



The Geopolitics of the Iraqi Kurdistan Natural Gas: A Stalemate or a Shift in Perspective?

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A Stalemate or a Shift in Perspective?



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Executive summary

Several problems surround the Kurdistan Region's natural reserves; internal political divisions and the lack of institutions, successive pressures from the central government in Baghdad, and regional efforts to keep the Kurds away from the energy issue. If the Iraqi Kurdish leaders develop a new energy security vision and build effective institutions, the region's natural gas could bring about geopolitical change. The Western mediations (US and Europe) are trying to promote the Kurdistan Region's position and its agendas at the regional status.

Introduction

The Iraqi Kurdistan Region still has its pipeline infrastructure ‘the Kurdistan Regional Government (KRG) oil pipeline starts from the Taq Taq field, which is [connected](#) to the Khurmala Dome by 81 kilometers. Substantially, the [Kurdistan's oil pipeline](#) was completed in 2014, and it is a 281 kilometers pipeline that runs from the Khurmala field to Pesh Kabir (Fesh Khabur) on the border of Iraq- Turkey, where it is connected to the Kirkuk-Ceyhan pipeline. The KRG's pipeline was initially designed to transport 700,000 barrels of oil daily. Then, in October 2017, Rosneft signed a deal with the KRG to enter an infrastructure project regarding the region's oil export pipeline, as Rosneft [referenced](#) an expected increase of the pipeline system's capacity from 700,000 bpd to 950,000 bpd. However, plans for the development have not yet been confirmed.

According to the Ministry of Natural Resources of the KRG, the Kurdistan Region has 200 trillion cubic feet of natural gas (about 5.7 trillion cubic meters). However, the fact is that the Kurdistan Region [leads](#) 25 tcf of proven gas and 198 tcf of unproven gas. Proven reserves are considering the oil and gas reserves that we know about (i.e., we have over 90% confidence in them), while unproven reserves are oil and gas reserves that we are less sure of but have some indication of their existence; these can be almost proved if advanced techniques are used.

The most probable predictions confirmed that natural gas will become a more critical factor in energy markets in the future, especially in pursuing zero-carbon policies and environmental protection.

In a significant step, the USA provided \$250 million to the Khor Mor gas field in September 2021, aiming to [enhance gas plants](#) in the region (a project known as KH250). The expectation is for the field to produce 750 million cubic feet per day by the end of 2024 and 1 million cubic feet per day in the subsequent year.

Since 2007, the two UAE energy corporations Dana Gas and Crescent Petroleum have signed an agreement with the KRG, which is operating in the Khor Mor bloc, which is of the backbones of the Kurdistan Region's economy, producing 500 million standard cubic feet of natural gas per day. In addition, in the first half of 2023, oil production from the gas field [increased](#) by 6% to 1,900 barrels of condensate per day, The field now producing 20 000 bpd. The field will then meet most of the liquefied natural gas needs of households in the Kurdistan Region. In general, this bloc alone is the source of electricity for about (5) million Kurdistan Region and Iraq citizens .

By using a realistic approach, this research shows the market reality of natural gas and oil in the Kurdistan Region and its possibility to be a part of the global energy market. Then it seeks to identify and highlight geopolitical prospects for Kurdistan's natural gas within the new regional order.

Context

While the continuing internal division and political conflicts in the Kurdistan Region have tarnished the landscape of natural resource management, which has disrupted the institutions of the Kurdistan Region, on the other hand, since 2003, due to the lack of strong political, economic, military and scientific institutions behind the energy sector, it presented the KRI's energy vision distorted.

Thanks to "Critical Thinking", which helps us in this endeavor. Thinking is critical when involved with logic; here, an idea becomes part of the reform project because critical thinking is the product of the mind and neural. Thoughts emerge from neural processes, and neural processes come from everywhere. Therefore, in critical thinking, a vision or idea responds to another vision and gives an evaluation and value to other perspectives. When an agency or commentator claims an argument that

shows the failing down of the KRI's energy sector, it is an idea, and another idea comes to prove that there is room to save Kurdistan from the threats and demonstrate opportunities, as well as evaluate and value the early perspective and its arguments.

Turkey's role in the KRI's hydrocarbon sector is a [significant issue](#). Indeed, Ankara's relationship with the KRG from 2003 to 2023 has shown that a [closer partnership](#) with the Iraqi Kurds can impact several ways. In Iraq, the KRG has established an oil pipeline through which Turkey could be able to shape policy in Baghdad. Geopolitically, Turkey has relied on the KRG to reduce the influence of Iran and the Kurdistan Workers' Party (PKK) in Syria.

Therefore, in 2013, Baghdad filed a complaint with the International Court of Arbitration (ICC), which has a branch in Paris. The result in March 2023 was in favor of Baghdad and led to the [halt of oil exports](#) from the Kurdistan Region to Turkey's Ceyhan port. As in the previous year, the Iraqi Federal Supreme Court decided on February 15, 2022, that the Kurdistan Regional Government's oil and gas law passed in 2007 by the Kurdistan Parliament was unconstitutional. The Federal court decision came hours after the Kurdistan Region's prime minister arrived in Doha with energy cooperation high on his [visit's agenda](#); Iraq's federal court ruled the Kurdish oil and gas law to be unconstitutional, putting both the premier's plans and the KRI's industry in jeopardy, in a decision the Kurdistan Regional Government (KRG) has deemed to be "unjust" and "unconstitutional".



Iraqi Kurdistan premier Masrour Barzani (L) shakes hands with Qatar's Emir, Sheikh Tamim bin Hamad al-Thani, Doha, Qatar, February 16, 2022. Photo: diwan.gov.qa

In parallel, Baghdad sent letters to multinational energy companies operating in the Kurdistan Region not to deal with the Region more. Several other rounds are underway against the Kurdistan Region.

Political and economic deadlock in Iraq

In July 2023, [Iraq produced](#) 20.8 MW of electricity, while it needed 34,000 - 35,000 MW to meet its domestic demands. For this purpose, about 40% of electricity is imported from Iran at more than the world market price. Iraq buys about \$4 billion worth of electricity from Iran annually. While, there is an estimated gas reserve of 125.6 trillion cubic feet, contributing 1.8% to the total reserve. This reserve places Iraq in the [eleventh position globally](#). However, according to the World Bank's annual report, [the country wastes](#) \$290,000 of gas every hour, or about \$2.5 billion a year, polluting the environment and putting toxic substances into the atmosphere.

The Iraqi government needs 25 to 30 million cubic meters of gas daily in 2023 for its 15 central and southern provinces. According to experts, due to a lack of energy production, the [Iraqi economy loses](#) about (40) billion dollars annually, and these losses include the large amount of money that Iraqis spend to buy energy, damage to the industrial and agricultural sectors, as well power health problems caused by frequent power outages.

As a part of the sanctions, the United States has banned dollars from reaching Iran and Russia and is trying to reduce oil and gas sales revenues. So \$2.7 billion (about 11 trillion Iraqi dinars) of Iranian money was stuck in the Trade Bank of Iraq (TBI). Occasionally, several Iraqi banks and figures have been black-listed by the US administration for transferring dollars to Iran and Russia.

Iraq's current government, formed after two early elections and several demonstrations, does not represent the majority of its citizens. This political misrepresentation has been described as "the hijacking of democracy" by the [Wilson Centre](#). A crisis ensued in July 2023 when temperatures soared to 50 degrees Celsius in some Iraqi provinces, and Iran cut off electricity. Washington has since [committed](#) to repaying the electricity loan to Iran within 120 days through non-Iraqi banks, but will it be enough to salvage Iraq?

On July 14, 2023, Iraq and Iran [signed](#) an antique agreement; Iran supplies natural gas to Iraq, and Iraq will supply 250,000 oil to Iran. Why does Iran need Iraqi oil when it has 157 billion barrels of oil reserves and covers the fourth largest in the world? Iraq, Iran oil-gas swap deal to continue until the end of 2023, which it was signed between Ihsan Yassin al-Awadi, director of the Iraqi prime minister's office, and Mohammad Kazem Al-e Sadeq, Iran's ambassador to Baghdad, after days of negotiations. One of the clauses of the agreement [states](#) that if Iran does not send gas to Iraq, Iraq must supply the specified amount of oil to Iran!

Since 2021, Turkey and the KRI have taken steps in the same direction to strengthen their ties with Gulf countries; it is about when Turkey and the UAE began to [normalize relations](#) after a decade of tensions. The KRG's leadership has reportedly played a central role in facilitating direct talks between Turkey and the UAE, although this may be a secondary role. However, [reporting](#) on the KRG's participation in regional dialogue is evidence of the central role played by the KRG. In addition to these events, Iran and Shiite militia groups in Iraq have launched several missile and drone attacks on the Kurdistan Region's energy fields. From October 2022 to January 2023, the Khor Mor field was [attacked](#) with Katyusha and drones three times. On March 13, 2022, Iran fired 12 missiles at the [residence of Sheikh Baz Barzanji](#), owner of the Kar Group Companies (40% of the Kurdistan Pipeline is owned by Kargroup and 60% by Rosneft). Iranian ballistic missiles hit the Iraqi Kurdistan capital, and Tehran took responsibility for missile strikes on the northern Iraq city, saying it had hit an Israeli "strategic centre".

In response to Iran's policies, Turkey has intensified its attacks on southern and western Kurdistan under the pretext of attacking the PKK (this is probably Turkey's dance and show on Kurdistan's territory to find a market in the world for its new drones).

Turkey- Kurdistan Region - Gulf Triangle

The Gulf Cooperation Council (GCC) could be influential in mobilizing regional and global support for Erbil. They also inclined to emerge as the world's largest energy hub, as the West thirsts for finding alternative gas sources due to the consequences of the Russo- Ukraine war;

In early February. 14, 2022, the KRI's President Nechirvan Barzani [visited](#) Ankara to discuss closer energy ties with Turkey's President Recep Tayyip Erdogan. A week later, the Kurdistan Region [announced](#) it would extend its gas pipeline network to the Turkish border through a 112-mile pipeline that promised to open up vast reserves of gas supply. This step encouraged Kurdish export capabilities and showed Turkey's significant gas supply hub position, especially for European markets. Two weeks after Nechirvan Barzani visited Ankara, KRG's Prime Minister Masrour Barzani discussed Kurdistan's gas potential during a visit to Qatar and the United Arab Emirates. The KRG's Prime Minister has visited the UAE twice in the two months, the first to attend the Government Summit on February 15, 2022, and the second to attend the Energy Summit on March 28-29, 2023; the primary purpose of his visit to the UAE is to discuss the energy sector and regional developments ([Masrour Barzani said](#)).



On August 17, 2023, Prime Minister Masrour Barzani of the Kurdistan Regional Government (KRG) met with Sheikh Mohamed bin Zayed Al Nahyan, President of the United Arab Emirates.

The succession joshing visits between the UAE and KRG's official leaders are a triangular prospect that could significantly change regional geopolitics and the regional economic order by taking advantage of the recent progress of relations between Turkey and the Gulf Cooperation Council.

Whatever Baghdad moves, it needs Iran. Even with Iran's consent, holding [elections](#) is easier. Simultaneously, the Kurdistan Region must consider Turkey's position for any economic and political shift. Erbil's involvement in closeness with the Gulf countries

parallels Turkey's strategy. The UAE companies participate in oil production in the KRI and operate in the gas production of the Kurdistan Region and provide 70% of the population's electricity. However, the KRG and its gas reserves do not provide attractive news for the Gulf, but the KRG's planned 112-mile pipeline to Turkey and from there to Europe needs to be financed, lobbied and supported by Baghdad. Iran and its like-minded actors in Iraq have challenged Kurdistan's oil and gas exports in domestic and international courts, and restrictions on these actors require the support and struggles of the international community to sustain Kurdistan's energy infrastructure.



Kurdistan Region President Nechirvan Barzani (left) posing for a photo with the then-Abu Dhabi Crown Prince Mohamed bin Zayed Al-Nahyan, June 13, 2021. (Photo: Mohamed Al Hammadi/the UAE Ministry of Presidential Affairs).

Furthermore, in recent years, there has been an increasing desire among Gulf countries to become more active players in Iraq and to experience power relations more effectively. This is partly due to Qatar and the UAE's long-standing relations with Iraq's current Sunni leaders, such as Mohammed al-Halbousi and Khamis al-Khanjar, who are close allies of the KRI's leaders. Moreover, the UAE participates highly (thanks to Dana Gaz, Crescent Petroleum and TAQA) in developing Kurdistan's gas and oil capacity. As well as Saudi Arabia has also come in with a solid wave of investment in Anbar (the largest Sunni region). [Saudi Aramco](#) is

developing a gas field in Anbar province that can produce more than 400 million cubic feet daily. Iraq and Saudi Arabia agreed on establishing an industrial zone for Saudi industries and establishing a new unit for investment in various sectors worth 3 Billion Dollars.

Eastern Mediterranean Gas Project

Apart from the GCC's energy geopolitics zone, there is the Eastern Mediterranean Gas Forum (EMGF). Geographically, the countries and territories of [the Eastern Mediterranean](#) include Cyprus, Turkey, the Greek islands, Lebanon, Syria, Palestine, Israel, Jordan and Egypt are located in the Eastern Mediterranean Sea. There is a strange item here; Almost all of these countries have owned natural reserves, and they are all members of the Eastern Mediterranean Gas Forum, which was founded in 2017, except Turkey! As well as from Europe, each France, Italy, Greece and Spain are considering prominent active members of the Eastern Mediterranean gas project.

Since 2010, natural gas has been discovered off the coast of Cyprus and Israel, turning both countries from energy importers to exporters! The 1,900-kilometer pipeline was built for 6.7\$ Billion. The energy ministers of Greece, Israel, and Cyprus signed the final agreement for the pipeline project in January 2020. The West has made no secret of its reliance on the project [as an alternative to Russian gas](#). However, they have not hidden their intention to turn the eastern Mediterranean into a larger energy production zone, security and stability.

Interestingly, the United Arab Emirates (UAE) has also become involved in the Eastern Mediterranean. Though geographically separate from the Mediterranean Sea, the UAE joined the Eastern Mediterranean Gas Forum (EMGF) as an observer in 2020, fostering diplomatic relations with Tel Aviv and Abu Dhabi. By September 2021, the UAE's Mubadala Petroleum [purchased](#) a 22% stake in the Israeli Tamar gas field for about \$1 billion.

Compared to the UAE, the Kurdistan Region and West Kurdistan are geographically much closer to the eastern Mediterranean basin. The matter is also not easy without Turkey; Turkey is expected to be a part of the EMGF after its reconciliation with Israel and Egypt, the two main EMGF speakers.

Iraqi Kurdistan; A call to be realistic

One of the most influential approaches in international relations literature is "Realism". The theory is the idea of power and interpreting how to survive in the arena, understanding national interest and acquisition of power, experiencing competition, and knowing why international relations are anarchy. Here, power is crucial to promoting national identity, but where does power come from?

Despite that, Realists view a balance of power as desirable. It creates an inability to be dominated by another state, providing security as states are less likely to engage in conflict or war they cannot win .

As the father of classical Realism, Hans Morgenthau emphasized in his [famous book](#) "Politics Among Nations: The Struggle for Power and Peace", first published in 1949, presents a realistic view of politics and authority. Morgenthau assumed that the state is the most critical actor in international relations and the base of politics, and the political leaders' main task is to increase the strength of the national entity in various ways. Unlike liberals who assume that the private sector and companies should be given the primary role, in Realism, the final decision lies with the state; The United States and Britain will decide instead of Exxon Mobile and British Petroleum. These realistic concepts and assumptions played a significant role in US foreign policy, making it the embodiment of global power during the Cold War. According to Morgenthau 'the politician must think pragmatically in terms of national interest in order to be counted as a unit among other powers. Therefore, realists insist that universal moral principles cannot be applied to the actions of states. The centre of thought and action should be "maintaining national security". The state or region must do this.

On the other hand, the American scientist [Kenneth Waltz](#) became the father of the new realist theory (Structural Realism), influenced by the prospects of Thomas Hobbes and Hans Morgenthau. Waltz believes that all threats come from outside the internal system of the state or region, emphasizing the nature of the international system, which is "Chaos" because everyone is scrutinizing power and the origins of power. To this end, Waltz calls for a "strong global ruler" to stand up like the United States. Look at the circumstances in a region like South Kurdistan or West Kurdistan;

If the United States does not stand up, Iran, Turkey and Iraqi militias will attack it within hours.

The Kurdistan Region shares a 513-kilometre [geographical border](#) with the Islamic Republic of Iran. From 2014 to 2023, Kurdistan's oil exports to the Turkish Ceyhan port in the Mediterranean have been considered a cheaper alternative to Iranian oil. In 2021 and 2022, Iran will meet 16% of Turkey's natural gas demand, but the Kurdistan Region's natural gas can supply more than that amount to Turkey and is more stable and cheaper; Iran sees the Kurdistan Region as a competitor for natural gas.

In addition, the Kurdistan Region has 57 oil [blocks](#), and only 12 are in operation. In 2022, the total oil exported and consumed in the Kurdistan Region reached more than (158) million barrels of oil, which is produced daily from all fields 433 thousand 726 barrels of oil, in addition to several significant refineries such as Kalak, Lanaz, Bazian and Tawke, which according to information, have a capacity of 265,000 barrels of oil per day. The Kurdistan Region has also [produced](#) 4,200 to 4,300 megawatts of electricity, 75% of which comes from fuel in 2023.

What happens when heating a piece of iron?

The Kurdistan Region's position has been weak because of corruption and maladministration; political parties have lost significant public trust. The KRI is an autonomous region in Iraq comprising the four Kurdish-majority governorates of Erbil, Sulaymaniyah, Duhok, and Halabja, bordering Iran, Syria, and Turkey. The Kurdistan Region encompasses most of Iraqi Kurdistan. However, it excludes the disputed territories of Northern Iraq, contested between the Kurdistan Regional Government and the central Iraqi government in Baghdad since 1992 when autonomy was realized. The Kurdistan Region has existed for 32 years, but they still do not have a constitution, and they do not have a [unified military](#) force; they also do not have scientific research institutions. The region is divided into two-party zones: the Sulaimani zone is still led by the Patriotic Union of Kurdistan (PUK) and is close to Iran. In contrast, the Erbil and Badinan zones are led by the Kurdistan Democratic Party (KDP), which is close to Turkey.

The Kurds have an occupied territory, and for a hundred years (1923-2023), there has been continuing war and conflict with successive Iraqi governments. Baghdad and Erbil have been ambushing each other since 2005 and do not trust each other. When

the Kurdish position in Kirkuk was strong, Iraq held provincial council elections throughout the country except in Kirkuk. Eighteen years later, in December 2023, they will hold provincial council elections in Kirkuk.

Iraq does not have an oil and gas law because the Kurds have played a substantial role in the past eighteen years. Now that the Kurds have shaped their oil and gas reserves into law, they are pushing the Kurdistan Region to pass an oil and gas law that would concentrate all oil and gas powers in the control of the federal government in Baghdad.

The Kurds were like hard iron, thoroughly heated due to the lack of a comprehensive strategic vision due to regional pressures and constant threats from Baghdad. Of course, if a metal is constantly heated and then hammered, it will change its shape. Hence, will the KRI s leaders stand in the stadium like a goalkeeper, and will the balls come and go so quickly?

Iraqi political economy circumstance is waiting for mercy. From 2004 to 2022, the country has received around \$1 trillion; through these eighteen years, between 25% and 40% of the [Iraqi budget](#) has been wasted annually. \$80 billion has been [spent](#) on electricity alone, but there is no electricity. In August 2022, Iraqi Finance Minister Ali Alawi resigned and [pointed out](#) that 6-7 billion dollars annually disappear from the customs of Iraq and the Kurdistan Region and cannot be held accountable. Alawi said corruption prevented money from returning to the state treasury, while only \$1 billion of the \$9 billion in customs revenue was returned.

The Iraqi Parliament's Corruption Commission says 200 billion dinars are being corrupted monthly. In addition, during the cabinet of Mustafa Al Kadhimi, 2.5 \$ billion were stolen from Iraqi banks in just two months [[theft of the century](#)]. In 2023 Iraq had about \$111 billion in [its central bank](#) due to rising oil prices, not because of a substantial economic infrastructure.

Furthermore, because passing the budget in the Iraqi parliament is complex and risks deepening political problems, Iraq has passed the 2023, 2024 and 2025 budgets in one package. [This budget](#) has a deficit of 63 trillion dinars, 25% of the budget deficit and inflation! The value of \$100 is opposite 130,000 Iraqi dinars. However, the dollar is constantly higher than the Iraqi currency, and due to the suspension of oil exports

from the Kurdistan Region and Kirkuk to the Turkish Ceyhan port, selling 500,000 barrels less oil per day paralyzes the Iraqi budget bill.

Despite that, according to the [Emirates Policy Center](#), southern Iraq has repeatedly faced significant climate and environmental degradation threats while the country is experiencing severe climate change. Thus, Iraq has lost at least 50% of its annual water revenue from the Euphrates River and 40% from the Tigris River over the past 40 years (Due to Turkey cutting off the water flow to Iraq). In 2022, the Iraqi Ministry of Water Resources warned that the country's water reserves had halved since the previous year. Later in the same year, severe heat waves, reduced rainfall, dust storms, severe dust and salinity caused the loss of 60,000 acres of agricultural land and 30,000 trees, displacing about 30,000 families in eight provinces. When the heat wave brings Iraq to the brink of destruction, does it expect Turkey to save it from drowning?

Despite those mentioned above, the Iraqi leaders are still preoccupied with sectarian conflict, increased militia budgets and political divisions.

Conclusion

The Kurdistan Region must reevaluate its policies to ensure energy security. The foundation of a new vision involves addressing internal issues and not standing idle before accumulating challenges. The Kurdistan Regional Government (KRG) leaders must unify and articulate a clear picture that answers essential questions concerning their goals, problems, and inspirations for change.

The eastern Mediterranean and the Arabian Gulf energy basins present opportunities for the Kurdistan Region's geopolitical transformation. Recognizing the sources of power and national interest, addressing internal divisions, constant conflict with Baghdad, and threats from Iran are paramount at this pivotal moment.

Increased Gulf influence in Iraq may weaken Iran's control, necessitating the Kurdistan Region to foster improved relations with Baghdad while maintaining a delicate balance with Iran. Every level of work and every place must contribute to the growth and development of the Kurdistan Region.

An initiative involving the Kurdistan Region, Turkey, the UAE, the East-Med Basin, Europe, and the United States could reduce Iran's security and geopolitical threats in the KRG. As the world grapples with the Ukraine war's energy demands, the era of natural gas civilization might just be on the horizon, ushering in new opportunities and challenges for the region.

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