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## **Turkish Kurdish Energy Cooperation in the Iraqi Conundrum**

Amidst calls for unity in the face of major sectarian violence following the sudden occupation of several major cities in Iraq by the extreme radical Sunni group, the Islamic State of Iraq and Syria (ISIS), the Kurdistan Regional Government (KRG) in Erbil continues its efforts to transport and sell oil through Turkey independent of the central government in Baghdad led by Shia Prime Minister Nouri Maliki.

Following several months of unsuccessful negotiations, growing tensions and deepening bitterness between Baghdad and Erbil on this issue, on May 22 the tanker United Leadership disembarked from the Turkish Mediterranean port of Ceyhan carrying the first one million barrels of crude oil pumped to Ceyhan through the connection established by the Kurds linking oilfields in their territory directly to the Iraqi-Turkish Pipeline.

On May 28 Maliki harshly criticized the KRG authorities for exporting oil without the blessing of the central government, describing the process as “closer to a theft than a process of buying and selling.” In a speech to the Kurdistan Parliament on May 29, KRG Prime Minister Nechirvan Barzani responded by blaming the Iraqi Government for failing to provide the KRG with its much needed budget share of state energy revenues which had forced it to “pursue alternatives.” On June 1 Iraqi Deputy Prime Minister Hussein Shahrstani condemned Turkey’s role in facilitating what he termed the “smuggling” of oil. However, on June 9 a second tanker, United Emblem, disembarked from Ceyhan loaded with an additional one million barrels of Kurdish crude.

For the KRG, the independent export gambit is part of its effort to demonstrate to major oil companies that have invested in the long term energy potential of Iraqi Kurdistan its ability to provide a viable export route out of the semi-autonomous region. At the same time, a direct revenue stream would also decrease Erbil’s reliance on Baghdad, which has frequently withheld the Kurds’ 17 percent revenue share as leverage in their disputes. Not least, it would also potentially open the way to greater autonomy and perhaps even to the realization of the age-old dream of independence.

Massoud Barzani, the President of the KRG and Nechirvan Barzani have placed their trust at this crucial moment in Iraqi politics in Turkey and in particular Prime Minister Recep Tayyip Erdogan. The growing links between Erbil and Ankara appear to be equally important to Erdogan who envisions KRG dependence on Turkey that could not only help solve the Kurdish problem within Turkey, but also curb the ability of the Kurdistan Workers’ Party (PKK) fighters based in northern Iraq to attack Turkey as in the past while limiting the ambitions of the PKK-affiliated Democratic Union Party (PYD) in northern Syria. A close and sustained energy relationship with the KRG would also yield economic benefits for Turkey, particularly if the KRG’s

gas potential is realized. At a broader level, the growing alliance with Erbil also fits into Ankara's stated desire to expand its influence beyond its borders.

The immediate problem for the KRG is that international buyers seem to be wary of the legal issues raised by Baghdad relating to the purchase of Kurdish oil transported through the Iraqi-Turkish Pipeline without its permission. Baghdad has made it clear that it is prepared to take legal action against any purchaser of this oil and has referred BOTAS, the Turkish Pipeline Company which is facilitating the transportation of Kurdish oil, to the International Chamber of Commerce's International Court of Arbitration.

It appears that United Emblem transferred its cargo to another vessel, SCF Altai, off the coast of Malta and as of June 19 was heading back to Ceyhan. United Leadership has been sitting idly for weeks off the Atlantic coast of Morocco without clear indication as to the final destination of its cargo. Nevertheless, on June 16 Turkish Energy Minister Taner Yildiz confirmed that Kurdish oil was continuing to flow to Ceyhan despite the turmoil in Iraq and that a third tanker would be leaving soon.

The medium to longer term problem for the KRG is its need for a steady and uninterrupted flow of oil to buyers to generate enough revenue to run the government and pay its debts. In a speech to the Kurdistan Parliament's Oil and Gas Legal Committees on June 5, Nechirvan Barzani stated that the KRG needed 700 million dollars a month just to pay the salaries of government employees and Peshmerga forces.

The rapid deterioration of the situation in Iraq has added a new layer of questions over relating to Kurdish oil. On June 12 Kurdish Peshmerga forces moved to occupy Kirkuk with its additional energy resources and KRG Spokesman Safeen Dizayee suggested on June 16 that the Kurds should now receive 25 percent instead of 17 percent as their share of oil revenues.

While the KRG surely welcomes the retreat by Maliki's troops, it now faces the new problem of having ISIS on its borders. It also has to cope with the additional burden on its strained finances posed by the huge new influx of refugees on top of the Syrian Kurdish refugees it was already sheltering.

The Turkish leadership is also grappling with the problem of how best to position Ankara in the new configuration in Iraq as it tries to balance relationships with Erbil, Baghdad and Washington. Adding to the earlier complications, the Sunni radicals with whom indirect relationships were allegedly maintained in the past, are holding hostage more than 80 Turks, including the Turkish Consul in Mosul, his personnel and their families and truck drivers.

It remains to be seen how the joint Kurdish-Turkish strategy on the export of oil will be affected by the worsening situation in Iraq. The Kurds seem convinced that the current crisis has strengthened their bargaining position in their dispute with Baghdad. Yet, while there are growing suggestions, particularly from Erbil, that it is time for Washington to review its policy on keeping Iraq united, the U.S. position on this issue has so far remained unchanged. Having worked since its overthrow of Saddam Hussein in 2003 to maintain Iraq as a single state, despite the very real differences dividing Shias, Sunnis and Kurds, the U.S. has been opposing independent Kurdish oil exports as undermining the unity of Iraq.

The threat posed by ISIS could solidify U.S. support in the short run for the beleaguered central government in Iraq. However, in the medium to longer run, the continuing problems in Iraq seem likely to increase the pressure on Washington to change its current positions, not just on the independent export of Kurdish oil but also on maintaining Iraq as a single unitary state.

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