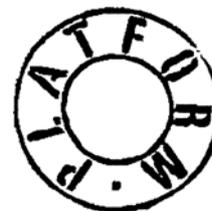


Shell – Stealing Iraq’s Future

Factsheet by PLATFORM
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The war in Iraq has brought enormous suffering to the Iraqi people. By some estimates, more than 650,000 Iraqis have died as a direct result of the war and occupation¹, while millions more have been displaced from their homes. But some companies – foremost among them Shell – are hoping to profit from this suffering.

After the 2004 fiasco, in which it was revealed that Shell had systematically lied about its reserves in order to cover up its management failures, the company now sees the Iraq war as its opportunity to fill the gap.

Shell’s history of exploitation in Iraq

This is not the first time that Shell has profited at the expense of the Iraqi people. In fact, Shell was one of the first companies to target Iraqi oil, and even before the First World War was seeking a drilling concession from the authorities of the Ottoman Empire.

When Iraq shifted from Ottoman to British control following the War, Shell was again at the forefront. In 1925, a 75-year concession contract was granted to a consortium² 23.75% owned by Shell, together with other British, French and American companies. Combined with two further contracts signed in the 1930s, the consortium gained control over all the oil entire country.

The terms of the contracts, reflecting the fact that Iraq was occupied by Britain (under a League of Nations Mandate), gave most of the oil revenue to the companies, along with complete control over decision-making. Yet these terms long outlasted the occupation.

Throughout the 1940s and 1950s, successive Iraqi governments tried to change the unfair terms of the contract. Ultimately, following the overthrow of the British-installed monarchy in 1958, the consortium’s rights were in 1961 restricted to only the oilfields already in production. Between 1972 and 1975, those fields too were brought under national control, like those of all of the major oil producers of the Middle East. Iraqis vowed that never again would they allow foreign companies to control their most important economic resource.

But now Shell is attempting to reverse this change.

Using the military occupation

In March 2003, just days before the bombs started falling on Baghdad, senior company managers met with officials at 10 Downing Street, to insist that “there should be a level playing field for oil companies so that everybody has got a fair opportunity.”³ In other words, Iraq’s oil should benefit not just US companies, but European companies too. (The idea that it might benefit the Iraqi people was somehow neglected).

Since then, Shell’s strategy has worked closely with the UK and US governments, as military occupation powers, to create the framework for multinational companies to take control of Iraqi oil.

The company had little difficulty persuading the two governments of this approach. There has long been a revolving door between Shell and the British Foreign Office. Indeed, of the last five (civil servant) heads of the Foreign Office, four have gone on to become directors of oil and gas companies – two of them in Shell⁴.

Meanwhile, Phillip Carroll, the former head of Shell USA was appointed as senior oil adviser to the Coalition Provisional Authority from February to September 2003 – the most senior post in the foreign reconstruction process of the Iraqi oil industry.

Shell has carried out its own lobbying efforts too. In 2004, the company hired a lobbyist to help get it access in Iraq: the job description called for “A person of Iraqi extraction with strong family connections and an insight into the network of families of significance within Iraq”.⁵

Shell was also one of six oil companies that sponsored a lobbying effort beginning in June 2003, coordinated by the International Tax & Investment Centre. The purpose was to pressure the Iraqi government to grant the companies long-term contracts called production sharing agreements – which would give them exclusive rights to extract Iraq’s oil, along with potentially unlimited profits.⁶

Again, the British government stepped in to help: the British Ambassador formally presented the lobbying document to the Iraqi Finance Minister⁷, and a British diplomat helped arrange the meeting at which Shell managers (and those of other companies) met directly with Iraqi ministers and officials⁸.

The oil law

In order for Shell and its fellow companies to feel legally secure, they needed an oil law to confirm their rights to the oil. This law was presented to the Iraqi parliament for ratification in May 2007.

Based on ideas proposed by a US State Department committee before the occupation of Iraq, the first draft was written in July 2006, and was seen by Shell and other oil companies within two weeks.⁹ Members of the Iraqi parliament would not see it until eight months later; while Iraqi civil society was excluded altogether. And the interest groups involved in the drafting were reflected in the content: the law proposes that multinational companies will play the primary role in developing Iraq's oil, for the first time since the 1970s. It offers them contracts of up to 30 years, with exclusive rights to develop the oil, and extensive legal powers – everything Shell had been asking for.

If these contracts are signed while Iraq is unstable and still occupied – as is planned – these circumstances will be reflected in the terms of any contracts. As such, we could see a repeat of history, with unfair terms of a contract signed under occupation, but lasting a generation.

Opposed by Iraqis

Most Iraqis believe that oil production should remain in the public sector, controlled by Iraqi companies.

A meeting in December 2006 of leaderships of all five of Iraq's trade union federations stated that "Iraqi public opinion strongly opposes the handing of authority and control over the oil to foreign companies, that aim to make big profits at the expense of the people... We strongly reject the privatization of our oil wealth, as well as production sharing agreements, and there is no room for discussing this matter. This is the demand of the Iraqi street, and the privatization of oil is a red line that may not be crossed."¹⁰

Iraqi oil experts too oppose the oil law. A meeting of over 60 senior experts – including former ministers,

and former directors-general from the Oil Ministry – met in February 2007, and called for a delay to the law, stating that "Long-term contracts with international companies are better avoided now."¹¹

"Ready to move"

In 2007, the US government has taken the lead in pushing for the passage of the law. It became the most important of President Bush's "benchmarks" – political developments he insisted on, alongside the troop surge announced in January 2007. On every occasion that senior US government officials (including Bush himself, Condoleezza Rice, Defense Secretary Robert Gates and others) have visited Baghdad since summer 2006, they have spent their time meeting with Iraqi ministers pushing for the swift passage of the law. According to advisers to Prime Minister Maliki, he has been warned that if the oil law is not passed by June, the USA will seek to bring down his government.¹²

Whilst all these efforts were underway to reshape Iraq's oil industry, Shell has worked harder than almost any other company to make contacts in the Oil Ministry, to gain a preferential position for signing subsequent contracts. It has sponsored Ministry officials' visits to conferences, showered them with gifts (such as technical manuals), and spent time with them on international trips.

It also took on a series of advice contracts, including a geological study of the Kirkuk oilfield (Iraq's second biggest producing field), designing a Gas Master Plan for the country-wide development of natural gas, and installing meters on export terminals – thus giving Shell access not only to contacts in the Oil Ministry, but also to vital data on almost all aspects of Iraq's oil industry, including its geology, its gas plans and its exports.

In September 2006, Shell's Chief Executive Jeroen van der Veer announced that things were on course for his company: "We have done all our homework for Iraq. I'm not going to speculate on the timing, but we are ready to move."¹³

¹ The Lancet, 11/10/06, 'Mortality after the 2003 invasion of Iraq: a cross-sectional cluster sample survey', by Gilbert Burnham, Riyadh Lafta, Shannon Doocy, Les Roberts

² The consortium was called the Turkish Petroleum Company, later renamed the Iraq Petroleum Company. The companies that would later become BP and Total also had 23.75% stakes, and a group of American companies (primarily the forbears of Exxon and Mobil) between them held another 23.75%. The remaining 5% was held by deal fixer Calouste Gulbenkian.

³ Financial Times, 11/3/03, 'Oil groups eye stake in wake of conflict', by Cathy Newman

⁴ Sir Anthony Acland (Permanent Under-Secretary of State, Foreign & Commonwealth Office, 1982-86; Ambassador to USA 1986-91; non-executive director of Shell 1991-99) and Sir John Kerr (PUS, FCO, 1997-2002; non-executive director, Shell, 2002 to date; currently deputy chairman). The other two went to BP (Lord Wright of Richmond) and British Gas (Sir John Coles).

⁵ Advertisement publicised by recruitment agency Glenn Irvine International, August 2004. See <http://www.carbonweb.org/showitem.asp?article=141&parent=9>

⁶ See International Tax & Investment Centre, 'Petroleum and Iraq's Future', <http://www.iticnet.org/publications/Iraq-book.pdf>

⁷ ITIC Bulletin, November/December 2004, p.8

⁸ Interview by Greg Muttitt with Dan Witt, President, ITIC, 17/5/06. See 'A Game As Old As Empire', ed. Stephen Hiatt, pub. Berrett-Koehler, 2007, chapter 7. See also <http://www.carbonweb.org/showitem.asp?article=257&parent=39>

⁹ Nine multinational oil companies (including Shell) discussed the law at a meeting in Washington DC chaired by US Energy Secretary Sam Bodman in July 2006.

¹⁰ See statement at <http://www.carbonweb.org/showitem.asp?article=222&parent=4>

¹¹ al-Rasheed et al (61 signatories), 17/2/07, Open letter to Members of Iraqi Parliament –Iraqi Oil Experts Seminar held in Amman

¹² Associated Press, 14/3/07, 'Iraqi Leader Fears Ouster Over Oil Money', by Steven R. Hurst

¹³ speaking at the OPEC conference, Vienna, 13 September 2006