

**Opening Statement of Chairman Delahunt**  
**Hearing on “Reconstruction in Iraq's Oil Sector: Running on Empty?”**  
**July 18, 2007**

Thank you, Chairman Ackerman. And let me thank you and Ranking Member Pence for arranging this joint hearing. On behalf of our Subcommittee’s ranking member, Mr. Rohrabacher, and myself, let me say that we are pleased to work together on this issue and look forward to other joint hearings where our interests and jurisdictions overlap.

This hearing will address -- among other critical issues -- the draft hydrocarbon law pending before the Iraqi Parliament (Council of Representatives). This draft law – or “framework” draft as I will refer to it -- creates an obtuse and arcane legal structure for reorganizing the Iraqi oil industry. It’s important to emphasize that it does not address the fair and equitable distribution of oil revenue among the Iraqi communities. So it should Not be confused with the benchmark identified by Congress as a sign of progress in the recent supplemental. In fact, legislation to ensure such an equitable distribution of hydrocarbon revenue has not even been adopted by the Iraqi Cabinet (Council of Ministers) – which is a prerequisite for consideration by the Iraqi Parliament.

Now this “framework” draft was originally crafted by three Iraqi oil experts, including Mr. Tariq Shafiq -- one of our witnesses today. That draft however has been substantially altered. The current version allows foreign oil companies to secure ownership of Iraqi oil. And it also would permit foreign oil executives to sit on a so-called “independent expert panel” and provide advice to a newly created Federal Oil and Gas Council – the key decisionmaking authority under this

**proposed regime. And yet there appears to be no prohibition on these same foreign oil executives from reviewing contracts involving their companies.**

**To state that the “framework” draft is controversial is an understatement. The Iraqi oil unions vigorously object to the current draft. And in an open letter dated March 19, 2007 to the Iraqi Parliament, a number of respected Iraqi oil experts have articulated their reservations. Numerous other stakeholders have also weighed in to express their concern and opposition.**

**From our perspective, it is important to examine the role of the Administration in the evolution of this “framework” draft and how it influences resulting perceptions.**

**Look at this timeline created by CRS. It is full of instances where the United States appeared to be encouraging substantial foreign equity participation in the Iraqi oil industry. In April 2003, a month after the invasion, the State Department had issued a report on the Future of Iraqi Oil calling for the privatization of the oil sector. And in March 2003, after the Coalition Provisional Authority was established, the Administration retained former oil company executives to assist Iraqi oil officials. They of course were supportive of privatization. There are numerous other examples listed on the CRS timeline.**

**And when we add this “framework” draft to the equation, it appears to some that the Administration had a less than noble agenda.**

**According to a University of Michigan poll, 76% of Iraqis said one of the primary reasons the United States invaded Iraq was “to control Iraqi oil.” As a result of this “framework” draft, that percentage would be even higher.**

**For example, knowledgeable Iraqis have questioned why unexplored areas should be auctioned off while existing wells and discovered but not yet producing fields can meet Iraqi’s economic needs for many years. There is a growing belief that this**

**“framework” draft would benefit international oil companies to the long-term detriment of Iraq and the Iraqi people.**

**As one of our witnesses notes, this is a very divisive issue which appears to have been planned under pressure from within and without. There is a real danger that a perception will take hold that we pressed passage of this “framework” draft to benefit ourselves. As a Kurdish lawmaker recently said, “This has always been the case. Washington has been pushing the Iraqis to fit their agenda.”**

**And this sentiment is not limited to Iraq. In recent polling, 79% of respondents in four Muslim countries – Morocco, Indonesia, Pakistan and Egypt felt that the United States’ aim was to maintain control over Middle East oil. And a “framework” draft perceived to be favorable to foreign oil companies will support that belief.**

**If the passage of this “framework” draft is interpreted as an exploitation of Iraq’s most coveted natural resource, then our reputation and prestige could very well erode even further. And a claim that we fought to free Iraq will be rejected not only by Iraqis but by others as well. And our national interests will suffer.**

**It is very important that Congress be clear to the Iraqi people that we respect their sovereignty and their decisions regarding their natural resources.**

**Thank you, Mr. Chairman. I yield back.**