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SUBJECT: OIL MINISTER ANNULS KRG OIL CONTRACTS

¶1. (C) SUMMARY: Oil Minister Shahrستاني has written to at least two international oil companies that entered into production sharing agreements (PSAs) with the Kurdish Regional Government to declare the annulment of their contracts, and intends to annul others. END SUMMARY.

Oil Minister: Contracts annulled

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¶2. (S) We received copies of two letters that Oil Minister Hussayn al-Shahrستاني signed on November 26 to two international oil companies regarding the annulment of their contracts with the KRG, one to Zsolt Hermadi, CEO of the Hungarian company MOL ([www.mol.hu](http://www.mol.hu)), and the other to Wolfgang Ruttenstorfer, CEO of the Austrian company OMV ([www.omv.com](http://www.omv.com)).

¶3. (C) The nearly identical letters state:  
While we acknowledge your keen desire to get into investment business in upstream and exploration activities with the Iraqi oil sector. (sic) We, in the capacity of the Iraqi Minister of Oil and on behalf of the Iraqi Government declare the annulment of all the contracts that have been recently signed with the Ministry of Oil and Natural Resources of the KRG, without authorization and approval of the government of Iraq. These contracts are in violation of the prevailing Iraqi law and your company will bear all the consequences for such violation.

¶4. (C) The letter to OMV also notes that the Ministry of Oil has suspended the MOU signed with OMV together with the related activities stipulated therein. Such MOUs typically involve training or technical services that international oil

companies (IOCs) have been providing free of charge to the GOI.

¶5. (S) Shahrستاني has prepared at least two other similar letters to IOCs that entered into contracts with the KRG.

¶6. (C) COMMENT: The blanket annulment, whether directed to a limited number of companies or all the companies that entered into PSAs with the KRG, is certain to further infuriate the KRG Minister of Natural Resources. The wording may be a bit overreaching, as the Ministry purports to annul "all" contracts with the IOCs, whether or not the contracts are PSAs. The suspension of the MOUs with the Ministry of Oil seems to be a self-defeating bit of added spite, reflecting the venomous level of the war of words between the Oil Minister and his KRG counterpart. The move will further complicate efforts to attain a national hydrocarbon framework law.