

Hydrocarbon Resource Management in the Context of a Federal System

7-8 April 2009

Saad Abdallah Convention Centre, Erbil, UNAMI

Opening Remarks

Ashti Hawrami 7th April 2009

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Ladies and Gentlemen, welcome to Erbil:

- I would like to begin by thanking UNAMI for organizing this important event; and
- to say how pleased I am to see so many colleagues here from the rest of Iraq; and
- I hope your presence, with the UNAMI help, creates a positive atmosphere to enable us to engage in a constructive dialogue to solve this fundamental constitutional issue of Revenue Sharing;
- I understand that tomorrow's sessions will be dedicated to discussions on Hydrocarbon Resource and Revenue Sharing and I hope that in today's sessions on Federalism we all bear in mind the main goals of tomorrow's important topic of Revenue Sharing.

Constructive Dialogue, means recognizing that:

- Revenue Sharing is a fundamental constitutional requirement;
- We are not gathered here to discuss changes in the Constitution; that debate took place over 2 years ago. The Kurdistan Parliament made it very clear last year that no changes that weaken the Kurdistan Region's constitutional rights would be acceptable;
- Iraqi people have overwhelmingly endorsed that Constitution as the ultimate law of the land, and any attempts to make fundamental changes to it will not succeed in another referendum;

- Constitutionally, Iraq is now a Federal State, Central Government cannot be permitted to keep all the Oil Revenue or to continue with centralized financial planning and controls as before;
- In the past, for the Kurdistan Region, our regional oil has been a curse and source of oppression for our people. We have paid a heavy price for having it;
- From now on we expect oil revenue to be a source of prosperity, economic development, justice and fairness for our Region as well as for the rest of Iraq;
- We must not forget that Iraq is geographically, ethnically, and in religious terms a diverse country; past experiences of centralized power practices are deep rooted in our minds, hence fair- transparent Revenue Sharing is the absolute necessity to bind us all together in this country;
- Regardless of our ethnic-religious diversity and the Constitution, we all know that central planning has failed everywhere in the world, so why should Iraq continue these failed policies;
- Finally, I would like to urge all the participants to recognize these requirements and realities of the new Iraq, but we can of course explore ways and means within the spirit and framework of the Constitution to find a just way to share the wealth of the country without taking away each other's rights.

Past problems & difficulties in reaching an agreement on Revenue Sharing:

- As you all know Revenue Sharing came to a public debate, after the phrase "Hydrocarbon Revenue Sharing" was set in Washington as a "benchmark" for progress in Iraq.
- Regrettably, as I will comment more tomorrow, the "benchmark" terminology was completely misunderstood by those who delivered it, and the focus was instead shifted to the hydrocarbon investment law for at least 9 months. The cart was put before the horse. Without a revenue sharing law, a hydrocarbon investment law became unnecessarily contentious;
- Only, after the bad experiences in arriving at the Feb-2007 draft hydrocarbon law, we managed to get back to the revenue sharing law, as this was set by the negotiators as one of the requirements to be dealt with prior to taking the Feb-2007 hydrocarbon law to the Parliament.
- By May 2007 we had a good draft document on revenue sharing for discussion, but unfortunately by the time we arrived at the final "agreed draft" in June 2007 most of the clarities, transparencies, and intergovernmental checks and balances were taken out of it.

- Despite the shortcomings, we all accepted the June draft. But later on it was fundamentally altered again (you will hear more about that and also about the initial May draft from one of the other speakers tomorrow).
- The process came to a complete standstill, because of, on one hand the linkage made with the “Hydrocarbon Investment Law” and on the other hand due to deterioration on relationship between the KRG/Federal Government on many other issues.
- I would like to reiterate that we are not unhappy with the June 2007 revenue sharing draft. The May 2007 draft would have been better still, especially in terms of oversight, transparency, and accountability. We do not really know why those drafts were blocked.
- However, at least as far as I am concerned, the KRG is not backward looking. If there are proposals from Baghdad or anywhere else that are consistent with the framework of the Constitution, we are ready to hear them. Fairness, simplicity and clarity are the essential elements.
- Finally, if we are hopeful that an agreement can be reached on revenue sharing, we must move quickly to pass a hydrocarbon law for Iraq. Without new inward investment, there will not be much revenue to share. The stability of Iraq depends on these two laws.

As I said, I will come back to some of these matters as well as on how to move forward during tomorrow’s session. I only summarized these issues to brief you of the background and hope that with a genuine effort of all of us, and with the help of UNAMI, we can make some real progress today and tomorrow.

Ladies and gentlemen, colleagues and friends, once again thank you for being here; for those of who travelled from Baghdad and elsewhere welcome to Erbil and I wish you a pleasant stay and success with you efforts.

THANK YOU