

---

## IRAQ'S OIL MINISTRY FAILS TO COUNTER REPUTATION DAMAGE

- 20.03.2017

---

Gulf News (March 19, 2017)

Theft of Iraq's oil has been in the news since the occupation in 2003. The government failed to quell the allegations and continued to insist on the correctness of its procedures.

Zaid Sandook, former head of Custody Transfer Measurement of Oil and Gas Department in the Ministry of Oil, recently wrote an open letter to the Minister of Oil Jabbar Luaibi in response to statements by Ministry officials regarding the measurement system.

The letter was prompted by reports on alleged corruption and theft of exported oil. He stressed that the Ministry had worked hard for years to establish a measurement system for oil and gas in accordance with international standards. And in awarding the preparation of the system to Shell and BP, who had a vested interest in establishing the system to safeguard their contractual rights. Sandook insists that installing meters is not sufficient by itself to guarantee correct measurements. The system is much more than that in the sense that it involves procedures, regular inspection and providing specialised departments, training and third-party inspectors to witness, approve and certify all steps.

He assures us that the Ministry and its companies spent millions to get the system ready and bought meters, but that the rest of the system was not properly applied.

The latest announcements by Ministry officials disappointed many, including Sandook. They insisted on the correctness of the procedures – including ullage rather than metering measurement – and approval by third-party inspectors to the satisfaction of the parliaments Energy Commission and Commission of Integrity. And that the army and police are preventing smuggling and so on.

Officials go on to say that challenging measured quantities harms the reputation of the country and that the Ministry reserves the right to legal action against those who release statements and misinformation offending the Ministry and its staff.

They failed to refer to the system of national custody transfer by the Ministry and why it is not applied in earnest and in a transparent manner. The praise of the international organisations and oil companies, if any, is to the system rather than its application. And in any case international oil companies are only concerned with their production and not Iraq's export.

Sandook goes on to refute the officials' arguments and asks the legitimate question – if measuring ullage is better and more accurate than metering, then why the rest of the world is not following suit?

A member of parliament, Mazin Al Mazini, said last year that he is in possession of hundreds of documents showing corruption in the measured quantities of exported oil. He also said that there is deficiency in the measurement system as the meters are either not there or not functioning properly. Dangerous mafia

As early as 2006, Bilal A. Wahab wrote a lengthy and well documented article in Middle East

Quarterly where he said government complicity in oil smuggling has continued. He quotes former oil minister Ebrahim Bahr Al Ulum as saying Oil and fuel smuggling networks have grown into a dangerous mafia, threatening the lives of those in charge of fighting corruption.

He also quotes the director of Basra Oil Products as saying that influential political people and parties are running these smuggling operations.

The latest accusation reported by Al-Monitor came from Sadiq Al Mhana, a member of parliament, who revealed that they are in possession of documents that prove the theft of 300,000 barrels of Basra oil by officials who modified the counters [meters].

Al-Monitor goes on to say that the ministry responded without offering any proof.

Mhana also said: The National Security Service addressed a letter to the Ministry of Oil confirming the theft of 100,000-300,000 barrels of Basra oil per day. Furthermore, the ministry's periodic meetings with the international testing company have underlined this huge squander. Iraq is losing around \$20 million (Dh73.4 million) daily due to the wastage in oil exports, which amounts to annual losses of \$7 billion.

The parliament Oil and Energy Committee concurred and its member Aziz Kadhim said Iraq is using Aldhirah [ullege] system that measures the size of the carrier. It is an inaccurate method that allows oil smuggling.

For years, the Ministry failed to explain the differences between oil production and its dispensation of exports and domestic use. In a February report, domestic use is estimated at around 1.3 million barrels a day, which is outrageously erroneous. It cannot be more than 750,000 barrels a day at best.

I agree with Sandook that the damage to the Ministry's reputation comes from a lack of transparency rather than exposures of theft and smuggling.

---

Kaynak/Source: