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**PLANNING FOR THE IRAQI PETROLEUM
INFRASTRUCTURE:**

Issues for Consideration

Dated: 6 February 2003

DECLASSIFIED

BY USD(P)

DATE 30 JULY 2009

09-F-1260

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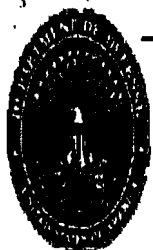
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Damage Scenarios and Contingency Plans

Intelligence suggests Saddam may be preparing to destroy Iraq's oil system in case of hostilities.

- Damage could be extensive:
 - Almost 2/3 of all oil wells (900 out of 1,400).
 - Most of the 54 Gas Oil Separation Plants (GOSPs).
 - Pipelines and pumps throughout the country.

- DoD has contingency plans to:
 - Extinguish well fires.
 - Control and remediate environmental damage.
 - Restore production capacity to above 3 MM B/D.
 - Best to worst case: 19 to 72+ months.

- Cost to repair damage: \$2 to \$16 billion.



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Current Oil Marketing Regime

UN Oversees oil exports/import payments

- All oil export sales require UN approval.
- All oil proceeds are placed in UN escrow account.
- All import contracts are reviewed by UN.
- UN certification of delivery required to trigger payment from escrow account.

**Bottom line: UN escrow account unavailable to US
Coalition absent new UNSC resolution.**

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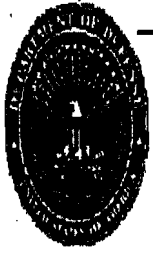
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How US Coalition Can Market Oil

- Sell to buyers willing to recognize US Coalition authority over oil.
 - Clear legal authority to sell and administer proceeds for benefit of Iraqi people.
 - Risks litigation/attachment of cargoes if no immunity, as UNSCR now provides.
- “Unwind” UN regime through new UNSCR.
 - Likely will be hard to obtain broad powers.
 - At minimum, want recognition of authority to administer revenues not already committed to UN escrow account.
 - Continue immunity.
- Or, seek limited changes to UNSCR regime.
 - May be easier than total unwinding; “humanitarian UNSCR” freeing up escrowed funds for food, etc. is probably easiest.

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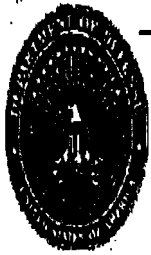
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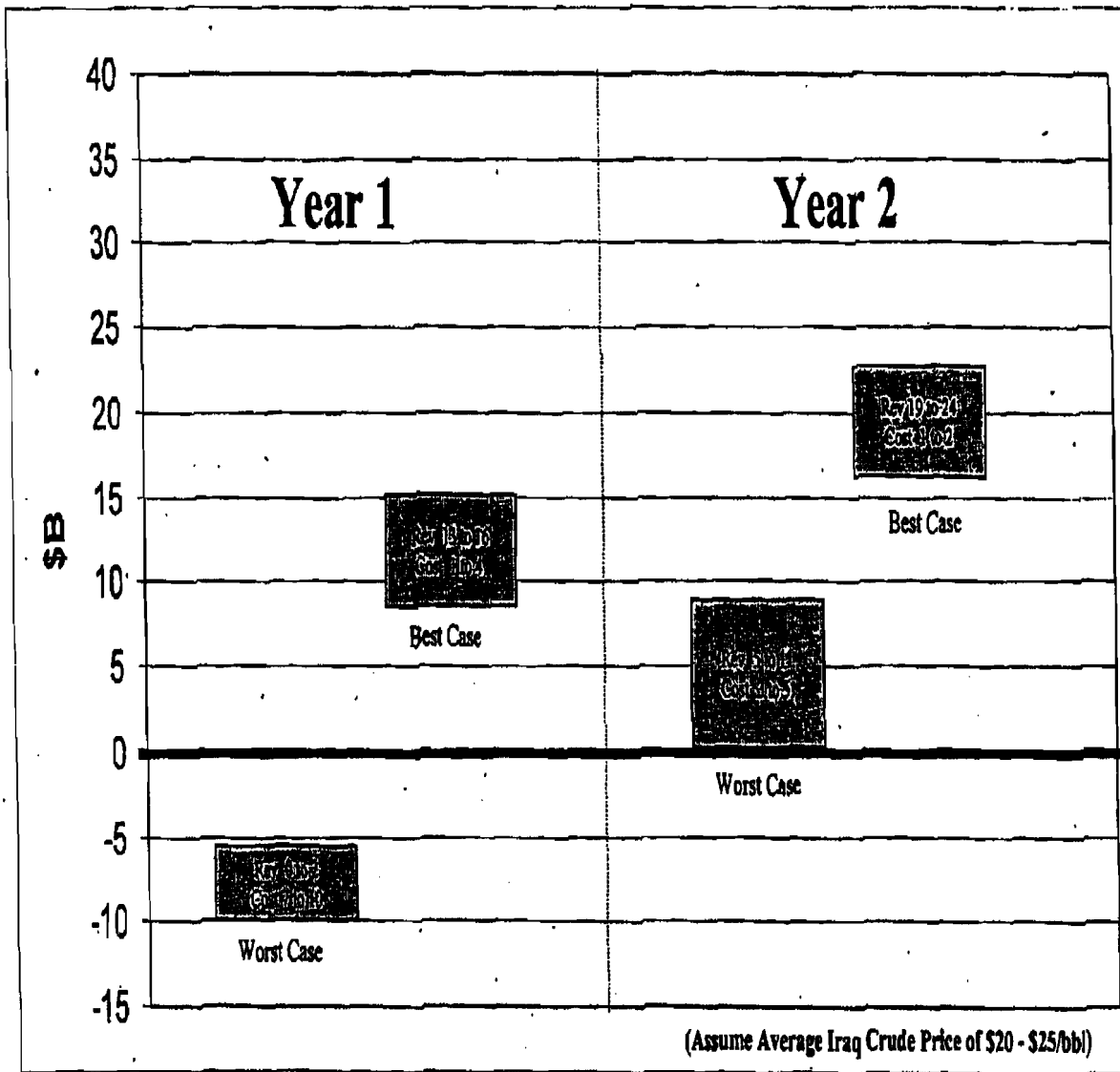
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Oil Revenue Less Oil Infrastructure Cost

First 2 Years of Operation



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Guiding Principles/Public Diplomacy Goals

(See attached hand-out).

Provide broad operational guidance to the field.

- Counter misimpressions that the U.S. seeks to control Iraqi oil for its own benefit.
- Provide transparent information to markets to enhance understanding of our actions.
- Assure the Iraqi people of our commitment to their best interests.

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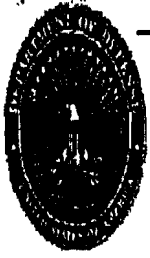
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Organization and Management

General Principle: Increase Iraqi role as situation stabilizes, return to Iraqi control as soon as feasible.

Three phases – In sync with overall administration of Iraq:

- **First:** Military (aims: secure, protect).
- **Second:** US Coalition civil administration (aims: post-conflict triage, repair, rebuild, resume and oversee operations).
- **Third:** New Iraqi government/indigenous Iraqi management.

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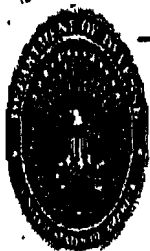
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Selection of Management Team

Select Chairman and CEO (see attached bios).

- Desired traits of Chairman:
 - Experience as CEO/COO of major oil company, including exploration/production.
 - International business experience, including Middle East.
 - Living/working experience in an Arab country, relevant language, a plus.
 - Respected in industry.
 - Retired, "above the fray."
 - Responsive to USG policy guidance, ability to work with US military.
- Desired traits of CEO (in addition to some/all of above):
 - Experience as senior executive in Iraqi oil industry.
 - Apolitical, non-Baathist.
 - Reputation for integrity (no corrupt or questionable practices).

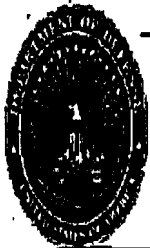
Iraqi Chairman if US Coalition administers revenues?

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Immediate Steps Required

- Recruit and appoint Chairman/CEO.
- Task Chairman to develop immediate post-hostility plan for restoring Iraqi production to pre-hostility levels and report back ASAP for funding and execution authority.
 - In conformity with Guiding Principles.
 - Draw on DoD contingency repair/restoration plans as appropriate to actual post-hostility conditions.
- Task Chairman to develop, as soon as practicable, comprehensive plan for US Coalition temporary management of Iraqi petroleum sector, consistent with Guiding Principles.

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