is caught in a very old colonial trap."

Louise Richards, Chief Executive of War on Want, also a co-publisher says:

"People have increasingly come to realise that the Iraq war was about oil, profits and plunder. Despite claims from the politicians involved that this is a "conspiracy theory", our new report gives detailed evidence to show that Iraq's oil profits, far from being used to alleviate some of the suffering the Iraqi people now face, are well within the sights of the oil multi-nationals."

Notes

- *Crude Designs* is published jointly by PLATFORM with the New Economics Foundation and War on Want in the UK, and with the Institute for Policy Studies, Global Policy Forum and Oil Change International in the US.
- The report was researched and written by Greg Muttitt of PLATFORM www.carbonweb.org.
- This media release and the executive summary of the report are **also available in Arabic**. A full text translation of the report will be available in Arabic by 20 December 2005. To obtain a copy, please contact Katy Cronin – details below.