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#### MEETING WITH BP REGARDING IRAQ OIL

1. The Minister for Trade met with Richard Paniguan, Group Vice President Caspian and Middle East Region, and Tony Renton, Commercial Director Middle East Business Unit of BP on Wednesday 4 December. This meeting was requested by BP following an earlier one on Iraq involving the Minister, BP, Shell and BG Group. At that meeting BP felt unable in the presence of others to go in to detail on some of their dealings with the US Government and wished the opportunity to do so.
2. Renton explained that he had recently visited the US for around a week during which time he had a series of meetings on the subject of Iraq with the US State Department and the Department of Defence (DoD). Although he was aware of differences between these two departments prior to his visit, he was surprised at how far apart their thinking was on Iraq. Renton reported that the State Department, through William Burns, was involved with a number of policy groups largely involving the main Iraqi opposition group, the Iraq National Congress (INC). BP were particularly interested in the Energy and Oil Policy Group. However, they did not feel that this would be very effective being largely unfocussed at this time. It was clear that Ahmad Chalabi, the leader of the INC, had a key role in selecting who was involved in these groups.
3. At the DoD BP shared views on future infrastructure requirements in Iraq with Paul Wolfowitz, Andrew Marshall and Jamie Durnan. Discussions progressed to how Iraq might be administered following any future conflict. Durnan is reported to having stated that it was likely that a US military governor would be installed for a 6-12 month period. Thought was being given to how a transition to an Iraqi government might be undertaken following this period. The situation post WWII in Germany was apparently being considered as a model for this.

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4. BP found this proposition most peculiar. They believed that little thought had been given to how the Iraqi people, and others in the region, might react to such a situation.
5. When asked whether they felt that this scenario was being considered following either a US or UN led conflict BP suggested that DoD thinking was that this would be the model regardless of how such a conflict was led. Although Durnan was mentioned as the main advocate of this idea in this instance, Renton said that they had heard similar suggestions from a number of sources and, therefore, believed it was being given serious consideration.
6. BP were further concerned that the DoD appeared to be giving little thought to what might be required beyond the very early stages after a possible conflict. In particular, little or no serious thought was being given to a policy for the oil industry. Some consideration seemed to be being given to looking to a number of key oil companies, BP included, to sort out any initial problems with oil installations, both due to neglect over the last few years and to damage caused during any conflict. It appeared they were not considering using much, if any, indigenous expertise. BP felt this was a mistake. Although starved of capital and modern technology in recent times, the Iraqi state owned oil company, INOC, and its subsidiaries had a core of good skills that they believe could and should be utilised.
7. The Minister suggested that much of what BP said reflected her understanding of the situation within the US Administration at this time. She further stated that recent experience in post-conflict situations has shown the US to be less adept at leading on reconstruction issues. In both Kosovo and, more recently, Afghanistan, this activity tends to have been led by the UN or Europeans rather than the US.
8. Asked what they thought needs to be done now, BP suggested that an Expert Group needs to be set up under the UN to look at future oil policy for Iraq. They believe that more consideration needs to be given to what conditions may be like following a conflict and to what sort of strategy should be put in place to re-develop this very important sector. They were especially clear that a level playing field for all possible participants should be established.
9. Renton stated that it appeared that the DoD were looking to largely involve non-US oil companies in trying to sort out initial problems in this sector, but that American companies would follow soon thereafter. Asked why he thought this might be he suggested that perhaps this was to avoid any political fall-out in the US from allegations that the issue with Iraq was all about oil in the first place. BP were not keen on being involved in such a situation, firstly because they felt that this might partially exclude them from future work in Iraq, but also because they would not wish to be involved on opaque, ambiguous arrangements such as might occur under these ideas.
10. BP believed that the US authorities need to start giving some serious consideration to a number of issues on the future of Iraq's oil industry including Iraq's role in OPEC, the role of both existing and future Oil Ministry and State Owned Oil Company and how any rehabilitation work will be paid for.

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11. Asked if they were aware of any other oil companies having similar discussions with the US Authorities Renton said that obviously Shell were. He also thought TotalFinaElf had had discussions but not at the same level.
12. Renton said that DoD had asked BP to prepare a paper on the future of Iraq's oil sector. They had agreed to do this and the paper would be ready shortly. He undertook to provide a copy for the Minister. The Minister thanked Renton for this. She also stated that she was shortly to visit Washington for discussions. She asked BP if it were possible for her to raise one or two issues on the future of Iraqi oil, what would BP suggest they be? Renton said that he felt that serious consideration should start to be given to a future oil policy for Iraq, and that responsibility for this should be given to the UN.
13. The Minister thanked Paniguian and Renton for coming in to give her a brief on this. She undertook to keep them informed on any progress and asked that they similarly keep in touch on this issue.

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