

Pentagon Hands Iraq Oil Deal to Shell

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The US government secretly facilitated dealings between Shell and the Iraqi Oil Ministry for no-bid contracts.

In June of this year, Andrew Kramer, writing in The New York Times, broke the story that the world's oil giants, "Exxon Mobil, Shell, Total and BP ... along with Chevron and a number of smaller oil companies" were "in talks with Iraq's Oil Ministry for no-bid contracts to service Iraq's largest fields."

Subsequently, the Times went on to report that "A group of American advisers led by a small State Department team played an integral part in drawing up contracts between the Iraqi government and five major Western oil companies ... " The Times asserted that the "disclosure" was "the first confirmation of direct involvement by the Bush administration in deals to open Iraq's oil to commercial development and is likely to stoke criticism."

In reality, there had long been ample evidence of deep involvement between the Bush administration, foreign firms and Iraq's Oil Ministry. The Times and other major media outlets also failed to expose the major financial ties between the military occupation in Iraq and the same oil giants. In fact, each of the oil giants named in the original New York Times piece - Exxon Mobil, Shell, Total, BP, and Chevron - regularly shows up on the Pentagon's payroll. In fact, last year, the five firms took home more than \$4.1 billion from the Pentagon - with Shell leading the way with \$2.1 billion.

In September, the "criticism" the Times predicted apparently finally scuttled the no-bid deals. In a piece by Kramer and Campbell Robertson, it was reported that the "plan to award six no-bid contracts to Western oil companies, which came under sharp criticism from several United States senators this summer, ha[d] been withdrawn." The companies would, however, be eligible to bid for contracts and, just days later, it was announced that the Pentagon's favorite of the oil majors, Shell, would become the first oil giant to sign an energy deal with the Iraqi government in 35 years.

On September 22nd, the government of Iraq and Royal Dutch Shell officially signed a \$4 billion deal "to establish a joint venture with [Iraq's] South Gas Company in the Basra district of southern Iraq to process and market natural gas." A day later, the Times reported that Shell had "established an office in Baghdad." From a "news conference in Baghdad's heavily guarded Green Zone," the Times quoted Linda Cook, the executive director of the Shell's gas and power unit, as saying, "We are ready to establish a presence."

While the Times didn't report it, Cook went on to say, "I am delighted that the Iraqi Government including the Ministry of Oil have supported Shell as the partner for joint

venture with the South Gas Company. We look forward to moving jointly to implement the JV and begin investing in the energy infrastructure in Iraq.” What the Times (and other major media outlets) also failed to mention was that guarantor of that “Green Zone” from which Cook spoke, just days before, had the inked its own huge energy deal with Shell. On September 17th, Shell was awarded a \$338 million contract for aviation fuel by the Pentagon. In fact, even before this contract, Shell had already awarded over \$1 billion from the Pentagon during this fiscal year. If history is any guide, it will receive billions more before fiscal 2009 starts.

The Pentagon’s Shell deal came during one DoD’s periodic petroleum benders – massive multi-day spending sprees where hundreds of millions or billions of taxpayer dollars are paid out to oil companies. This one, on September 17th and 18th, netted Shell, Chevron, ConocoPhillips and seven other oil companies a grand total of over \$1.5 billion.

The fact that the U.S. government secretly facilitated dealings between Shell and the Iraqi Oil Ministry for no-bid contracts; that the U.S. military – the primary occupation force in Iraq – regularly pays Shell billions of dollars each year; that on the heels of a contract worth hundred of millions of dollars with the U.S. military, Shell just inked a deal with occupied Iraq and set up an office in the U.S. military’s secure “Green Zone” should raise myriad questions about the tangled relationship between the major players in Iraq. These complex issues go ignored because they are viewed as so routine as not to be worth mentioning, but in any other context the confluence of guns, oil and billions of dollars would certainly raise eyebrows.

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