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Monday, January 26, 2009

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Fining Shell, U.N. Concludes That Tanker Carried Iraq Oil

By STEVEN LEE MYERS
Published: April 26, 2000

A Russian tanker chartered by one of the world's largest oil companies, Royal Dutch/Shell Group, was carrying Iraqi oil on April 5 in violation of the international embargo against Iraq when it was stopped by American sailors, American and company officials said today.

The United Nations has fined the company \$2 million, after determining that some of the the 78,000 metric tons of oil aboard the tanker came from Iraq. The tanker, the Akademik Pustovoit, was boarded by American-led naval forces in the Persian Gulf three weeks ago.

Having traced the oil to Iraq, United Nations officials stopped short of seizing the cargo and will allow Royal Dutch/Shell to load the oil onto other ships.

Royal Dutch/Shell has maintained that the tanker carried only Iranian oil, loaded at the port in Bandar Mahshur. But the Pentagon's spokesman, Kenneth H. Bacon, said today that tests on the cargo determined that 20 percent was from Iraq.

With high prices increasing demand, there has been a sharp increase in illicit oil shipments from Iraq. While Iraq is permitted to sell oil under a United Nations program to buy food and other supplies, Iraqi officials are believed to be earning millions more from smuggled oil.

The circumstances surrounding the Akademik Pustovoit showed the difficulty of tracking shipments of Iraqi oil, especially when mixed with oil from other sources aboard foreign ships contracted by international companies. American officials have accused Iranian officials of supporting the illegal shipments from Iraq and say that members of the Iranian Revolutionary Guard have been extracting fees of as much as \$50 a ton for false paperwork.

A spokeswoman for Royal Dutch/ Shell, Kate Hill, said the company agreed to pay the fine, even though its officials had not been shown evidence proving that the oil was Iraqi, because of the value of the entire shipment. "It was a very valuable cargo," Ms. Hill said in an interview from the company's headquarters in London.

She did not specify the value of the entire cargo, but Pentagon officials said the \$2 million fine was based on the market value of the percentage of the cargo that was Iraqi. Ms. Hill said the company did not knowingly violate the embargo when it bought the oil, which was bound for Singapore.

Mr. Bacon said that the United Nations could have taken more serious action against the company but that officials involved in the enforcing the embargo could not track the oil to its source and relied solely on a chemical analysis to identify it.

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"I think the special circumstances here were that our determination was based primarily on chemical analysis, and we didn't have the confirming tracking data that we have in most other cases," he said. "And because of that, we reached an agreement with Shell with their complete cooperation, to handle it the way we did."

Mr. Bacon said the fine was not meant to be an indication of weakening resolve to punish companies found to be violating the embargo. He said it remained the responsibility of companies that own or charter tankers to prove the origin of their shipments. He warned that any tankers found to be carrying even a fraction of Iraqi oil would be seized.

In February, American warships intercepted another Russian tanker. After determining that it was carrying Iraqi oil, its cargo was confiscated and sold. Pentagon officials said today that they did not know which company had contracted that tanker.

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