

4 • EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI), **IRAQ**

Fostering transparency in the oil sector with EITI

ABOUT THIS SERIES

China is increasingly investing overseas, meeting with environmental and social challenges in the process. A detailed regulatory framework to guide Chinese overseas investment exists on paper. This series examines cases where environmental and social responsibility have been implemented in an

exemplary fashion, effectively contributing to the avoidance of harm and a positive image of China as a responsible global player. The series aims to encourage local groups to constructively engage Chinese investors with these best practice references in mind. It also aims to help Chinese authorities in their efforts to effectively guide Chinese overseas investors towards routinely achieving an excellent environmental and social responsibility performance.

OVERVIEW

China National Petroleum Corporation (CNPC) is one of the international oil companies operating in Iraq after the war and in difficult circumstances. The company has contributed significantly to the country joining the Extractive Industries Transparency Initiative (EITI) by participating in the Multi-Stakeholder Groups (MSG) of EITI.



Chinese oil companies and oil fields in Iraq

Chinese Institutions involved

- China National Petroleum Corporation (CNPC)

Key actors in-country

- Oil Ministry Iraq

International actors

- Extractive Industries Transparency Initiative (EITI)

THE PROJECT

The Extractive Industries Transparency Initiative (EITI) is an important mechanism for fostering accountability of government agencies responsible for extractive industries and for eradicating corruption in a sector traditionally plagued by irregularities.

CNPC was one of the actors helping Iraq join EITI, making contributions to the reporting guidelines as well as publishing their own information in a timely and exemplary fashion, beyond standards required by law.

Today, CNPC operates the Halfaya and Al-Ahdab fields and is a partner in the consortium developing the Rumaila field, Iraq's largest field with a production of over a million barrels per day. CNOOC, another Chinese state-owned oil company operates the Missan oilfields. In 2017 it was reported that another Chinese company, Zhenhua Oil had reached a deal with the Iraqi government to exploit the East Baghdad oil field. About a quarter of Iraqi oil production is exported to China.

The Al-Ahdab oilfield construction project was the first new-built capacity project to be put into operation after the Iraq war and was jointly developed by PetroChina (owned by CNPC) and Iraq's Northern Petroleum Company, with PetroChina as operator. PetroChina developed a multi-stakeholder participation mechanism for the project and a Community Contribution Committee for projects to benefit local people. As of the end of

2016, several projects with an annual investment of 1 million US dollars were under construction in Iraq. CNPC participated actively in the improvement of reporting guidelines for the oil sector in the framework of Iraq's EITI and ensured the inclusion of detailed information about oil production from the Al-Ahdab oilfield, in which the company holds a 50% interest. This was despite the company being exempt from EITI reporting requirements as its activities were in early stages of production and the company was not yet making material payments to the government of Iraq.

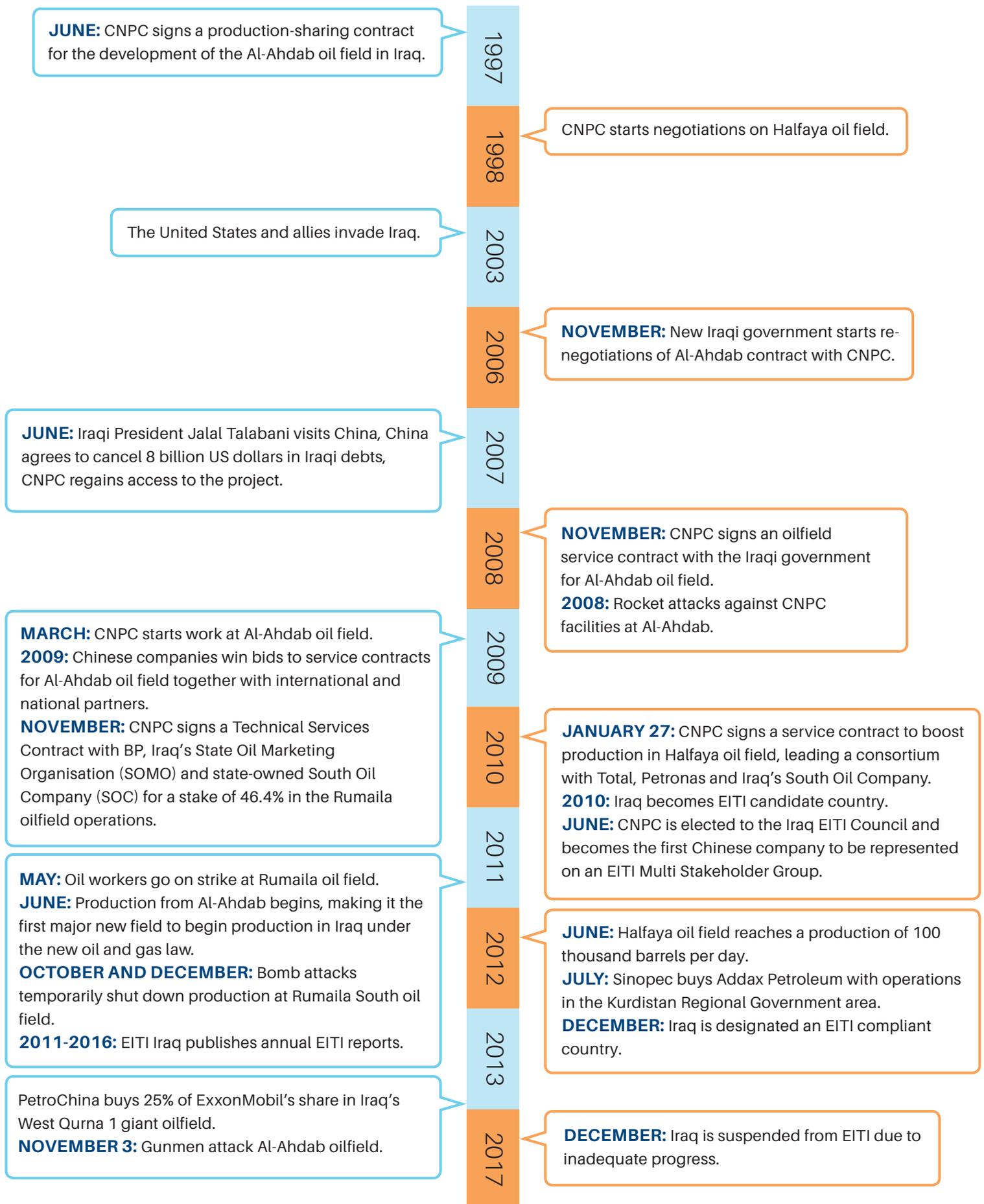


Chinese oil workers in Iraq



Checkpoint near Rumaila oil field. Source: ATEF HASSAN/Reuters

TIMELINE



POLICY RELEVANCE

Fostering transparency and good governance

EITI brings together government, companies and civil society in a joint effort towards more transparency. Bringing more transparency and government accountability to the most important economic sector of Iraq is a big contribution to good governance and broader economic development. As the importance of Chinese companies increases worldwide, a strong commitment to EITI and its values can make a difference for many countries.

War on corruption

The war on corruption should not be limited to China only. Every country can benefit from ending corruption and bringing transparency and accountability into government affairs, especially with regards to money. By actively supporting EITI, Chinese companies can make a contribution to reducing or ending corruption worldwide.

POLICY RECOMMENDATIONS

- Chinese companies should continue to participate actively in EITI in every EITI country.
- Chinese companies can help additional countries join EITI.
- Collaboration with EITI could become an evaluation criterion for performance evaluation of responsible SOE managers.

SOURCES

- Al-Shafiy, Haider Hamood Radhi (2015) CNPC, CNOOC and SINOPEC in Iraq: Successful Start and Ambitious Cooperation Plan. Journal of Middle Eastern and Islamic Studies (in Asia) Vol.9, No. 1, 2015. http://mideast.shisu.edu.cn/_upload/article/ef/da/1c9c463449f084978b2cae17091a/b78b90ae-c925-41dc-83b4-74df64521e4f.pdf
- China-Britain Business Council (2016) China-Britain Belt and Road. Case Studies Report 2016. http://www.cbcc.org/cbbc/media/cbbc_media/4.%20Files/China-Britain-Belt-and-Road-Case-Studies-Report.pdf
- EITI (undated) Iraq. EITI website. <https://eiti.org/iraq> Accessed 26.6.2018
- EITI (2016) Chinese companies reporting in EITI countries. Review of the engagement of Chinese firms in countries implementing the EITI. EITI International Secretariat. Brief, updated February 2016. https://eiti.org/sites/default/files/documents/eiti_chinese_companies_reporting_updated_feb2016.pdf
- Matisoff, Adina (2012) Crude beginnings: An assessment of China National Petroleum Corporation's environmental and social performance abroad. Friends of the Earth Report, February 2012. https://www.banktrack.org/download/crude_beginnings_/crude_beginnings_1.pdf
- Meidan, Michal (2016) China's loans for oil: asset or liability? Oxford Institute for Energy Studies Paper: WPM 70, December 2016
- PetroChina (undated) Milestone Achievement. PetroChina International Iraq FZE Iraq Branch Website. No date. <http://www.petrochina-hfy.com/Home/StaticPage/5> Accessed 26.6.2018
- Qi, Shaoyun (2018) 中国石油：“走出去”沟通的四种模式” Silkroad.news.cn 2018-02-12, <http://silkroad.news.cn/2018/0212/84244.shtml> Accessed 26.6.2018
- Şengül, Ebru (2017) Iraq, China to develop oil field in Baghdad. Anadolu Agency, 26.12.2017, <https://www.aa.com.tr/en/energy/oil/iraq-china-to-develop-oil-field-in-baghdad/16119>

I would like to thank Adina Matisoff who identified and described the current case and Pablo Valverde who provided input and feedback on the draft.