

Satarem-Missan Refinery Scandalous Contract Gets Final Termination Notice

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The Ministry of Oil (MoO) announced on 4 January 2018 that it had obliged Missan International Refinery Company (MIRC) (actually the Swiss bankrupt company Satarem) to sign an undertaking that it should start working on the 150kbd Missan Refinery within 30 days; otherwise the contract will be terminated without having any legal and financial consequences on the Ministry.

This move by the Ministry is long overdue and should be the very final termination warning as more than four years were lost without any tangible progress in the construction of the refinery. As I have repeatedly argued, through my writings especially the direct debate communications with the Ministry officials and advisors that by concluding such a dubious contract with highly questionable unqualified bankrupt company, the Ministry surely deters serious refinery investors and, thus, defeats its own aspirations.

Before we proceed in addressing this topic it might be necessary to make a few remarks on this latest announcement:

First, the Ministry did not disclose the contents of the signed undertaking or specify what Satarem should do during this 30 day period;

Second; the announcement did not mention the names of those present at the meeting. But from the photos and on the Iraqi side, there was the Minister, the Ministry' Advisor for Downstream (Dhia Jaafar) and two Ministry officials. What should be noticed is the absence of the Deputy Minister for Downstream, Fayad Nema, who had distanced himself from this project all along. Also absent are the junior Ministry official who signed the MoU for this deal in October 2013 (at the presence of then Prime Minister-Nori Al-Maliki, PM Deputy for Energy-Dr. Hussain Al-Shahristani and Minister of Oil-Abdul Kareem Luaibi) and the "Contracts Expert" who claimed to be with the Investment Committee at the Ministry and who promoted and defended this deal by arguing that "this investment costs the government nothing";

Third, on MIRC side there were two representatives; by the sitting order, the one besides the Minister, seems to be the senior, while the other is Satarem CEO. But no one from China, though the Chinese company owns 85% of the refinery. Therefore, one could ask what are the use and the legal value of the signed undertaking when the majority holder is absent and why that majority holder is absent.

I/DC&R database on Satarem-Missan refinery has been expanding significantly and updated regularly; our Monitoring, Analysing and Reporting-MAR service on the current topic depends largely on our database.

Start from the beginning when the first public information on this scandalous deal appeared in a televised recording covering the signing of a “binding MoU” by Satarem CEO and an Oil Ministry junior official on 10 October 2013 many credible evidences and documents became available; they unequivocally and emphatically shedding very serious doubts concerning the integrity and credibility of the company, Satarem, that would construct this modern grassroots refinery.

My first intervention on the matter was circulated among our very large network and also posted on IBN, “Doubt Surrounds Satarem-Missan Refinery Deal”, on 17 December 2013 <http://www.iraq-businessnews.com/2013/12/17/doubt-surrounds-satarem-missan-refinery-deal/>

Soon after that I began receiving many substantive feedbacks notably those from different international companies and consulting firms that had bad experience with Satarem; including legal claims and court cases, which enhanced the conviction that Satarem is technically incapable and financially bankrupt and thus incompetent to undertake such modern and \$6.5billion cost refinery.

Naturally and expectedly, a few MoO staff promoted and defended (or forced to do so) the MoU; unfortunately, they presented extremely weak arguments and by focusing on the, normative, importance of the refinery and private investment while completely ignoring, by intention or omission, the real issue of Satarem qualification and the process and implication of the signed MoU, (<http://www.iraq-businessnews.com/2013/12/20/min-of-oil-statement-on-maysan-refinery/>)

At that time the issue was “politicised”, both pro and against, as it occurred prior to the 2014 national election, when some parliamentarians, from Oil and Energy Committee, were involved by conducting some sort of investigation.

That prompted the MoO to clarify that the MoU expires on 10 February 2014 and by then it would be invalidated if Satarem fails to, “present the proofs of the company (consortium of companies) registrations, in addition to the capacity of financing, construction, operation and engineering supervision appropriate with the size & technology of the refinery.”

In the beginning I received communications from Chinese and two American companies regarding Satarem and its involvement in Missan refinery; these enquiries were part of the usual “due diligence” those companies had to do before responding to Satarem requests. One European company provided condemning documents and court verdicts against Satarem and its CEO in European and African courts of law.

From that February 2014 clarification onwards the Ministry kept its contact, secretly, with Satarem until 22 February 2016 when it announced on its website that it had concluded the Missan refinery deal with Swiss company Satarem, and Chinese Company (Wahan). It’s worth mentioning in this juncture that, the former Minister of Oil, Adil Abdul Mahdi,

asserted, in his letter of resignation submitted to Prime Minister Dr. Haider Al-Ebadi on February 2016 that the Ministry was “engaged in serious negotiations to construct refineries through [private] investment”!!!; obviously, he was referring to, without specifically naming, Missan refinery or Satarem.

That surprising and very questionable move by the Ministry prompted me to write, “Ministry of Oil Concludes Shaky Refinery Deal with Satarem”, posted 23 February 2016 on IBN <http://www.iraq-businessnews.com/2016/02/23/ministry-of-oil-concludes-shaky-refinery-deal-with-satarem/>

Recently, two more companies posted to me further documents on Satarem: one is a European company that was partner with Satarem in Missan Refinery and was on the “Top Management Team- Project Development”; it withdrew and terminate its partnership after realising that Satarem is not competent to execute the refinery.

The other is a consulting firm working in Kyrgyzstan: it has MoU dated July 2015 with Satarem regarding “waste recycling” project there. Satarem did not fulfil its obligation and that prompt the consulting firm to file a legal case in London against Satarem. Jerome Friler, Satarem CEO, agrees to pay full compensation on April 2017 but, again, did not deliver; attributing that he did not receive due payment from Iraqi authorities!! At the time of this writing no payment were made, as was confirmed yesterday by the consulting firm.

Unsigned Arabic copy of a “Refinery Concession Contract” dated 15 June 2014 was posted to me from Iraq; the Contract was supposed to be signed between the Ministry of Oil and MIRC. According to the contract, MIRC was established on 10 February 2014 (at the expiry date of the MoU above mentioned!!!!) Furthermore, the only partner with Satarem in MIRC is China State Construction Engineering Cooperation Limited (CSCEC) not Wahan as the Ministry’ announcement says!!.

It is worth mentioning that there are too many remarks and serious reservations on this contract but since it was not signed its authenticity is questionable and thus it is not worth saying anything further on its contents here and now.

The Ministry announced it had put in 25 February 2016 the cornerstone of Missan investment refinery with a capacity of 150kbd (only three days after the Ministry’s announced it had signed the contract!!!).

The ceremony was attended by then Deputy Minister for Downstream, Dhia Jaafar, who said the refinery, is owned by Wahan 85% and Satarem 15%.

But the most shocking statement in the ceremony, which manifests total ignorance, bad governance and probably corruption, was made by the Head of Missan Governorate Council, Munthir Al-Shawy; he reportedly addressed the companies by saying, “You are facing great challenge as there is suspicion that you do not possess high working seriousness”, then he emphasised, “the companies having now real test to prove their efficiency..”. What a completely irresponsible local government council that admits the weaknesses of the

companies, yet it is willing to offer them a \$6.5billion refinery just to give the foreign companies a chance to prove themselves!!!!

All that took place despite the fact that the Ministry was fully informed of the credible information indicating that Satarem was declared legally bankrupt; its assets were liquidated and it was removed from official Swiss company registry. And this has been communicated to the Ministry and the Parliamentarians directly or through my writings on this unfortunate refinery case and also by others, especially Dr. Muthana Kubba.

Also, something remains really mysterious about the Chinese company (Wahan or CSCEC; doesn't make any difference); the name appears but its role never specified and its representatives never seen (publically) anywhere, though the company owns 85% of the refinery.

- 1- No Chinese company was mentioned in "Top Management Team-Project Development" as Satarem PowerPoint presentation dated October 2013 shows;
- 2- No representative of the Chinese company was present at the signing of the MoU dated 10 October 2013;
- 3- No representative of the Chinese company was present at the 25 February 2016 ceremony laying the cornerstone of Missan Refinery; and
- 4- No representative of the Chinese company was present at the Ministry meeting of 4 January 2018.

Based on the above it is legitimate to pose the following question: Does this Chinese company exist or it is fictitious? Therefore, the Ministry has to provide clear, convincing, credible and verifiable answer!

The constant follow-up on the progress of the work confirmed the initial conviction that this company is incapable of delivering this refinery, especially after exchanging a few email messages with Parliamentarians from Oil & Energy Committee who contacted both the Ministry and Missan local authorities on the status of construction work. Thus, it became necessary to call upon the Ministry to take decisive stand on the matter in my intervention, "Iraqi Refining: Reality Check and Policy Thoughts for Consideration", dated 24 January 2017; <http://www.iraq-businessnews.com/2017/01/24/iraqi-refining-reality-check-and-policy-thoughts-for-consideration/>

In a Q&A interview held on 13 March 2017 with Iraq Oil Report-IOR the Minister of Oil confirmed the obvious:

IOR: The Missan refinery, contracted to the French, Swiss and Chinese

MoO: Yes, the Amara refinery, the contractor has not started yet. I don't know why. But I think we'll terminate the contract with them and retender it.

IOR: If they don't begin work then the contract is terminated?

MoO: Yes. We have to do something about it.

More recently, Hossam Hussein Wali, DG, South Refineries Company told IOR on 6 December 2017 the following, "The contract was signed with Swiss Satarem, which states to complete the unfinished progress, connect the pipes in the site, but there incomplete information regarding this part."

In addition to the above mentioned London legal case regarding the consulting firm in Kyrgyzstan, I received today the following update from a legal representative of another company in an ongoing legal case in France against Satarem CEO Friler, “I have to attend, as controller of the procedure by the bankruptcy judges, at the final liquidation audience of Satarem/Gwjf. These are only 2 of the Friler’s bankrupt companies in France and it is scheduled at the Tribunal de Commerce in Paris, on February 5th”

The above narrative clearly indicates that:

- Enough has been said and written;
- Too many documents and material evidence are available;
- Too much ambiguity and suspicion surrounds this refinery deal & contract;
- Iraq has lost more than four years on this scandalous deal (which by itself constitutes a heavy opportunity cost- contrary to what the promoters and advisors of this deal at the Ministry had erroneously and unprofessionally argued: this is an investment that cost the government/country nothing!!!!???)

The Ministry had to put its act together, act decisively and terminate the contract if Satarem/ MIRC do not deliver the minimum work obligations stated in the recently signed undertaking.

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