

A Shared Stake in Iraq's Future: How the Oil Agreement Points the Way Forward

By Zalmay Khalilzad
March 3, 2007

The following op-ed by U.S. Ambassador to Iraq Zalmay Khalilzad appeared March 3 in the Washington Post and is in the public domain. There are no reproduction restrictions.

(begin byliner)

Under the national hydrocarbon law approved this week by Iraq's Council of Ministers, oil will serve as a vehicle to unify Iraq and will give all Iraqis a shared stake in their country's future. This is a significant achievement for Iraqis' national reconciliation. It demonstrates that the leaders of Iraq's principal communities can pull together to peacefully resolve difficult issues of national importance.

Resolving concerns about control of oil is central to overcoming internal divisions in Iraq. The country has the third-largest oil reserves in the world, and more than 90 percent of federal income comes from oil revenue.

The effective and equitable management of these resources is critical to economic growth as well as to developing a greater sense of shared purpose among Iraqi communities.

The goal of Iraq's leaders was to draft a law that ensured that all Iraqis could be confident they would receive their fair share of the benefits of developing the country's resources, that the revenue from oil and gas would enable a decentralization of power while maintaining national unity, and that Iraq would adopt the best international practices for the development and management of its mineral wealth. By these standards, the hydrocarbon law is a great success. It:

- . Reaffirms that oil and gas resources are owned by all the people of Iraq and contains a firm commitment to revenue-sharing among regions and provinces on the basis of population.
- . Establishes a predictable framework and processes for federal-regional cooperation that demonstrate the government's commitment to democracy and federalism.
- . Creates a principal policymaking body for energy -- the Federal Council on Oil and Gas -- that will have representatives from all of Iraq's regions and oil-producing provinces.
- . Ensures that all revenue from oil sales will go into a single national account and that provinces will receive direct shares of revenue, thereby significantly increasing local control of financial resources.
- . Establishes international standards for transparency and mandates public disclosure of contracts and associated revenue and payments. This is essential to build confidence in the new political order and to counter corruption.

The law defines a role for the Oil Ministry that is primarily regulatory, which is the modern standard and which will also harness the market to achieve the optimal development of Iraq's resources. It provides the legal framework to enable international investment in Iraq's oil and gas sectors, a break from the statist and overcentralized practices of the past. It also requires best practices in environmental protection and field management and development, ensuring that the environment is not damaged and that hydrocarbon assets are not wasted by poor practices of the past.

While the draft law will need to be enacted by the Iraqi Council of Representatives when it returns from recess, the prospects for passage are excellent because all the major parliamentary blocs are represented in the cabinet. Companion legislation will be required in several areas, and Iraqi leaders hope to complete the entire package of hydrocarbon legislation by the end of May.

Arriving at this agreement was not easy. It has taken other countries years to complete such legislation. While negotiating this law presented special challenges for the federal government, the Kurdistan regional government and the leaders of key political blocs, the approval of the draft by the Council of Ministers sets a precedent for problem-solving and cooperation that is critical to the stabilization and development of Iraq.

This is the first time since 2003 that all major Iraqi communities have come together on a defining piece of legislation. A national reconciliation that stabilizes Iraq can be achieved if similar compromises are made on the future of de-Baathification and on amending the constitution. The agreement on the oil law should give us confidence that Iraqis are willing and able to take the steps needed for Iraq's success.

(The writer is the U.S. ambassador to Iraq.)

(end byliner)