JC14

Oil Overseers Responses to Questions posed in the 661 Committee ~~Formal Meeting~~ of the 8th of February and subsequent informal meeting.

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Question 1

Please provide information on the changes in global supply patterns and what impact this has on Iraqi Oil Demand.

Please find attached table 1 which compares Opec / Non-Opec Oil production with Iraq's exports levels under the Oil for Food Programme. It is unlikely that the reduced exports from Iraq are directly related to fluctuating world oil demand. Under a market responsive pricing mechanism, all exporters produce at full capacity.

TABLE 1

Global Oil Production and MOU Exports Ex Iraq

	1998	1999	2000	2001
OPEC*	30.4	29.3	30.9	30.3
Non-OPEC	43.0	42.9	44.1	45.6
TOTAL	**73.4**	**72.2**	**75.0**	**75.9**
MOU Exports ex-Iraq	**1.5**	**2.0**	**1.9**	**1.7**

*Incl. Production in Iraq

Question 2

What are the oil export volumes by destination? How does this compare as a ratio to previous levels?

Please find attached table 2 showing Iraqi crude exports by destination.

TABLE 2

IRAQI CRUDE OIL EXPORTS UNDER UN OIL-FOR-FOOD PROGRAMME

	Europe	USA	Far East	Others
PHASE 1	57.3%	25.9%	12.7%	4.1%
PHASE 2	60.6%	27.6%	11.1%	0.8%
PHASE 3	65.7%	21.7%	10.4%	2.3%
PHASE 4	52.2%	37.8%	9.8%	0.2%
PHASE 5	42.5%	44.6%	12.9%	
PHASE 6	44.6%	40.8%	14.3%	0.3%
PHASE 7	41.0%	44.0%	15.0%	
PHASE 8	39.9%	41.2%	18.9%	
PHASE 9	32.2%	54.5%	12.1%	1.1%
PHASE 10	27.5%	69.4%	3.1%	
PHASE 11	13.1%	65.8%	21.1%	-

Europe destination includes Europe, discharge ports in the Mediterranean Basin and Morocco
USA destination includes North, Central and South America and Carribeans
Far East destination includes discharge ports East of Gulf of Hormuz

Phase 11 includes all loadings up to 21 February 2002.

Question 3

What are the losses to the Programme from excessive premia since their inception in December 2000?

Losses to the programme due to excessive premia stem from 3 different sources:

I. Losses from December 2000 to February 2001 (inclusive) as a result of the introduction of excessive premia due to reluctance of buyers to lift. (**$2.2 billion**).

II. Losses due to the premia which should have been in the Escrow account. (Estimated at 30 cents per barrel x 650 million barrels = **$200 million**).

III. Losses in December 2001 and January 2002 as exports slowed due to excessive premia under retroactive pricing. (**$730 million**).

Question 4

If premia were brought down to normal industry levels of 5c/bbl, what impact would that have on export levels?

Exports would return to full capacity of approximately 2.1 to 2.2 million barrels per day. This would be the case under any pricing system, provided that it is applied evenhandedly.

Question 5

To what extent does the retroactive pricing mechanism impact negatively on Iraqi Oil exports?

Retroactive pricing IN COMBINATION WITH high premia has most likely been the main cause of reduced exports since December 2001. Retroactive pricing in isolation has no impact on export levels. It is only in combination with high premia, that export levels are negatively affected.

Question 6

How much of the reduction in liftings is due exclusively to the premia?

Insistence on excessive premia were a factor in reducing lifings during the period of December 2000 to February 2001, when end users refused to pay these because of legal and/or commercial reasons. During the period March 2001 to October 2001, end users could afford to pay excessive premia because of the way the Iraqi export system was operated. That is, buyers had lifting flexibility and price revisions were at SOMO's inititiative. However with these possibilities removed under retroactive pricing since October 2001, continued insistence on excessive premia is likely to have a negative impact on export levels.