

Proposed 10-Day Oil Pricing Mechanism

JC03

- Concerned by persistent reports from industry that Iraq seeking to circumvent Security Council by demanding illegal surcharges for oil. R
- All members of UN have responsibility for taking steps to control this problem with their companies.
 - USG has communicated to its principal oil companies warning them that payment of surcharge is illegal.
 - Urge others to take similar steps.
- We on 661 committee have special responsibility to take steps to address this violation of UNSCRs.
 - Applaud efforts by chair (Norway) to offer solutions.
 - Hope proposals can be fully discussed in process leading to next resolution.
- UN Oil Overseers have done a good job and have helped the committee deflect Iraqi efforts to subvert the oil sale system.
- Welcome UK proposal. Washington reviewing now.
 - See wisdom in keeping price of Iraqi crude as close as possible to prices for competitive crude oil in world oil market.
 - Eliminate gaps in prices that could be exploited to allow surcharge.
- Assume no committee member wants to permit surcharges, so we should consider variety of ways to prevent them.

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