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Iraqi National Oil Company Law

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قانون شركة النفط الوطنية العراقية

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In the name of people The Presidency of the Republic

Resolution no. (4)

Based on the approval of the Parliament in accordance with the provisions of Item (First) of the Article (61) and the Item (Third) of the Article (73) of the Constitution; The president of the republic decided on 25\ 3\ 2018 issuing the following law:

No. (4) Of 2018 Iraqi National Oil Company Law

Definitions

Article 1

For the purpose of this law, the following terms and expressions have the meanings indicated thereto:

First: company: (INOC) Iraqi National Oil Company

Second: Board: The Company's board of directors.

Third: Head: The head of the company and chairman of its board of directors.

Fourth: Owned Company: Each company is wholly owned by the company.

Fifth: Experts and specialists: Those who have experience and practice in oil, economic, legal, administrative or technical affairs whose scientific background and experience qualified them to work in the company or the owned companies.

Sixth: Bylaw: It is the rules of procedure issued by the board of directors of the Iraqi National Oil Company to regulate the affairs of the company or any owned company in a manner that does not conflict with the provisions of this law.



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Establishment

Article 2

First: A public company called (Iraqi National Oil Company) shall be established under this law, it shall enjoy moral personality, financial and administrative independence, represented by its president or his/ her authorized person, and it shall be linked to the Cabinet, the company's headquarters shall be in Baghdad and may open branches in the productive governorates offices inside Iraq at the request of its head and the approval of the board of directors, and outside Iraq after the approval of the Cabinet.

Second: The Company shall exercise its work in all the territory of the republic of Iraq, its continental shelf and outside Iraq on behalf of the Iraqi state.

Goals

Article 3

The company shall aim to achieve the best exploitation of oil and gas wealth in the field of oil and gas exploration, rehabilitation and development of fields, production, marketing and all related activities, in addition to investing in oil and gas manufacturing industries on technical and economic bases to ensure the highest returns and the lowest costs and to achieve the highest benefit to the Iraqi people.

Article 4

The company shall rely on the following means to achieve its goals:

First: Managing, developing and operating produced fields and discovered and undeveloped fields.



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- Second: Concluding the exploration, production and export contracts in accordance with the policy of the state in a manner that does not conflict with the provisions of the constitution.
- Third: Developing exploration, production, transportation, storage, marketing and related petroleum operations.
- Fourth: Managing the service contracts concluded in licensing rounds in exploration, development and production, and the company shall commit to reviewing and amending the contracts in a way that preserves the interest of the Iraqi people.
- Fifth: Developing the international effort in the extraction, marketing and oil and gas industry, and investing in fields that are common with neighboring countries.
- Sixth: Managing and operating the main oil pipeline network and export ports.
- Seventh: Establishing companies owned by it and financing them to carry out their works on the basis of economic, financial and community feasibility and with the approval of the board of ministers.

The company's capital

Article 5

First: the company's capital shall be consisted of:

1. The value of fixed assets of owned companies, whose value is determined by the advisory office chosen by board with the approval of the Cabinet.
2. (400) Iraqi billion dinars as an operating capital repaid by the ministry of finance.

Second: the company may increase its capital in Item (First) as needed, provided that the increase is made by a proposal of its board of directors and the approval of the Cabinet after submitting the economic feasibility.

Third: The Company may open one or more separate accounts with the central bank of Iraq in local and foreign currencies; it may also deal with all banks inside Iraq, it may open accounts in foreign banks outside Iraq through the central bank of Iraq.



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Fourth: The Company may borrow from any party inside and outside Iraq to finance its investments with the approval of the Cabinet.

The Organizational Structure of the Company

Article 6

The board of directors: The board shall be consisted of the following:

First: The head of the company	Head	
Second: The first deputy head	The Company's Executive	director and
	deputy head	
Third: The second deputy president	Deputy head	
Fourth: Undersecretary of the ministry of oil for extraction affairs	Member	
Fifth: Undersecretary of the ministry of natural resources in the region	Member	
Sixth: Chairmen of the boards of directors of owned companies	3 members	
Seventh: Three specialized experts	Members	

Article 7

First:

1. The company shall be headed by an employee with the rank of minister who holds at least a preliminary university degree and is experienced and specialized in the field of energy, and has at least (25) years of service in competencies that qualify him/ her to manage the company. He/ she shall manage and represent the company before others, implement the decisions of the board and supervise the design and implementation of the company's policy and operations. He/ she shall be entrusted directly with responsibility for supervising the national oil



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- marketing company. He/ she shall be appointed in accordance with the constitution for period of (5) years.
2. The first deputy head shall be the executive director of the company and shall be at the rank of undersecretary of minister and holds at least a primary university degree and has experience in the extractive industry with at least (20) years of experience, and he/ shall supervise the technical, contractual and economic affairs of the company. The second deputy head shall be an employee with a special degree and holds at least a primary university degree and has at least (20) years of experience in the field of specialization, and he/ she shall supervise the administrative, financial and legal affairs of the company.
 3. The first and second deputy head shall be nominated by a proposal of the company's head and approved by the Cabinet in accordance with the legal contexts.
 4. Three of the chairmen of the boards of directors of the owned companies mentioned in Article (7), (Second/ 2) shall be selected in the board of directors, provided that the chairman of the board of directors of Basra Oil Company and the national oil marketing company is among them. The third member shall be selected from among the extractive companies owned and in accordance with the volume of production and periodically for one year and shall be nominated by the head; the head of the company and with approval of the board of directors, may increase the representation of owned companies in the board of directors to a maximum of five members.
 5. Three experts with special degrees from specialists in the oil industry and related disciplines to the membership of the board of directors shall be nominated by the head and approved by the Cabinet in accordance with the legal contexts.

Second:

1. The Company shall be consisted of the formations linked to the company's centre and determined by the bylaw.
2. The company shall be associated with the following owned companies:
 - a. Oil Exploration Company.
 - b. Iraqi Drilling Company.
 - c. Basra Oil Company.
 - d. North Oil Company.
 - e. Misan Oil Company.



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- f. Middle Oil Company.
- g. Dhi Qar Oil Company.
- h. Oil Marketing Company (Somo).
- i. Iraqi Carrier Company.

Third: The companies stipulated in the Item (Second/ 2) of this Article shall be managed by a general director who holds at least a primary university degree and has an experience in the field of specialization for a period not less than (15) fifteen years.

Fourth: the Company's board of directors, with the approval of the Cabinet, may create any other formation in accordance with the law, and it may attach any formation to the company based on a proposal by the board and with the approval of the minister of oil and the Cabinet.

Fifth:

1. The companies stipulated in the Para (Second/ 2) of this Article shall be disengaged and shall be put in the possession of the company without an allowance, and all the rights and obligations of the ministry related to the companies shall be transferred to the company.
2. All rights and obligations relating to licensing rounds in exploration, development and production shall be transferred to the company.

Duties of the Company's Board of directors

Article 8

First: The board shall undertake the following tasks:

1. Approving the final accounts of the company and submitting them to the Federal Controlling Bureau for auditing and submitting to the cabinet for approval.
2. Approving the annual budget and submitting it to the cabinet for approval.
3. Approving the annual and future extraction and development plans, and following up on their implementation plans.
4. Drawing and setting the administrative, financial, organizational and technical plans necessary for the conduct of the company activity, with attention to its



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- social, health, environmental dimensions, researches and personnel affairs, in order to achieve the company's objectives.
5. Suggesting strategies and policies for exploration, development, production, export, manufacturing, investment programs for developing and improving the oil industry and alternative energy policies and programs to the ministry of oil and the cabinet.
 6. Laying policies and programs to develop the infrastructure necessary to sustain production, using technology and modern work systems, and adopting methods that ensure continuous improvement and development of management.
 7. Laying policies to rehabilitating, training and developing Iraqi cadres.
 8. Adopting the policy of transparency, combating corruption and rational management in the oil and gas industry.
 9. Developing environmental protection controls and working to stop pollution by developing the alternative energy resources sector.
 10. Developing plans to encourage the Iraqi private sector and programs to qualify and develop it for purpose of participating in building the oil industry and developing the various energy sectors.
 11. Setting controls for benefiting from the capabilities and expertise of non-Iraqi energy companies in accordance with competitive bases and economic feasibility in order to achieve the maximum benefit for Iraq as contained in the constitution.
 12. Setting controls for the use of consultants, experts and specialized consulting companies inside and outside Iraq to develop technical, accounting and administrative systems and everything related to their current and future works and determining their rewards.
 13. Practicing all powers and rights authorized by the company under legislations and in accordance with the oil policy of the state.
 14. The board may delegate some of its duties stipulated in the Item (First) of this Article to the head.

Second:

1. The board shall meet at least once a month at the invitation of its chairman.
2. An extraordinary meeting of the board may be held at the invitation of its chairman or upon a reasoned request submitted by three of its members.



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3. The board's quorum shall be completed in the presence of two-thirds of its members; including the chairman and the first deputy president shall replace the chairman in his/ her absence and the second in their absence.
4. The board shall take its decisions related to policies, contracts and investment by an absolute majority of the members of the board
5. The head of the company may invite members of the parliamentary energy and oil committee, members of the energy committee in the regional parliament, heads of energy committee in a board of producing governorates, and working associates who are elected as members of boards of directors of owned companies, and invite experts to provide consultations of attendance of meetings of the board, provided that their number does not exceed (7) in each meeting.

Duties of Company's Head

Article 9

The head shall undertake the following duties:

1. Preparing and presenting the planning budget and submitting it to the board three months before the start of the particular fiscal year.
2. Disbursing expenses and operating the company's accounts within the limits determined by the board.
3. Supervising and controlling the company's employees, their workflow and discipline.
4. Submitting reports to the board in periodic monthly, quarterly and annual periods on the progress of work in the company and the companies associated with it and publishing them regularly on the websites of the company and related companies.
5. Studying the decisions of the boards of directors of the owned companies and what authorized and general directors present, and taking decisions in respect of them, the head may present to the board what he/ she deems appropriate of those decisions.



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6. Preparing the balance sheet, profit and loss accounts and the annual report on the results of its work during the elapsed fiscal year and presenting it to the board.
7. Exercising the other powers authorized by the board to the head to achieve the objectives of the company and conduct its business.
8. Committing to transparency and it shall be accountable for the Company's' decisions to ensure rational management.
9. Preparing annual and future extraction and development plans and presenting them to the board for approval.

Company's rights and obligations

Article 10

First: The Company shall adhere to the state's oil policy.

Second: In the event that the Minister of oil is convinced that there is prejudice in the decision of the board of directors, the Minister may submit a proposal to the cabinet to make certain changes to the decision, and the cabinet's decision shall be binding on the board of directors.

Article 11

First: The company shall deduct an amount that covers all investment and operational costs and is not less than the average cost in all the invested fields for each barrel of crude of produced oil and gas, in addition to a certain percentage of the profit, this shall be determined by agreement between the company and the ministries of finance, oil and planning and approved by the cabinet, and it shall be reviewed every three years, and it shall be deducted directly from ministry of finance's account with the central bank for oil and gas revenues.

Second: The accounts shall be settled between the company and ministry of finance after the end of the financial year of the company and after the completion of the final accounts for it and approval of the financial monitoring bureau.



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Article 12

First: The company s' financial revenues shall consist of the revenues generated from the sale of crude oil, gas and any other products, in addition to any revenues that the company may obtain.

Second: The company s' profits shall consist of the total revenues minus the expenses as mentioned in the article.

Third: The Company's profits shall be distributed as follows:

1. State treasury: A percentage that does not exceed 90 per cent of the company's profits shall be devolved to the state's treasury, and its percentage shall be determined in the Federal Budget Law .
2. The rest of the company's profits shall be distributed after deducting the percentage allocated in (1) of this Item as follows:
 - a. A percentage of the profits shall be allocated to the company's capital reserve, and the board of directors may determine the mechanisms and areas for disposing of the reserve to achieve the interests and objectives of the company.
 - b. A percentage of the profits shall be allocated to the (Citizen's Fund), which is distributed among shares of equal value to all citizens residing in Iraq, in accordance with the priority of the segments of society. Shares may not be bought, sold or bequeathed, and they shall be omitted upon death.
 - c. Shares of Iraqis residing in regions and provinces that are not organized in a region and that refuse to deliver the proceeds of the oil and gas produced to the company shall be deprived of profits and their entitlement shall be added to the rest of the shareholders.
 - d. A percentage of the profits shall be allocated to the (Generations Fund), with the aim of investing in favour of generations.



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- e. A percentage of the profits shall be allocated to the reconstruction fund with the aim of implementing strategic projects in the provinces in which the company's oil activity is practiced.
- f. The Board shall issue instructions for what is stated in Paragraph (Third) of this Article in accordance with the bylaws.

Fourth: The deduction shall be made for the beneficiaries in accordance with Paragraph (Third) from the company's account in the Central Bank of Iraq on the basis of the estimates approved by the Board in the annual budget, provided that the accounts are settled at the end of the fiscal year under the supervision of the Federal Bureau of Financial Monitoring.

General and Final Provisions

Article 13

First: The provisions of the State and Public Sector Employees' Salaries Law No. (22) Of 2008 (Amended), State and Public Sector Employees Discipline Law No. (14) Of 1991 (Amended) and the Unified Retirement Law No. (9) Of 2014 (Amended) shall apply to company employees.

Second: Excluding the company's employees' incentives from the provisions of the State and Public Sector Salaries Law No. (22) Of 2008, and this shall be determined by a system issued by the Board of Ministers.

Third: Iraqi and foreign experts may be employed in special contracts concluded by the company directly.



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Fourth: Service in the company and owned companies shall be considered a retirement service, as of the date on which the law came into force.

Article 14

First: The companies stipulated in Paragraph (Two/ 2) of Article (7) of this law shall operate in accordance with their bylaws and in a manner that does not conflict with the provisions of this law.

Second:

1. The company's fiscal year shall begin on the first of January and end on the thirty-first of December of the same year.
2. The company's first fiscal year shall start from the date of law enforcement and end on December 31 of the following year.
3. The company shall unify its annual final accounts and the accounts of its companies with a unified annual final account.
4. The company's accounts shall be subject to auditing and monitoring by qualified and specialized chartered accountants and the adopting the best accounting standards recognized in the world for counterpart activities.
5. The company's accounts shall be subject to the monitoring and auditing of the Federal Bureau of Financial Monitoring.
6. The results of the audit are submitted to the Board of Ministers for approval.

Article 15

First: The National Oil Company Establishment Law No. (123) of 1967 and its amendments shall be repealed.



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Second: The decisions of the Revolutionary Command Board (dissolved) no. (267) of 1987 and (79) of 1995 shall be repealed.

Article 16

First: The Company and the companies owned by it shall be exempted from the following laws:

1. Financial management law.
2. Public Company Law .
3. Customs law.
4. Alien Residence Law.
5. Government contracts law and instructions to facilitate its implementation.
6. The law of selling and renting state properties and instructions to facilitate its implementation.

Second: The Board of Ministers, upon a proposal from the company, shall issue a system that replaces the exempted laws stipulated in Paragraph (First) of this Article, each separately, in a manner that guarantees the rights of the public treasury.

Article 17

The company and the companies owned by it may own what they needs of real estate belonging to the state without allowance to carry out its purposes.



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Article 18

First: The Company may construct housing complexes with all its social facilities for housing employees of its cadre in accordance with work requirements.

Second: The Company may own lands or real estates for its own purposes and distribute them to its employees in accordance with instructions issued by the Board.

Third: The Company may contribute to the development of community life, human and economic development and the establishment of sports clubs in the areas in which it operates, and it shall take this into consideration when preparing the company's business programs and annual budgets.

Fourth: The Company shall be committed to a policy of non-discrimination of sex, sect, race and nation in recruitment and employment and shall support the legitimate rights of workers.

Fifth: The Company shall be committed to making all forbidden lands at its disposal be productive either for its purposes related to the sector or to be allocated to agricultural projects or a simple manufacturing industry that does not hinder the work of the sector, or service, tourist or entertainment.

Sixth: The Company may contribute to the development of the agricultural, industrial and service sector, provided that its activities include all parts of Iraq in order to serve all Iraqis.

Article 19

The Ministry shall take the necessary measures within six months from the publication of the law to enable the company to start organizing its centre to carry out its activity, including fixing the assets of the companies owned by it, transferring



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financial assets, providing properties, buildings, data, technical and administrative support, and defining exceptions from some applicable laws and others.

Article 20

The company shall not be dissolved or liquidated except by law.

Article 21

This law shall be enforced from the date of its publication in the Official Gazette.

Fouad Masoum

President of the Republic



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