



News From Congressman Bill Delahunt

For Immediate Release:
July 19, 2007

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DELAHUNT CALLS DRAFT IRAQ OIL LAW FATALLY FLAWED *Critics at Oversight Hearing Say Proposal Favors Foreign Oil Companies*

Washington, D.C. – U.S. Rep. Bill Delahunt today expressed deep concerns about the proposed Iraqi oil law now before the Iraqi Parliament, saying that the process of its development lacked transparency and the legislation appeared to give foreign oil companies a significant interest in future Iraqi oil revenue.

“If the draft law is perceived to be favorable to international oil companies ... our reputation and prestige could suffer,” he said, adding Iraqi support for the US effort in that nation would drop even further. Whether Iraq's government decides to keep a strong nationalized model or seek privatization, "it's a decision for them to take, not for us to influence," he said at a joint hearing this week with the Committee on Foreign Affairs' Subcommittee on International Organizations, Human Rights and Oversight, which he chairs, and the Middle East and South Asia Subcommittee.

Witnesses at the hearing criticized the draft law, which would provide a framework for reform of the oil industry. Oil exports provide about 95% of Iraq's foreign exchange earnings and thereby fund virtually all of Iraq's imports of basic goods such as food and medicine. As a result, the Administration has prioritized the much needed reform of this industry. Unfortunately, according to the testimony provided today, the current draft law may cause more problems than it solves.

According to Delahunt, “To state that this draft is controversial is an understatement. 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. The Iraqi oil unions vigorously object to the current draft.”

Isaam Saliba, a foreign law expert at the Library of Congress, detailed the lack of clarity of various terms in the draft law. He stated that, in its current form, the draft law created a “high probability” that corruption, already endemic in the oil sector, would become even more prevalent.

Tariq Shafiq, an Iraqi oil expert and one of the original drafters of the original hydrocarbon law, condemned the current draft for permitting new exploration – sought by foreign oil companies – at the expense of updating existing oil fields. He cautioned, “A rush for exploration and development contracts at this particular juncture of Iraq’s political and economic development would be viewed as mortgaging the reserves of future generations. It would provide fuel to the view that the war was for oil.”

Delahunt cautioned against actions by the Administration that would support that view. He stated, “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.”

The hearing also spotlighted issues regarding the management of the Iraqi oil sector as a whole.

Joseph Christoff of the Government Accountability Office (GAO) – the investigative arm of Congress – testified that a recently issued GAO report detailed the severe structural impediments to further production development, including the inability of the Ministry of Oil to execute budgets and the lack of cohesive planning as well as the endemic corruption. When asked if he had seen an effort so badly flawed, his response was: “Not in the 25 years I have worked for GAO.”

A transcript of Delahunt’s Opening Statement is available from his office at 202-225-3111 or may be accessed by visiting his website at <http://www.house.gov/delahunt>