

7 July 2023

Regional Council for Oil
and Gas Affairs

Kurdistan Regional
Government

Kurdistan Region, Iraq

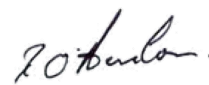
Review of the Kurdistan Regional Government of Iraq's oil production, export, consumption and revenue for the period 1 January to 31 March 2023

- 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 2023, as well as prior years 2014 to 2022.
- 1.2 We have completed our review of the schedule of oil export, consumption and revenue for Q1 2023, attached as Schedule 1 to this report. We have previously reviewed and reported on the schedules of oil export, consumption and revenue for the period 1 January 2017 to 31 December 2022.
- 1.3 Our procedures involved reviewing export and sales records; undertaking periodic 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 Q1 2023 oil export and consumption data.
 - 1.4.2 Oil sales - We did not identify any misstatements in the Q1 2023 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

Q1 2023

 Oil Exports and Consumption	Period Total
Piped export of crude oil (Note 2 and Note 3)	32,307,382 bbls
Crude oil delivered for MNR refining	4,039,232 bbls
Local sales	241,528 bbls
Sales to refineries	135,333 bbls
Total exported & consumed (Note 4)	36,723,475 bbls

 Pipeline Export Sales Analysis	Period Total
Net oil lifted by the buyers (net quantity after inventory movement and removal of water content) (Note 5)	32,194,426 bbls
Gross value of crude oil sold	2,177,585,940 USD
Average price per barrel achieved for oil sold	67.639 USD/bbl
For Q1 2023 export sales, weighted average API (density) was 28.867 and weighted average Sulphur was 3.03%.	

 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)	376,861 bbls
Gross value of crude and condensate sold	22,098,456 USD
Average price per barrel achieved for crude and condensate sold	58.638 USD/bbl

 Financial Flows	Period Total
Gross value of crude oil and condensate sold (Piped exports and local sales)	2,199,684,396 USD
Net movement in buyer account balances (Note 6)	(70,589,747) USD
Interest and other charges (Note 7)	(68,327,463) USD
Payments made to oil producers (Note 8)	(749,700,219) USD
Tariff payments to Turkish Energy Company (TEC)	(139,397,296) USD
Payments made to Kurdistan Pipeline Company (KPC) under the pipeline concession agreement	(129,303,354) USD
Payments made to other parties by the KRG (Note 9)	(95,869,175) USD
Net cash balance received by the KRG for sales and related activities	946,497,142 USD

NOTES TO SCHEDULE 1

Oil production, export, consumption and revenue

Q1 2023

Note 1

All figures in Schedule 1 for Q1 2023 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 quarter. This oil is not included in Schedule 1.

Note 2

Piped export of crude oil includes 903,611 bbls of refined heavy fuel oil surplus to internal consumption during the period.

Note 3

Gross crude oil lifted by the buyers	32,578,988	bbls
Increase (decrease) in storage at oil terminal	(271,606)	bbls
Piped export of crude oil	32,307,382	bbls

Note 4

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 quarter;
- 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 5

Gross piped exports lifted by buyers are 32,578,988 bbls, whereas the net piped export sales are 32,194,426 bbls. The difference between the gross and net piped exports is due to (i) the removal of contaminants such as water, and (ii) a February 2023 shipment of 245,441 gross bbls of off-spec contaminated crude oil and a March 2023 shipment of 22,050 gross bbls of off-spec contaminated crude oil for which a values have not yet been assigned.

Note 6

The net movement in buyer account balances during the quarter was a decrease of USD 70,589,747. The resulting total balance owing from the KRG to buyers at the end of the quarter was USD 3,277,415,066. 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 quarterly 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 (see also Note 10).

Note 7

Interest and other charges of USD 68,327,463 comprise the following:

- USD 63,640,789 of interest charges;
- USD 3,133,282 in transportation costs from a field to a pipeline; and
- USD 1,553,392 in inspection costs.

Note 8

Payments made to oil producers include USD 87,803,094 for settlement of unpaid amounts from prior years.

Note 9

Payments made to other parties of USD 95,869,175 is made up of the following:

- USD 60,000,000 in power plant maintenance fees;
- USD 12,690,315 in refinery processing fees;
- USD 12,210,435 in payments for the supply of electricity to the Kurdistan region;
- USD 10,399,445 in payments for fuel purchased for the Ministry of Electricity; and
- USD 568,980 in legal and professional fees.

Note 10

At the end of Q1 2023, 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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