

In the Name of the People

Presidency Council

Pursuant to what has been decided by the Parliament in accordance with Article (61 / First) of the Constitution and due to the elapse of the legal period stipulated in Article (138 / Fifth / A) of the Constitution, the following law was issued:

No. (64) Of 2007

Law of Private Investment in Crude Oil Refining

Article -1-

This law aims at encouraging the private sector to participate in the process of the economic development in Iraq and taking part in building the industrial infrastructure by embarking upon the activity of crude oil refining.

Article -2-

First: The private sector is entitled to establish crude oil refineries and possess, operate and manage their facilities and market their products, but is not entitled to possess the land.

Second: For the purposes of this law, it is meant by the private sector, any Iraqi or foreign company or group of companies, individual or associated, which has financial capability and a private capital, incorporated according to the provisions of Companies Law No. (21) Of 1997 and capable of establishing refineries to refine crude oil with technical and experiential qualifications.

Article -3-

The investing company is obliged to employ not less than (75%) seventy five percent Iraqi personnel of the total employees.

Article -4-

The refinery should be of a highly advanced technology. The production percentage of heavy oil products from such refineries must not exceed (20%) twenty percent.

Article -5-

The Ministry of Oil shall supply the refineries with crude oil in proportion with their operating capacity and at the international prices under a contract to be signed between the Ministry of Oil and the investing company according to the following pricing formula (the price of exporting the Iraqi crude oil delivered on the basis of FOB to the international markets minus (1%) one percent in addition to the cost of transporting the crude oil from the nearest delivery point to the refinery).

Article -6-

First: The refinery shall be supplied with crude oil by the transporting pipelines and from the nearest appropriate point to the refinery known as the delivery point.

Second: The investing company shall undertake the construction of a crude oil pipeline connecting between the delivery point stipulated in Clause (first) of this Article and the refinery at its own expense and shall be responsible for its operation and maintenance.

Third: The Ministry of Oil shall install its own measurement and control instruments and shall be responsible for the operation and maintenance of them.

Article -7-

The measurement and control facilities shall be subject to periodical inspection and calibration by a specialized third party nominated by the investing company with the approval of the Ministry of Oil.

Article -8-

First: The company is not entitled to trade neither in the crude oil received from the Ministry of Oil nor in the oil products produced by the state owned refineries.

Second: The Investment Ministerial Committee in the field of crude oil refining should impose appropriate penalties in case the investing company violates the terms of the contract and the articles of this law.

Article -9-

The project established in accordance with this law enjoys the privileges granted to the projects established in the free zones in Iraq.

Article -10-

First: The investing company is entitled to determine the prices of its oil products and sell them inside Iraq or export them to foreign markets according to the applicable regulations in the free zones.

Second: The Ministry of Oil has the priority to purchase what it needs of the products stipulated in Clause (first) of this Article.

Article -11-

The investing company is obliged to submit periodical financial and technical reports to the Ministry of Oil in accordance with the form prepared by the Ministry and in accordance with the instructions issued by the Minister.

Article -12-

First: The investing company is entitled to lease what the project requires of the lands owned freehold by the state or owned by the municipalities in the districts for

investment and it is entitled to lease private lands under a contract determines the rights and obligations of the investing company and the owner of the land.

Second: The Ministry of Finance undertakes the allocation of suitable land for the invested company through leasing for a period that does not exceed (40) forty extendable years and at an annual rent rate agreed upon by both parties to be exempted from the provisions of the Law of Selling and Leasing the Property of the State No. (32) Of 1986.

Third: The invested company is not entitled to exploit the land for other purposes than that of the refinery project and its related services.

Forth: The Ministry of Finance is entitled to withdraw the land from the investing company in case of exploiting it for other than the purposes of the project or not exploiting it during the period agreed upon in the contract.

Article -13-

The investing company is committed to ensure the electrical power and all the requirements and utilities supporting the activities of the project.

Article -14-

The investing company may utilize public facilities (such as terminals, export ports and pipelines....) in accordance with a contract to be signed between it and the Ministry of Oil and the relevant ministries and companies to regulate the rights and obligations of the two parties.

Article -15-

The investing company is obliged to observe the environmental and industrial safety laws and regulations.

Article -16-

The products of the refineries included in the provisions of this law are subject to the laws and instructions which regulate the conditions of good quality, standardization and quality control.

Article -17-

First: A ministerial committee is to be formed called (the Investment Committee in Crude Oil Refining) from the Ministers of (Oil, Finance, Environment, Industry, Electricity and Planning and Developmental Cooperation) reporting to the Council of Ministers. The headquarters of the Committee will be in the Ministry of Oil.

Second: The regions and the governorates that are not organized in a region have the right of membership in this Committee in case of establishing refineries through investment within the boundaries of the concerned region or governorate.

Third: The Minister of Oil names an employee who has the title of a director general from the Ministry of Oil as rapporteur of the Committee.

Forth: The regions and the governorates that are not organized in a region have the right to grant licenses to establish refineries and contract with investing companies in the regions or the governorates that are not organized in a region in coordination with the ministerial committee mentioned in Clause first of Article 17.

Article -18-

The Minister of Oil is entitled to issue instructions to facilitate the implementation of the provisions of this Law.

Article -19-

This Law goes into effect from the day it is published in the Official Gazette.

Due Causes

In compliance with the new economic transformations in Iraq and with the aim of increasing the investment opportunities of the Iraqi and foreign private sector and increasing its participation in the activity of crude oil refining to increase local production capacity of oil products, improve quality, achieve flexibility and reduce the cases of deficiency and congestion in the governmental refineries, this law was enacted.

Instructions No. (1) of 2009

Pursuant to the provisions of Article (18) of Law of Private Investment in Crude Oil Refining (No. 64 of 2007), we hereby issue the following instructions No. (1) Of 2009.

Instructions for the implementation of the provisions of law No. 64 of 2007

The Investment Committee of Crude Oil Refining shall grant a license to construct a refinery for crude oil refinement inside Iraq according to the provisions of this Law, in pursuance of the instructions stated below:

First: - Procedural Issues:

1. To submit an application to the Ministry of Oil – Directorate of Studies, Planning and Follow up expressing willingness to establish a crude oil refinery according to the above Law signed by the owner of the company or whomever he authorizes with an authorization letter.
2. To submit the certificate of incorporation of the Iraqi or foreign company(s). For the Iraqi company (s), the certificate shall be according to the provisions of Companies Law No. (21) Of 1997.
3. To submit a brief profile of the company (s) about their qualifications, experience and capabilities to construct crude oil refineries.
4. The investing company (s) or any member in a consortium shall not be black-listed.
5. The investing entity shall undertake to employ Iraqi personnel to constitute no less than 75% of the total employees.
6. The investing company shall undertake not to trade in the crude oil received from the Ministry of Oil nor the oil products produced by state owned refineries or imported by the public sector.
7. The investing company shall obtain a preliminary approval from the governorate (or the province) where the refinery will be constructed.
8. The investing company shall obtain a preliminary approval from the Ministry of Finance to allocate a suitable land through lease to build the project on a State owned land. If the land is owned by the private sector, the investing company shall submit a lease contract signed with the owner of the land certified by the notary public, stating the area of the leased land and the period of the lease.

9. The Economic and Financial Directorate shall follow up with the competent ministries to facilitate the procedures of submission and obtaining the required approvals.

Second: - Financial Requirements:

1. Financial report of the company for the last three years.
2. The credit proficiency and financial qualifications of the company.
3. Expected funding resources.
4. Expected total investment amounts to construct the project.
5. Preliminary economic feasibility study of the project.

Third: Technical Requirements:

1. The refinery shall utilize advanced designs to maximize both gasoline and gas oil yield or at least one of them to ensure that the production of fuel oil shall not exceed 20% by volume and to ensure that the design shall fully conform to industrial safety and environmental rules and regulations.
2. Companies intend to carry out technical and economic feasibility studies shall be named.
3. Definition of refinery products, their percentage to crude oil input and their main specifications in addition to preliminary approval of processes and production specifications which shall comply with Euro-4 specifications as a minimum requirement.
4. Location and area of the refinery shall be indicated.
5. Statement of the approximate time schedule envisaged for the implementation of the project.

Fourth: The Ministry of Oil shall study the project and present the preliminary recommendations to the ministerial committee for approval.

Fifth: Following the approval of the ministerial committee to carry out the project, the investing company shall submit the final technical and economic study of the project.

Sixth: The investing company shall apply to the Investment Commission for an investment license to establish the project in pursuance of chapter six of Article (19) of the Investment Law No. 13 of 2006, supported by the following documents:

- The approval of the ministerial committee of the construction of the project.
- The technical and economic study of the project approved by the Ministry of Oil.
- The approvals of Ministry of Environment, Ministry of Finance and of all relevant authorities.

Seventh: Upon the issuance of the project license by the Investment Commission, a contract shall be signed between the Ministry of Oil and the investing company to supply the refinery with crude oil (according to the price formula stipulated in attachment No. 1 hereof) through the transportation pipelines of the Ministry of Oil, from the nearest suitable point to the refinery agreed upon by the parties in adequate quantities for the approved operational capacity.

Eighth: The supply contract of the crude oil shall indicate the minimum quantities that the Ministry of Oil undertakes to supply and the supply period.

Ninth: The supply of the crude oil shall commence after the announcement of the operation of the project.

Tenth: The Ministry of Oil shall undertake to install its own measurement and control instruments, upon notification of the completion of the construction of the project and it shall be responsible for operating and maintaining them.

Dr. Hussein AL-Shahristani

Minister of Oil

Appendix No. (1)

$$P = P1 - D - B (A1 - A2) - C$$

The symbols of the formula shall have the following meanings:

P = Final price of one barrel of crude oil supplied to the refinery during the loading month.

P1 = Monthly average of the Brent crude oil (DATED) price published in PLATTS bulletin.

D = An amount determined monthly by SOMO which equals to the price difference between Brent crude oil (DATED) and the crude oil needed to be priced (Kirkuk or Basrah light).

B = An amount equals to the value of one density degree measured by the American Petroleum Institute (API) degrees for the supplied crude oil. This amount shall be deducted from or added to the monthly average of the price of one barrel of the supplied crude oil, to compensate the buyer (the owner of the refinery) or the seller (SOMO) for the difference between the density of the crude oil stipulated in the contract (A1) measured by the degrees of the American Petroleum Institute (API) degrees and the actual density for the supplied crude oil (A2) with the same measurement. This amount shall be calculated on the basis of the value of one API degree estimated according to the same applicable amount of the exported Iraqi crude oils.

C = It represents the transportation cost needed to be compensated by:

An amount deducted from the monthly average of the price of one exported barrel and it equals to the total cost of transporting one barrel by pipeline from the refinery supplying area to the tanker in the port of export.

The final price of one supplied barrel determined in the above formula shall be subject to a discount of 1% according to Article (5) of the Law.

In the name of the People

The Presidency of the Republic

Act No. (11)

Pursuant to what has been decided by the Parliament in accordance with Article (61/First) and Article (73/Third) of the Constitution.

The president of the Republic decided on the 3rd of July 2011 to issue the following Law:

No. (10) Of 2011

Law of

First Amendment of the Law of Private Investment in Crude Oil Refining

No. (64) Of 2007

Article -1-The text of Item (Second) of Article 2 of the Law of Private Investment in Crude Oil Refining No.(64) of 2007 shall be repealed and replaced with the following :

Second: For the purposes of this law, the private sector shall mean the Iraqi private companies incorporated according to the provisions of Companies Law No.(21) of 1997 and the foreign companies that have financial capability and which are capable of establishing refineries of technical specifications accepted by the Ministry of Oil and this shall include any association established among the companies mentioned in this Item.

Article -2- The text of Article 5 of this Law shall be repealed and replaced with the following:

Article -5- The Ministry of Oil shall supply the constructed refineries according to this Law with crude oil in proportion with their operational capacity at the international prices under a contract to be signed between the Ministry of Oil and the investing company at a price equal to the average price of exporting Iraqi crude oil of the same specifications delivered on the basis of FOB to the international markets less (5%), provided that the discount shall not be less than USA \$ 4 and shall not exceed USA\$ 8 and for a period of 50 years .

Article -3-The text of Item (First) of Article (8) shall be repealed and replaced with the following:

First: The Company is not entitled to trade in the crude oil received from the Ministry of Oil and in the oil products produced by the state owned refineries. If the company does not comply with this clause, the Ministry has the right to impose suitable penalties to be listed in the signed contract.

Article -4- The text of Article (9) of this Law shall be repealed and replaced with the following:

Article -9- According to this Law, the Ministry is entitled to enter into contracts of any international common form in the field of investment in the refineries including being a partner with the investor in a proportion that does not exceed (25%) twenty five percent of the investment value.

Article -5-The text of Article (10) of this Law shall be repealed and replaced with the following:

Article -10-

First- The investing company is entitled to determine the prices of its oil products according to the international applicable prices in the area and to sell them inside Iraq or export them to foreign markets.

Second-The Ministry of Oil has the priority to purchase its need of the products stipulated in Item (First) of this Article.

Third-According to this Law, the investing company is entitled to establish and operate its own oil products sale stations.

Article -6-The text of Article (11) of this law shall be repealed and replaced with the following:

Article-11-The investing company is obliged to submit periodical financial and technical reports to the Ministry of Oil in accordance with the form prepared by the Ministry according to the regulations stipulated in Article (19) of this Law.

Article-7- The text of Item (Second) of Article (12) of this Law shall be repealed and replaced with the following:

Second: The Ministry of Finance undertakes the allocation of suitable land for the investing company through leasing for a period that does not exceed (50) fifty extendable years and at an annual rent rate agreed upon by both parties to be exempted from the provisions of Law of Selling and Leasing the Property of the State No. (32) of 1986.

Article-8- The text of Article (17) of this Law shall be repealed and replaced with the following:

Article-17-

First: According to this Law, investment applications shall be submitted to the Ministry of Oil to be decided upon by a specialized committee to be formed for this reason.

Second: Applications with regard to this Law submitted to the National Commission of Investment shall be sent to the Ministry of Oil to be studied according to Item (First) of this Article.

Third: The regions and the governorates that are not organized in a region have the right to grant licenses to establish refineries and contract with investing companies in the region or the governorates that are not organized in a region in coordination with the ministerial committee mentioned in Item (First) of Article (17).

Article -9- Article No. (18) shall be added and the articles of this Law shall be arranged in a new order accordingly.

Article -18-The project that is established in accordance with this Law shall enjoy all the privileges stipulated in the Investment Law No. (13) Of 2006 except what was stipulated in Article (20) herein.

Article -19-The Minister of Oil shall issue instructions to facilitate the implementation of the provisions of this Law.

Article-10-This Law shall go into effect from the date it is published in the official gazette.

Jalal Talabani

President of the Republic

Due Causes

With the aim of encouraging the Iraqi and foreign private sector to invest in the activity of crude oil refining inside Iraq through increasing the granted deduction rate from the supplied crude oil price to the investing company , this law was enacted.