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ACTION IO-00

INFO	LOG-00	NP-00	AF-00	AID-00	ACQ-00	CIP-00	COME-00
	CTME-00	DOEE-00	WHA-00	SRPP-00	DS-00	EAP-00	EB-00
	EUR-00	VC-00	H-01	TEDE-00	INR-00	L-00	VCE-00
	AC-01	NEA-00	NSAE-00	OIC-02	OMB-01	PA-00	PM-00
	PRS-00	ACE-00	P-00	SP-00	IRM-00	SSO-00	SS-00
	STR-00	TRSE-00	T-00	USIE-00	SA-00	EPAE-00	PMB-00
	DSCC-00	DRL-02	G-00	SAS-00	SWCI-00	/007W	

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 FM USMISSION USUN NEW YORK
 TO SECSTATE WASHDC IMMEDIATE 5582
 INFO IRAQ COLLECTIVE IMMEDIATE
 UN SECURITY COUNCIL COLLECTIVE IMMEDIATE
 CJCS WASHDC IMMEDIATE
 CIA WASHDC IMMEDIATE
 NSC WASHDC IMMEDIATE
 SECDEF WASHDC IMMEDIATE
 WHITEHOUSE WASHDC IMMEDIATE

PARTIAL RELEASE

B1, 1.4/8(d), B6

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WHITE HOUSE FOR OVP

E.O. 12958: DECL: 08/28/2006
 TAGS: ETTC, PREL, UNSC, IZ
 SUBJECT: UN/IRAQ: LATEST BRITISH THINKING ON POSSIBLE WAYS
 FORWARD ON OIL PRICING

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REF: USUN 2315 (AND PREVIOUS)

CLASSIFIED BY: [REDACTED] REASONS: 1.5 B6
(B) AND (D).

1. (U) THIS IS AN ACTION REQUEST - PARA 6.

2. ~~(S)~~ ON SEPTEMBER 27, USUN [REDACTED] MET WITH UKUN [REDACTED] TO
 EXCHANGE VIEWS ON THE CONTINUED SECURITY COUNCIL AND 661
 COMMITTEE IMPASSE OVER OIL PRICING (REFTELS) AND TO CONSIDER
 OPTIONS FOR RESOLVING THE STANDOFF. [REDACTED] REPORTED THAT HE
 RECENTLY HAD MET WITH NORWEGIAN OFFICIALS WHO VOICED CONCERN

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THAT THE INCREASINGLY ACERBIC AND CONFRONTATIONAL TONE CHARACTERISTIC OF RECENT IRAQ SANCTIONS 661 COMMITTEE DISCUSSIONS WAS A BAD OMEN FOR COUNCIL NEGOTIATIONS THAT SOON WOULD HAVE TO RESUME TO ADDRESS THE LARGER QUESTION OF NEXT STEPS ON IRAQ WHEN THE CURRENT PHASE X OIL-FOR-FOOD MANDATE EXPIRED ON NOVEMBER 30. [REDACTED] SAID THE NORWEGIANS WERE ANXIOUS TO RESOLVE THE IMPASSE OVER OIL PRICING TO PREVENT FURTHER DISRUPTIONS IN WORLD OIL MARKETS AND TO DEMONSTRATE TO THEIR DOMESTIC CONSTITUENCY, PARTICULARLY NORWEGIAN PARLIAMENTARIANS, THAT 661 COMMITTEE CHAIR KOLBY WAS COMPETENTLY MANAGING THE AFFAIRS OF THE COMMITTEE, DESPITE RECENT CRITICISM BY CERTAIN COMMITTEE MEMBERS. [REDACTED] SAID THE NORWEGIANS BELIEVED PROGRESS COULD BE ACHIEVED IF EFFORTS WERE MADE TO ENCOURAGE THE FRENCH TO RELINQUISH THEIR ONGOING ARGUMENTS OVER CURRENT COMMITTEE PROCEDURE AND INSTEAD INTRODUCE A NEW COMMITTEE REVIEW PROCESS.

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3. (S) [REDACTED] SAID THE NORWEGIANS HAD SUGGESTED ONE POSSIBLE WAY FORWARD ON OIL PRICING WOULD BE FOR THE COMMITTEE TO APPROVE PRICES SUBMITTED BY THE IRAQ STATE OIL MARKETING ORGANIZATION (SOMO) AT THE BEGINNING OF OCTOBER, SUBJECT TO WEEKLY COMMITTEE REVIEW BASED ON UPDATES FROM THE UN OIL OVERSEERS ON PRICE PREMIUMS AND SURCHARGES THAT WERE BEING IMPOSED ON IRAQI OIL EXPORTS. COMMITTEE MEMBERS COULD THEN BLOCK FURTHER APPROVAL OF PRICES FOR THE MONTH IF THEY FELT THAT EXCESS PREMIUMS WERE BEING CHARGED. NOTING THAT UNDER SUCH AN ARRANGEMENT, PRICES APPROVED BY THE COMMITTEE ON OCTOBER 1 COULD BE BLOCKED ON OCTOBER 8, US [REDACTED] QUESTIONED WHETHER WEEKLY PRICE REVIEWS ACTUALLY REPRESENTED AN IMPROVEMENT OVER CURRENT METHODS.

4. (S) [REDACTED] ASKED WHETHER COMMITTEE MEMBERS COULD REVIEW PRICES RETROACTIVELY, AT THE END OF THE MONTH, TO DETERMINE WHETHER THE PROPOSED PRICES SUBMITTED BY SOMO AT THE MONTH'S BEGINNING REFLECTED MARKET VARIATIONS DURING THE ENSUING THIRTY DAYS. THAT WAY, COMMITTEE MEMBERS WOULD BENEFIT FROM KNOWING ACTUAL MARKET BEHAVIOR, AND WHETHER THE PROPOSED OFFICIAL SELLING PRICE FOR IRAQI OIL DIFFERED IN A SIGNIFICANT MANNER FROM MARKET CHARGES.

5. (S) LATER ON SEPTEMBER 27, [REDACTED] AND [REDACTED] SPOKE WITH UN OIL OVERSEER MICHEL TELLINGS, WHO PRIVATELY SUGGESTED THAT AN AMALGAM OF THE WEEKLY REVIEW APPROACH AND RETROACTIVE CONSIDERATION OF PRICES REPRESENTED THE BEST WAY TO RESOLVE THE CURRENT IMPASSE. UNDER TELLINGS' PLAN, THE U.S. AND UK WOULD PLACE ON HOLD PENDING FURTHER CONSIDERATION PRICES SUBMITTED BY SOMO FOR OCTOBER. THE OIL OVERSEERS WOULD REPORT TO COMMITTEE MEMBERS THE WEEK OF

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OCTOBER 1 AND OCTOBER 8 ON MARKET CONDITIONS AND WHETHER OIL

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PRICE PREMIUMS WERE BEING CHARGED. THEN, ON/ABOUT OCTOBER 13-14, THE U.S. AND UK COULD DETERMINE WHETHER TO A) APPROVE PRICES RETROACTIVELY FOR THE PERIOD FROM OCTOBER 1-15, AS WELL AS FOR THE REMAINDER OF THE MONTH, OR, B) BLOCK PRICES AND REQUEST THAT SOMO SUBMIT NEW PRICES IN LIGHT OF DISCREPANCIES BETWEEN THE OFFICIAL SELLING PRICE AND ACTUAL MARKET PRICES AS REPORTED BY THE OIL OVERSEERS. TELLINGS SAID SOMO WAS REQUIRED TO SUBMIT NEW PRICES IF THE COMMITTEE, BASED ON THE OIL OVERSEERS' ANALYSIS, DETERMINED THAT PRICES DID NOT ACCURATELY REFLECT ACTUAL MARKET CONDITIONS. SUCH AN APPROACH WOULD BE FULLY CONSISTENT WITH EXISTING COMMITTEE PROCEDURES.

6. ~~(S)~~ ACTION REQUEST: USUN SEEKS DEPARTMENT VIEWS CONCERNING THE NORWEGIAN PROPOSAL FOR WEEKLY PRICE REVIEWS, A SIMPLE MONTHS-END RETROACTIVE DETERMINATION OF PRICES, OR THE HYBRID MID-MONTH APPROACH THAT WOULD SHIFT COMMITTEE APPROVAL OF SOMO-SUBMITTED PRICES TO THE MIDDLE VICE BEGINNING OF EACH MONTH.

NEGROPONTE

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