

Author: SAYBOLT NB_07 at SAYNLKDM
Date: 06/22/98 17:09
Priority: Normal
Receipt Requested
TO: Peter Boks at LMEF
Subject: WH RESOLUTION 986. WATER at MINA AL BAKR

----- Message Contents -----

Date : Monday June 22, 1998
Time : 17.00

Subject : WATER SUPPLY at MINA AL BAKR TERMINAL.

Dear Peter,

Reference is made to my last weekly report concerning a cut in supply last week.

This week the water was cut as of Saturday morning June 20. To date there is no sign of replenishments.

Upon investigating the situation this morning with the Terminal Manager and the Harbour Master it was explained to me that there is now a shortage of water at the Port of Umm Qasr, therefore the barge was not fully loaded by Saturday when she was originally scheduled to come to the Terminal.

Instead, the barge had to go to Basra over the weekend to top up to full. She is now apparently broken down and when she will arrive is purely guesswork.

In order to replenish supplies temporarily the Harbour Master has asked a tug to supply 50 tons as soon as possible. From previous experiences this water will be contaminated with diesel oil upon delivery. This is not really good enough.

Peter, may I ask if anything can be done to correct this situation? The same situation was being reported at this time last year and so far nothing whatever has changed except that there are more ships now in Umm Qasr which also need water. This will mean that WATER SHORTAGES WILL BE WORSE THIS YEAR unless something is done very quickly.

As you know both the South Oil Company and the Ministry of Oil has been asking for R.O.U water supply units for a considerable time (over 18 months).

Is there anything that can be done very quickly to ensure that there will be an adequate supply on the Terminal. With the power cuts and this added hardship, the life for everybody here is becoming quite intolerable. Ambient temperatures are now in excess of 40 deg C and without water even for sanitation things are already in a very poor condition.

I ask you please if you can assist in any way it would be most appreciated by everybody concerned.

Kind regards,
Paul.

To my mind there should be no connection whatever with Resolution 1153 - Spare parts supply. I think this ought to be approached as a separate entity with nothing connected with our Oil Inspectors. The recent assistance offered by the Inspectors in Zakho are sending the wrong signals to everybody involved.

Kind regards,
Paul.

Subject: Oil inspectors Reply Separator
Author: Peter_Boks@Csi.com at SAYBOLT
Date: 05/22/98 20:38

Dear Paul & Huib,

At present I am working on the new contract with the UN for the coming 6 months.

I am wondering what your feelings are on the occupation of our staff at present. And also bearing in mind the attempts to increase the exports.

Do you feel that we have reasons to increase our staff?
Or can we manage under the present conditions?

Look forward to hearing from you.

Kindest regards,

Peter Boks

Author: SAYBOLT NB_07 at SAYNLRDM
Date: 05/21/98 11:58
Priority: Normal
Receipt Requested
TO: Freek Eggens at SAYNLRDM
Subject: UN Resolution 986. VEF on Part Cargoes
Message Contents

Date : Thursday May 21, 1998
Time : 12.00

Subject : VEF determination on Part Cargoes.

Dear Freek,

I trust you are well, it is quite a long time since I have contacted you, maybe one day I will come to the office soon.

Freek, reference is made to a recent message you sent to Mina al Bakr where you had cause for concern when VEF were not applied to certain ships that were loaded.

Lars Rasmussen replied to you the reason was that captioned ships were loading part cargoes and had insufficient information on board that related to the tanks in which the part cargo was being loaded, therefore no VEF could be applied.

You did not offer any reply to this and it has therefore been assumed by all that the correct action had been taken. However as you are the expert in this field I would like to seek out your opinion.

Often I have noticed that VEF calculations have been made by accepting ships supposedly fully loaded often with cargoes from three different ports in the Gulf area. One is assuming in this case that each cargo has had a separate ship/shore difference and what the ship is recording is a total of the same.

In our agreement with the UN we say that Bill of Lading figures will be based upon ships figures with VEF applied. When there is no VEF information we do not apply it, this becomes somewhat a contradiction to any layman involved.

Reading through API and IP manuals on measurement offer no help at all, this appears to be an ambiguous and 'grey area' to all concerned. As Saybolt UN we have adopted the position as described but is this correct ?

This may appear to be a simple technicality, however more and more Masters and Charterers reps are making official Letters of Protest to SOMO Iraq regards the practice they have adopted to issue Bill of Lading quantities. As the monitors on the spot these letters may eventually bounce back to Saybolt for a clear explanation as to why we reached agreement with SOMO. It would be nice to be well prepared with a qualified statement before this happens.

I look forward to your reply.

Kindest regards,
Paul Edwards.

Author: SAYBOLT NB 07 at SAYNLDRM
Date: 05/19/98 12:27
Priority: Normal
Receipt Requested
TO: tlx-ik 212198 at COMTEXT
CC: ems: internet (nb08)(nb08@saybolt.nl) at MCIMAIL
CC: Peter Boks at LMEF
Subject: UN Resolution 986. Transport to Mina al Bakr.

Message Contents

Date : May 19, 1998
Time : 12.00 IT
To : S.O.M.O Baghdad
cc : S.O.C Basra
Subject : Marine Transport to and from Mina al Bakr Terminal

Attn: Mr Saddam Z. Hassan.
Attn: Mr Nawar A. Al-Mafarji
Attn: Mr. R. Dibouni

Dear Sir,

After my meeting with S.O.M.O. staff on Thursday May, 7, I was asked by them to write to you to highlight the details and effects of the poor transport facilities that exist at the present time to the S.O.C terminals in the Arabian Gulf.

The original concept when the UN Team began working at Mina al Bakr was for tender boats to be on a regular service three times a week to provide transport to and from the Terminal to Al Fao Port. This would have meant that only four UN Staff would remain at the Terminal at any time whilst two staff members would take a rest period at the S.O.C guest house in Basra.

Since the month of August last year the tender boat service was severely restricted due to boats M101 and M102 constantly breaking down. Since then transport to the terminal has been carried out mainly by tug boats from the Port of Umm Qasr. Consequently the journey time increased dramatically from about 4 hours to anything between 10 and 24 hours. Only occasionally has the tender boat service been restored and then only for very short periods.

Because of this increase in journey time, as well as the poor and unsafe conditions on the tug boats, our staff have been reluctant to take this journey and have therefore gone without any rest periods for most of the time. This can be interpreted as an unavoidable reversal in the original conditions outlined.

As observers the UN Staff has also noted that due to this long journey in poor conditions the regular terminal staff have found this equally as stressful, particularly since they have to face the round trip journey every week. This has most certainly taken it's toll in the good morale of the men who have to work here.

For the UN Staff the changes have meant that for most of the time the 6 staff members have stayed on the Terminal. Recently I have made a request for extra accommodation above the four rooms originally allocated since some of our people are living permanently as two in a room which is below Western standards.

I would like to stress that this bears no reflection upon the South Oil Company Management since they have always done their best at all times to ensure UN Staff comfort.

It has been the change circumstances that have dictated the way in which our staff have had to live. The solution to the problem would be to find and provide a better, more reliable means of transport to the terminal and I ask you to help with regards to this item.

It is noted that in the spare parts list for the Southern region that marine transport is also listed. I would suggest that leasing reliable craft as soon as possible may be a speedier solution.

Your reply and opinions to this item would be highly appreciated.

Yours sincerely,
Captain Paul Edwards,
Saybolt International BV,
for and on behalf of

Author: SAYBOLT NE_07 at SAYNLRDM
Date: 03/07/98 16:17
Priority: Normal
Receipt Requested
TO: Peter Boks/Saybolt/NL at SAYBOLT
Subject: Re: UN Resolution 986 - Oil for Food Program

Message Contents

Dear Peter,

As far as I know there is very little that can be done to expedite the repairs of this boat.

As I mention in every weekly report, they are sent/towed either to Basra or Umm Qasr to repair facilities and then, depending upon whether spares have to be found or made, it is up to the repair yard as to how long it will take.

I am also under the impression that the SOC has very little influence over these matters, it is more a Port Authority question, communication with them is not at all good.

Meantime it seems that both the Terminal and SOC simply have to wait until something is done. Please note that boats M101 and M102, which you travelled on last year, have been under repairs and out of service for months now with very little done about them or news received.

Certainly any representation we have made on a local level either in Baghdad or Basra has had very little effect, falling on deaf ears for most of the time.

The solution is of course to replace the boats with reliable new boats or, better still, permit helicopters to fly backwards and forwards to the terminal then even bad weather and sea conditions are avoided.

Kind regards,
Paul Edwards.

Reply Separator

Subject: UN Resolution 986 - Oil for Food Program
Author: Peter Boks/Saybolt/NL at SAYBOLT
Date: 03/07/98 10:30

Dear Paul,

Following comment was made on our previous weekly report:

Quote

Peter, I have another concern. In reviewing the status report of 27 Fe/98, under 3. Observations, I note that it is indicated:

"3.3. Transport to/from Basra. The motor launch service now discontinued as engine has failed and repair expected to take at least one month. Service now reverts to previous tugboat from Umm Qasr which extends transit time considerably "

In discussing it with the Security Coordinator's Office, I was told that the repair of the motorboat engine is critical from a security standpoint - i.e., using a tugboat could constitute a significant security risk in case of emergency. Is there anything that can be done to expedite these repairs?

Unquote

S045928

Author: SAYBOLT NB_07 at SAYNLRDM
Date: 02/19/98 20:00

Priority: Normal
Receipt Requested

TO: Peter Boks at LMEF

Subject: UN resolution 986. Expats exiting Iraq.
----- Message Contents -----

CONFIDENTIAL

Dear Peter,

Further to your enquiries to UN Baghdad on the Team's behalf yesterday which was most appreciated.

Please be advised that today two Lloyds Surveyors left from Uma Qasr to go home via Baghdad to Amman. they had been relieved.

These people are in addition to the 29 expats that left Baghdad today from the UNOHCI office.

It appears the Lloyds surveyors are travelling with the full approval of the UN in Baghdad where Lloyds have one representative resident.

By the sound of this news it appears that confusing and conflicting opinions and instructions are being issued to subcontracting firms by the UN.

This message is purely sent in confidence for information purposes only. BUT please be aware that our staff already know what has occurred today, those who are overdue relief are not very impressed.

Kind regards,
Paul Edwards.

SECURITY COUNCIL COMMITTEE ESTABLISHED
BY RESOLUTION 661 (1990) CONCERNING THE
SITUATION BETWEEN IRAQ AND KUWAIT

S/AC.25/2001/OIL/COMM.13
15 March 2001
ORIGINAL: ENGLISH

Letter dated 15 March 2001 from the Overseers addressed to the Chairman
of the Security Council Committee established by resolution 661 (1990)
concerning the situation between Iraq and Kuwait

REF ID: S/AC.25/2001/OIL/1330/OC.23

15 March 2001

Sir,

In accordance with the Procedures to be employed by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait in the discharge of its responsibilities as required by paragraph 12 of the Security Council resolution 986 (1995) the Oil Overseers would like to bring to your attention the following irregularity.

The company Montega Trading (PTY) Ltd. (contract M/09/06, approved 2 January 2001) on 2 February 2001 lifted a cargo (on the vessel the "Ocean Jewel") of approximately 2 million barrels of Basrah Light crude oil. According to the letter of credit, endorsed by the Oil Overseers, this cargo had a US destination. Rather than sailing for the US, the ship eventually set sail to the Far East for discharge in Singapore. The Oil Overseers were not aware of this until 1 March when they were informed of it by SOMO. On the following day the proceeds were received based on an invoice drafted for the US destination. The amount of this invoice was about 8.5 million Euro less than the invoice that should have been issued based on a Far East destination. Following SOMO's urgent request on 2 March, UN Treasury approached BNP Paribas, New York Branch, for an appropriate amendment to the initial letter of credit in order to collect the difference. This amendment was received on the 6 March and has been endorsed by the Oil Overseers.

In order to provide proper monitoring of Iraqi crude oil sales, especially to avoid any potential damage to the revenue generated, and according to established practice, the Oil Overseers do not endorse any amendment to a letter of credit calling for a destination change after the ship has loaded and sailed. The irregularity in this case is that the Buyer did not ask permission to change the destination, possibly out of concern that this would not be granted.

The Oil Overseers are concerned that this case may be seen as an inappropriate precedent which may be followed by other companies and could potentially be damaging to the income to the UN Iraq account. In order to mitigate this, the Oil Overseers in consultation with the Office of Legal Affairs, prepared a "Notification" to be issued to ships Masters, which is explained in the attached document. Additionally, the Oil Overseers will discuss with SOMO amendments to

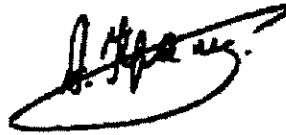
the attached document. Additionally, the Oil Overseers will discuss with SOMO amendments to the oil sales contract and to the bill of lading in order to clearly state that no change of destination is permitted without 661 Committee approval.

Accept, Sir, the assurances of our highest consideration.

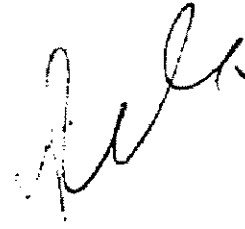
The Overseers



Morten Buur-Jensen



Alexandre Kramar



Michel Tellings



OFFICE OF THE IRAQ PROGRAMME - BUREAU CHARGE DU PROGRAMME IRAQ

FACSIMILE

To:	Mr. Peter Boks Saybolt Nederland B.V.	Fax:	3110 4601 299
From:	Stephani L. Scheer Chief of Office	Fax:	+1 212 963 1984
		Tel:	+1 212 963 6550
Subject:	Additional Saybolt oil monitors in Iraq		
Date:	20 February 2001	Number of pages (including cover page): 3	

I refer to previous correspondence regarding the necessity to increase the number of Saybolt oil monitors in Iraq.

In this connection, please find attached a self-explanatory letter from the Executive Director to the Permanent Representative of Iraq, informing the Government of Iraq of this matter. We will keep you apprised of any developments.

Best regards.

Copies to: Mr. Sevan
Mr. Zarif
Mr. Nasr

POSTAL ADDRESS—ADRESSE POSTALE, UNITED NATIONS, N.Y. 10017
CABLE ADDRESS—ADRESSE TELEGRAPHIQUE, UNITED NATIONS, N.Y. 10017

OFFICE OF THE IRAQ PROGRAMME - BUREAU CHARGE DU PROGRAMME IRAQ

REF: ED/2000/GOI/11

20 February 2001

Excellency,

I have the honour to refer to Security Council resolution 986 (1995), and subsequent resolutions, pertaining to the humanitarian programme in Iraq and its full implementation, through cooperation between the Government of Iraq and the United Nations Secretariat, i.e. the Office of the Iraq Programme, as prescribed in the Memorandum of Understanding.

In this connection, I should like to refer to the tremendous increase in the scope of the programme, and thus, the exponential increase in the workload being handled by my office, as well as the work being handled in the field.

One of the areas in which the workload has increased overwhelmingly is that of the monitoring of oil and oil spare parts and equipment, which is handled by independent inspection agents (Saybolt) under contract with the United Nations. According to our figures, in January 2000 there were approximately 139 weekly communications from the Security Council Committee established by resolution 661 (1990) on which to follow up and report. By comparison, in January of this year, the number of communications was approximately 529, a 280 per cent increase. This percentage, however, does not reflect the fact that the number of locations that need to be visited in order to perform their task has also increased by 70 per cent, from 14-18 locations in January 2000 to 28-30 locations at present. Furthermore, a large number of the communications need special handling, i.e., end-use monitoring.

As a direct result of this increase in the workload of the oil spare parts monitors in Iraq, it has become necessary to increase their number from the present six to eight, with a total of 12 eventually. These additional monitors would be deployed, should it become necessary, based on workload requirements, and in order to maintain the standards of excellence previously set in the area of monitoring of oil and oil spare parts and equipment. Your assistance in obtaining entry visas for the new inspectors, once identified, as well as internal travel permits, especially to new end-use sites, would be greatly appreciated.

His Excellency
Mr. Mohammed Al-Douri
Ambassador Extraordinary and Plenipotentiary
Permanent Representative of Iraq
to the United Nations
New York



"P. Boks" <p_boks@compuserve.com> on 02/01/2000 10:18:03 PM

To: Peter Boks <Peter_Boks@compuserve.com>, Peter Boks@Saybolt
cc:
Subject: Iraq

DATE=6/19/98TYPE=CORRESPONDENT REPORTNUMBER=2-234232TITLE=U-S / IRAQ OIL
(L)

BYLINE=DAVID GOLLUSTDATELINE=WHITE HOUSECONTENT=VOICED AT:

INTRO: THE CLINTON ADMINISTRATION SAYS IT IS AWARE THAT IRAQI OIL IS BEING SMUGGLED INTO TURKEY IN VIOLATION OF U-N SANCTIONS, BUT SAYS THE QUANTITIES ARE NOT LARGE. V-G-A'S DAVID GOLLUST REPORTS FROM THE WHITE HOUSE.

TEXT: OFFICIALS HERE SAY ABOUT 45-THOUSAND BARRELS OF IRAQI OIL IS BEING SMUGGLED EACH DAY OVERLAND TO TURKEY BY TRUCK, BUT THAT IT IS A BARE FRACTION OF WHAT IRAQI PRODUCTION COULD BE IN THE ABSENCE OF THE U-N SANCTIONS.

THE COMMENTS FOLLOW A NEW YORK TIMES REPORT THAT THE ADMINISTRATION HAS CHOSEN TO "LOOK THE OTHER WAY" WHILE THE SMUGGLING GOES ON PLAIN SIGHT OF PATROLLING U-S AIRCRAFT -- IN PART BECAUSE IT BENEFITS FINANCIALLY HARD-PRESSED TURKEY AND THE IRAQI KURDS.

WHITE HOUSE SPOKESMAN MIKE MCCURRY, HOWEVER, SAYS THE UNITED STATES HAS LODGED COMPLAINTS OVER THE ILLICIT TRAFFIC WITH TURKISH AUTHORITIES:

///MCCURRY ACTUALITY///

EVEN THOUGH IT COSTS THEM DEARLY. THEY INDICATE TO US THAT THEY UNDERSTAND OUR CONCERNS ABOUT THAT SMUGGLING -- THAT THEY WILL WORK TO ADDRESS IT. WE DO KNOW IT GOES ON AND WE HAVE RAISED THOSE CONCERNS, AND WE WILL CONTINUE TO EXPRESS OUR CONCERNS TO THE GOVERNMENT OF TURKEY -- RECOGNIZING THAT THEY ARE IN A POSITION WHERE THEY SUFFER SOME ECONOMIC DAMAGE AS WELL BECAUSE OF THE IMPOSITION OF THESE SANCTIONS.

///END

ACT///

MR. MCCURRY SAID SOME OF THE OVERLAND SMUGGLING IS INEVITABLE GIVEN THAT IRAQ HAS BEEN AUTHORIZED BY THE U-N TO LEGALLY MARKET SOME OIL FOR HUMANITARIAN PURPOSES AND THAT -- TOO -- IS SHIPPED THROUGH TURKEY.

THE OVERLAND SMUGGLING IS BELIEVED TO NET IRAQ ABOUT 100-MILLION DOLLARS A YEAR AND THAT A SIMILAR AMOUNT GETS THROUGH THE ALLIED BLOCKADE IN THE GULF -- WHERE ENFORCEMENT EFFORTS ARE CENTERED. THAT COMPARES WITH AN ESTIMATED 15-BILLION DOLLARS A YEAR IN OIL INCOME THAT IRAQ COULD HAVE IN THE ABSENCE OF THE POST GULF-WAR SANCTIONS REGIME -- WHICH MR. MCCURRY SAID IS ARGUABLY THE TOUGHEST EVER PUT INTO EFFECT. (SIGNED)NEB/DAG/LTD/JO

19-Jun-98 3:17 PM EDT (1917 UTC)NNNNSource: Voice of America



**U.S. Department of State
Office of the Spokesman
Press Statement**

Press Statement by James B. Foley, Deputy Spokesman
December 10, 1999

Iraqi Oil Smuggling

Recently declassified satellite photography reveals that Iraq continues to smuggle oil in violation of UN sanctions. This comes at a time when the Government of Iraq has refused to participate in an extension of the oil-for-food program. While Iraq's refusal to sell oil during this period has not caused an immediate disruption to the humanitarian program, its refusal to fund UN-approved purchases while filling the regime's coffers with illicit revenue in defiance of the United Nations shows the regime's arrogance and indifference. It demonstrates yet again that Saddam Hussein puts the interests of his regime ahead of those of the people of Iraq.

Satellite photography taken on November 26 of this year shows oil tankers loading gasoil at a facility associated with the Basrah refinery in southern Iraq. Under UN Security Council Resolutions and the oil-for-food program, Iraq is permitted to export oil only through the approved facilities in Mina al Baqr in the northern Persian Gulf and via the oil pipeline through Turkey through the port of Ceyhan. The gasoil being loaded onto tankers in this photograph is being smuggled illicitly, outside the oil-for-food program, to supply revenue that is totally under the regime's control.

These illicit oil exports via the Persian Gulf averaged about 70,000 barrels per day in November, the highest levels since sanctions have been in place. During the last month, Baghdad earned an estimated \$21 million from this trade. At the same time, the regime of Saddam Hussein has rejected a two-week and a one-week extension of the oil-for-food program.

Once again, the evidence shows that Saddam Hussein has no compunction about preventing the international community from helping the people of Iraq, while at the same time ensuring that he has enough money to line his family's pockets, to build palaces and vacation villages for regime supporters, and to buy prohibited goods, including inputs into WMD.

[end of document]

AMENDMENT NO. 1
 TO
 CONTRACT NO. PTD/127/0065/96
 BETWEEN
 THE UNITED NATIONS
 AND
 SAYBOLT EASTERN HEMISPHERE BV
 FOR THE
 PROVISION OF INDEPENDENT
 INSPECTION AGENTS

Under provisions of Article 2 of the original contract, this amendment is issued to extend the original contract term for an additional six (6) months period through 30 November 1997.

All other terms and conditions (including price) shall remain unchanged.

IN WITNESS WHEREOF, the Parties have executed this amendment.

For: Saybolt Eastern Hemisphere B.V.

Signature: 

Name: Peter W.G. Boks

Title: Manager Business Development

Date: June 2, 1997

For: United Nations



Allan B. Robertson

Officer-in-Charge, PTD/OCSS

6 June 1997

→ Telefax

Aan	KERIM UNAL	Fax no.	903124676762
Van	PETER Boks	Fax no.	31 10 417700
Datum	25/7/97	Pagina	1 van 1

Post-it Formulieren 3M

BEST RECD'S PB

CONTRACT PTD/127/0065-96

between

THE UNITED NATIONS

and

SAYBOLT EASTERN HEMISPHERE BV

FOR THE PROVISION OF INDEPENDENT INSPECTION AGENTS

This Contract is entered into by and between the **UNITED NATIONS**, an international inter-governmental organization, with its headquarters in New York, N.Y. 10017, U.S.A. (hereinafter referred to as the "United Nations" or "UN"), and **SAYBOLT EASTERN HEMISPHERE BV**, a corporation incorporated under the laws of The Netherlands, having its headquarters at P.O. Box 151, 3000 AD Rotterdam, The Netherlands (hereinafter referred to as the "Contractor"). The United Nations and the Contractor are collectively hereinafter referred to as the "Parties".

WITNESSETH

WHEREAS the UN, in furtherance of the mandate of United Nations Security Council Resolution 986 (1995), wishes to engage the Contractor to provide services of individuals employed by the Contractor with particular experience and qualifications to assist in monitoring the export of petroleum and petroleum products from Iraq on the terms and conditions set forth in this Contract;

WHEREAS, the Contractor represents that it is qualified, ready, able and willing to provide these services on the terms and conditions set forth in this Contract;

NOW, THEREFORE, the Parties hereto mutually agree as follows:

A. GENERAL

ARTICLE 1: Contract Documents

1.1 This document and all annexes hereto, together with the following named documents, which are incorporated herein by reference, constitute the entire Contract (herein referred to as the "Contract") between the UN and the Contractor:

(a) The Request for Proposal issued by the UN and dated 11 June 1996, under reference "Request for Proposal for the Provision of 'Independent Experts in International Oil Trade'", as modified by the communications transmitted to the Contractor by facsimiles dated 25 June 1996, 15 July 1996 and 31 July 1996, (hereinafter referred to as the "RFP"); and

(b) The Contractor's Proposal dated 17 June 1996, as modified by the communications transmitted to the UN by facsimiles dated 28 June 1996 and 18 July 1996 and by an undated facsimile sent in response to the UN's facsimile dated 31 July 1996, (hereinafter referred to as the "Proposal").

1.2 The following Annexes shall form an integral part of this Contract:

- Annex I: UN General Conditions for General Contracts;
- Annex II: Security Council Resolution 986 (1995) (hereinafter referred to as the "Resolution");
- Annex III: Memorandum of Understanding between the Secretariat of the United Nations and the Government of Iraq on the Implementation of Security Council Resolution 986 (1995) (hereinafter referred to as the "MOU");
- Annex IV: Procedures of the 661 Committee (hereinafter referred to as the "Procedures");
- Annex V: Transportation Release Form;
- Annex VI: Medical Release Form.

1.3 In the case of any inconsistency among the documents constituting this Contract, the following order of priority shall apply:

- (a) this document and Annexes I - VI hereto;
- (b) the RFP; and
- (c) the Proposal.

1.4 It is expressly agreed that this Contract embodies the entire agreement of the Parties with regard to the subject matter hereof, and that no promises, understandings, obligations or agreements, verbal or otherwise, exist between the Parties except as herein expressly set forth.

ARTICLE 2: Term of Contract

From the Effective Date of this Contract, specified in Article 15 below, this Contract shall be in force for an initial term of six (6) months, unless terminated in accordance with the terms of this Contract. The UN shall have the right, at its sole option, to extend this Contract on the same terms and conditions (including price) for up to three (3) successive periods of six (6) months each by giving the Contractor written notice of its intention to do so not less than fifteen (15) days prior to

the expiration of the then current term. After the expiration of all such extensions, the UN shall have the right to extend this Contract on the same terms and conditions for successive periods of six (6) months each by giving the Contractor written notice of its intention to do so not less than fifteen (15) days prior to the expiration of the then current term, subject, however, to mutual agreement by the UN and the Contractor to a revised price for the Contractor's services.

ARTICLE 3: Objective of Contract

UN Security Council Resolution 986 (1995) directs the Security Council Committee established by UN Security Council Resolution 661 (1990) (hereinafter referred to as the "Committee"), *inter alia*, to monitor the sale by Iraq of petroleum and petroleum products. Under this Contract, the Contractor will provide personnel and all related supplies and services, to monitor on-site the movement of such petroleum and petroleum products in order to facilitate verification of sales contracts approved by the Committee "overseers" referred to in Section I of the Procedures (hereinafter referred to as the "Overseers").

B. RESPONSIBILITIES OF THE CONTRACTOR

ARTICLE 4: Scope of Work

- 4.1 The Contractor undertakes to provide independent inspection agents (hereinafter referred to as the "Agents") as required to achieve the objective of this Contract. In particular, the Contractor shall provide all services and material set forth in the RFP and the Proposal.
- 4.2 The Contractor shall provide fourteen (14) Agents selected by the UN from among the individuals identified in the Proposal as experienced and qualified to conduct the inspection work. There shall be no substitution of the Contractor's personnel without the UN's prior written consent in each instance. The UN reserves the right, in its sole discretion, to increase or reduce the number of Agents at any time, in which event the Parties shall mutually agree on a proportionate adjustment in the contract price set forth in Article 7.1, based on a labour cost of US\$575.00 per man/day.
- 4.3 The Agents shall monitor the exports of petroleum and petroleum products from Iraq in accordance with the requirements and specifications set forth in the Resolution, the MOU, the Procedures, the RFP and the Proposal, including without limitation the testing procedures set forth in the Proposal. Such monitoring will be based on the documentation provided by the Overseers, on direct observation, as well as on quantity and quality verification. Upon notification by the Overseers that a sales contract has been approved, the Agents will authorize loading. The Agents located at the metering station at the Iraq/Turkey border will monitor the flow of petroleum through the Kirkuk-Yumurtalik pipeline and, by cross-checking the quantity of oil measured by the meters with that measured at the Ceyhan tank farm, will verify that no petroleum is unaccounted for. If the Agents detect any irregularity, they shall immediately halt the loading of the petroleum or petroleum products and report such irregularity to the Committee and the UN Secretary-General.
- 4.4 The Contractor shall be responsible for making the necessary arrangements to ensure the fulfilment of its obligations under this Contract. The Contractor shall perform its obligations under this Contract in accordance with the highest professional standards.

4.5 In performing their obligations under this Contract, the Contractor and its personnel shall comply with the Resolution, the MOU, the Procedures and all procedures and instructions stipulated by the Committee and the Overseers.

4.6 Within four (4) weeks of the Effective Date, the Contractor shall submit to the UN for its approval a detailed plan describing the control and supervisory mechanisms it intends to implement. The Contractor shall implement the plan promptly after its approval by the UN, subject to any reasonable modifications the UN may require.

ARTICLE 5: Contractor's Personnel

5.1 No person shall be assigned by the Contractor to provide services under this Contract unless the United Nations has approved in advance the selection of such person in writing. Without limiting the United Nations' rights of approval under Articles 4.2 and 5.2, in addition to the fourteen (14) Agents selected by the United Nations under Article 4.2, the United Nations shall designate six (6) additional persons from among the individuals identified in the Proposal who are acceptable to serve as replacement Agents under this Contract.

5.2 The United Nations may request, at any time, the withdrawal or replacement of any personnel of the Contractor assigned to perform services under this Contract. The Contractor shall, at its own cost and expense, withdraw or replace such personnel forthwith. The assignment by the Contractor of any replacement personnel shall be subject to the UN's prior written approval. A request by the United Nations for withdrawal or replacement of the Contractor's personnel shall not be deemed a termination of this Contract.

5.3 The Contractor shall be fully responsible for all work and services performed by its employees, agents, servants and sub-contractors. The Contractor shall take all reasonable measures to ensure that they respect the local customs and conform to the highest standards of moral and ethical conduct.

5.4 The Contractor shall ensure that all personnel used to perform services under this Contract are adequately covered by insurance for any service-related illness, injury, death or disability. The Contractor shall submit proof of such insurance satisfactory to the UN before commencing any work under this Contract.

5.5 The UN shall not be liable for any action, omission, negligence or misconduct of the Contractor's employees, agents, servants or sub-contractors nor for any insurance coverage which may be necessary or desirable for the purpose of this Contract, nor for any costs, expenses or claims associated with any illness, injury, death or disability of the Contractor's employees, agents, servants, or sub-contractors performing services in connection with this Contract.

5.6 The Contractor shall ensure that the Agents are at their stations and ready to commence work under this Contract within five (5) days of the Effective Date. The Agents shall be stationed as follows:

<u>Location</u>	<u>No. Inspectors</u>	<u>No. Supervisors</u>
Ceyhan	3	1
Mina Al Bakr	5	1
Metering Station at the Iraq/Turkey border	3	1

The UN reserves the right, at any time, to alter the assignment of the Agents set forth above, at no additional cost to the UN.

ARTICLE 6: Reporting Requirements

6.1 The Contractor shall submit to the Committee, through the Overseers, weekly reports in writing describing in detail the services performed under this Contract during the preceding week, including such information as the Overseers, the Committee or the Procedures may require. Such reports shall be transmitted to the Overseers via satellite facsimile or, if available, electronic mail.

6.2 Immediately after the loading of oil under each sales contract approved by the Overseers is complete, the Contractor shall inform the Overseers on the details of such loading for comparison with the original approved sales contract. Such details shall include such information relating to the loading as the Overseers, the Committee or the Procedures may require. Such details shall be transmitted to the Overseers via satellite telephone, satellite facsimile or, if available, electronic mail.

C. CONTRACT PRICE AND PAYMENT

ARTICLE 7: Contract Price

7.1 In full payment for the complete and satisfactory performance by the Contractor of all its obligations under this Contract, the UN will pay the Contractor a price not to exceed a total of U.S. dollars One Million Eight Hundred Sixty-Nine Thousand (US\$1,869,000.00), subject to any adjustment in such price pursuant to Articles 4.2 or 12 hereof. This price includes all costs relating to the services to be provided under this Contract, including without limitation, salaries, benefits, insurance, board, lodging, communications, security, transportation and equipment. Such amount shall be payable to the Contractor in accordance with the following schedule:

- 30% - after 3 months from the Effective Date of this Contract.
- 30% - after 6 months from the Effective Date of this Contract.
- 40% - upon satisfactory completion of this Contract.

7.2 Payments under this Contract shall be made only against receipt of Contractor's written invoices and certification by the UN that the services represented by the invoice have been satisfactorily completed. The Contractor shall submit its invoices to the UN, Accounts Payable Unit, 866 United Nations Plaza, Room A-6050, New York, N.Y. 10017, together with supporting documentation to enable payment. All invoices shall make reference to the number of this Contract (PTD/127/0065-96) and shall be payable on a net thirty (30) days basis.

D. RESPONSIBILITIES OF THE UN

ARTICLE 8: Identification Cards

The UN shall provide the Contractor's personnel with appropriate identification cards.

ARTICLE 9: Access to Transport and Medical Facilities

9.1 The United Nations agrees to allow the Contractor's personnel to travel on UN-provided transport to, in and from Iraq strictly for the following purposes:

(a) evacuation due to security developments, on the understanding that such evacuation shall be to the nearest safe area; and

(b) medical evacuation due to serious medical conditions, provided that emergency medical evacuation of the Contractor's personnel will be from in-country sites to an in-country medical facility or transportation out of Iraq to an out-of-country medical facility in an appropriate neighbouring country.

9.2 In consideration of the Contractor's personnel being permitted to travel on UN-provided transport, each of such personnel shall sign a release from liability in the form attached hereto as Annex V, prior to their transport on any UN-provided transportation. The Contractor undertakes to obtain the signed release from each employee and to deliver the signed original to the UN prior to the employee's initial use of any UN-provided transportation.

9.3 In the event that the Contractor's personnel require emergency medical treatment, the UN agrees to allow such personnel access to available UN medical facilities. In consideration of the Contractor's personnel being permitted to utilize such UN medical facilities, and prior to their using any such UN medical facilities, each of such personnel shall complete and sign the release from liability in the form attached hereto as Annex VI. The Contractor undertakes to obtain the signed release from each employee and to deliver the signed original to the UN prior to the employee's initial use of any UN medical facility.

9.4 The Contractor hereby releases the UN and its officials, employees and agents from any and all liability of any nature arising in connection with the provision of any services to the Contractor's personnel under this Article 9 and waives any claims the Contractor may have against the UN, its officials, employees or agents arising in connection with the provision of such services.

E. MISCELLANEOUS MATTERS

Article 10: Contractor's Obligations Upon Expiration or Termination

Upon expiration or termination of this Contract, the Contractor shall take immediate steps to terminate its operations in a prompt and orderly manner and shall provide such information and take such actions as may be reasonably requested by the UN for the preservation and protection of (i) the work and services already performed by the Contractor and the results thereof and (ii) all property of the UN provided to the Contractor.

Article 11: Liaison and Inspection

11.1 The UN reserves the right to inspect and test all services performed by the Contractor under this Contract, to the extent practicable, at all reasonable places and times during the term of this Contract. The UN shall perform inspections and tests in a manner that will not unduly hinder the performance of the services by the Contractor.

11.2 If any work or services performed by the Contractor do not conform with the requirements of this Contract, the UN shall have the following options:

(a) If the UN determines that the improper performance can be remedied by way of re-performance or other corrective measures by the Contractor, the UN may request the Contractor in writing to take and the Contractor shall take, at no expense to the UN, the measures necessary to re-perform or take other appropriate actions to remedy the improperly performed work or services within fourteen (14) days of receipt of the written request from the UN or within such shorter period as the UN may have specified in the written request if emergency conditions so require, as determined by the UN.

(b) If the Contractor does not promptly take corrective measures or if the UN reasonably determines that the Contractor is unable to timely remedy the improper performance, the UN may obtain the assistance of other entities or persons and have corrective measures taken at the expense of the Contractor.

(c) If the UN reasonably determines that the improper performance cannot be remedied by re-performance or other corrective measures by the Contractor, the UN may terminate the Contract in accordance with Article 15 of the UN General Conditions for General Contracts without prejudice to any of its other rights and remedies under this Contract.

11.3 Notwithstanding the RFP and Proposal, site visits by the UN to inspect the services performed by the Contractor shall not be funded under this Contract.

Article 12: Termination at Will

In addition to the termination rights provided in Article 15 of the UN General Conditions for General Contracts, the UN may terminate this Contract without cause, in whole or in part, upon thirty (30) days written notice to the Contractor. In the event of termination pursuant to this clause, the UN shall only be responsible for payment to the Contractor for services satisfactorily performed

in accordance with this Contract prior to the effective date of termination. In the event of partial termination, the contract price shall be proportionately reduced, based on a labour cost of US\$575.00 per man/day.

Article 13: Customs Clearance, Licenses, Etc.

The Contractor shall be responsible for customs clearance and obtaining all licenses, permits and authorizations from governmental or other authorities necessary for the performance of this Contract. The UN shall provide reasonable assistance to the Contractor, by liaising as appropriate with relevant authorities, in obtaining visas for the Contractor's personnel and permits for clearing through customs any equipment, material and supplies in connection with this Contract. Notwithstanding the foregoing, the UN's sole obligation with respect to customs clearance shall be to provide the Contractor with a documentary certificate identifying the items concerned and stating that such items are for the sole consumption or use of the Agents. If any further documentation is required in the future by Government authorities in Iraq or elsewhere, the Contractor will advise the UN and the UN will provide reasonable assistance to the Contractor in obtaining such documents.

ARTICLE 14: NOTICES

Except as otherwise specified in this Contract, all notices and other communications required or contemplated under this Contract shall be in writing and shall be delivered either by: (i) personal delivery; (ii) recognized overnight delivery service; (iii) postage prepaid, return receipt requested, certified mail; (iv) confirmed facsimile transmission; or (v) telegram, addressed to the Party or Parties for whom intended at the address shown below or such other address as the intended recipient previously shall have designated by written notice previously given pursuant to this Contract.

IF TO THE CONTRACTOR:

Saybolt Eastern Hemisphere BV
P.O. Box 151
3000 AD Rotterdam
The Netherlands
Attn: Mr. Graham Brett / Mr. Peter Boks
Fax No.: 31-10-4353600

IF TO THE UN (communications/notices of a contractual nature):

Procurement and Transportation Division
866 United Nations Plaza, Room No. A-6104
New York, NY 10017
Attn: Mr. Allan Robertson, Officer-in-Charge
Procurement and Transportation Division/OCSS
Fax No.: (212) 963-9858

IF TO THE UN (communications/notices of an operational nature):

United Nations
42nd Street and First Avenue, Room No. S-3055A
New York, NY 10017
Attn: Mr. Joseph Stephanides, Chief
Security Council Subsidiary Organs Secretariat Services Branch
Fax No. (212) 963-1300

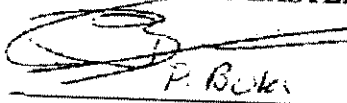
Notice by overnight mail or recognized overnight delivery service shall be effective on the date it is officially recorded as delivered to (or refused by) the intended recipient by return receipt or equivalent. All notices and other communications required or contemplated by this Contract delivered in person, by facsimile, or by telegram shall be deemed to have been delivered to and received by the addressee and shall be effective on the date of the actual receipt.

ARTICLE 15: Effective Date of Contract

This Contract shall take effect upon the UN's written notification to the Contractor that the Agents should commence mobilization (hereinafter referred to as the "Effective Date"). If the UN shall fail to so notify the Contractor within six (6) months of the signing of this Contract, this Contract shall be null and void.

IN WITNESS WHEREOF, the Parties have executed this Contract.

FOR SAYBOLT EASTERN HEMISPHERE BV


P. Boker

Name

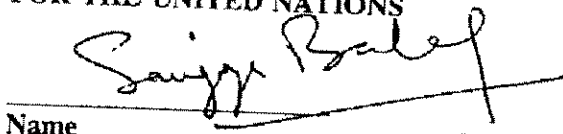
Manager Business Dev.

Title

16-3-1996

Date

FOR THE UNITED NATIONS



Name

OAC / PTD.

Title

16-8-1996

Date

ATTACHMENTS

- Annex I - UN General Conditions for General Contracts
- Annex II - Security Council Resolution 986 (1995)
- Annex III - Memorandum of Understanding
- Annex IV - Procedures of the 661 Committee
- Annex V - Transportation Release Form
- Annex VI - Medical Release Form



FAX



**REPORT OF UN INDEPENDENT INSPECTION AGENTS
PROVIDED BY
SAYBOLT INTERNATIONAL**

OIL MONITORING

STATUS at May 19th, 2000

I. MONITORS ON STATION

1.1. Mina Al-Bakr: 6 staff members in total. (one en-route)

V. Alkhazov	Russian
R. de Souza	Portuguese
V. Barkhatov	Russian
V. Polyakov	Russian
D. Singson	Philippines
A. Popov	Russian

1.2. Zakho: 3 staff members in total

A. Shagoyoko	Russian
S. Barkhatov	Russian
S. Akulov	Russian

1.3. Ceyhan: 5 staff members in total

S Buzdyk	Russian
R. Maiberg	Finland
P. Kaambre	Estonian
Gijs Snoeij	Dutch
A. Kamnev	Russian

2. ACTIVITIES

MINA AL-BAKR

2.1 Vessels loaded in period:-

<u>NAME</u>	<u>LOAD DATE</u>	<u>NSV BBLs</u>
Hellespont Paradise	13/05/00	2,033,335
Emma Maersk	14/05/00	1,997,755
Stena Concordia	15/05/00	1,833,223
Riza	16/05/00	949,767
Chevron Atlantic	18/05/00	994,300
Tina	18/05/00	2,289,071
Seamaster	19/05/00	1,626,493

ZAKHO

2.2. Volume metered in the period was 6,027,991 barrels

CEYHAN

2.3. Volume received in storage tanks was 6,184,475 barrels

2.4. Vessels loaded in the period:-

<u>NAME</u>	<u>LOAD DATE</u>	<u>NSV BBLs</u>
Kronviken	13/05/00	995,367
Crude Ena	14/05/00	1,025,629
Nord Jahre Target	15/05/00	1,031,885
Gelibolu	16/05/00	596,531
Lillo	18/05/00	995,152
Borja Tapias	18/05/00	995,428
Challenge	19/05/00	396,921
Stena Convoy	19/05/00	1,817,900

3. OBSERVATIONS

3.1 MINA AL-BAKR

Terminal Manning. Terminal fully manned, approximately 80 persons.

Mooring Boats/Tugs. No mooring boats on station at the terminal. Four tugs on station off the platform.

Power. Power was cut several times this week. Generators are working on alternating basis.

Transport to / from terminal. The tender No. 402 is still out of service. Tug boats used for transportation of personnel to Fao. Relief schedule is on Saturday (pilots), Sunday and Wednesday, but schedule is unreliable. The tugs used for Fao are restricted to pass the river bar at high tide, and sometimes only at daylight high tide. No safe gangway or means of access available at either shore or terminal location for staff to embark or disembark.

Services. The new Water Purification unit installation now operates as the new filter has arrived from Amman. Now it is discovered (after all these months!!) that there is no pump to transfer the purified water from the unit to the storage tank so there is still no fresh water supply. The original RO unit is only intermittently as the vibrations resulting from its operation damage the piping (whenever renewed) within a few days. Fresh water from shore shows slightly improved quality, but still hazy with a strong odour. Potable bottled water supply is sufficient, & hot water system in operation.

Food. Terminal food continues to be a problem, and inedible; limited vegetables and fruit. All meals covered by the Saybolt self-catering service. No improvement in cold storage facilities which remain!

Housekeeping. Standard of cleanliness remains poor. Excessive outside oil and grime walks into the accommodation.

Infestation. Insect population is still evident. No de-infestation carried out.

Safety. No improvements; no accidents. No fire drill or safety exercises observed this week. Life boats remain stored on Platform "B" from where they cannot be launched; the davits required for this remain stranded at SOC, Basrah, awaiting transport to return them to Umm Qasr (where they

TO: Mr. Alexander V. Kramar
A: Oil Overseer

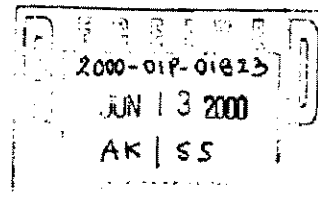
DATE: 13 June 2000

THROUGH:
SIC DE:

REFERENCE:

FROM: Ralph Zacklin
DE: Assistant Secretary-General
for the Office of Legal Affairs

SUBJECT: Legality of port charges in Iraq
OBJET:



1. This is in respect of your memorandum of 30 May 2000 with reference to the communication from the International Association of Independent Tanker Owners (INTERTANKO), concerning the recent increase by the Government of Iraq of port charges at Al Bakr Oil Terminal. You inquire about the legality of Iraq's charging such port costs.
2. We took note in this regard of the fact that INTERTANKO in its communication refers to these charges as "traditional port costs" and that in accordance with the information provided to the Office of the Iraq Programme by Saybolt, it is a common practice for port charges to be imposed on oil tankers and that the increased charges imposed by the Iraqi authorities are modest in comparison to those charged at other ports.
3. In their communication regarding the increase in port charges, a copy of which is attached to the clarifications received by the OIP from Saybolt, the Iraqi authorities state that these charges are levied "in order to cover cost of maintenance of Al Bakr Oil Terminal and cost of extending marine services such as tugs pilotage, harbour master, mooring/unmooring, etc".
4. In the light of the foregoing, please be advised as follows with reference to your inquiry.
5. In accordance with paragraph 4 of Security Council resolution 661 (1990) of 6 August 1990, which contains some of the basic provisions of the sanctions regime imposed by the Security Council against Iraq, all States are prohibited from making available to the Government of Iraq, or to any commercial, industrial or public utility undertaking in Iraq, any funds or any other financial or economic resources, and are required

to prevent their nationals from making available to that Government or to any such undertaking any such funds or resources and from remitting any other funds to persons or bodies within Iraq. Paragraph 1 of Article 8 of Part II of the standard oil contract of the Iraqi State Oil Marketing Organization which was agreed upon between the United Nations and the Iraqi authorities provides that "buyer shall bear alone port dues and fees charged on vessels at the port of loading".

6. With reference to the question of whether payment to Iraqi entities of fees and other expenses deriving from port services would contravene the requirements of paragraph 4 of Security Council resolution 661 (1990), this Office, in a letter to the Chairman of the 661 Committee, dated 6 November 1997, took the position that such payments would not fall per se under paragraph 4 of resolution 661 (1990), if the shipping activity which generates them is lawful in every other respect in terms of the relevant Security Council resolutions, and provided that such fees and charges do not exceed what is customary in such circumstances.

7. This position was subsequently reiterated in another letter of this Office to the Chairman of the 661 Committee, dated 12 June 1998. It was further clarified in that letter that in determining what charges are reasonable, it should be borne in mind that any duty or charges which might be levied in respect to the services rendered, in the light of paragraph 4 of Security Council resolution 661, should not be of such a level as to represent a source of income for the Iraqi State, or any commercial, industrial or public utility undertaking in Iraq. Any such entities and charges, as noted in the letter, should, in principle, be limited to charges for the services rendered, be levied on a non-discriminatory basis, and be commensurate with whatever administrative expenses might reasonably be entailed in this respect.

8. It was also emphasized in the second letter, as well as in other legal opinions of this Office concerning payments for services in Iraq, that, in the light of the restrictions imposed by Security Council resolution 661 (1990), such fees and charges must be paid in Iraqi dinars only.

9. Therefore, with reference to your question we are of the view that payment of port costs to the Iraqi authorities will not per se be inconsistent with the sanctions regime imposed by the Security Council against Iraq so long as the charges in question do not exceed whatever might in the circumstances be customary and reasonable and so long as they are paid in Iraqi dinars.


10. We noted from the correspondence that the Iraqi Government requests that port charges be paid not to the Iraqi authorities, but to "alia for

transportation and general trade company, Amman - Jordan" which has been "entrusted with this operation" and that payments should be deposited in the account of that company in the Jordanian National Bank

11. If and in so far as "alia for transportation and general trade company, Amman - Jordan" are a Jordanian company and are not an instrumentality or agency of the Government of Iraq, the measures which have been imposed by the Security Council in respect of Iraq would not in any event apply so as to make the lawfulness of the payment to them conditional on observance of the limitations enumerated in paragraph 9 above. That having been said, it would appear from the attachments to your memorandum that "alia for transportation and general trade company, Amman - Jordan" has entered into a contract with the Government of Iraq to provide port services in Iraq. The supply of services of this character would appear to be calculated to promote the import from or export to Iraq of products and commodities. That being so, it would appear that the rendering of such services in Iraq would be prohibited by Security Council resolution 661 (1990) (see the letter dated 27.08.90 from Director and Deputy to the Under-Secretary-General in charge of OLA addressed to the Chairman of the 661 Committee - S/AC.25/1990/Note/2). Such services might only be lawfully provided in the event that their provision has been approved by the 661 Committee. As far as we are aware, no application has been made to the 661 Committee in respect of the provision of port services by "alia for transportation and general trade company, Amman - Jordan" to the Government of Iraq, nor has the 661 Committee granted approval to any such arrangement.

12. That being so, no payment should be made to the company concerned unless and until its contract with the Iraqi authorities has been approved by the 661 Committee. In the absence of such approval, any payment deposited in the Jordan National Bank will be in violation of the sanctions regime established by the Security Council.

cc Ms. Stephani L. Scheer

 Peter Boks
06/08/2000 04:07 PM

To: scheer@un.org
cc:
Subject: Port charges in Iraq

Dear Stephani,

It seems that untill recently a fee of USD 1,500.- was asked for each vessel. This was not limited to Mina Al Bakr but also applied for e.g. Umm Qasr.

The practice was that some Captain's paid this fee from their petty cash, whereas others refused to pay (based on the embargo).


Only recently we learned that the port charges were increased and informed Alexander Kramar accordingly.

It must however be said that it is common practice that port charges are imposed. Reviewing the table attached to your telefax, the charges proposed are modest in comparison to other ports.

Kindest regards,

Peter Boks

S049743

 Peter Boks
06/08/2000 04:17 PM

To: scheer@un.org
cc:
Subject: Port charges

Dear Stephani,

In addition to my previous email, port charges applied at e.g. Kharg Island in Iran are \$0.22 per metric ton.

for loading a vessel with 190,000 metric tonnes, this would give:

Country	Iran	Iraq
-----	----	----
Port charges	41,800.-	17,580.-

Fax to follow.
Best regards,
Peter Boks



OFFICE OF THE IRAQ PROGRAMME

URGENT

FACSIMILE

To: Mr. Peter Boks Saybolt Nederland B.V.	Fax: 3110 4601 299
From: Stephani L. Scheer Chief of Office	Fax: +1 212 963 1984 Tel: +1 212 963 6550
Subject: Port charges in Iraq	
Date: 7 June 2000	Number of pages (including cover page): 3

Please find attached a copy of a letter received by Mr. Kramar from Intertanko, which he forwarded for comment to the Office of Legal Affairs.

I note from the letter from Intertanko that "until recently vessels loading at this terminal was normally charge USD 1,500.00".

I would be grateful if you could provide us with some information as to standard practices, particularly how this money was being paid and at what point port costs were increased. I would also like to know how this compares in relation to other oil-producing countries.

I would particularly note that, in view of the sanctions imposed on Iraq by the Security Council, it would appear that the payment of these charges would be in violation of those sanctions.

Thank you for your prompt attention to this matter and urgent reply.

Best regards,

Copies to: Mr. Sevan
Mr. Golitsyn
Mr. Kramar

MSF 339 - DJ



INTERTANKO

The International Association of Independent Tanker Owners
FOR SAFE TRANSPORT, CLEANER SEAS AND FREE COMPETITION

TELEFAX
NUMBER OF PAGES: 2

UNITED NATIONS
Communication Centre
U.S.A.

Fax No: 601 212 963 4120

30 May 2000
SKD/FI UNIT2001.DOC

HEAD OFFICE

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P. O. Box 5804 Majorstua
0308 Oslo Norway

Phone: +47 22 12 26 40

Fax: +47 22 12 26 41

Web Site: www.intertanko.com

Managing Director: Dagfinn Lunde
Asia Representative: Minerva Alfonso
London Representative: Robert M. Bishop
US Representative: Svein A. Ringbakken

Dear Sirs,

Port cost in connection with oil export in Iraq

First of all we will introduce INTERTANKO (The International Association of Independent Tanker Owners); on what we do, what we stand for.

INTERTANKO today comprises 265 Member companies in 45 maritime countries, now operating over 2,000 vessels, totalling about 175 million DWT of tanker and combined tonnage, or some 75% of the eligible independently owned tonnage. We also have 302 Associate Members, which include oil companies, shipping agents, port authorities, shipyards, law firms, ship brokers, insurance companies, consultants, marine suppliers and a host of other companies related to the tanker industry.

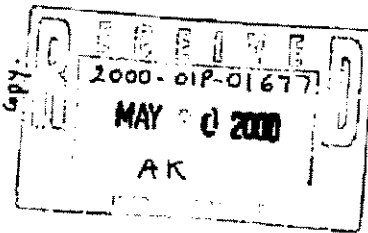
INTERTANKO prime goals are to promote a free and competitive tanker market, to work for safety at sea and the protection of the environment.

INTERTANKO serves as the spokesman for independent tanker owners and represents its members through international governmental organisations. The Association provides comprehensive information services in the form of our monthly circular letters, and acts as a forum for discussion on tanker related issues.

INTERTANKO is represented on all major IMO committees and sub-committees, and Member companies often participate actively in INTERTANKO work within the IMO.



ISO 9002
Certified to ISO 9002



30 May 2000

We want to present an issue recently disclosed to the Association.

Drastic port cost increase at Al Bakr Oil Terminal, Iraq

Based on advice from the Iraq State Co. for Water Transport, Basrah several of our members report that as from 1 June 2000 the port costs at Al Bakr Oil Terminal, Iraq has increased drastically. Until recently vessels loading at this terminal was normally charge USD 1,500.00

Extract of the "lump sum" port cost in USD based on GT:

Less than 50,000	11,250.00
180,001 - 190,000	17,580.00
270,001 - 280,000	21,600.00
390,001 and above	27,000.00

The complete tariff is available by contacting INTERTANKO.
Email: steinar.digre@intertanko.com

The state agency informs that the reason behind the new tariff is to cover maintenance cost for the terminal including the cost for extending the marine services (pilotage, harbour master, mooring/unmooring, etc.) to a foreign company.

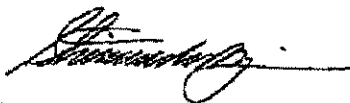
INTERTANKO endeavours to have the implementation postponed in order for the industry to adapt to the new situation in the freight market. Proforma disbursement account calculated on the new tariffs have already been received by tanker operators.

The Worldscale Association has been informed. INTERTANKO is also seeking advice from various sources including investigating the validity of such increase vs. the UN Sanction.

INTERTANKO would like to know the recent status of the sanctions against Iraq, and specifically the legality for Iraq to charge (traditional) port costs. We are in some urgency to clarify this issue in order for the Worldscale Association and INTERTANKO to advise the worlds oil transport operators.

We kindly request your assistance in directing this fax to the correct section/person within the United Nations.

Kind regards



Steinar Kr. Digre
Ports & Terminals Section
☎ (direct): +47 22122655
E-mail: steinar.digre@intertanko.com

*** TX RAPPORT ***

VERZENDING OK

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#

telex no 4
basrah 23/5/2000

To: United Nations (OIP)

Attn: Ms. Stephani Scheer

to: urso s.a. geneva
fm: iscwat basrah

As promised.

mt''

in order to cover cost of maintenance of al-bakroil terminal
and cost of extending marine services such as tugs pilotage
harbpor
master, mooring/unmooring etc. we have entrusted this operation
to messrs .

alia for transportation and general trade company,
amman - jordan
p.o box : 51399 amman - jordan
telefax : (009626)5603102
tel : (009626)5690588
telex no : 12382 or tllex no 21921

MR. SAUD

to extend these services against cost to be applied on grt of
tankers as per list attached.
please take note and do needful to transfer these costs to
aforesaid company's account no...

the jordan national bank
account no. 15/8583/03
tlx no : 21343
p.o. box 3103 amman - jordan
correspondent bank:
american express bank n.y.
swift code : adibus 33
account no. 00722082

prior arrival of tanker to al-baker terminal enabling meet
tanker and permit her berthing and loading with effect from
1/6/2000.

iraqi state co. for water transport - basrah
((as agents))

S049748



Gunnar Knudsen <Gunnar.Knudsen@intertanko.com> on 05/10/2000 03:34:38
M

To:

cc: "takeshi.oyagi@mail.mol.co.jp" <takeshi.oyagi@mail.mol.co.jp>, "ahil@chevron.com" <ahil@chevron.com>, "mahonsk@bp.com" <mahonsk@bp.com>, "jan.sonesson@stena.com" <jan.sonesson@stena.com>, "TimNap@acomarit.com" <TimNap@acomarit.com>, "kis1@hellespont.com" <kis1@hellespont.com>, "skpark@skshipping.com" <skpark@skshipping.com>, "eurotank@hol.gr" <eurotank@hol.gr>, Graham Brett@Saybolt, "jpupkin@Westernpetroleum.ch" <jpupkin@Westernpetroleum.ch>, "Michael.Sturesson@gacdx.com" <Michael.Sturesson@gacdx.com>, "EMAIL@SUNENTERPRISES.GR" <EMAIL@SUNENTERPRISES.GR>

Subject: FW: Mina al Bakr port clearance denied

Dear all,

A member vessel has just lost fixture due to Iraqi refusal of loadport clearance. The vessel had loaded Mina al Bakr in June 2000 without paying requested dues.

INTERTANKO finds what appears to be a random escalation of black listing/refusal of ships totally unacceptable and the attached message has therefore just been sent to the Office for the Iraq Programme at the UN. The undersigned has also called Ms. Scheer's office to put further emphasis on the importance of implementing immediate measures towards normal port conditions. You will all be kept posted of any further development.

Kind regards
Gunnar A. Knudsen
INTERTANKO

Bogstadvn. 27B, P.O.Box 5804, Majorstua
N-0308 OSLO NORWAY
Tel: + 47 22 12 26 58 / Fax: + 47 22 12 26 41
Visit INTERTANKO at <http://www.intertanko.com>
Mailto:gunnar.knudsen@intertanko.com
[GAK\2000.2\EURON002]



- UNITE002.DOC

S052551



INTERTANKO

The International Association of Independent Tanker Owners
FOR SAFE TRANSPORT, CLEANER SEAS AND FREE COMPETITION

TELEFAX

NUMBER OF PAGES: 2

Ms Stephani L. Scheer
United Nations, Office of the Iraqi Programme
New York
U.S.A.

Fax No: 00 1 212 963 1984

Thursday, October 05, 2000
GAK/FI UNITE002.DOC

Dear Ms Scheer,

Further deterioration in Mina al Bakr

Reference is made to my fax dated 2 October 2000.

INTERTANKO has today received further alarming reports related to port operations in Mina al Bakr. A member vessel was about to be chartered for a crude oil cargo from Mina al Bakr but was finally turned down by the charterers as the Iraqis refused the ship load port clearance. The reason was the vessel's refusal to pay requested port disbursement during its previous call in June 2000. The owner understands that the black listing is pegged to the vessel and not to the owner, at least in the mentioned case.

We are extremely concerned to find that the announced black listing has developed into far more than an empty threat. In combination with the recent seven day "punishment" of another tanker, we see every reason to expect that the black listing is about to be escalated. It is most disturbing that main victims are owners refusing to breach UN Sanctions.

INTERTANKO therefore reiterates the urgent need for UN action against this Iraq aimed to remove black listing and bring port conditions back to normal.

We shall thank you to give this matter your urgent attention, and are awaiting your response.

HEAD OFFICE

Bogstadveien 27 B
P. O. Box 5804 Majorstua
0308 Oslo Norway

Phone: +47 22 12 26 40

Fax: +47 22 12 26 41

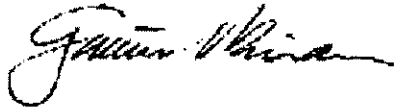
Web Site: www.intertanko.com

Managing Director: Svein A. Ringbakken
Asia Representative: Minerva Alfonso
London Representative: Robert M. Bishop
US Representative: Svein A. Ringbakken



ISO 9002
Certificate Number: 10114

Best regards



Gunnar A. Knudsen
☎ (direct): +47 22122658
E-mail: gunnar.knudsen@intertanko.com
Manager, Ports and Terminals Section
INTERTANKO



INTERTANKO

The International Association of Independent Tanker Owners
FOR SAFE TRANSPORT, CLEANER SEAS AND FREE COMPETITION

TELEFAX

NUMBER OF PAGES: 2

Ms Stephani L. Scheer
United Nations, Office of the Iranian Programme
New York
U.S.A.

Fax No: 00 1 212 963 1984

Monday, October 02, 2000
GAK/FI UNITE001.DOC

Dear Ms Scheer,

Detention of tanker at Mina al Bakr due to non-payment of port disbursements

We are INTERTANKO, the International Association of Independent Tanker Owners. INTERTANKO today comprises 260 Member companies in 45 maritime countries, now operating some 2,050 vessels, totalling about 162 million DWT of tanker and combined tonnage, or approximately 70% of the eligible tonnage. We also have 303 Associate Members, including oil companies, shipping agents, shipyards, law firms, ship brokers, insurance companies, consultants, marine suppliers and a host of other companies related to the tanker industry.

The issue of threatened black listing of ships has recently taken a turn for the worse as INTERTANKO has received a fresh report of a tanker being kept waiting for seven days due to non-payment of the dues. The owner's daily requests for berthing prospects were met with total silence and no explanation for the waiting time was offered.

The fact that the Iraqi suppliers now have decided to punish an operator who refuses to breach the Security Council sanctions regime creates an extremely difficult situation for owners and charterers. As per the Legal Department of the UN, payment of port cost as per the new tariff of 1 July 2000 has been termed illegal and in violation of the UN Sanctions, unless settled in Iraqi Dinars. As far as the writer and others consulted are informed, this currency is inaccessible for international banking purposes and can therefore not be considered a viable solution.

HEAD OFFICE

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P. O. Box 5804 Majorstua
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Web Site: www.intertanko.com

Managing Director: Svein A. Ringbakken
Asia Representative: Minerva Alfonso
London Representative: Robert M. Bishop
US Representative: Svein A. Ringbakken



ISO 9002
Certificate Number 3271

Monday, October 02, 2000

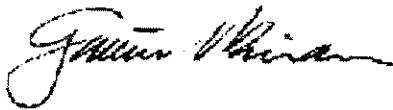
As an organisation representing the tanker industry, INTERTANKO finds it unacceptable that owners and charterers are faced with two impossible choices. Ships apparently risk either being detained for an unspecified period at the daily loss of some USD 60/70,000, or be forced to violate the UN Sanctions in order to ensure loading as per charter party. Alternatively owners may refuse to pay the requested port cost and take the chance of not being detained, which will introduce further uncertainty.

It will in light of the current situation we hereby invite the UN to inform us which efficient measures can be instigated in response to the Iraqi violation of the Security Council Resolution. These should be aimed to put an immediate stop to the unacceptable harassment of owners lifting crude from Mina al Bakr under the Oil-for-Food-Programme, or to introduce a method of payment, which owners can legally follow.

We hereby urgently invite your guidance and appropriate action on this vital issue, which will be brought to the prompt attention of the INTERTANKO membership.

In case you should wish to discuss the issue on the phone, I shall be pleased to hear from you.

Best regards



Gunnar A. Knudsen
Manager, Ports and Terminals Section
☎ (direct): +47 22122658
E-mail: gunnar.knudsen@intertanko.com
INTERTANKO



Gunnar Knudsen <Gunnar.Knudsen@intertanko.com> on 02/10/2000 12:56:06 PM

To: Steinar Kristian Digre <Steinar.Digre@intertanko.com>, Milly Tseng <Milly.Tseng@intertanko.com>, Management <Management@intertanko.com> (bcc: Graham Brett)

Subject: INTERTANKO request to UN ref. detention at Mina al Bakr

Dear all,

As a member vessel recently was detained at Mina al Bakr due to non-payment of illegal port disbursements, INTERTANKO has sent the attached request to UN who undoubtedly hold the key to finding a legal structure for the handling of port disbursements.

You will as usual be kept informed of all developments.

Kindly direct any questions and relevant new information to the undersigned.

Kind regards
Gunnar A. Knudsen

INTERTANKO
Bogstadvn. 27B, P.O.Box 5804, Majorstua
N-0308 OSLO NORWAY
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[GAK\2000.2\EURON001]



- UNITE001.DOC

UNITED NATIONS



NATIONS UNIES

OFFICE OF THE IRAQ PROGRAMME

FACSIMILE

To:	(SOURCE PROTECTED)	
From:	Stephani L. Scheer Chief of Office	Fax: +1 212 963 1984 Tel: +1 212 963 6350
Subject:	Iraqi port charges	
Date:	6 September 2000	Number of pages (including cover page): 2

I refer to your facsimile of today and the attached letter from regarding the concerns of lifters of Basrah light crude from Mina Al Bakr and port charges levied by the Government of Iraq.

In this connection, the question of the increase of port charges at Mina Al Bakr and Umm Qasr by the Government of Iraq was brought to our attention by Saybolt in June 2000. We turned to our Office of Legal Affairs for advice.

In their view, and in accordance with paragraph 4 of Security Council resolution 661 (1990) of 6 August 1990, which contains some of the basic provisions of the sanctions regime imposed by the Security Council against Iraq, all States are prohibited from making available to the Government of Iraq, or to any commercial, industrial or public utility undertaking in Iraq, any funds or any other financial or economic resources, and are required to prevent their nationals from making available to that Government or to any such undertaking any such funds or resources and from remitting any other funds to persons or bodies within Iraq. Paragraph 1 of Article 8 of Part II of the standard oil contract of the Iraqi State Oil Marketing Organization which was agreed upon between the United Nations and the Iraqi authorities provides that the buyer shall bear alone port dues and fees charged on vessels at the port of loading.

The Office of Legal Affairs, in a letter to the Chairman of the Security Council Committee established by resolution 661 (1990), dated 6 November 1997, took the position that payment to Iraqi entities of fees and other expenses deriving from port services, would not fall *per se* under paragraph 4 of resolution 661 (1990), if the shipping activity which generates them is lawful in every other respect in terms of the relevant Security Council resolutions, and provided that such fees and charges do not exceed what is customary in such circumstances.

Any such entities and charges, should, in principle, be limited to charges for the services rendered, be levied on a non-discriminatory basis, and be commensurate with whatever administrative expenses might reasonably be entailed in this respect. In light of the restrictions imposed by Security Council resolution 661 (1990), such fees and charges must be paid in Iraqi dinars only.



OFFICE OF THE IRAQ PROGRAMME

Therefore, the payment of port costs to the Iraqi authorities *per se* is not inconsistent with the sanctions regime imposed by the Security Council against Iraq so long as the charges in question do not exceed whatever might in the circumstances be customary and reasonable and so long as they are paid in Iraqi dinars.

We have learned, however, that the Government of Iraq is requesting that port charges be paid not to the Iraqi authorities, but to "alia for transportation and general trade company, Amman - Jordan" which has been entrusted with the operation of the ports in question, and that payments should be deposited in the account of that company in the Jordan National Bank.

If and in so far as "alia for transportation and general trade company, Amman - Jordan" is a Jordanian company and not an instrument or agency of the Government of Iraq, the measures which have been imposed by the Security Council in respect of Iraq would not in any event apply. That having been said, it would appear that the Government of Iraq has entered into a contract with "alia for transportation and general trade company, Amman - Jordan" to provide port services in Iraq. The supply of services of this character would appear to be calculated to promote the import from or export to Iraq of products and commodities. That being so, it would appear that the rendering of such services in Iraq would be prohibited by Security Council resolution 661 (1990). Such services might only be lawfully provided in the event that their provision has been approved by the Security Council Committee. As far as we are aware, no application has been made to the Security Council Committee in respect of the provision of port services by "alia for transportation and general trade company, Amman - Jordan" to the Government of Iraq, nor has the Security Council Committee granted approval of any such arrangement.

Therefore, no payment should be made to the company concerned unless and until its contract with the Iraqi authorities has been approved by the Security Council Committee. In the absence of such approval, any payment deposited in the Jordan National Bank would be in violation of the sanctions regime established by the Security Council.

In a letter dated 27 June 2000, addressed to the Permanent Representative of Iraq to the United Nations, the Executive Director asked that this matter of concern be brought to the attention of the relevant authorities in Iraq.

Best regards.

Stephane Schen

Copies to:

Graham Brett
15/08/2000 05:27 PM

To: steinar.digre@intertanko.com
cc:

Subject: PORT COSTS AT MINA AL-BAKR, IRAQ.

TO: INTERTANKO, OSLO
FAO: CAPT STEINER KR. DIGRE

CC: PETER BOKS, SAYBOLT, ROTTERDAM
CC: ALEXANDER KRAMAR, UN OIL OVERSEER, UNITED NATIONS, NY
CC: STEPHANI SCHEER, OIP, UNITED NATIONS, NY
CC: CDR DON BUNN, MIF, BAHRAIN

RE: LEGALITY OF CHARGING PORT COSTS AT AL-BAKR, IRAQ

Dear Sir,

In response to your Fax dated 11th August, 2000, regarding the so-called "Port Costs" at Mina al-Bakr, and the copy of a message from Cdr Don Bunn, MIF, Bahrain dated 10th August (but with the address blanked out) forwarded with the same Fax, we feel that it would be inappropriate for us to comment on any remarks made by Cdr Don Bunn.


Regarding the issue of the "Port Fees" we can only reiterate that we have been verbally advised by the United Nations that, in the opinion of their legal department, any payment of such fees to any entity in Amman would be considered as being in contravention of United Nations Security Council Resolutions concerning the situation in Iraq.

Kindest regards,

Graham Brett

All our activities are carried out under our general terms and conditions and in accordance with our code of practice. The general conditions can be consulted at <http://www.Saybolt.com/>, and will be sent upon request free of charge.

The information in this message is confidential and may be legally privileged. It is intended solely for the addressee(s). Access to this message by anyone else is unauthorised. If you

 Peter Boks
10/08/2000 10:02 AM

To: Graham Brett@Saybolt
cc:
Subject: 90 Day's report

Dec - 31
Jan - 31
Feb - 29
MAR - 31
APR - 30
MAY - 31

The Oil Sector

1. MINA AL-BAKR
=====

183

Conditions on Mina al-Bakr Terminal continue to be of considerable concern. A Team of Experts have visited Mina Al Bakr early this year and only limited improvement has been seen observed since the attendance at Mina al-Bakr of the United Nations Team in April 1999, and unsafe and unhygienic working conditions and practices continue.

Notwithstanding, during the period, a total nett volume of 189,419,108 barrels of Basrah Light Oil has been loaded from Mina al-Bakr, averaging 1,035,077 barrels per day.

Wear and tear of the loading terminal is apparent and certainly influenced by the increase in the export of Crude Oil through the terminal in comparison to the start of the program.

2. BOTAS TERMINAL, CEYHAN, TURKEY
=====

2.1. Transfer of Kirkuk Crude Oil from Iraq to Turkey via the Iraq/Turkey Pipeline have continued uninterrupted throughout the period, and have averaged 732,900 barrels per day.

2.2. The flow of oil from Iraq to Turkey is continuously monitored at both the border crossing point at Zahko, and into the storage tanks at Ceyhan. A daily reconciliation of these volumes is made to ensure that no crude oil can be diverted.

2.3. The volume of oil loaded to vessels at Ceyhan to 11 August 2000 under the supervision of the UN Monitors is 134,118,885 barrels.

3. MONITORING OF OIL SPARE PARTS AND EQUIPMENT
=====

3.1. The arrival of oil spare parts and equipment under Phase 4 (___ shipments), Phase 5 (___ shipments) and Phase 6 (___ shipments) continues at an increasing pace; as of 11 August 2000 a total of ___



"Benon Sevan" <sevan@un.org> on 15/11/2000 06:22:59 PM

To: Graham Brett@Saybolt
cc:

Subject: New Headaches

Dear Graham,

Can you please kindly enlighten me regarding the latest moves by Iraq regarding 50 cents per barrel charge they want from the importers of oil? To what account is the money being deposited? This is yet another addition to the demands they have made about deducting 1.5 Euros per barrel. You must have seen the news reports on the subject. I do hope these matters are being discussed by Peter while in Baghdad with SOMO. Ask him please to give me a call on his return to Holland.

With warm personal regards,

Benon

S052673

Peter, is section [] ok?



Graham Brett
20/11/2000 10:47 AM

regards

G

To: scheer@un.org
cc:

cc
3

Subject: 180 Day Report

Dear Stephanie,

Please see below input for 180 day report. I have incorporated the figures from our Baghdad office (which you received under copy) and made some alterations to the SOP's (as discussed over the weekend).

Please note we have only been able to calculate the arrival details for period June 1st to Oct 31st 2000; if you specifically require from June 9th this will require a lot of re-programming in Baghdad but can be done - please advise. The actual affect, especially as the cut-off date is somewhat before the 180 days, is minimal.

=====

OIL PRODUCTION & SALE OF PETROLEUM AND PETROLEUM PRODUCTS

1) Mina al-Bakr

1.1. During the period of review crude oil loadings have continued from the Mina al-Bakr oil platform, situated in the Persian Gulf, under the supervision of the Saybolt monitoring team which consists of six monitors.

1.2. During the review period the total net volume of Crude Oil delivered to vessels was 185,055,977 barrels, as ascertained by reference to the vessels calibration charts. This equates to an average of 1,285,111 barrels per day.

1.3. There has been little, if any, improvement in the living conditions encountered on Mina al-Bakr. The replacement Reverse Osmosis Unit continues to function, and the original unit remains under repair. The water quality output from the R/O unit is acceptable for general use, albeit somewhat discoloured on occasion, and there is an adequate supply of bottled drinking water. No improvements have been noted in the general safety arrangements on the platform, nor in the transportation arrangements to and from shore. The two Life Boats delivered under the MOU remain stored on Platform "B" as the davits required for launching, although now "in-country", have yet to be delivered to Mina al-Bakr. The quality of food remains poor.

2. MS-1 Metering Station, Zahko

2.1. During the period under review the transfer of Crude Oil from Iraq via the Iraq/Turkey Pipeline to the Botas Terminal, Ceyhan, Turkey has continued under the supervision of the Saybolt monitoring team which consists of three members.

2.2. During the period the volume of Crude Oil monitored through the metering banks at the MS-1 Metering Station, Zahko, was 120,537,358 barrels.

3. Botas Terminal, Ceyhan, Turkey

3.1. During the period under review the receipt of Crude Oil from Iraq via the Iraq/Turkey Pipeline at the Botas Terminal has continued under the supervision of the Saybolt monitoring team, which consists of five members.

3.2. During the period the volume of Crude Oil monitored into the receiving storage tanks at the Botas Terminal, ascertained by reference to storage tank calibration charts, was 121,213,534 barrels, equating to an average of 841,760 barrels per day.

3.3. The total net volume of Crude Oil delivered to vessels was 120,569,240 barrels, as ascertained by reference to the vessels calibration charts. This equates to an average of 837,286 barrels per day.

4. Overall Crude Oil Exports

4.1. The total net volume of Crude Oil exported from Mina al-Bakr and Ceyhan during the period, as monitored by Saybolt, was 305,625,217 barrels or an average of 2,122,397 barrels per day.

4.2. Of the total volume exported, 39.45% of the volume was via Ceyhan and 60.55% of the volume was via Mina al-Bakr.

MONITORING OF OIL SPARE PARTS & EQUIPMENT

5. Data regarding arrival of oil spare parts & equipment.

5.1. Analysis:

	<u>No's</u>	<u>US\$ Value(M) *</u>
a) Complete contracts delivered and accepted	228	86.7
b) Contracts delivered but under LOD's	63	5.2
c) Contracts arrived, but not checked or awaiting technical report from receivers	21	(2.1)**
d) Partial deliveries received	<u>140</u>	<u>33.1</u>
e) Total shipments	452	123.1
	===	=====

* These values calculated as per formula applied in previous 90 and 180 day reports.

** This is a negative value thrown up by the system as the value in this period - for this sector - is less than value for previous period.

Please Note: From 1 to 16th November 2000, an amount of US \$ 30.2 M of contracts were opened, the bulk accounted for by US \$ 14.25 M for Comm No 630672, US \$ 6.725 M for Comm No 00394 and US \$ 6.0 M for Comm No 630157.

6. Frequency of monitoring visits.

6.1. During the period the Saybolt monitoring team carried out 586 site visits throughout Iraq.

7. Number of monitors and planned increase.

7.1. The Saybolt oil spare parts & equipment monitoring team is based in Baghdad.

and consists of six team members.

7.2 Team members routinely visit the South and the North once a week, covering all the various warehouses in each area. Owing to the increasing volume of oil spare parts & equipment deliveries, each trip now takes at least three days to complete. Warehouses in the vicinity of Baghdad, which can be visited in one working day, are covered by the monitors from the Baghdad office.

Baghdad Area:

Abu Ghraib premises
Daura Refinery premises
Gas Filling Company premises
Oil Exploration Company premises
Pipeline Company premises
SADOP premises
Iraq Drilling Company premises
State Company for Oil Projects premises
SOMO
Ministry of Oil

Southern Area:

General Company for Ports in Iraq premises
South Gas Company premises
South Oil Company premises
South Oil Gas Plant premises

Northern Area:

North Gas Industries premises
North Oil Company premises
North Refinery, Beiji premises

7.3 An increase in the numbers of spare parts & equipment monitors deployed in Iraq is considered necessary, as a result of:-

a) The increasing number of oil spare parts & equipment contracts requiring special monitoring, and/or end use/user monitoring, and

b) The overall increase in the volume of oil spare parts & equipment resulting from the doubling of the allocation from US\$ 600 Million per phase. 300 Million to US\$

7.4. The intention is to only increase the number of monitors in line with increased rate of arrival of oil spare parts & equipment, and the required monitoring activities. The monitors work in teams of two people. The increased throughput of spare parts & equipment deliveries now necessitates a permanent office manager in Baghdad. Based on current best estimates it is envisaged that an immediate increase of two monitors, plus the office manager, is necessary. A further four to six monitors are estimated to be required as the arrival rate of oil spare parts and equipment increases.

8. Special monitoring procedures/improvements in the monitoring of oil spare parts & equipment inside Iraq.

8.1. A number of Special Operating Procedures (SOP's) have been designated by the Office of the Iraq Program regarding specialized monitoring of certain contracts. Examples of these during the period cover:

- a) the monitoring and confirmation of studies carried out at the Daura Refinery to enable the contracting of specialized repairs and maintenance;
- b) the on-going monitoring of construction of storage tanks at K3, Haditha;
- c) the monitoring of on-going construction of two crude oil de-gassing and de-watering plants at South Rumailah.

9. New guidelines for end use/user monitoring drafted by the group of experts established pursuant to paragraph 18 of resolution 1284 (1999).

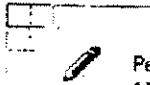
9.1. The group of experts has now published a comprehensive listing of 245 Comm Mo's that require end use/user monitoring, and the Saybolt monitoring team have recently commenced special visits to carry out these requirements, which are reported separately from their normal monitoring activities.

9.2. The listing of special end use/user monitoring requirements is updated on a monthly basis by the group of experts.

=====
Hope the move went well, and you are now all safely installed. Please call if anything else required; the weekly report has been amended and resent regarding Ceyhan.

Kindest regards,

Graham Brett



Peter Boks
17/11/2000 08:56 PM

To: Graham Brett
cc:

Subject: 90 DAY REPORT

Graham,

This is an old version of our input for the 90 day's report

PB

----- Forwarded by Peter Boks/Saybolt/NL on 11/17/2000 08:56 PM -----

From: Peter Boks on 08/10/99 03:30 PM

To: Scheer@un.org
cc:

Subject: 90 DAY REPORT

Dear Stephani,

Please find herewith our reply to your telefax concerning the 90 day report.

I hope it's sufficient, if not please call me.

1. OIL SECTOR
=====

1.1. Mina al-Bakr:-

Since the publication of the UNIKOM report on Mina al-Bakr there has been absolutely no action taken.

In fact, conditions have significantly deteriorated in that :-

a) The reverse osmosis unit was, as of w/e June 11th, operated on a severely restricted basis (3 hrs a day) and as of w/e July 30th completely ceased to operate. We are now dependent (again) on water supplies for personal hygiene and washing from shore, of decidedly dubious origin and quality and intermittent supply. Ambient daytime temperatures of 45/50 degrees C are routine.

b) The quality of food, food preparation and availability of fresh produce has further deteriorated.

c) There is done hardly any maintenance on the terminal which has resulted in an unhygienic environment with unsafe working conditions.

Author: Graham Brett at SAYNLRDM

Date: 1-5-97 14:49

Priority: Normal

Receipt Requested

TO: COMTEXT FAX=UT 12129631300 at COMTEXT

CC: Peter Boks at LMEF

TO: COMTEXT FAX=UT 2129631628 at COMTEXT

BCC: SAYBOLT NB_02

Subject: "OIL FOR FOOD" PROGRAM - 'HISTRIA PRESTIGE" A/C TRAFIGURA

UN
Reports

----- Message Contents -----

TO: UNITED NATIONS, NEW YORK
FAO: MR JING ZHANG WAN

CC: UNITED NATIONS, NEW YORK
FAO: MR JOSEPH STEPHANIDES

CC: UNITED NATIONS, NEW YORK
FAO: THE OVERSEERS

CC: MR PETER BOKS

FROM: SAYBOLT EASTERN HEMISPHERE BV

DATE: MAY 1ST 1997

TIMED AT: 1445 HRS LOCAL TIME

RE: TV "HISTRIA PRESTIGE" A/C TRAFIGURA B/L DD 26/03/97
KIRKUK CRUDE EX CEYHAN

Dear Mr Jing,

Your Fax to Mr Peter Boks dd 22 April 1997 refers. As Mr Boks is currently in Ceyhan with the United Nations I am replying to same.

Regarding the loading of the above vessel at Ceyhan which completed loading at 0945 Hrs 26/03/97 for the account of Trafigura Beheer BV, Amsterdam, against Contract #/M/01/03 and L/C BNP Reference No L705531 we would like to clarify the following points:-

- 1) The agreed format between SOMO and the UN for the calculation of loaded quantities at Ceyhan, in the absence of a certified metering system and accurate shore tank calibration charts, is to measure vessels tanks on completion of loading and adjust for OBO quantity and VEF.
- 2) The vessel "Histria Prestige" presented at Ceyhan after an extended period in dry dock during which alterations were made to the deck ullage points to allow use of MMC-type measuring apparatus. The vessels calibration charts, as presented, were not adjusted for this structural alteration.
- 3) VEF factor calculations require reference to the last ten (10) full cargo movements; these were not available.
- 4) In view of 2) and 3) above, Shore Tank measurements were taken for reference and as a check.
- 5) On completion of loading there was an apparent difference between the vessels figures (by reference to calibration charts) and shore figure, as follows:-

S054456

Vessel 986,182 barrels
Shore 958,106 barrels
which equates to 28,076 barrels or 2.85%.

6) The UN/Saybolt team contacted both the UN Overseers and SOMO representatives at Ceyhan to advise this large discrepancy. The UN advised that the loaded figure should be based on the vessels figures (following normal procedures) and SOMO verbally advised that on establishment of the outturn of the vessel they would make an "adjustment" with Trafigura either by volume on a future lifting, or financially.

7) The Bill of Lading was prepared and issued by SOMO at Ceyhan.

8) Catoni Persa, acting on behalf of Trafigura, issued a Letter of Reserve to SOMO, Ceyhan, regarding the unreasonable discrepancy between ship and shore.

There is no doubt that the vessels figures are overstated as a result of a lack of VEF factor, and erroneous calibration charts. This is supported by the eventual outturn in Constanza which Trafigura advise (as per their independent inspector, Tomis Oil Maritime S.R.L.) was 948,538 barrels.

Vessel's figures on arrival at Constanza were reported as 990,153 barrels against 986,182 barrels after loading at Ceyhan.

This gives an outturn shortage against vessels figures at loadport of 37,644 barrels (3.82%) and outturn shortage against vessels arrival figures of 41,615 barrels (4.21%).

Ships sailing figures at Ceyhan (986,182 barrels) only differ from ships arrival figures at Constanza (990,153 barrels) by 3,971 barrels (0.40%).

Comparison between the shore figure at Ceyhan (958,106 barrels) and discharged quantity at Constanza (948,538 barrels) gives a difference of 9,568 barrels (1.0%).

Given that there is an established difference between:-

- shore Ceyhan and shore Constanza of 1.0%
- ships loading figures and shore Constanza of 3.82%
- ships loading figures and shore Ceyhan of 2.86%

the apparent overstatement of the vessels figures, used to establish the Bill of Lading at loadport, equates to the 28,076 barrels difference noted between ship and shore on completion of loading. The shore figure Ceyhan (958,106 barrels) would therefore be the most equitable estimate, given above circumstances, of shipped volume.

On the matter of the most recent pipeline sabotage we are advised that the repairs will be completed today; on resumption of deliveries via the 40" line we will advise. There has been no apparent spillage or oil loss as a result of the incident.

Should you require any further information on the "Histris Prestige" please do not hesitate to contact me.

Regards,

Graham Brett
Coordinator
Saybolt UN

United Nations  Nations Unies
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

BC, AK, M
AM, JW, E

TO: Mr. Joseph Stephanid., Deputy Chief
A Security Council Affairs Division and
Chief, Security Council Subsidiary Organs Branch

DATE: 18 April 1997

THROUGH:
S.C.D.

REFERENCE:

FROM: Suzanne Bishopric
OF: Treasurer



SUBJECT: Anticipated claim from Trafigura, Ltd.
OBJET:

1. On Tuesday 15 April 1997, Mr. Maurice Lorenz, Oil Overseer, advised me that the bill of lading for oil purchased by Trafigura, Ltd. may have overstated the quantity actually loaded on the vessel, Histria Prestige. The shipment was loaded on 26 March 1997 at Ceyhan, Turkey. The attached report, number 29058/97 dated 26 March 1997 from Saybolt refers.
2. The bill of lading, commercial invoice from S.O.M.O., 30 days' draft and the other documents required under the letter of credit had already been presented to Banque Nationale de Paris for payment. The bank had advised Treasury that the documents conformed with the terms of letter of credit number L705531 and that payment in the amount of \$16,027,303.14 would be made into the United Nations Iraq Account on 25 April 1997.
3. The UN Oil Overseers were advised by Trafigura, Ltd. that the Histria Prestige had recently been in dry dock and adjustments were made to the reference heights of the ship's tanks, thereby causing the ship's ullages to be inaccurate. My understanding from the Overseers is that Trafigura, Ltd. claims to have been overcharged by approximately 28,000 barrels or about \$1,000,000. Trafigura, Ltd. has provided the Overseers with the attached report which appears to bear the number 51070/97 dated 26 March 1997 from Saybolt.
4. Under the circumstances, it would be advisable to reserve \$1,000,000 of the amount anticipated to be deposited into the United Nations Iraq Account until the potential claim is resolved.
5. I should appreciate it if the Overseers would notify Treasury at the earliest possible moment if there should ever be a dispute regarding the value of cargoes shipped, in light of the expedited procedures. Such notification would reduce the risk that funds might be allotted or distributed which should be reserved for the settlement of claims.

cc: Mr. Halbwachs
The Overseers
Mr. Rashkow
Mr. Hosang
Mr. Gilpin

4 1/2

Author: Graham Brett at SAYNLRDM

Date: 24-4-97 11:57

Priority: Normal

TO: COMTEXT FAX=UT 12129631300 at COMTEXT

CC: Peter Boks at LMEF

TO: COMTEXT FAX=UT 2129631628 at COMTEXT

TO: COMTEXT FAX=GG 1712624101 at COMTEXT

TO: COMTEXT FAX=IK 12853925 at COMTEXT

Subject: "OIL FOR FOOD" PROGRAM - "HISTRIA PRESTIGE" A/C TRAFIGURA

----- Message Contents -----

TO: UNITED NATIONS, NEW YORK
FAO: MR JOSEPH STEPHANIDES

TO: UNITED NATIONS, NEW YORK
FAO: THE OVERSEERS

TO: SOMO, BAGHDAD
FAO: MR FARJO

CC: TRAFIGURA, LONDON
FAO: STUART WHITELOCK

CC: MR PETER BOKS

FROM: SAYBOLT EASTERN HEMISPHERE BV

DATE: APRIL 24TH 1997

TIMED AT:

RE: TV "HISTRIA PRESTIGE" A/C TRAFIGURA B/L DD 26/03/97
KIRKUK CRUDE EX CEYHAN

Gentlemen,

Regarding the loading of the above vessel at Ceyhan which completed loading at 0945 Hrs 26/03/97 for the account of Trafigura Beheer BV, Amsterdam, against Contract #/M/01/03 and L/C BNP Reference No L105531, we would like to clarify the following points:-

- 1) The agreed format between SOMO and the UN for the calculation of loaded quantities at Ceyhan, in the absence of a certified metering system and accurate shore tank calibration charts, is to measure vessels tanks on completion of loading and adjust for OBQ quantity and VEF.
- 2) The vessel "Histria Prestige" presented at Ceyhan after an extended period in dry dock during which alterations were made to the deck ullage points to allow use of MMC-type measuring apparatus. The vessels calibration charts, as presented, were not adjusted for this structural alteration.
- 3) VEF factor calculations require reference to the last ten (10) full cargo movements; these were not available.
- 4) In view of 2) and 3) above, Shore Tank measurements were taken as a check.
- 5) On completion of loading there was an apparent difference between the vessels figures (by reference to calibration charts) and shore figure, as follows:-

Vessel	986,182 barrels
Shore	958,106 barrels

which equates to 28,076 barrels or 2.85%.
- 6) The UN/Saybolt team contacted both the UN Overseers and SOMO representatives at Ceyhan to advise this large discrepancy. The

UN advised that the loaded figure should be based on the vessel figures and SOMO verbally advised that on establishment of the outturn of the vessel they would make an "adjustment" with Trafigura either by volume on a future lifting, or financially.
7) The Bill of Lading was prepared and issued by SOMO at Ceyhan.
8) Catoni Persa, acting on behalf of Trafigura, issued a Letter of Reserve to SOMO, Ceyhan, regarding the unreasonable discrepancy between ship and shore.

There is no doubt that the vessels figures are overstated as a result of a lack of VEF factor, and erroneous calibration charts. This is supported by the eventual outturn in Constanza which Trafigura advise as per their independent inspector, Tomis Oil Maritime S.R.L., was 948,538 barrels.

Vessel's figures on arrival at Constanza were reported as 990,153 barrels against 986,182 barrels after loading at Ceyhan.

This gives an outturn shortage against vessels figures at loadport of 37,644 barrels (3.82%) and outturn shortage against vessels arrival figures of 41,615 barrels (4.21%).

Ships sailing figures at Ceyhan (986,182 barrels) only differ from ships arrival figures at Constanza (990,153 barrels) by 3,971 barrels (0.40%).

Comparison between the shore figure at Ceyhan (958,106 barrels) and discharged quantity at Constanza (948,538 barrels) gives a difference of 9,568 barrels (1.0%)

Given that there is an established difference between:-

- shore Ceyhan and shore Constanza of 1.0%
- ships loading figures and shore Constanza of 3.82%
- ships loading figures and shore Ceyhan of 2.86%

the apparent overstatement of the vessels figures at loadport equates to the 28,076 barrels difference noted between ship and shore on completion of loading. The shore figure Ceyhan (958,106 barrels) would therefore be the most equitable estimate, given above circumstances, of shipped volume.

Regards,

Graham Brett

*used to establish
S/L*

MEMORANDUM OF UNDERSTANDING
BETWEEN THE SECRETARIAT
OF THE UNITED NATIONS
AND
THE GOVERNMENT OF IRAQ
ON THE IMPLEMENTATION OF
SECURITY COUNCIL RESOLUTION 986 (1995)

para 41

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Section I

General provisions

1. The purpose of this Memorandum of Understanding is to ensure the effective implementation of Security Council resolution 986 (1995) (hereinafter the Resolution).
2. The Distribution Plan referred to in paragraph 8 (a) (ii) of the Resolution, which has to be approved by the Secretary-General of the United Nations, constitutes an important element in the implementation of the Resolution.
3. Nothing in the present Memorandum should be construed as infringing upon the sovereignty or territorial integrity of Iraq.
4. The provisions of the present Memorandum pertain strictly and exclusively to the implementation of the Resolution and, as such, in no way create a precedent. It is also understood that the arrangement provided for in the Memorandum is an exceptional and temporary measure.

Section II

Distribution Plan

5. The Government of Iraq undertakes to effectively guarantee equitable distribution to the Iraqi population throughout the country of medicine, health supplies, foodstuffs, and materials and supplies for essential civilian needs (hereinafter humanitarian supplies) purchased with the proceeds of the sale of Iraqi petroleum and petroleum products.
6. To this end, the Government of Iraq shall prepare a Distribution Plan describing in detail the procedures to be followed by the competent Iraqi authorities with a view to ensuring such distribution. The present distribution system of such supplies, the prevailing needs and humanitarian conditions in the various Governorates of Iraq shall be taken into consideration with due regard to the sovereignty of Iraq and the national unity of its population. The plan shall include a categorized list of the supplies and goods that Iraq intends to purchase and import for this purpose on a six-month basis.

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7. The part of the Distribution Plan related to the three northern Governorates of Arbil, Dihouk and Suleimaniyeh shall be prepared in accordance with Annex I, which constitutes an integral part of this Memorandum.
8. The Distribution Plan shall be submitted to the Secretary-General of the United Nations for approval. If the Secretary-General is satisfied that the plan adequately ensures equitable distribution of humanitarian supplies to the Iraqi population throughout the country, he will so inform the Government of Iraq.
9. It is understood by the Parties to this Memorandum that the Secretary-General will not be in a position to report as required in paragraph 13 of the Resolution unless the plan prepared by the Government of Iraq meets with his approval.
10. Once the Secretary-General approves the plan, he will forward a copy of the categorized list of the supplies and goods, which constitutes a part of the plan, to the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait (hereinafter the 661 Committee) for information.
11. After the plan becomes operational, each Party to the present Memorandum may suggest to the other for its consideration a modification to the plan if it believes that such adjustment would improve the equitable distribution of humanitarian supplies and their adequacy.

Section III

Establishment of the escrow account and audit of that account

12. The Secretary-General, after consultations with the Government of Iraq, will select a major international bank and establish there the escrow account described in paragraph 7 of the Resolution, to be known as "the United Nations Iraq Account" (hereinafter the "Iraq Account"). The Secretary-General will negotiate the terms of this account with the bank and will keep the Government of Iraq fully informed of his actions in choosing the bank and opening the account. All transactions and

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deductions mandated by the Security Council under paragraph 8 of the Resolution shall be made from the "Iraq Account", which will be administered in accordance with the relevant Financial Regulations and Rules of the United Nations.

13. The Iraqi authorities might designate a senior banking official to liaise with the Secretariat of the United Nations on all banking matters relating to the "Iraq Account".

14. In accordance with the United Nations Financial Regulations, the "Iraq Account" will be audited by the Board of Auditors who are external independent public auditors. As provided for in the Regulations, the Board of Auditors will issue periodic reports on the audit of the financial statements relating to the account. Such reports will be submitted by the Board to the Secretary-General who will forward them to the 661 Committee and to the Government of Iraq.

15. Nothing in this Memorandum shall be interpreted to create a liability on the part of the United Nations for any purchase made by the Government of Iraq or any agents acting on its behalf pursuant to the provisions of the Resolution.

Section IV

Sale of petroleum and petroleum products originating in Iraq

16. Petroleum and petroleum products originating in Iraq will be exported via the Kirkuk-Yumurtalik pipeline through Turkey and from the Mina al-Bakr oil terminal. The 661 Committee will monitor the exports through those outlets to ensure that they are consistent with the Resolution. Transportation costs in Turkey will be covered by an additional amount of oil, as foreseen in the Resolution and in accordance with procedures to be established by the 661 Committee. The arrangement between Iraq and Turkey concerning the tariffs and payment modalities for the use of Turkish oil installations has been provided to the 661 Committee.

17. Each export of petroleum and petroleum products originating in Iraq shall be approved by the 661 Committee.

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18. Detailed provisions concerning the sale of Iraqi petroleum and petroleum products are contained in Annex II, which constitutes an integral part of this Memorandum.

Section V

Procurement and confirmation procedures

19. The purchase of medicine, health supplies, foodstuffs, and materials and supplies for essential civilian needs of the Iraqi population throughout the country, as referred to in paragraph 20 of resolution 687 (1991), will, subject to paragraph 20 below, be carried out by the Government of Iraq, will follow normal commercial practice and be on the basis of the relevant resolutions of the Security Council and procedures of the 661 Committee.
20. The purchase of humanitarian supplies for the three northern Governorates of Arbil, Dihouk and Suleimaniyeh, as provided for in the Distribution Plan, will be carried out in accordance with Annex I.
21. The Government of Iraq will, except as provided for in paragraph 20, contract directly with suppliers to arrange the purchase of supplies, and will conclude the appropriate contractual arrangements.
22. Each export of goods to Iraq shall be at the request of the Government of Iraq pursuant to paragraph 8 (a) of the Resolution. Accordingly, exporting states will submit all relevant documentation, including contracts, for all goods to be exported under the Resolution to the 661 Committee for appropriate action according to its procedures. It is understood that payment of the supplier from the "Iraq Account" can take place only for items purchased by Iraq that are included in the categorized list referred to in Section II of the present Memorandum. Should exceptional circumstances arise, applications for the export of additional items may be submitted to the 661 Committee for its consideration.

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23. As noted above, the 661 Committee will take action on applications for the export of goods to Iraq in accordance with its existing procedures subject to future modifications under paragraph 12 of the Resolution. The 661 Committee will inform the Government of Iraq, requesting States, and the Secretary-General of the actions taken on the requests submitted.

24. After the 661 Committee has taken action on the applications for export in accordance with its procedures, the Central Bank of Iraq will request the bank holding the "Iraq Account" to open irrevocable letters of credit in favour of the beneficiaries. Such requests shall be referred by the bank holding the "Iraq Account" to the United Nations Secretariat for approval of the opening of the letter of credit by the latter bank, allowing payment from the "Iraq Account" upon presentation of credit-conform documents. The letter of credit will require as condition of payment, *inter alia*, the submission to the bank holding the "Iraq Account" of the documents to be determined by the procedures established by the 661 Committee, including the confirmations by the agents referred to in paragraph 25 below. The United Nations, after consultations with the Government of Iraq, shall determine the clause to be inserted in all purchase orders, contracts and letters of credit regarding payment terms from the "Iraq Account". All charges incurred in Iraq are to be borne by the applicant, whereas all charges outside Iraq are for the account of the beneficiary.

25. The arrival of goods in Iraq purchased under the plan will be confirmed by independent inspection agents to be appointed by the Secretary-General. No payments can be made until the independent inspection agents provide the Secretary-General with authenticated confirmation that the exported goods concerned have arrived in Iraq.

26. The independent inspection agents may be stationed at relevant Iraqi entry points, customs areas or other locations where the functions set out in paragraph 27 of this Section can be performed. The number and location of the stationing points for the agents will be designated by the United Nations after consultations with the Government of Iraq.

27. The independent inspection agents will confirm delivery to Iraq of shipments. They will compare the appropriate documentation, such as bills of lading, other shipping documents or cargo manifests, and the documents issued by the 661 Committee, against goods actually arriving in Iraq. They will also have the authority to perform duties necessary for such

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confirmation, including: quantity inspection by weight or count, quality inspection including visual inspection, sampling, and, when necessary, laboratory testing.

28. The inspection agents will report all irregularities to the Secretary-General and to the 661 Committee. If the problem is related to normal commercial practice (e.g. some shortlanded goods), the 661 Committee and the Government of Iraq are informed, but normal commercial resolution practices (e.g. claims) go forth. If the matter is of serious concern, the independent inspection agents will hold the shipment in question pending guidance from the 661 Committee.

29. As regards the export to Iraq of parts and equipment which are essential for the safe operation of the Kirkuk-Yumurtalik pipeline system in Iraq, the requests will be submitted to the 661 Committee by the national Government of the supplier. Such requests will be considered for approval by the Committee in accordance with its procedures.

30. If the 661 Committee has approved a request in accordance with paragraph 29, the provisions of paragraph 24 shall apply. However, since the supplier can expect payment against future oil sales, as stated in paragraph 10 of the Resolution, the proceeds of which are to be deposited in the "Iraq Account", the bank holding the "Iraq Account" will issue an irrevocable letter of credit stipulating that payment can only be effected when at the time of drawing the "Iraq Account" has sufficient disposable funds and the United Nations Secretariat approves the payment.

31. The requirement of authenticated confirmation of arrival provided for in this Section shall apply also to the parts and equipment mentioned in paragraph 29.

Section VI

Distribution of humanitarian supplies purchased under the Distribution Plan

32. The distribution of humanitarian supplies shall be undertaken by the Government of Iraq in accordance with the Distribution Plan referred to in Section II of the present Memorandum. The Government of Iraq will keep the United Nations observation personnel informed about the implementation of the plan and the activities that the Government is undertaking.

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33. The distribution of humanitarian supplies in the three northern Governorates of Arbil, Dihouk and Suleimaniyeh shall be undertaken by the United Nations Inter-Agency Humanitarian Programme on behalf of the Government of Iraq under the Distribution Plan with due regard to the sovereignty and territorial integrity of Iraq in accordance with Annex I.

Section VII

Observation of the equitable distribution of humanitarian supplies and determination of their adequacy

GENERAL PROVISIONS

34. The United Nations observation process will be conducted by United Nations personnel in Iraq under the overall authority of the Department of Humanitarian Affairs at United Nations Headquarters in New York in accordance with the provisions described below. Such observation shall apply to the distribution of humanitarian supplies financed in accordance with the procedures set out in the Resolution.

35. The objectives of the United Nations observation process shall be:

- (a) to confirm whether the equitable distribution of humanitarian supplies to the Iraqi population throughout the country has been ensured;
- (b) to ensure the effectiveness of the operation and determine the adequacy of the available resources to meet Iraq's humanitarian needs.

OBSERVATION PROCEDURES

36. In observing the equitable distribution and its adequacy, United Nations personnel will use, inter alia, the following procedures.

Food items

37. The observation of the equitability of food distribution will be based on information obtained from local markets throughout Iraq--the Iraqi Ministry of Trade, the information available to the United Nations and its specialized agencies on food imports, and on sample surveys conducted by United Nations personnel. The observation will also include the quantity and prices of food items imported under the Resolution.

38. To provide regular updated observation of the most pressing needs, a survey undertaken by United Nations agencies in cooperation with the appropriate Iraqi ministries will serve as a baseline for the continuing observation of nutritional status of the population of Iraq. This information will take account of public health data generated by the Ministry of Health (MOH) and the relevant United Nations agencies.

Medical supplies and equipment

39. Observation regarding distribution of medical supplies and equipment will focus on the existing distribution and storage system and will involve visits to hospitals, clinics as well as medical and pharmaceutical facilities where such supplies and equipment are stored. Such observation will also be guided by health statistics data from MOH and surveys by relevant United Nations agencies.

Water/sanitation supplies and equipment

40. Observation of distribution of water/sanitation supplies and equipment will focus on the determination that they are used for their intended purposes. Confirmation will be carried out by collecting data on the incidence of water-borne diseases and by water quality control checks by visits to water and sanitation facilities by representatives of relevant United Nations agencies. In this regard the United Nations will rely on all relevant indicators.

Other materials and supplies

41. With reference to materials and supplies which do not fall within the three areas indicated above, in particular, those needed for the rehabilitation of infrastructures essential to

meet humanitarian needs, observation will focus on confirmation that such materials and supplies are delivered to the predefined destinations in accordance with the Distribution Plan and that they are used for their intended purposes, and on the determination of whether these materials and supplies are adequate to meet essential needs of the Iraqi population.

COORDINATION AND COOPERATION

42. The United Nations observation activities will be coordinated by the Department of Humanitarian Affairs at United Nations Headquarters in New York. Observation will be undertaken by United Nations personnel. The exact number of such personnel will be determined by the United Nations taking into account the practical requirements. The Government of Iraq will be consulted in this regard.

43. The Iraqi authorities will provide to United Nations personnel the assistance required to facilitate the performance of their functions. United Nations personnel will coordinate with the Iraqi competent authorities.

44. In view of the importance of the functions which United Nations personnel will perform in accordance with the provisions of this Section of the Memorandum, such personnel shall have, in connection with the performance of their functions, unrestricted freedom of movement, access to documentary material which they find relevant having discussed the matter with the Iraqi authorities concerned, and the possibility to make such contacts as they find essential.

Section VIII

Privileges and Immunities

45. In order to facilitate the successful implementation of the Resolution the following provisions concerning privileges and immunities shall apply:

- (a) officials of the United Nations and of any of the Specialized Agencies performing functions in connection with the implementation of the Resolution shall enjoy the privileges and immunities applicable to them under Articles V and VII of the Convention on the Privileges and Immunities of the United Nations, or Articles VI and VIII of the Convention on the Privileges and Immunities of the Specialized Agencies to which Iraq is a party;
- (b) independent inspection agents, technical experts and other specialists appointed by the Secretary-General of the United Nations or by heads of the Specialized Agencies concerned and performing functions in connection with the implementation of the Resolution, whose names will be communicated to the Government of Iraq, shall enjoy the privileges and immunities accorded to experts on mission for the United Nations or for the Specialized Agency under Article VI of the Convention on the Privileges and Immunities of the United Nations or the relevant Annexes of the Convention on the Privileges and Immunities of the Specialized Agencies respectively;
- (c) persons performing contractual services for the United Nations in connection with the implementation of the Resolution, whose names will be communicated to the Government of Iraq, shall enjoy the privileges and immunities referred to in sub-paragraph (b) above concerning experts on mission appointed by the United Nations.
46. In addition, officials, experts and other personnel referred to in paragraph 45 above shall have the right of unimpeded entry into and exit from Iraq and shall be issued visas by the Iraqi authorities promptly and free of charge.
47. It is further understood that the United Nations and its Specialized Agencies shall enjoy freedom of entry into and exit from Iraq without delay or hindrance of supplies, equipment and means of surface transport required for the implementation of the Resolution and that the Government of Iraq agrees to allow them to, temporarily, import such equipment free of customs or other duties.
48. Any issue relating to privileges and Immunities, including safety and protection of the United Nations and its personnel, not covered by the provisions of this Section shall be governed by paragraph 16 of the Resolution.

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Section IXConsultations

49. The Secretariat of the United Nations and the Government of Iraq shall, if necessary, hold consultations on how to achieve the most effective implementation of the present Memorandum.

Section XFinal clauses

50. The present Memorandum shall enter into force following signature, on the day when paragraphs 1 and 2 of the Resolution become operational and shall remain in force until the expiration of the 180 day period referred to in paragraph 3 of the Resolution.

51. Pending its entry into force, the Memorandum shall be given by the United Nations and the Government of Iraq provisional effect.

SIGNED this _____ day of _____ 1996 at _____
in two originals in English.

For the United Nations

For the Government of Iraq

Hans Corell

Abdul Amir Al-Anbari

Under-Secretary-General
The Legal Counsel

Ambassador Plenipotentiary
Head of the Delegation of Iraq

Annex I

1. In order to ensure the effective implementation of paragraph 8 (b) of the Resolution, the following arrangements shall apply in respect of the Iraqi Governorates of Arbil, Dihouk and Sulaymaniyah. These arrangements shall be implemented with due regard to the sovereignty and territorial integrity of Iraq, and to the principle of equitable distribution of humanitarian supplies throughout the country.
2. The United Nations Inter-Agency Humanitarian Programme shall collect and analyze pertinent information on humanitarian needs in the three northern Governorates. On the basis of that information, the Programme will determine the humanitarian requirements of the three northern Governorates for discussion with the Government of Iraq and subsequent incorporation in the Distribution Plan. In preparing estimates of food needs, the Programme will take into consideration all relevant circumstances, both within the three northern Governorates and in the rest of the country, in order to ensure equitable distribution. Specific rehabilitation needs in the three northern Governorates shall receive the necessary attention.
3. Within a week following the approval of the Distribution Plan by the Secretary-General, the Programme and the Government of Iraq will hold discussions to enable the Programme to determine how the procurement of humanitarian supplies for the three northern Governorates can be undertaken most efficiently. These discussions should be guided by the following considerations. The bulk purchase by the Government of Iraq of standard food commodities and medicine may be the most cost-effective means of procurement. Other materials and supplies for essential civilian needs, specifically required for the three northern Governorates, may be more suitably procured through the United Nations system in view of technical aspects related to their proper use.
4. To the extent that purchases and deliveries are made by the Government of Iraq in response to the written communication of the Programme, an amount corresponding to the cost of the delivered goods will be deducted from the amount allocated to the Programme from the "Iraq Account".
5. Humanitarian supplies destined for distribution in the three northern Governorates shall be delivered by the Programme to warehouses located within these Governorates. Such supplies can also be delivered by the Government of Iraq or the Programme, as

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appropriate, to warehouses in Kirkuk and Mosul. The warehouses shall be managed by the Programme. The Government of Iraq shall ensure the prompt customs and administrative clearances to enable the safe and quick transit of such supplies to the three northern Governorates.

6. The Programme shall be responsible in the three northern Governorates for the storage, handling, internal transportation, distribution and confirmation of equitable distribution of humanitarian supplies. The Programme will keep the Government of Iraq informed on the implementation of distribution.

7. Whenever possible and cost-effective, the Programme shall use appropriate local distribution mechanisms which are comparable to those existing in the rest of Iraq in order to effectively reach the population. Recipients under this arrangement will pay a fee for internal transportation, handling, and distribution as in the rest of the country. The Programme shall ensure that the special needs of internally displaced persons, refugees, hospital in-patients and other vulnerable groups in need of supplementary food are appropriately met, and will keep the Government of Iraq informed.

8. The Programme will observe that humanitarian supplies are used for their intended purposes, through visits to sites and by collecting relevant data. The Programme will report to the Department of Humanitarian Affairs at United Nations Headquarters in New York and the Government of Iraq any violation observed by the Programme.

* * *

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Annex II

1. The State concerned or, if the 661 Committee so decides, the national petroleum purchaser authorized by the 661 Committee, shall submit to the Committee for handling and approval the application, including the relevant contractual documents covering the sales of such petroleum and petroleum products, for the proposed purchase of Iraqi petroleum and petroleum products, endorsed by the Government of Iraq or the Iraqi State Oil Marketing Organization (hereinafter SOMO) on behalf of the Government. Such endorsement could be done by sending a copy of the contract to the 661 Committee. The application shall include details of the purchase price at fair market value, the export route, opening of a letter of credit payable to the "Iraq Account", and other necessary information required by the Committee. The sales of petroleum and petroleum products shall be covered by contractual documents. A copy of these documents shall be included in the information provided to the 661 Committee together with the application for forwarding to the independent inspection agents described in paragraph 4 of this Annex. The contractual documents should contain the following information: quantity and quality of petroleum and petroleum products, duration of contract, credit and payment terms and pricing mechanism. The pricing mechanism for petroleum should include the following points: marker crude oil and type of quotations to be used, adjustments for transportation and quality, and pricing dates.

2. Irrevocable confirmed letters of credit will be opened by the oil purchaser's bank with the irrevocable undertaking that the proceeds of the letter of credit will be paid directly to the "Iraq Account". For this purpose, the following clauses will have to be inserted in each letter of credit:

- "- Provided all terms and conditions of this letter of credit are complied with, proceeds of this letter of credit will be irrevocably paid into the "Iraq Account" with Bank."
- "- All charges within Iraq are for the beneficiary's account, whereas all charges outside Iraq are to be borne by the purchaser."