MINNESOTA STATE BOARD OF INVESTMENT

60 Empire Drive
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St. Paul, MN 55103
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E-mail:
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DATE: January 11, 2010

TO: Senator Ann Rest, Chair, Senate Committee on State and Local Government Operations and Oversight
Senator Chris Gerlach, Senate Committee on State and Local Government Operations and Oversight

Senator Don Betzold
Chair, Senate State Government Budget Division
Chair, Legislative Commission on Pensions and Retirement
Senator Claire Robling, Senate State Government Budget Division

Representative Gene Pelowski, Jr., Chair, House Committee on State and Local Government Operations Reform, Technology and Elections
Representative Tom Emmer, House Committee on State and Local Government Operations Reform, Technology and Elections

Representative Phyllis Kahn
Chair, House State Government Finance Division
Representative Joyce Peppin, House State Government Finance Division

Representative Steve Smith, Legislative Commission on Pensions and Retirement

FROM: Howard Bicker, Executive Director

SUBJECT: Report on Iran Required by Laws of Minnesota 2009, Chapter 90

Laws of Minnesota 2009, Chapter 90 requires the State Board of Investment (SBI) to submit a report to the chairs of the legislative committees and divisions with jurisdiction over the SBI concerning the SBI's identification of, communication with and discontinuance of investment in certain companies with operations in Iran.

Chapter 90, section 1, subdivision 9 specifies that the SBI include in the report:

1. A list of scrutinized companies
2. Summary of correspondence with companies
3. A list of investments divested
4. A list of prohibited investments
5. A description of any progress in having investment management firms create investment funds that exclude Iran companies

As provided for in Section 1, subdivision 2 of Chapter 90, the SBI purchased Iran research services from RiskMetrics Group regarding companies with business operations in Iran.

Attachment 1 is the list of scrutinized companies.

Attachment 2 displays copies of letters received in 2009 from companies to which the SBI sent correspondence. Of the 14 letters dated November 5, 2009, the SBI had received responses from 8 companies by December 31, 2009.

Chapter 90 calls for divestment of securities of companies which do not publicly announce substantial action specific to Iran within 90 days of the SBI correspondence. The SBI must wait until early February 2010 to determine which companies will be divested in 2010.

Attachment 3 is the list of restricted companies sent to SBI equity and bond managers. The managers are explicitly instructed to refrain from purchasing securities of companies on this list.

SBI recognizes the impact on the entire portfolio of the Iran investment restrictions and is discussing with its consultant and Investment Advisory Council the feasibility of creating a non-Iran portfolio.

Attachment 1

RESTRICTED IRAN COMPANIES

Company	Country
Aker Solutions ASA (formerly Aker Kvaerner)	Norway
China Petroleum & Chemical Corp.	Hong Kong
CNOOC LTD	China
CNPC Hong Kong Ltd.	Bermuda
Costain Group PLC	United Kingdom
Daelim Industrial Co.	South Korea
DUBAI ISLAMIC BANK LTD	United Arab Emirates
Edison Spa (Formerly Montedison Spa)	Italy
ENI Spa	Italy
Finmeccanica SPA	Italy
Gazprom OAO	Russia
GS Engineering & Construction Ltd. (frmly LS Engineering & Construction)	South Korea
GS Holdings Corp.	South Korea
Indian Oil Corporation Ltd	India
Inpex Corporation	Japan
L air Liquide	France
Lukoil Oao	Russia
Oil & Natural Gas Corporation Ltd.	India
OMV AG	Austria
Petrochina Company Limited	China
Petronas Dagangan Bhd	Malaysia
Royal Dutch Shell PLC	United Kingdom
Samsung Engineering Co. Ltd.	South Korea
Sasol Ltd.	South Africa
StatoilHydro ASA (formerly Statoil ASA)	Norway
Total SA	France

November 5, 2009

Attachment 2

Correspondence with Companies

AIR LIQUIDE

Investor Relations
75 QUAI D'ORSAY
75321 PARIS CEDEX 07
☎ 33 (0)1 40 62 51 50
Télécopie 33 (0)1 40 62

Mr. Howard Bicker
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, MN 55103
USA

December 17, 2009

Re : Air Liquide Business Operations in Iran

Dear Mr. Howard Bicker,

In response to your letter of November 5, 2009 concerning your Iran Divestment Policy, we do not believe that Air Liquide's business activity in Iran should prevent you from being a long-term shareholder in the company. Air Liquide does not have any subsidiaries, has not made any investments and does not have any employees in Iran.

Until very recently, the Group's activities in Iran had been declining regularly, resulting in 2007 revenue of 2.5 million euros, or less than 0.02% of total Group revenue. This activity is principally in the health sector (inhaling equipment for hospitals, vaccinations and hygiene) and welding, and is done entirely through specialized distributors.

In July 2007, Air Liquide acquired Lurgi, a global engineering company, based in Germany, which had several ongoing projects in Iran to which it was already committed to complete. These projects will be delivered progressively up to August 2011. However, the revenue from these projects is minimal, accounting for less than 0.14% of Air Liquide's annual revenue for 2008. Additionally, no new projects have been signed in Iran since the acquisition of Lurgi.

Air Liquide is the world leader in gases for industry, health and the environment, and is present in over 75 countries with 43,000 employees. In 2008, the Group's revenues amounted to €13.1 billion (or 18 billion $).

We hope that this information will alleviate your concerns regarding your investment in Air Liquide in the future.

We remain at your disposal for any further information on the matter.

Yours sincerely,

Virginia Jeanson
Investor Relations Director

CNOOC Limited
中国海洋石油有限公司

December 22, 2009

Mr. Howard Bicker
Executive Director
Minnesota State Board of Investment
60 Empire Drive Suite 355
St. Paul, MN 55103
(651) 296-9572

Dear Mr. Howard Bicker,

Thank you for your letter dated November 5, 2009.

We refer to the question in your letter, please note that, neither CNOOC Limited nor any of its subsidiaries has invested in any Iranian entity, nor had any business operations in Iran.

Please refer to the annual report of CNOOC Limited on Form 20-F for the year ended December 31, 2008, which can be found at the SEC's website or http://www.cnoocltd.com/encnoocltd/tzzgx/dqbd/f20f/images/2009512597.pdf. The Form 20-F contains descriptions of CNOOC Limited's overseas activities (see, for example, "Overseas Activities" on pages 28-29). There is no discussion of Iran in this description because CNOOC Limited has no business operations in Iran.

Please feel free to contact us with any further questions.

Sincerely,

Xiao Zongwei
Joint Company Secretary
& General Manager of Investor Relations Department
CNOOC Limited
8610-84521646

Registered office,
Piazzale Enrico Mattei, 1
00144 Roma - Italy
Tel. +39 06598.21
www.eni.it

Mr. Howard Bicker
Executive Director
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, MN 55103

S. Donato Mil.se, 10th December 2009

Dear Mr. Bicker,

Reference is made to your letter dated November 5, 2009.

Below is a description of our current state of affairs in Iran. However, before detailing our activities in the country, I would like to draw your attention to the fact that they are carried out in execution of existing contracts, signed in or before 2001. If we were to withdraw from existing projects and cease to comply with our contractual commitments, this may lead to the write-off of our investments and potentially higher losses arising from fines and other remedies that our Iranian counterparties may seek against us.

Furthermore, any such lack of compliance would seriously endanger our reputation with other producing countries where we do or intend to do business. Thus, the financial and reputational consequences that would inevitably arise from the abandonment of our operations in Iran are greater than management can responsibly accept, insofar as they would be detrimental to our shareholders.

As for the description of our activities, Eni has interests in only 3 Iranian fields (South Pars - phases 4 and 5, Darquain and Dorood). Operations in the South Pars project have already been handed over to the National Iranian Oil Company. This project is currently in the cost recovery phase, meaning that we will be receiving payments in kind until the extinction of our credit towards our Iranian counterpart. Development activities, instead, are progressing exclusively at the Darquain field, where the hand-over of operations is expected to occur within 2009. Dorood is not Eni operated.

Current management plans do not contemplate any material amount of capital expenditures in the country over the next five years.

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For details, please refer to our annual report on Form 20-F for the year 2008 filed with the Securities and Exchange Commission on May 14th 2009, where we have disclosed the nature and extent of our operations in Iran. In particular, see the discussion on page 45 of Item 4, which we report below for your reference.

"Iran. *Eni has been present in Iran since 1957. In 2008 Eni's production averaged 28 KBBL/d. Activities are concentrated in the offshore and onshore facing of the Persian Gulf. Exploration and production activities in Iran are regulated by buy-back contracts. The main producing fields are South Pars phases 4&5 in the offshore of the Persian Gulf and Darquain field located onshore which accounted for 91% of Eni's production in Iran in 2008. Eni also holds interests in the Dorood field (Eni's interest 45%). The main project regards the Darquain field operated by Eni with a 60% interest. Upgrading activities are underway by means of drilling additional wells, increasing capacity of the existing treatment plant and gas injection. These actions aim at increasing production from the present 100 KBBL/d to over 160 KBBL/d (14 net to Eni) by 2009.*"

Details on our acreage may be found on page 28 of Item 4.

Finally, we would like to stress that supporting terrorist activities would be contrary to Eni's policies. It is our firm belief that Eni's activities should be performed in full respect of law, fair competition, honesty, integrity and good faith. Since 1994 Eni has adopted its Code of Practice (as of April 2008 revised into the Code of Ethics) which clearly endorses and shares the aforementioned set of values. Eni's employees and all those having business relations with Eni are required to comply with the Code of Ethics.

We hope that you will find this letter helpful in assessing your investment.

Yours faithfully,

Claudia Carloni
Senior Vice President
Investor Relations
eni S.p.A.

December 24, 2009

Mr. Howard Bicker
Executive Director
Minnesota State Board of Investment
60 Empire Drive Suite 355
St. Paul, MN 55103
United States

Dear Mr. Bicker:

This letter responds to your letter dated November 5, 2009 inquiring as to our business activities in Iran.

We, through a wholly-owned subsidiary, AZADEGAN PETROLEUM DEVELOPMENT, LTD., are engaged in the development of the Azadegan oil field in Iran. The Azadegan field, which is located in southwestern Iran, was discovered in 1999. In February 2004, we concluded a service contract with the National Iranian Oil Company (N.I.O.C.) and its subsidiary, Naftiran Intertrade Co., Ltd. (NICO), to develop the Azadegan field. We and NICO are contractors to the service contract, under which, we and NICO, as contractors, along with any other foreign companies that may participate in the project, would receive a certain amount of revenue attributable to the crude oil produced from the Azadegan field that is equivalent to the sum of investments and financing costs incurred by contractors up to the pre fixed ceiling and a fixed remuneration fee upon completion of the development. Under this contract, we once used to hold a 75% participating interest as an operator in the project to develop the oil filed, with NICO holding the remaining 25%.

This project was beset by unexpected delays in such essential preparatory step for development operations as armour clearance conducted by the Iranian side as well as substantial changes in the economic environment surrounding the Azadegan project. In light of this, we and the Iranian side reached the following overall agreement on substantial change in the framework for the development of the oil field, and are still in the process of discussing the details of such framework.

(a) AZADEGAN PETROLEUM DEVELOPMENT, LTD. to reduce the proportion of its participating interest in the project from 75% to 10% in October 2006, although it remains as a contractor under the service contract.

(b) In connection with the change of the proportion of our participating interest described (a) above, NICO to increase the proportion of its participating interest from 25% to 90% and to take over the role of the operator of the project in October 2006.

Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332 JAPAN
Tel: +81-3-5572-0234 Fax: +81-3-5572-0235

At the time when the service contract was initially entered into, two development stages were contemplated, with the second stage being optional. In the first stage, oil production from the field was scheduled to commence at 50,000 barrels per day as the Extended Well Test within 40 months after the effective date of the service contract (March 14, 2004) and was expected to reach 150,000 barrels per day within 52 months after the effective date. However, development operations have scarcely been undertaken up to this time and there is no clear perspective for the project to proceed.

As described above our participating interest has been significantly reduced from 75% to 10%, and main reason to maintain a 10% minority participating interest in the project is to secure a right for us to recover the recoverable past costs incurred us. Our investment in Iran as our participating interest of 10% is less than $20 million. Accordingly as we do not have the "Scrutinized business operations" as defined in the Laws of Minnesota 2009 ("the Laws"), we believe that INPEX may not be identified as a "Scrutinized company" as defined in the Laws.

We do not have any plan of any other new investment opportunity in Iran.

We hope that the above responses serve your purposes. If you have any further questions, please contact Hiroshi Ikeda, Manager Corporate Strategy & Planning Group (Phone: +81-3-5572-0230 / E-mail: hiroshi.ikeda@inpex.co.jp) or Munehiro Hosono, Manager IR Group (Phone: +81-3-5572-0234/ E-mail: munehiro.hosono@inpex.co.jp).

Sincerely yours,

Kazuhiko Itano
Executive Officer
Assistant Senior General Manager
Corporate Strategy & Planning Division
General Manager
Corporate Communications Unit
INPEX CORPORATION

LUKOIL
OIL COMPANY

№ 19-1070 date 13.11.2009

Howard Bicker
Executive Director
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, MN 55103
USA

Dear Mr. Bicker,

In reply to your letter we would like to inform you that LUKOIL does not conduct any business operations in Iran at the present time. The Company had a stake in Anaran project in Iran, however, it was a service agreement which did not require any investment on our side (LUKOIL acted as an outsourcing company). The agreement in question expired in October 2006 and is not effective now.

I would like to thank you for your interest in LUKOIL. Your comments and feedback are always welcome. Please do not hesitate to contact our Investor Relations with any questions at +7 499 973 7397 or by e-mail at ir@lukoil.com.

Sincerely yours,

Leonid Fedun
Vice President

MINNESOTA STATE BOARD OF INVESTMENT

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November 5, 2009

Department of Shareholder Relations
Lukoil Oao
11, Sretensky Boulevard
Moscow, 101000
Russia

Dear Sirs:

The Minnesota State Board of Investment (MSBI) is required by Minnesota law to communicate with your company concerning your operations in Iran. MSBI is responsible for the investment of various public employee pension plan assets, trust funds and cash accounts of the State of Minnesota. Laws of Minnesota 2009, Chapter 90, a copy of which is attached, requires the MSBI to identify companies with scrutinized business operations in Iran that are subject to sanctions under U.S. law. Your firm has been identified as one of these companies.

As a result of your company's having scrutinized business operations in Iran, the Minnesota law requires that your company may be subject to investment restriction or divestment by the MSBI. We request that you clarify your scrutinized business activities in Iran. We encourage you to cease those activities or convert them to inactive business operations. If you publicly announce your commitment to take either of these actions within 90 days of receipt of this letter, your company will be removed from the list of companies subject to divestment.

Please note that the investment restrictions of the Minnesota law do not apply if your company affirms that it has a license from the U.S. Office of Foreign Assets Control to do business in Iran.

Please respond within 90 days of receipt of this communication. If you have any questions, please contact James E. Heidelberg at 651-296-3328.

Sincerely,

Howard Bicker
Executive Director

Enclosure

OMV

Minnesota State Board of Investment
Mr Howard J. Bicker
Executive Director
60 Empire Drive Suite 355
ST. PAUL, MN 55103
USA

2009-11-13

Your request for OMV information

Dear Mr Bicker,

With regards to your letter dated November 5th, 2009 addressed to the attention of Ms Altendorfer-Zwerenz, OMV's Head of Investor Relations regarding the Group's activities in Iran, we can give you the following information:

In May 2001, OMV signed an exploration contract for the Mehr block (Zagros region) with the National Iranian Oil Company to enhance Europe's and Austria's security of gas supply. Work focused only on an area covering 2,500 km², the so-called "Mehr Block". OMV (Iran) Exploration GmbH (34% share) is the operator of the consortium, in which Repsol YPF (spain) and Sipetrol (Chile) each hold 33%. Three exploration wells were carried out successfully until early 2008; however, due to technical and economical constraints the consortium has withdrawn from field development negotiations in early 2009 and OMV has therefore written off these assets. There are no exploration activities in the Mehr Block in Iran.

OMV has signed a Heads of Agreement with NIOC in 2007 regarding a potential participation in the development of an area in the South Pars Gas Field in the Persian Gulf (South Pars Field phase 12), a liquefaction plant for Liquefied Natural Gas (Iran LNG) and subscriber agreements for Liquefied Natural Gas (LNG). Since 2007 there have been only further non-binding talks with the authorities.

At the end of 2008, the balance sheet of OMV (Iran) onshore Exploration GmbH amounted to EUR 20.1 mn, while the consolidated balance sheet of OMV Group was EUR 21.4 bn in comparison. As we had exploration activities only, there were no revenues out of this venture for this period.

As a European company, OMV complies with all relevant laws and regulations. These are the laws and provisions of the European Union, Austrian laws and the laws of the respective country in which it is active. OMV of course complies with all current resolutions of the United Nations. In its international activity, OMV is committed to achieving its business objectives with ecological and social responsibility. OMV signed a Code of Conduct in 2003. The Code of Conduct orientates itself on universal values

OMV Aktiengesellschaft

Investor Relations

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Company Registration No. 93363 z
Registered Office: Wien
VAT No. ATU14189108
DPR No. 0066648

www.omv.com

and on the current international understanding on the responsibility of corporations regarding human rights. In this Code of Conduct and in its human rights policy, OMV as a member of the UN Global Compact has defined (in accordance with international human rights standards) what the corporation is responsible for and what it is not responsible for. This Code of Conduct is available on our website www.omv.com.

We kindly ask you to confirm the receipt of this letter with the requested information.

If you have any further questions, please do not hesitate to contact us. Thank you for your interest in OMV!

Yours sincerely,

T. Ben Brahim

Ms Takoua Ben-Brahim

Royal Dutch Shell plc
PO Box 162
2501 AN The Hague
The Netherlands
Tel +31(0)70377 4540
Fax +31(0)70377 3115
Internet http://www.shell.com

Minnesota State Board of Investment

Attn.: Howard Bicker

Executive Director

60 Empire Drive, Suite 355

St. Paul, MN 55103

United States of America

Email: minn.sbi@state.mn.us

16 November 2009

Dear Mr. Bicker,

Thank you for your letter dated November 5th. Please find our response below including our policy and practices regarding Iran, specific disclosures we have made in our 2008 Annual Report and Form 20F.

Iran

Policy and practices

Iran is a major resource holder. It has the world's second largest natural Oil and Gas resources. At current global gas usage, Iran's gas is enough to supply the entire world for about 10 years. Given the size and global importance of Iranian hydrocarbon resources, the Group finds it hard to see a future in which production of these resources would not, at some point, play an important role in the global energy supply and demand balance.

Major new projects to deliver hydrocarbon resources to customers can easily take more than ten years to prepare, and require the completion of a number of phases of feasibility work before any final decision can be taken. It is hard to predict how circumstances in any one country will evolve over that period. Some countries that today appear stable may become less stable and vice versa. It therefore makes sense for Royal Dutch Shell and other international energy companies to prepare a portfolio of possible new energy projects in a variety of different locations, and to leave a 'Final Investment Decision' on whether to proceed until the last practicable moment.

This policy of preparing as many potential projects as possible serves broader international interests. If such preparations were not conducted, there would then be a significantly higher risk of a future 'energy shock' where prices rise rapidly because of an inability to provide adequate supply to meet demand - which in turn could allow those countries with significant natural energy resources to exert greater leverage over the world economy than they do today.

Against this background and in common with other energy companies, we are obliged to take a long-term view of the business. This long-term view means that it is prudent to be investigating opportunities now.

We apply our Business Principles in all countries in which we operate, recognising that the challenges vary from country to country. These principles lay down strict rules with regard to (inter alia) upholding peoples' human rights and zero tolerance to bribery and corruption. The application of our principles is underpinned by a comprehensive set of assurance procedures. We recognize that there is export controls and sanctions legislation in various jurisdictions targeting Iran. We have established programmes to manage compliance with such applicable laws, including the US Export Administration Regulations and the Iranian Transaction Regulations. However, as discussed in our Form 20-F for the year ended December 31, 2008, conflicting US and European Union regulations in this area, complicate compliance matters for European companies.

We have not yet taken a decision as to whether to proceed with the Persian LNG project. As stated before and as with all projects, decision timing is fundamentally driven by the need to ensure first class decision quality. Our main concern is getting the remaining significant commercial and engineering work right. When we come to make a decision, we will take political considerations into account.

Naturally, we are following international developments closely and keeping a wide range of government and other stakeholders informed.

Disclosures

We have made specific disclosures on our operations in Iran in our 2008 Annual Report and Form 20F as specified below:

- In early 2007, Shell and Repsol entered into a service contract with respect to development of the South Pars fields for the Persian LNG project. However, the parties will not reach a final decision on whether to proceed with the project until the remaining significant commercial and engineering work is complete. Shell Exploration B.V. (Shell interest 100%) has a 70% interest in an agreement with the National Iranian Oil Company (NIOC) concerning the Soroosh/Nowrooz fields. The development phase is completed and all permanent facilities were handed over to NIOC in 2005. Since then, the Soroosh/Nowrooz fields have been producing with NIOC responsible for all aspects of the operations. The term of the agreement expires when all petroleum costs and the remuneration fee have been recovered, which is expected to occur by 2012.

- A project framework agreement for the Persian LNG project (Shell interest 25%) was signed in 2004 with Repsol and the National Iranian Oil Co. to take forward the Persian LNG project to the next stage of design. Under this agreement, it is envisaged that Shell would acquire a 50% interest in a project to develop phases of the South Pars field in the Northern Gulf and a 25% interest in the midstream liquefaction company. Front-end engineering design work for the offshore facilities and for the liquefaction plant continued during 2008. The parties will not reach a final decision on whether to proceed with the project until the remaining significant commercial and engineering work is complete.
- Since 1966, a Shell entity has a 25% interest in Pars Oil Company, a joint venture that blends and markets lubricants. Pars Oil Company owns 51% in Pars and Shell Company (PASH), which markets and distributes Shell branded lubricants in Iran. A Shell entity also has a 49% in PASH.

We trust the information provided in this letter is helpful to you. Please do not hesitate to contact us in case you have any further questions.

Yours sincerely,

On behalf of Royal Dutch Shell plc,

Dr. JJ Traynor

Executive Vice President

Investor Relations

TOTAL

INVESTOR RELATIONS

Our ref. : BN/GH/052-09

Paris La Défense, November 26, 2009

Minnesota State Board of Investment
60 Empire Drive
Suite 355
St Paul, MN 55103

<u>To the attention of Mr. Howard Bicker</u>
Executive Director

Via express mail

Dear Mr. Bicker,

Thank you for your letter dated November 6, 2009 regarding Total's presence in Iran. As requested, we offer the following updates to help you better appraise Total's presence in this country.

Total (and its predecessor companies) have been investors in the Iranian energy sector over the past two decades, notably in the South Pars gas field. This activity reflects both the world's growing demand for hydrocarbons and Iran's very large resource base. Iran has the second largest proven natural gas reserves in the world after Russia. Thus, it should be no surprise that a number of major international oil and gas companies, including Total, have been active in Iran.

Notwithstanding Iran's status as a major international source of oil and gas, Total made no new investments in 2008 and 2009 (as of today) which have directly or significantly contributed to the enhancement of Iran's ability to develop the petroleum or natural gas resources of Iran and we currently retain no operational responsibility for oil or gas production there.

Moreover, although we cannot rule out the possibility of future investments in Iran should all the relevant factors (including geopolitical considerations) permit it, present conditions are such that Total does not anticipate any material investments in Iran in the foreseeable future. Instead, Total's activities in Iran are limited to (i) two buy-back contracts entered into between 1995 and 1999 for oil blocks of which we have ceased to be the operator, (ii) technical services agreement to provide limited assistance to production operations on Dorood field designed solely to protect the value of Total's previous investments there, for which we are now being reimbursed (i.e., "cashed out"), and (iii) average daily share of production in

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Tél. + 33 (0)1 47 44 45 46

TOTAL S.A.
Société Anonyme au capital de 5 867 520 185 euros
Siège social : 2 place Jean Millier - La Défense 6 - 92400 Courbevoie - France
542 051 180 RCS Nanterre

Réf. 25500 - 08/2009

2008 totalling approximately 10 thousand barrels of oil equivalent per day (kboe/d), which constitutes approximately 0.4% of the Group's worldwide production.

In sum, Total's current activities in Iran are focused on safeguarding our remaining previously acquired property interests. We are recouping funds, in the form of reimbursements, that we invested in the development of oil and gas blocks in Iran years ago. Therefore, we believe that Total should be considered as a company with no active business operations in Iran.

Furthermore, it must be noted that Total's investments in Iran have been considered by the U.S. federal government and determined not to merit sanctions. Specifically, in 1998 the Clinton Administration granted a waiver based on national interest, pursuant to section 9(c) of the Iran Sanctions Act, to Total's participation in the South Pars gas development project. That waiver was part of a broader national policy announced in April 1997 (and later continued under the Bush Administration) not to apply sanctions against companies in the European Union that have activities in Iran. As requested, please find enclosed herein for your review a copy of the waiver.

I am available to discuss these matters further and I remain at your disposal to explain our long-term vision, which we believe supports our strategy in a responsible way vis-à-vis our shareholders and stakeholders.

You may also contact Mrs. Nadia Chambéry (+33 1 47 44 75 18), who is in charge of CSR-related matters within the IR team.

Yours sincerely,

Bertrand de La Noue
Vice President Investor Relations

Encl. : Total Code of Conduct
Total 2008 Registration Document
Total Form 20-F 2008
Waiver from the U.S. Department of State dated May 18, 1998

Copy : R. Hammond, *Director Investor Relations, North America*
V. Jaeger-Canovas, *Investor Relations Manager CSR*
N. Chambéry, *Investor Relations CSR*

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19 May 1998

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Date:         Tue, 19 May 1998 13:37:15 CDT
From: "U.S. Dept of State Listserver" <U09885@UICVM.UIC.EDU>
Subject:      980518 on Iran and Libya Sanctions Act
To: DOSSEC@LISTSERV.UIC.EDU
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U.S. DEPARTMENT OF STATE
Office of the Spokesman

For Immediate Release May 18, 1998

Statement by
Secretary of State Madeleine K. Albright

Iran and Libya Sanctions Act (ILSA): Decision in the South Pars Case

London, United Kingdom
May 18, 1998

I have determined that the investment by the firms Total (France), Gazprom (Russia), and Petronas (Malaysia) in the development of Iran's South Pars gas field constitutes activity covered by the Iran and Libya Sanctions Act of 1996. This determination follows an extensive review of the actions taken by the firms in this case as they relate to the provisions of the law.

At the same time, exercising the project waiver authority of Section 9(c) of the Act, I have decided that it is important to the national interest to waive the imposition of sanctions against the three firms involved. Among other factors, I considered the significant, enhanced cooperation we have achieved with the European Union and Russia in accomplishing ILSA's primary objective of inhibiting Iran's ability to develop weapons of mass destruction and support of terrorism.

Granting this waiver does not mean we support this investment; we do not. In fact, we made vigorous efforts to stop it, including representations at the highest levels of the governments involved. When it appeared that the project would nevertheless go forward, we closely studied the possible application of sanctions. We concluded that sanctions would not prevent this project from proceeding.

While unsuccessful in stopping the South Pan deal, our efforts to discourage the Indonesian firm Bakrie from proceeding with the development of the Balal oilfield contributed to Bakrie's apparent decision to withdraw although the impact of the Asian financial crisis was also important.

My decision to grant section 9(c) waivers in this case is based on the conclusion that, taking all factors into account, it is the option that best serves U.S. interests. I also decided that it would not be appropriate to grant country-wide waivers under Section 4(c) of ILSA.

In choosing among the available options, I took into account a number of factors relating to our national interests. In the case at hand, waivers will enhance our ability to work with the Europeans, Russia, and Malaysia on a host of other bilateral and multilateral concerns. For example:

-- Russian ratification of START II, cooperation on nonproliferation, and progress on internal economic reform.

-- Resolution of differences over Helms-Burton, including a new discipline to deter investment in illegally expropriated property worldwide, including in Cuba, and further EU support for democratic change and human rights in Cuba, and creation of a new U.S.-EU initiative to liberalize trade.

-- Multilateral cooperation on Iraq to maintain isolation of Saddam Hussein and to bring about compliance with UNSCR obligations, including cooperation with UNSCOM/IAEA inspections.

-- Progress on Kosovo and Bosnia, where cooperation of our NATO allies is essential, and on other European security issues.

-- Cooperation with European and Asian partners, including Malaysia, in addressing the Asian financial crisis and the rapidly unfolding events in Indonesia. We were also concerned about the effect of sanctions on a major Malaysian company at a time when Malaysia is feeling the serious effects of the crisis.

Moreover, granting waivers will prevent retaliation against U.S. firms, which the imposition of sanctions would probably engender, and avoid possible challenges based on claims related to treaties and other international obligations. These considerations buttress the view that a waiver in this case best serves our national interest.

We remain deeply concerned about Iran's support for terrorism and efforts to acquire weapons of mass destruction. While there are indications that the Iranian government may be trying to improve its relationship with the West, we have not seen substantial change in Iranian policies of greatest concern.

ILSA has been a valuable tool in making clear to others the seriousness of our concerns about Iran's behavior. The Act encourages the Administration to develop multilateral cooperation to deter Iran from acquiring weapons of mass destruction and supporting terrorism. Through vigorous diplomatic efforts, we have made progress toward these goals. I believe that my decision in the South Pars case will promote even more progress and will be more effective than sanctions -- which will not stop the project -- in achieving ILSA's objectives.

We already have a very high level of cooperation with France and our other European allies on nonproliferation issues. As reflected in the joint U.S.-EU statement announced today, the EU is taking additional steps, separately and in cooperation with us, to strengthen further their policies in this area. This includes a EU commitment to give high priority to proliferation concerns regarding Iran and a commitment to stepped-up efforts to prevent dual-use technology transfers where there is a risk of diversion to weapons of mass destruction programs.

This new commitment also involves U.S.-EU cooperation on developing better controls over "intangible" (e.g., electronic) technology transfers, on closer coordination of export-control assistance to third countries, and on increasing diplomatic efforts to stem technology exports by other countries to proliferators, including Iran.

On counterterrorism, we also enjoy a very high level of cooperation with our European partners. We have issued a joint statement with the EU that highlights the EU's commitment to cooperation and identifies specific common objectives. We are also working with EU members and other countries to ensure ratification of all eleven counter-terrorism conventions. The EU will be giving particular attention to obtaining adherence by Central and Eastern European states that are seeking EU membership.

More can be done, and we will continue to work with our European allies to broaden our nonproliferation and counterterrorism cooperation even further. In light of their essential cooperation, and as long as this heightened level of cooperation is maintained, we would expect that a review of our national interests in future ILSA cases involving Iran similar to South Pars, involving exploration and production of Iranian oil and gas, would result in like decisions with regard to waivers for EU companies.

The United States remains strongly opposed to oil and gas pipelines which transit Iran and, as a policy matter, we will continue to encourage alternative routes for the transport of Caspian energy resources, such as trans-Caspian pipelines and the Baku-Ceyhan route, and the Caspian Pipeline Consortium route. We will carefully examine any proposals for trans-Iranian pipeline construction across Iran for possible implications under ILSA and take whatever action is appropriate.

Russia has announced new undertakings, including a January 22 Executive Order that strengthens the government's authority to control missile technology and other transfers of concern. As a result of a subsequent executive order issued on May 14, 1998, the Russian Government is now taking significant steps to implement the earlier order to ensure compliance, including establishing supervisory bodies in all enterprises dealing with missile, or nuclear technologies. The positive start of our joint export control working group is another promising step. While the Russian Government is acting to implement fully President Yeltsin's policy, considerable work remains to be done. We will remain closely engaged with the Russian Government at all levels to ensure effective enforcement.

On May 17, G-8 countries, including key European countries, Canada, Japan and Russia, made an important commitment to deny any kind of assistance to programs for weapons of mass destruction and their means of delivery. They also committed to enhance their cooperation on export controls, including the exchange of information. We have also made nonproliferation progress regarding Iran with other countries. For example, Ukraine recently agreed to forgo all nuclear cooperation with Iran, including making a commitment not to go through with the sale of turbines destined for Iran's Bushehr nuclear plant.

Malaysia has not been actively engaged with us on nonproliferation issues, nor has it been a source of nonproliferation concerns. It has acted as a force for moderation in Islamic circles. Malaysia is our partner for the upcoming session of the U.S.-ASEAN Dialogue, which will address for the first time the establishment of export control procedures. Imposing sanctions on a major Malaysian firm would have disrupted our efforts to work with Malaysia and other countries to address the Asian financial crisis.

We will review, periodically, the rational interest factors applicable to ILSA cases and to our waiver policy to determine whether adjustments are needed.

We also remain intensely concerned about the potential for terrorist actions emanating from Iran, and we would expect our friends and allies to take appropriate steps in response to any Iranian involvement In terrorist activities.

We fully recognize the dangers to Israel of weapons of mass destruction from its enemies in the regions dramatized by Iraq's SCUD attacks in 1991. The Administration has worked closely with Israel to address possible missile threats and will continue to do so. Since 1988, the U.S. has jointly funded the ARROW missile defense system; provided Israel with space-based early warning notification of ballistic missile launches, and jointly funded a feasibility study of the Israeli Boost Phase Intercept Concept.

Finally, I want to emphasize that our position on Iran has not changed. Although Iran's new government has made it clear that it wants increased cultural contacts between the U.S. and Iran, it is not clear how far it is willing to go in changing those policies of greatest concern to us. We therefore will continue to press for enhanced international cooperation to counter Iran's efforts to acquire weapons of mass destruction and their delivery systems, and its support for terrorism. Today's decision is designed to strengthen that cooperation.

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Attachment 3

RESTRICTED IRAN COMPANIES

Company	Country
Aker Solutions ASA (formerly Aker Kvaerner)	Norway
China Petroleum & Chemical Corp.	Hong Kong
CNOOC LTD	China
CNPC Hong Kong Ltd.	Bermuda
Costain Group PLC	United Kingdom
Daelim Industrial Co.	South Korea
DUBAI ISLAMIC BANK LTD	United Arab Emirates
Edison Spa (Formerly Montedison Spa)	Italy
ENI Spa	Italy
Finmeccanica SPA	Italy
Gazprom OAO	Russia
GS Engineering & Construction Ltd. (frmly LS Engineering & Construction)	South Korea
GS Holdings Corp.	South Korea
Indian Oil Corporation Ltd	India
Inpex Corporation	Japan
L air Liquide	France
Lukoil Oao	Russia
Oil & Natural Gas Corporation Ltd.	India
OMV AG	Austria
Petrochina Company Limited	China
Petronas Dagangan Bhd	Malaysia
Royal Dutch Shell PLC	United Kingdom
Samsung Engineering Co. Ltd.	South Korea
Sasol Ltd.	South Africa
StatoilHydro ASA (formerly Statoil ASA)	Norway

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