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3 October 2003

Desmond Bowen  
OND Secretariat  
Cabinet Office

Dear Desmond,

**UK ENGAGEMENT ON IRAQI OIL ISSUES**

I am writing to you with an agenda item which I hope can be discussed at the Sheinwald meeting on Iraq on Tuesday 4 October, which I shall be attending.

We are receiving increasing numbers of requests for information/advice on Iraqi oil issues, and have the opportunity to develop relations direct with the Iraqi oil industry. Meanwhile communication with the US and CPA on oil issues remains difficult. We urgently need to agree a modus operandi to guide the UK's engagement on these issues.

Since the arrival of Terry Adams, our secondee to the CPA Oil Policy team, several issues have developed:

- worrying proposal currently with the GC for 8 Iraqis and 8 foreigners to sit on the Iraq National Oil Company Exec Board
- request from the Iraqis for an information paper on UK Licensing
- CPA challenge brief on a form of oil securitisation.

We need to agree some guiding principles to ensure we can respond effectively to requests from our secondees and from others within clear parameters. Given our position in the CPA, this is especially important in international fora. I suggest the

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following:

- We should be prepared (indeed be keen) to provide objective information and informed opinion from a variety of UK and international sources to satisfy requests by Iraqi oil related management for input on aspects of organisation, regulation, taxation and technological development in oil industries around the world. This may be done free of cost if necessary. But HMG will not recommend policies for Iraqis; rather limiting itself to identifying options and describing best practice. We will seek specific clearance should any future request for work go further than this.
- Where necessary, we should work directly and build relationships with the Iraqi management of the National Oil Company and its constituent parts and of the Ministry of Oil.
- We should continue to examine senior staffing strategies so as to increase our sight of US policy and process in the Iraqi oil industry. Although we have been rebuffed repeatedly, we continue to think that finding a role for as an oil policy advisor in the CPA should be a key priority. The INOC board and securitisation issues have illustrated the need for an engaged oil policy expert who can pick up the political implications of these proposals. Can Iraqrep help?
- We should ask the Washington Embassy to redouble its efforts to ensure the US are sighted on our activities (respecting any issues around competitive advantage) and improve our engagement with the US. Would a Jonathan Powell/Card (Whitehouse) letter stressing the need for close partnership working help at this juncture?
- In extremis, should IraqRep to intervene if policy developments in the CPA contravene our overarching aim of an Iraqi oil industry which is accountable, transparent, effective and profitable and entirely in the hands of the Iraqis as soon as this is legally and operationally viable?

I have shared the thinking behind this letter with FCO, whom I believe to be generally supportive; but have not had the opportunity to clear the letter with them. I also know that some in the US administration are sympathetic and share some of our concerns.

I know we have many immediate pressing concerns, which is why I have delayed raising this until now. But decisions (some irreversible) are being taken and I would appreciate a few minutes to seek colleagues' advice on Tuesday, if at all possible (ahead of a likely meeting with Ghadban the following week).

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I would be grateful if you would contact Alan Briggs to confirm that this can be discussed on Tuesday. I would find it helpful if the item could be taken early as I shall unfortunately have to leave at 5pm to chair another meeting here.

I would be grateful if you could copy this letter on to those attending.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Joan MacNaughton". The signature is written in dark ink and is positioned above the typed name.

**Joan MacNaughton**

Director General, Energy

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