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Fortifying Futures:

Securing Energy Sovereignty through the Kurdistan Region's Khor Mor Gas Field

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Securing Energy Sovereignty through the Kurdistan Region's Khor Mor Gas Field

Summery

Amidst global economic challenges, including concerns over energy and food security, oil operations in the Kurdistan Region face a myriad of threats encompassing security, political, legal, financial, and geological factors. However, within these challenges lie significant opportunities for capitalizing on Kurdistan's hydrocarbon potential and enhancing revenue streams. The recent announcement by Dana Gas company regarding a 50% increase in gas production from the Khor Mor field since early 2022 has brought renewed attention to the region, with the field being recognized as the largest gas field in Iraq, and aiming to increase its gas product to 750 million cubic feet per day in the coming years. Over the past two years (2022-2024), the Khor Mor field has endured nine Katyusha and drone attacks by Iraqi militia groups, situated in the Qadir Karam Sub-district within the Chamchamal District. This academic endeavor aims to illuminate the opportunities and threats to energy security in the Kurdistan Region, providing insights into the broader landscape of oil operations in Kurdistan while also delving into the specifics of the Khor Mor Block. It offers a perspective on the intricate relationship between economic prosperity and political dynamics within the new regional security order.

An Overview of the Khor Mor Gas Field

Pearl Petroleum stands as a consortium comprising two prominent Middle Eastern oil and gas entities, Dana Gas and Crescent Petroleum, jointly operating the Kurdistan Region of Iraq (KRI)'s Gas Project. This [partnership extends to collaboration](#) with three leading European energy corporations: OMV, MOL, and RWE. Together, they have undertaken the development of the Khor Mor gas field and maintain ongoing investments in the oil and gas sectors within the Kurdistan Region. Ownership interests are distributed among Dana Gas (35%), Crescent Petroleum (35%), and the trio of European companies that previously contributed to the Nabucco



pipeline facilitating the transportation of natural gas from Central Asia to Central Europe, each holding a 10% stake in the contractual arrangement.

The hydrocarbon potential of Kurdistan has long been recognized on the global stage. Historical endeavors, such as the [initial oil exploration](#) conducted in the Middle East in 1901 at the Chia Surkh field, located in Garmiyān's Qoratu sub-district and overseen by the Kurdistan Regional Government (KRG), underscore this awareness. The British conducted pioneering explorations in the KhorMor and Chamchamal fields in 1928 and 1929, respectively. Subsequently, the geopolitical landscape shifted significantly in 2003 with the United States and its coalition of allies' intervention in Iraq, heralding a substantial economic, diplomatic, and political opening for the Kurdistan Region. This culminated in the rewriting of Iraq's constitution under the auspices of the US administration in 2005. In 2006, the KRG Ministry of Natural Resources was established, alongside the promulgation of the Kurdistan Regional Parliament's oil and gas law and the signing of contracts between the KRG and Dana Gas and Crescent Petroleum in 2007. Subsequent exploration efforts spanning 18 months led to successful gas production from the Khor Mor field.

There are distinctive attributes that set the Khor Mor block apart from other regions and fields within Iraq:

Exploring Kurdistan's Khor Mor Gas Field's Potential in Reserves and Production

An assessment by Gaffney, Cline & Associates (GCA), a renowned international auditing firm, [revealed substantial reserves](#) within the Khor Mor block, including 4.4 trillion standard cubic feet of natural gas, 136 million barrels of oil, and 13.3 million tons per meter of liquefied petroleum gas (LPG). The other sources [confirmed](#) that the Khor Mor gas field is estimated to contain over 7 trillion cubic feet of natural gas reserves. Encompassing an area of approximately 175 km², the Khor Mor field commenced plant expansion endeavors by the end of 2021, with investments exceeding \$630 million, \$250 million of which were sourced from the United States to facilitate field and [plant expansion initiatives](#). Presently, notwithstanding the security challenges posed by militia armed groups in Iraq, the field yields three primary products. Natural gas production was 305 million cubic feet per day in 2018, and this reached 552 million cubic feet per day in 2024, marking a 50% increase, [according to Dana Gas](#) and Crescent Petroleum. Forecasts suggest a



further escalation of 650 to 750 million cubic feet per day in the forthcoming years. Currently, the field's natural gas output is primarily allocated for electricity generation via a 24-inch pipeline, traversing a distance of 58 kilometers to reach Chamchamal and subsequently extending 116 kilometers to the Erbil Power Plant situated in the Pirdawd area. Plans for 2024 entail preparations for gas exportation from the field to other Iraqi provinces, such as Kirkuk and Mosul (Nineveh), to bolster electricity generation capacities. The field's gas production [supports the generation](#) of 4,200 megawatts of electricity daily, with 2800 megawatts serving the Kurdistan Region and the remaining capacity allocated to the governorates of Kirkuk and Nineveh. Notably, approximately 70% of the Kurdistan Region's electricity generated by the gas emanates from the Khor Mor field. Economic projections indicate [sustained production](#) until the field attains its economic threshold by 2080.

Another significant product extracted from the Khor Mor block is oil, which undergoes separation from the gas based on density and is subsequently stored. Over the period spanning from 2018 to 2024, oil production is projected to remain consistent, ranging between 15,000 and 20,000 barrels daily of [gas condensates](#). Contracts have been awarded to various companies and tanker owners for its transportation to the reservoirs of the Khurmala dome, where it is integrated into the Kurdistan-Jayan pipeline network. Historically, this oil has been exported to refineries in Iran, particularly to Bandar Abbas, for further processing and sale. Additionally, the Khor Mor block yields approximately 1050 tons of liquefied petroleum gas (LPG) daily. Dana Gas has entrusted the distribution of LPG to a local company at a rate of \$315 per ton, and then several enterprises are engaged in converting LPG into gas bottles, thus serving as a primary source to meet household demands within the Kurdistan Region.

Understanding the Social and Geographical Dynamics of KRI's Khor Mor Gas Field

Today, the name Khor Mor is synonymous with Dana Gas, embodying a thriving commercial brand. Situated just a few kilometers west of the Qadir Karam subdistrict and nestled in the southern reaches of Chamchamal district, Khor Mor village sprawls across a landscape marked by a meandering stream and the remnants of a once-flowing river. Over the past century, this area has



endured a tumultuous history of massacres and resistance, shaping each household's narrative with tales of resilience and struggle. Although all of these have been on their ancestral land for thousands of years, But Khor Mor and surrounding areas were on the frontlines of the conflicts with the previous regimes, bearing witness to the ebb and flow of war. Among its prominent villages in the area are Small Khor Mor, Large Khor Mor, Chamsurkhaw, Aliawa, Golama, Ali Mustafa, Pariawela, Karachewar, Qashqa, Wela, Qalamkail, Qaitawan, Taze Shar, Kani Qadir, Lak Hidayat, Shawk, Qirche, Golbakh, Mushkiban, Awayi Jalal, Aziz Beg, Bnaka, Harrena, Braim Ghulam, Garawi, and others, each bearing the scars of its past.

In 1976, Saddam Hussein's regime orchestrated a demographic shift by annexing the Qadir Karam district to Tuz Khurmatu, subsequently integrating Tuz Khurmatu into the Saladin governorate. This maneuver severed ties with Sulaimani and Kirkuk provinces, altering the region's administrative landscape. The horrors of the Anfal campaign in 1988 further ravaged the area, claiming thousands of lives and reducing villages to rubble. Following the fall of Saddam's regime in 2003, administrative ties with Sulaimani were restored, allowing Kurdish families to reclaim their ancestral homes. The emergence of Crescent Petroleum brought renewed economic activity to the area, albeit amidst the shadow of regional and global conflicts. Since 2022, the area has faced repeated attacks from [Iran-affiliated Iraqi militias](#), with Katyusha rockets and drones posing persistent threats. The recent attack occurred with a drone on April 26, 2024, claiming the lives of four Yemeni employees and injuring eight others working in the field.

Contracts

In the Kurdistan Region, there are 52 oil blocks, yet only 12 are [presently operational](#). Among the contractual arrangements between the Kurdistan Regional Government (KRG) and energy corporations, the predominant model is the Production Sharing Contract (PSC). However, it's noteworthy that the Dana Gas contract pertaining to the KhorMor field adopts a distinctive approach as a service contract. Under the ambit of service contracts, the host state assumes comprehensive oversight and is empowered to manage the entire process, thereby granting the KRG's Ministry of Natural Resources augmented intervention rights within the Khor Mor field compared to other contracts.



In service contracts, the designated company solely engages in exploration and extraction activities without assuming any liabilities, financial risks, or obligations related to field degradation or investment viability—an aspect subject to contractual nuances varying across locations. Notably, under the service contract framework, the contracted multi-national energy companies are exempt from paying an "entry tax." This arrangement holds particular advantages for the host country, safeguarding against the relinquishment of oil fields and wells to foreign companies. Instead, throughout the contractual lifespan, a mutually agreed-upon share of financial entitlements are allocated to the government, thereby circumventing scenarios where energy firms deal with the fields and wells as collateral.

Beyond Profit: Examining Multinational Corporations as Key Actors in Global Politics

Understanding global complexities and regional security dynamics is crucial for systems, states, and regions to effectively navigate the contemporary landscape. Achieving this requires a comprehensive vision informed by modern scientific insights. Moreover, engaging with multinational companies necessitates a thorough understanding of their principles and roles. Without such comprehension, signing contracts with them becomes a risky endeavor, as the future trajectory remains unpredictable without a solid theoretical foundation.

Liberalism, as one of the prominent theories in international relations, defends non-state actors (such as global companies, private universities, and international organizations). Liberals have always insisted that power should not be confined to the state but that [non-state actors](#) can serve and facilitate international relations. Liberalism as an economic, political, and social school does not ignore the character of the state, regions, and government units to some extent, but it assumes that there are no geographical boundaries and only a free market economy. You sell your own oil and receive dollars, no matter what your geographical boundaries, religion, or race are. Understanding liberalism is a key element for deciphering capitalism, the economy, and international companies' justifications. Global companies justify their existence with the following arguments:



- To participate in the development of capital in several countries.
- To create a positive impact on the economy of any country in which they invest.
- They believe that job opportunities will be created in the era of globalization and opening up the market.
- Growth in banking services and exchange will be provided, and investment diversification will be created.

Just beside the liberal spectrum lies the realm of neoliberalism. Emerging in the late nineteenth century amidst escalating social discord spurred by the rise of capitalism, neoliberalism found its footing. The post-World War II era, marked by the Marshall Plan's efforts to revive Europe, provided fertile ground for its consolidation across states and intellectual circles.

At its core, neoliberalism advocates for unbridled market freedom, advocating for the market's hegemony in all spheres. The state is urged to curtail spending and expand the private sector, relinquishing control over factories, banks, and corporations. Over time, neoliberals evolved into a formidable elite, not only acquiring businesses and financial institutions but also exerting influence through media ownership and establishing influential think tanks. Their influence extends to the highest echelons of power, with neoliberal figures infiltrating governments worldwide, shaping policies from towering edifices, and dictating the fate of nations. Quality of product supersedes considerations of identity, nationality, and societal values, relegating them to secondary importance. Meanwhile, the environmental havoc wrought by economic liberalism, particularly neoliberalism, remains conspicuously absent from their discourse.

According to Statista, drawing on [data](#) from tens of millions of individuals each month, the year 2019, preceding the onset of the coronavirus pandemic, witnessed approximately 213.56 million registered companies globally. Among them, around 60,000 multinational corporations held sway over more than 500,000 other companies and subsidiaries worldwide. In a [report](#) by the World Health Organization dated 2023, it was estimated that between 691 and 783 million individuals grappled with hunger in the year 2022. This staggering figure represents an alarming surge of 122 million people compared to the pre-pandemic year of 2019. Furthermore, according to the



[International Labor Organization](#) (ILO), global unemployment will rise in 2024, and growing inequalities and stagnant productivity are causes for concern.

This pressing scenario poses a critical question that demands a clear answer: Are the state systems responsible, or is it related to the drive of global corporations to amass capital? Why have KRG's debts surged and political, financial, and security challenges intensified since 2006 continuously, despite the rise in oil and gas production in the Kurdistan Region?

Charting a Path to the KRI's Energy Security: A Call for Superpower

Realism stands as one of the most prominent theories in international relations, deeply ingrained in US foreign policy since the onset of World War I. In stark contrast to liberal perspectives, realism underscores the paramount importance of the state as the primary actor in international affairs, advocating for its pivotal role in maintaining and augmenting power. According to realist doctrine, the primary objective of the state is to fortify its power, as a lack of power renders a nation vulnerable to external threats. While Iran has refrained from targeting oil or gas fields in the UAE or Qatar, it has repeatedly launched ballistic missile attacks on the Kurdistan Region. Hence, nations must prioritize their national security by bolstering their power rather than relying solely on corporate entities.

Neo-realists further accentuate the significance of a "state's" position within the global framework as external threats precipitate structural changes. From the neo-realist perspective, corporations like Exxon Mobil or Gazprom hold importance only when they serve the interests of their respective nations. Ultimately, decisions are made by national entities, not by corporations or a handful of billionaires.

In contexts where energy resources abound, ensuring security takes precedence. Energy not only propels economic and geopolitical dynamics but also catalyzes movement. The Kurdistan Region grapples with internal political divisions and external threats from Turkey, Iran, and factions within the Iraqi federal government. With drones and missiles posing tangible threats to energy security, it becomes imperative for the United States to bolster its presence in the region to promote energy security in the region.



Realists and neo-realists alike emphasize the preparedness of powerful nations as unitary actors, operating under the assumption that states drive actions within the international system. Consequently, efforts to safeguard oil and natural gas reserves, delineate water resources, promote renewable energy, and advance electrification hinge on the actions of dominant states like the US, aimed at maintaining order within the international arena.

Under Pressure: Unveiling Threats to Kurdistan's Natural Reserves

We at the [Mediterranean Institute for Regional Studies](http://www.mirs.co) (MIRS) have identified several main serious factors that are a crucial challenge to energy security in the world generally and the Kurdistan Region specifically. As a result, the depletion of reserves will reduce supply in the energy market:

The geological factor

This is due to well deterioration, corrosion, or mixing of water and oil during extraction. Or the poor treatment of the wells by the companies, or the inexperience of the companies and their technical poverty. In the Khor Mor field, these cases are less common because the field is not operated by only one company and the contract is long-term. However, in other fields, multinational companies have certainly treated oil wells badly and damaged the Kurdistan Region's national wealth; It is difficult to disclose this because it will have negative consequences for the company, its shares on the world stock market will be endangered, lawsuits will be filed against the company and it will gain a bad reputation.

Price volatility

Oil prices are unreliable and will not remain the same. A price reversal is always possible after any contract. There is also dozens of evidence that the world will not use oil in the future, rely on clean energy and green hydrogen, solar energy production, wind will increase, and increasingly cars will become electric and batteries. Europe, the United States, Israel and the Gulf have allocated thousands of billions of dollars for this purpose.

Security Concerns

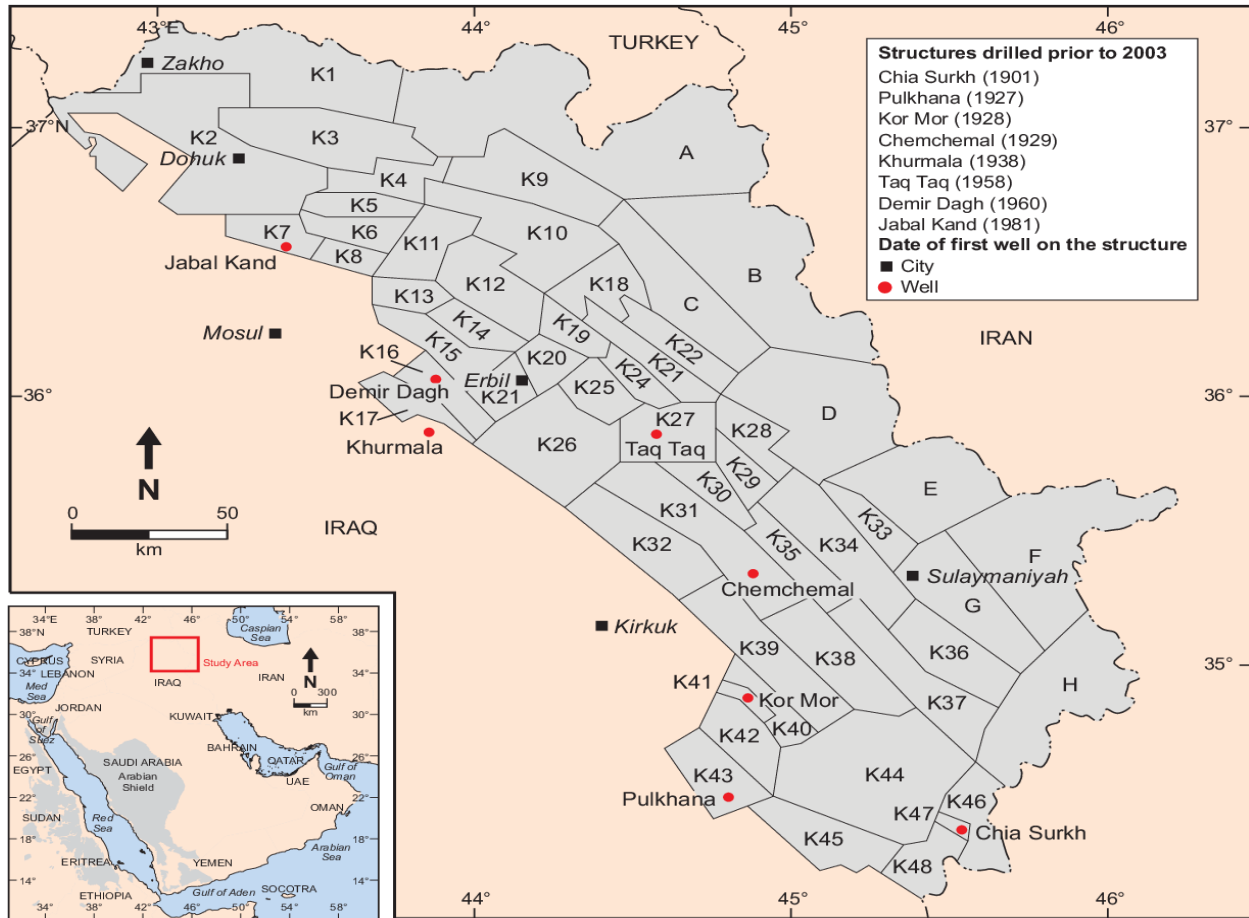


The security factor is particularly alarming. Often, a nation loses control of a port or a portion of its oil reserves due to warfare, affecting energy prices in the global economy. Since 2011, the Houthis have posed a threat to Saudi Arabia's national security, targeting oil facilities. In 2023 and 2024, Iran's actions jeopardized maritime security in the Red Sea, the Strait of Hormuz, and the Sea of Oman. Additionally, the Ukraine war and the regional fallout from the Gaza conflict have further complicated matters. Iran, Turkey, and Iraq are actively seeking to marginalize the Kurds from the energy equation, both individually and collectively.

Iraq faces numerous challenges, including the presence of over 72-armed militia groups, governmental weakness, sporadic ISIS activities, a lack of unified decision-making, and the erosion of sovereignty due to Sunni-Shiite political and religious conflicts. Moreover, the strained relationship between the Iraqi federal government and the Kurdistan Region directly impacts the political economy and regional stability.

Consequently, Iraq's weak governance imperils energy security. For instance, despite Iraq's claim of [increased natural gas reserves](#) to 131 trillion cubic feet, the country loses an estimated \$12 billion annually due to [gas flaring](#) and mismanagement in the central and southern of Iraq. However, Iraq annually imports 40 percent of its natural gas from Iran for electricity generation, incurring costs between \$5 billion and \$7 billion. Furthermore, in October 2023, Iraq [signed](#) a contract to import only 25 million cubic feet of natural gas per day, political hypocrisy and lopsided policy hindering the nation's industrial development and underutilizing resources like the Khor Mor field, which produces over 500 million cubic feet of natural gas daily!

Therefore, if a mutual agreement isn't reached between the governments of Baghdad and Erbil regarding the management of natural resources, the Kurdistan region will lose several crucial oil and gas fields. Among those at risk are six significant fields, two of which are the main energy blocks: Khor Mor and Khurmala. Additionally, Chia Surk and Pulkana fields in Garmian, Demir Dagh in the north-western part of Erbil province, and Jabal Kand in the western part of Duhok province face potential threats from Iraqi forces due to their geographical locations within the Kurdistan Region.



The Kurdistan oil fields, which were drilled before 2003, are close to the borders of the Iraqi federal government. Source ([Semantic Scholar](#))

Exportation

Because Iraq and the Kurdistan Region are technically and industrially backward, they have an eye on the companies of the developed countries that operate in Iraq, such as China, Russia, France, the United States, Iran, and the UAE. In other words, Iraq spends billions of dollars to import oil products such as diesel, bitumen, kerosene, and fuel oil from China, India, and Russia annually. So, Iraq and the Kurdistan Region should build the progress petrochemicals industry inside, and then talk about increasing the product to export outside!



In 2014, the Iraqi federal government filed a complaint against Turkey in the International Chamber of Commerce (International Court of Arbitration in Paris), because Turkey signed a deal with KRG and exported the KR's oil via Kurdistan -Turkey's Ceyhan pipeline, Iraq viewed it violated Iraqi sovereignty. Since February 2022, the Iraqi Federal Court has decided the Kurdistan Region's oil and gas law is unconstitutional. Moreover, in March 2023, the international court decided in [Iraq's favor](#) and halted the daily 450.000 barrels of oil of KRI exportation to the Ceyhan port in the Mediterranean Sea. Oil companies have invested over \$10 billion in the KRI's oil and are eager to resume exports. However, the Iraqi government desires to review all the KRG's oil contracts and take control of the Kurdistan energy sector, if not, the federal government like the previous years will not expenditure the KRG's employees' salaries.

Therefore, the Kurdistan Region needs to rethink its energy policy, with political unity, and encouraging its ability to a geopolitical shift that provides more diplomatic, military, and economic support.

Environmental hazards due to gas flaring

This passage highlights the environmental hazards stemming from gas flaring in Iraq. It emphasizes the mismanagement of the oil and gas sector by the Iraqi government, resulting in significant revenue loss and environmental risks. Gas worth \$290 thousand is wasted every hour, totaling \$6.9 million daily and over \$2.5 billion annually. This waste contributes to electricity shortages, with some provinces experiencing power outages during summer. Despite spending \$80 billion since 2003 to [address electricity shortages](#), Iraq still falls short of meeting its needs, leading to the need for gas imports to generate electricity.

Iraq is among the nine countries responsible for the majority of gas flaring operations, which account for about half of global oil production. World Bank [data indicate](#) that Iraq is the second country in the world that uses this practice the most, after Russia and before Iran and the United States.

The Islamic Republic of Iran is the main challenge to solving the electricity problem in Iraq and does not want Iraq to take advantage of its internal gas capacity to generate electricity, due to



continued US sanctions against Russia and Iran, dollars should not reach the two countries, so Iran has to receive \$5-7 billion annually due to importing gas to Iraq.



About 47.5% of the gas burning is due to oil production in Iraq (Source: Al-bayan Center for Planning and Studies).

Moreover, the risk of oil well explosions poses a significant threat to Iraq's stability and safety. The example of ISIS blowing up oil wells of Qayyara in Mosul in 2016 illustrates the potential devastation, leading to extensive environmental damage, [air pollution](#), and displacement of families.

In summary, gas flaring in Iraq exacerbates environmental degradation, electricity shortages, and geopolitical tensions, highlighting the urgent need for effective management and sustainable solutions.

KRG's Oil Contracts: What Are the Underlying Issues?

When we discover 10,000 barrels of oil in a field, valued at \$100 per barrel, we're presented with a potential revenue of \$1 million. However, the challenge lies in converting this potential into tangible profits and fairly distributing them between the host country and the operating company.



This process hinges on a crucial document: the "contract." Oil contracts outline the intricate mechanisms by which revenue and capital are allocated among stakeholders. Furthermore, they delineate managerial responsibilities and address critical concerns such as environmental protection, local economic development, and corporate social responsibilities (CSR).

The KRG has embarked on four significant endeavors in the oil and gas sector:

Firstly, it established the Ministry of Natural Resources and enacted Law No. 22 of 2007 governing Oil and Gas operations.

Secondly, it engaged in oil contracts primarily structured as "production sharing contracts" with international firms. This contractual model absolves the government from bearing the risks associated with technical aspects and the commercial viability of drilling sites. This was especially vital given Kurdistan's relatively weaker economic, human, and technical capabilities at the time.

Thirdly, it expedited the construction of Kurdistan's pipeline infrastructure, establishing one of the world's swiftest networks. This interconnection facilitates efficient transportation of oil and even pipelines natural gas to power plants.

Lastly, despite facing internal, Iraqi, and external pressures, the KRG has demonstrated resilience in managing the sector.

However, challenges persist, prompting the question: where do they stem from?

The types of international oil contracts come with distinct advantages and disadvantages, and their terms vary widely. Yet, the overarching issues in KRG's oil and gas sector can be identified as follows:

Firstly, there's a notable absence of national economic and industrial capacity. [Friedrich List](#), a prominent realist thinker, highlighted the direct link between political ideology and economic prosperity. He advocated for economic nationalism, emphasizing the importance of local industries in fostering competitiveness. The Kurdistan Region, while politically significant, lacks indigenous industrial infrastructure, relying heavily on imports and foreign investments.

Secondly, instead of solely relying on foreign companies for oil contracts since 2006, the KRG could have established one or more local energy services companies. This strategic move would



have mitigated the region's current \$36 billion debt and lowered the exorbitant costs associated with oil production, which have strained relations between Baghdad and Erbil.

Thirdly, operational costs for companies in the region are disproportionately high, spanning logistics, extraction, transportation, and security. Notably, the cost of producing a barrel of oil in Kurdistan Region exceeds that of Iraq, exacerbating financial burdens. Establishing a local oil company could have streamlined operations and reduced costs.

Fourth, if there was a Kurdish company from the beginning, thousands of Kurdish technical and skilled workers would be available in the energy.

Lastly, the fundamental problem is that the oil process is not just contracting, exploration, testing, extraction, and refining. Instead, exporting and marketing oil and gas requires lobbying in the developed world. This required the Kurdish leaders to re-institutionalize the political economy from the inside and attend international discussions from the outside.

In essence, while the KRG has made strides in its oil and gas sector, addressing these underlying issues is imperative for sustainable growth and stability.

Conclusion

Amidst Iraq's multifaceted challenges, the prospect of its resurgence toward reconstruction and heightened regional and global relevance remains promising. Recognizing the pivotal role of the Kurdistan Region's oil processes in the global energy landscape, institutionalizing its oil and gas

affairs become imperative. Without robust national institutions encompassing security, economic, and scientific domains, opportunities might be turned into vulnerabilities.

The Gulf, Turkey, and the US administration are actively pursuing strategic initiatives aimed at reducing Iran's influence over Iraq. However, Iran and Russia pose significant threats to Kurdistan's oil and gas ventures, especially if they extend to the Mediterranean, as it would positively impact Western energy markets. Similarly, any move by the Iraqi federal government



to import natural gas from the Kurdistan Region could be perceived as obstructing gas imports from Iran to Iraq, aligning with the US objective of curtailing financial flows to Iran.

Furthermore, the UAE emerges as a competitor to Iran in the region, as evident in Crescent Petroleum, a UAE-based company that, in October 2023, [secured three new contracts](#) to operate in various Iraqi government fields. Additionally, Iraq's substantial \$27 billion [contract](#) with French company Total, signed in July 2023, to develop renewable energy and natural gas further underscores efforts to diminish Iran's influence. These developments are likely to elicit diverse reactions from Iran, highlighting the intricate geopolitical dynamics at play in the region.

Hence, whenever there are speculations about expanding the Khor Mor field, discussions involving the US and UAE administrations, Turkey and the Kurdistan Region, or statements from the Kurdistan Region and Baghdad regarding natural gas exports, it's prudent to anticipate potential attacks by Iran or Pro-Iranian armed forces in Iraq to targeting the Khor Mor gas field. The optimal strategy lies in safeguarding the airspace of the Kurdistan Region and securing gas fields through international coalition efforts, thereby ensuring energy security in the region.

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