

ANNEX AOUTLINE OF SUGGESTIONS SUBMITTED TO THE PERSIAN
DELEGATION ON 13TH AUGUST, 1951 BY THE BRITISH
DELEGATION WITHOUT PREJUDICE TO ANY PARTY
CONCERNED

1. A.I.O.C. will transfer to N.I.O.C. the whole of its installations, machinery, plant and stores in Iran. As regards the assets in southern Iran compensation by N.I.O.C. to A.I.O.C. would be included in the operating costs of the oil industry in the area. Compensation for the assets used in the past for distribution and marketing in Iran will be dealt with under the separate arrangements suggested in paragraph 7 below.
2. A Purchasing Organisation will be formed in order to provide the assured outlet for Iranian oil which is the only basis upon which an oil industry of the magnitude of that of Iran could hope to maintain itself. This will be done by means of a long term contract, say 25 years, with N.I.O.C. for the purchase f.o.b. of very large quantities of crude oil and products from southern Iran.
3. Apart from this arrangement N.I.O.C. would be able to make additional sale of oil subject to the normal commercial provision that such sales should be effected in such a way as not to prejudice the interests of the Purchasing Organisation.
4. The Purchasing Organisation under the agreement will be placing at the disposal of the N.I.O.C. a world-wide transportation and marketing service, including one of the largest tanker fleets in the world, and will be entering into firm commitments with its customers for the fulfilment of which it will be relying on Iranian oil. It will, therefore, as a matter of normal commercial practice, have to assure itself that oil in the necessary quantities and qualities will come forward at the times required. In order to secure this objective the Purchasing Organisation will agree with N.I.O.C. an Organisation which, under the authority of N.I.O.C. will manage on behalf of N.I.O.C. the operations of searching for, producing, transporting, refining and loading oil within the area. The Purchasing Organisation will arrange from current proceeds the finance necessary to cover operating expenses.
5. In order that the proposed Purchasing Organisation can be induced to commit itself to the purchase of large quantities of Iranian oil over a long period of years, the commercial terms must be not less advantageous than the Purchasing Organisation would secure elsewhere either by purchase or development. In effect this means that the Purchasing Organisation would buy the oil from N.I.O.C. at commercial prices f.o.b. Iran less a price discount equal in the aggregate to the profit remaining to N.I.O.C. after allowing for the discount and for the costs of making the oil available to the Purchasing Organisation.

6. In the event of the foregoing suggestions being accepted by the Iranian Government as a basis for the future operation of the oil industry in southern Iran it is suggested that they should be expanded into the Heads of an Agreement which could later be developed into a detailed purchasing arrangement between the Iranian Government and the proposed Purchasing Organisation. The Heads of Agreement would also provide for the immediate resumption of operations in southern Iran on an interim basis.

7. It is suggested that all the assets owned by the Kermanshah Petroleum Company Limited which produces and refines oil for consumption in Iran, together with the installations, machinery, plant and moveable assets of A.I.O.C. which have been used in the past for distribution and marketing of refined products within Iran, should be transferred to the Iranian Government on favourable terms.

8. There will be Iranian representation on the board of directors (or its equivalent) of the Operating Organisation, which will, of course, only employ non-Iranian staff to the extent that it finds it necessary to do so for the efficiency of its operations. It will also offer its full co-operation to N.I.O.C. in any programme of training on which the latter may wish to embark.

NEWS DEPARTMENT
16th August, 1951.