



Memorandum of Understanding Between the Government of Iraq and the European Union on Strategic Partnership in Energy

The Government of the Republic of Iraq and the European Union,

Wishing to improve relations in the area of energy, as stipulated in the Energy Policy Action Plan 2007-2009 adopted by the European Council on 8–9 March 2007,

Taking into consideration ongoing developments in Iraq and the key role that energy plays in Iraq's economic development, as well as the opportunities offered by the EU energy market, as the largest integrated energy market in the world, for the development of Iraqi energy exports, in particular in the field of natural gas,

Recognizing the geographic proximity of the two regions and historically good cooperation between Iraqi and European energy institutions,

Recalling the shared common interests of the European Union, as an energy consumer, and Iraq, as a key oil and gas producer, in ensuring security of energy supply and demand and promoting sustainable development in their respective energy sectors,

Bearing in mind the objectives set out by the International Compact with Iraq in the energy sector and the important efforts undertaken in their implementation by the Government of Iraq with the support of the international community,

Recognising the ongoing activities of the Euro-Arab Mashreq Gas Market Centre in which Iraq participates as an observer, as well as the progress achieved in the development of the Arab Gas Pipeline and the prospects for Iraq of becoming a full partner in this project with a view to establishing Iraq's role as a natural gas supplier to the EU market,

Both sides will endeavour to enhance their cooperation in view to:

(1)

To contribute to the development of a comprehensive and integrated energy policy for Iraq, which will be based upon the use of energy statistics and systems and modelling. This policy will cover inter alia, the issues of energy mix, energy infrastructure, supply and demand for energy including

the identification of export possibilities in the EU market, energy efficiency, renewable energy sources and the reforms needed in Iraq's energy sector. These areas of reform include restructuring the energy sector, the legal framework for investments, opening markets, cost-based energy pricing, and the gradual reduction of government energy subsidies, in a manner that takes due account of economic conditions and that furthers the interests of both sides. The policy will also cover issues of good governance, taking into consideration the commitment expressed by the Government of Iraq to join the Extractive Industries Transparency Initiative.

(2)

To develop and modernise the electricity sector by defining and establishing a sound legislative and regulatory framework for Iraq, in particular through the promotion of a transparent investment framework.

(3)

To formulate an "energy action programme for EU-Iraq cooperation covering the period 2010-2015" for the implementation of the measures outlined in Sections (1) and (2) of the current Memorandum and identifying the appropriate institutional setting within the Iraqi Administration for the sound implementation of the programme, bearing in mind the evolving international energy context.

(4)

The two sides will endeavour to cooperate with the aim of preparing an updated Iraqi gas development programme based on identified volumes and implementing measures aiming to reduce gas flaring.

(5)

Given the importance of enhancing energy trade between Iraq and the European Union and developing the relevant exploration, production, processing and transportation infrastructure, both sides will endeavour to cooperate in the following areas:

- a. Assessing, where appropriate, the existing hydrocarbon transit and supply network, with a view to developing an infrastructure modernization plan.
- b. Enhancing the safety and reliability of Iraq's energy transit and export pipeline network, as well as LNG infrastructure where possible.
- c. Identifying and putting in place additional sources and supply routes for gas from Iraq to the European Union, in particular in the context of the development of the Arab Gas Pipeline and other relevant projects.
- d. Developing infrastructures for energy production and processing in Iraq and promoting the convergence of technical norms and standards in Iraq's hydrocarbon sector with EU industrial practices.
- e. Encouraging the approximation of quality and environmental standards for oil products, as well as environmental standards in the oil and gas extraction and processing industries in Iraq, with those applied in the European Union.

(6)

With a view to the medium and long term development of the natural gas sector in Iraq and with the aim of providing security of supply and demand for Iraq and the EU, both sides will endeavour to identify the scale of potential exports of natural gas from Iraq to the EU with the full involvement of the EU Member States and the private sector, taking into account Iraq's domestic market needs.

(7)

In line with the objectives agreed upon in the International Compact with Iraq, both sides attach particular importance to ensuring the sustainability of energy policy in Iraq, including the necessary legislative, regulatory and institutional framework and will endeavour to:

- a. Prepare a plan of action for the development of renewable energy in Iraq, in particular solar and wind energy resources;
- b. Explore possibilities for cooperation between Iraq and the European Union in the field of renewable energy, energy demand management and energy efficiency, including in research and technological development as stipulated in Section (8) of the present Memorandum, and sharing the EU's experience in this field.

(8)

The two sides will endeavour to cooperate on technological, scientific and industrial energy issues and will promote the exchange of expertise and the establishment of appropriate structures for the training and education of young professionals in areas of modern science and technology related to the energy sector. Further, the two sides will provide technical support for the EU-Iraq Strategic Partnership on Energy.

(9)

Both sides will endeavour to promote the full participation of Iraq in regional cooperation initiatives and projects including the Euro-Arab Mashreq Gas Market Centre.

(10)

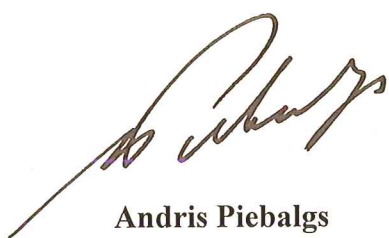
Both sides intend to establish a joint energy working group, to be chaired by the European Commission on one side and the Iraqi Government on the other, to explore possibilities and modalities for the implementation of the priorities for cooperation set out above. The EU Member States will be kept regularly informed about the activities of the joint working group consulted on the strategic direction of those activities and associated as appropriate.

The present document records political intent alone and provides for no legal commitment. The present Memorandum of Understanding may be considered for possible future discussions between the two sides concerning further energy cooperation in the context of the implementation of the Partnership and Cooperation Agreement between Iraq and the EU.

The two sides intend cooperation under this Memorandum of Understanding to start on the date of its signature and intend it to continue until one of the two sides informs the other of its end.

Done in Baghdad on 18th January 2010, in two equal versions in the Arabic and English languages. Any differences in understanding will be resolved amicably.

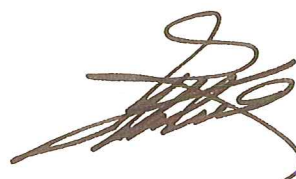
For the European Union



Andris Piebalgs

European Commissioner for Energy

For the Government of Iraq



Hussain Ibrahim Saleh al-Shahristani

Minister of Oil



Catherine Ashton

High Representative for
Foreign Affairs and Security
Policy /Vice-President
of the European Commission



Miguel Sebastián

Minister of Industry,
Tourism and Trade
Presidency of the Council
of the European Union