

## The Ministry of Oil: Shrinking Transparency and Comeback of Deplorable Secrecy

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Slowly but surely an environment of shrinking transparency at the Ministry of Oil is becoming increasingly visible, deepening and damaging; indicating to strongly coming back of deplorable secrecy and mentality of pre 2003 style of management and egoism. And while the country is facing two economic challenges: OPEC quota and 2017 Budget, the Ministry took a questionable U-turn by blocking all and every data and information on actual oil production, oil exports, oil revenues, oil prices and domestic oil and gas consumption.

This evidence-based and reality-check contribution aims at attracting the attention of the highest government authorities, especially the Prime Minister; the Parliament, the “Transparency-defenders” including civil society organization and all oil professional among others to confront fully strongly and effectively this very regrettable and alarming development at the Ministry and put an end to it before it gets worse and spreading. Those responsible for such reversal of transparency at the Ministry should be identified, held accountable and forced to change course.

The following is a few examples pertaining to disappearance of data and information which used to be provided by the Ministry website:

- 1- Since October 2015 the Ministry ended the daily posting of oil prices for the Marker Crudes that are used in setting oil selling price by SOMO to the three market destinations: East Asia, Europe and Americas; only recently (27 November) the Ministry posted a brief on SOMO’s “regular monthly meeting” that was held on 10 November! But no such briefing was provides on monthly regular basis on this monthly regular price setting!
- 2- August 2016 is the last month for which the Ministry had posted the data on Current Domestic Consumption;
- 3- Until August 2016 the Archive for Monthly data on Domestic Consumption covers the period from that month back to 2008. Now the Archive ended at December 2012; meaning NO Archive is available from January 2013 to date!!;
- 4- Announcement used to be posted on the 1<sup>st</sup> or 2<sup>nd</sup> day of the month regarding “Preliminary oil exports, oil revenues and oil export price” of the previous month; this has been terminated as from 1<sup>st</sup> November 2016;
- 5- “Final oil export, oil revenues and oil export price including the names and nationalities of the International Oil Buyers” for the previous month used to be posted on the 25<sup>th</sup> of the following month; this has been suspended as from 25<sup>th</sup> October 2016;
- 6- The Archive for Final oil export, oil revenues and oil export price has been removed from the Ministry website as from 1<sup>st</sup> November 2016;
- 7- The first export of Condensed gas was on 20<sup>th</sup> March 2016 and first export of LPG was on 2<sup>nd</sup> July 2016; by mid-August 2016 total LPG exports reached 12 thousand tonnes and more than 100 thousand m<sup>3</sup> of condensed gas. A recent announcement on the Ministry website (24 November) says the 12<sup>th</sup> shipment of 20633 m<sup>3</sup> of condensed gas and 2743 thousand of LPG were exported. Unlike previous shipments, no values for these exports were announced! Moreover, no information was given on such exports between mid-August and 24 November. Finally, by mid-August there were four shipments of condensed gas and the number increased to 12 shipments on 24 November, the question then what has happened to these seven shipments (the fifth to and including the 11<sup>th</sup>)?
- 8- Neither the Ministry of Oil nor SOMO (which is legally responsible for imports and exports of petroleum refined products) does publish (on its website) the volumes and values of different imported petroleum products that are demanded domestically. Moreover, data I compiled (from international sources) over the years indicates that yearly quantities of these imports constitute significant portion of domestic demand and their values (reflecting international prices) are much more expensive compared with the same products

produced domestically and sold at subsidized domestic prices. So why this blackout on imported petroleum products?

It is worth mentioning that I have written repeatedly to the Ministry of Oil (the Office of the Minister, the Inspector General, the “information” officer and the “Manager” of IT and Website) on the above matters and asked for resumption of the publication/posting of these data.

The above “factual” examples for non-disclosure and “No-Transparency” tendencies that are prevailing at the Ministry have been manifested further by the following:

- 1- The recently announced but ill-perceived offering of a new 12 oilfields through direct negotiation on a case-by-case base; such negotiations are usually held behind closed doors and highly susceptible for corruption. The Ministry, after noticeable opposition, postponed the matter until mid-next year; with possibly different camouflage!;
- 2- The recently reported “allegations”, by the Chairman of Energy Committee at Karbala Provincial Council, on a “suggestion by the Minister of Oil” to offer the three Middle-Euphrates oilfields on presumably productions sharing contract’ modality. Though the Ministry has refuted such allegations, it did not take any legal action despite the grave consequences of making such allegations;
- 3- The Ministry has kept silent regarding another allegation made again (on 13 October 2016) by the Chairman of Energy Committee, Ali Shadad AlFaris, of Basra Provincial Council. AlFaris claims that the Ministry of Oil has “accepted and now assessing” a proposal of “Oil for Development-OfD (النفط مقابل الاعمار)” by earmarking two oilfields (Tuba & Nihran Umer!) for Basra Province to enable the Province recovering its, alleged, ID18 trillion of entitlements from the federal government (presumably based on the contested Provincial Law and its second amendment). AlFaris asserts further that similar OfD for Missan and ThiQar provinces are also under consideration by the Ministry. ThiQar Governor, Yahya AlNassiry, warned recently (24 November) that the Province is determined to seek new ways and measures to overcome its fiscal deficit, hinting to, but not specifying the OfD;
- 4- There is an apparent link between these three issues: the new offering of 12 oilfields; the Karbala Middle-Euphrates oilfields and the OfDs for Basra, Missan and ThiQar. The Ministry was not clear and not transparent on these three very disturbing issues and it did not present any feasibility study justifying them. In fact I have, through many interventions and communications, questioned the validity and rationale of these proposals and even condemned them as having serious consequences on the integrity and unity of the country.
- 5- The Minister of Oil said recently (21 November) he has “three proposals” he will present before the forthcoming OPEC meeting on 30 November. However, instead of enlightening the public on what course of action is best for Iraq and OPEC, he adopted the old-fashioned mentality of “trust me- I know it all” by saying nothing at all on his three proposals and thus it is not known how and to what extent could any of these “secret” proposals serve (or disserve) Iraqi and OPEC interests! So we have to wait until the Minister disclose his three options by end November. On the other hand, international business and media sources report that Prime Minister Haider Al-Abadi said Wednesday [23 November], “Iraq will shoulder part of the burden of oil-output cuts” and thus he is reversing the country’s previous insistence for an exemption. Why this ambiguity and possible contradiction or dis-coordination?
- 6- The Parliament has been debating the draft for 2017 budget law. The government proposed initially a price of \$36 a barrel but due to IMF intervention (or imposition) the price increased to \$42/b and the draft budget revised accordingly. It is rather ironic that while the parliamentarians are debating the budget and concerned professionals analyzing the premises, allocations and consequences of the budget, the Ministry of Oil blocks all data and information on oil related issues. Why and who is behind this blockade of data and “No-Transparency” of the most critical fiscal issues for the Iraqi economy.

These developments represent very serious setback of transparency regarding data and information disclosure that has been available on the Ministry website since at least 2007. Instead of improving data coverage and enhancing

accessibility, the Ministry is now doing exactly the revers! Moreover, this willful return to/of pre-2003 mentality of deplorable secrecy is unconstitutional, renegade on Iraq international obligations (IMF, OPEC, EITI, JODI) and above all this could indicate to a grave cover-up for corruption and financial and contractual irregularities and illegalities.

The highest government authorities, especially the Prime Minister; the Parliament, the “Transparency-defenders” including civil society organization and all oil professional among others are expected to confront fully strongly and effectively this very regrettable and alarming tendencies at the Ministry and put an end to it before it getting worse, spreading and damaging. Those responsible for such reversal of transparency at the Ministry should be identified, held accountable and forced to change course.

PS! Before circulating this brief note among my professional network I visited the Ministry website, but unfortunately no indication of any improvement.

28 November 2016