

7 September 2022

Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

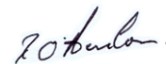
Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 April 2022 to 30 June 2022

- 1.1 We were appointed by the Regional Council for Oil and Gas Affairs ("RCOG") of the Kurdistan Regional Government ("KRG") to review oil production, export, consumption and revenue for 2022, as well as prior years 2014 to 2021.
- 1.2 We have completed our review of the schedule of oil export, consumption and revenue for the period 1 April 2022 to 30 June 2022 ("Q2 2022"), attached as Schedule 1 to this report. We have previously reviewed and reported on the schedule of oil export, consumption and revenue for the period 1 January 2017 to 31 March 2022.
- 1.3 Our procedures involved reviewing export and sales records; undertaking site visits; making inquiries of oil producers; reviewing production metering records; and undertaking other procedures as required.
- 1.4 We report our findings below:
 - 1.4.1 Oil export and consumption - We did not identify any misstatements in the 1 April 2022 to 30 June 2022 oil export and consumption data.
 - 1.4.2 Oil sales - We did not identify any misstatements in the 1 April 2022 to 30 June 2022 oil sales data and the net amount received in the period by the KRG.
- 1.5 This report is limited to the data contained in Schedule 1 and does not extend to any further information that may have been produced or published by the KRG.
- 1.6 We used sampling and other techniques to the extent we considered necessary to verify the data in Schedule 1. Our review was dependent on documentation provided by all stakeholders (oil producers, refineries, oil traders, the pipeline operator, and the KRG's Ministry of Natural Resources), and the accuracy and completeness thereof.
- 1.7 This report has been prepared for RCOG. Deloitte accepts no responsibility or liability to any third parties for any opinions expressed or any inaccuracy, omission or error regarding any information contained within this report. No party, other than the RCOG, is entitled to rely on this report for any purpose whatsoever.

Yours faithfully,



Neil Hargreaves
Deloitte Professional Services (DIFC) Limited





Robert O'Hanlon
Deloitte & Touche (M.E.)


SCHEDULE 1

Oil production, export, consumption and revenue


1 April 2022 to 30 June 2022

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2)	37,780,025 bbls
Crude oil delivered for MNR refining	2,298,581 bbls
Sales to refineries	78,893 bbls
Local sales	158,582 bbls
Total exported & consumed (Note 3)	40,316,081 bbls

 Pipeline Export Sales Analysis	Period Total
Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 4)	37,618,577 bbls
Gross value of crude oil sold	3,776,446,251 USD
Average price per barrel achieved for oil sold (Note 5)	100.388 USD/bbl

 Refinery and Local Sales Analysis	Period Total
Net oil (crude and condensate) lifted by the buyers (net quantity after removal of water content and evaporation losses during transportation) (*)	237,475 bbls
Gross value of crude and condensate sold (*)	12,844,028 USD
Average price per barrel achieved for oil sold	54.086 USD/bbl

(*) Refinery and Local Sales includes 106,071 bbls of condensate that was provided to a refinery at a reduced price under the MNR's fuel subsidy program.

 Financial Flows	Period Total
Gross value of crude oil and condensate sold (Piped exports and local sales)	3,789,290,279 USD
Net movement in buyer account balances (Note 6)	(124,427,774) USD
Interest and other charges and credits (Note 7)	(49,492,324) USD
Payments made to oil producers (Note 8)	(1,632,695,597) USD
Tariff payments to Turkish Energy Company (TEC)	(214,803,023) USD
Payments made to Kurdistan Pipeline Company (KPC) under the pipeline concession agreement	(36,460,969) USD
Payments made to other parties by the KRG (Note 9)	(159,425,317) USD
Net cash balance received by the KRG for sales and related activities	1,571,985,275 USD

NOTES TO SCHEDULE 1

Oil production, export, consumption and revenue

1 April 2022 to 30 June 2022

Note 1

All figures in Schedule 1 for the period 1 April 2022 to 30 June 2022 oil production, export, consumption and revenue data are based on the records provided by stakeholders to the KRG. The KRG pipeline has also been used to export North Oil Company (NOC) crude oil during the period. This oil is not included in Schedule 1.

Note 2

Gross crude oil lifted by the buyers	37,762,637	bbls
Increase (decrease) in storage at oil terminal	17,388	bbls
Piped export of crude oil	37,780,025	bbls

Note 3

Total oil exported and consumed represents the production from KRG-operated fields, after taking account of the following:

- The change in the quantity of oil in the pipeline during the period;
- Operational losses and volume differences during pipeline and trucking transportation due to repairs, metering calibration differences, evaporation during trucking condensate, etc.; and
- Timing differences between pipeline inputs from NOC and the allocation of NOC oil at the export terminal.

Note 4

Gross piped exports lifted by buyers are 37,762,637 bbls, whereas the net piped export sales are 37,618,577 bbls. The difference between the gross and net piped exports is due to the removal of contaminants such as water.

Note 5

The net piped export barrels and average price per barrel achieved for oil sold by month is as follows:

April 2022	May 2022	June 2022	Q2 2022
13,118,027 bbls	13,331,579 bbls	11,168,971 bbls	37,618,577 bbls
93.039 USD/bbl	101.031 USD/bbl	108.251 USD/bbl	100.388 USD/bbl

Note 6

The net movement in buyer account balances during the period was a decrease of USD 124,427,774. The resulting total balance owing from the KRG to buyers at the end of the period was USD 3,516,497,051. Part of this balance includes amounts advanced in Euro that are to be repaid in Euro at the prevailing exchange rate at the time of settlement, therefore the final repayment amount may differ from the current period balance stated in this note. Claims from the buyers that are pending MNR approval are not included in this balance. The total balance owing from the KRG to the buyers does not include an additional Euro 310,000,000 reclassified as oil prepayments in a prior period, but not yet released to the KRG.

Note 7

Interest and other charges and credits of USD 49,492,324 is made up of the following:

- USD 45,752,143 in interest charges;
- USD 2,799,503 for transportation costs from a field to the pipeline; and
- USD 940,678 in crude oil testing and inspection costs paid by the KRG.

Note 8

Payments made to oil producers include USD 422,465,576 for settlement of unpaid amounts from prior years.

Note 9

Payments made to other parties of USD 159,425,317 is made up of the following:

- USD 75,000,000 for power plant maintenance fees;
- USD 50,000,000 for gas pipeline construction costs;
- USD 25,653,050 for payment of refinery processing fees;
- USD 7,919,974 for fuel purchased for the Ministry of Electricity;
- USD 743,093 for legal & professional services provided to the KRG; and
- USD 109,200 for licence subscription fees.

Note 10

At the end of Q2 2022, USD 294 million and Euro 310 million of KRG oil revenues remain held in bank accounts in Lebanon. Banks in Lebanon continue to restrict the movement of foreign currency outside the country.



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