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.
The Extractive Industries Transparency Initiative (EITI) is an important mechanism for fostering accountability of government agencies responsible for extractive industries and for erradicating 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 Iraqs 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.
The United States and allies invade Iraq.

June: CNPC signs a production-sharing contract for the development of the Al-Ahdab oil field in Iraq.

1997

The United States and allies invade Iraq.

1998

CNPC starts negotiations on Halfaya oil field.

1999

MARCH: CNPC starts work at Al-Ahdab oil field.

2009: Chinese companies win bids to service contracts for Al-Ahdab oil field together with international and national partners.

November: CNPC signs a Technical Services Contract with BP, Iraq’s State Oil Marketing Organisation (SOMO) and state-owned South Oil Company (SOC) for a stake of 46.4% in the Rumaila oilfield operations.

2010

May: Oil workers go on strike at Rumaila oil field.

June: Production from Al-Ahdab begins, making it the first major new field to begin production in Iraq under the new oil and gas law.

October and December: Bomb attacks temporarily shut down production at Rumaila South oil field.

2011-2016: EITI Iraq publishes annual EITI reports.

2017

December: Iraq is designated an EITI compliant country.

June: Halfaya oil field reaches a production of 100 thousand barrels per day.

July: Sinopec buys Addax Petroleum with operations in the Kurdistan Regional Government area.

December: Iraq is suspended from EITI due to inadequate progress.

PetroChina buys 25% of ExxonMobil’s share in Iraq’s West Qurna 1 giant oilfield.

November 3: Gunmen attack Al-Ahdab oilfield.

November: New Iraqi government starts re-negotiations of Al-Ahdab contract with CNPC.

June: CNPC is elected to the Iraq EITI Council and becomes the first Chinese company to be represented on an EITI Multi Stakeholder Group.

January 27: CNPC signs a service contract to boost production in Halfaya oil field, leading a consortium with Total, Petronas and Iraq’s South Oil Company.

2010: Iraq becomes EITI candidate country.

June: CNPC signs a service contract to boost production in Halfaya oil field, leading a consortium with Total, Petronas and Iraq’s South Oil Company.

2008: Rocket attacks against CNPC facilities at Al-Ahdab.

2009: Chinese companies win bids to service contracts for Al-Ahdab oil field together with international and national partners.

November: CNPC signs an oilfield service contract with the Iraqi government for Al-Ahdab oil field.

June: Iraqi President Jalal Talabani visits China, China agrees to cancel 8 billion US dollars in Iraqi debts, CNPC regains access to the project.

JUNE: CNPC signs a production-sharing contract for the development of the Al-Ahdab oil field in Iraq.
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


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.