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Executive Summary

The Russian-Ukraine conflict and the rapprochements between Turkey and Gulf Arab countries have rekindled the Kurdistan Regional Government's interest in increasing Kurdish natural gas production and expanding exports to Turkey and potentially the European Union. In pursuit of gas deals, senior Kurdish officials have recently visited Turkey, the Gulf Arab countries, and Europe to discuss the potential of Kurdish gas as an alternative to Russian gas. If developed, Kurdish gas could assist both Turkey and the EU in diversifying their natural gas sources and enhance their energy security in the long run. Additionally, it could help federal Iraq lessen dependency on gas imports from Iran. However, there are a host of serious internal political conflicts, as well as legal, financial, and geopolitical hurdles to increasing Kurdish gas exports, prompting questions regarding whether such aspirations are realistic.

The expansion of Kurdish gas production capacity and exportation of gas to the international market will require a political deal with Baghdad, investment from Gulf Arab countries, and security guarantees from other stakeholders, such as Turkey and the EU. This paper analyzes the challenges and opportunities for Kurdish natural gas production expansion and exportation to Turkey and Europe.

Introduction

Since 2003, the Kurdistan Regional Government and the Iraqi government have been at loggerheads over control of energy resources in fields located in the Kurdistan region. Because of this impasse, the framers of the 2005 Iraqi Constitution inserted some purposefully ambiguous articles pertaining to natural resources, permitting contrasting interpretations both in favor and against the authorities of the KRG and the federal government regarding these resources. Accordingly, Erbil and Baghdad have sought to interpret the murky constitutional articles to serve their own exclusive interests at the expense of the other's.

The constitution calls for both federal and regional authorities to jointly manage natural resources. However, conflicting interpretations of the constitution by the respective parties have paralyzed legislative efforts since 2006.¹ A hydrocarbon bill has been sitting in Iraq's Parliament since 2007 due to disagreements over the rights of Baghdad and Erbil to contract, explore, and export oil and gas. As a result, the Kurdish Parliament took matters into its own hands by passing the 2007 oil and gas law paving the way for the KRG to sign dozens of production sharing agreements with international oil companies to explore, develop, and export Kurdish hydrocarbons.² But the efforts faced serious political and legal resistance and pressure from Baghdad, which blacklisted the international oil companies that signed deals with the KRG and filed a complaint against Turkey with the International Chamber of Commerce in Paris for facilitating Kurdish oil exports via the Iraq-Turkey crude oil pipeline.³ The KRG

¹ Kamil Mahdi, "Iraq's Oil Law: Parsing the Fine Print," *World Policy Journal* 24, no. 2 (Summer 2007): 11-23.

² International Crisis Group, "The Combustible Oil and Gas Question," in *Iraq and the Kurds: Trouble Along the Trigger Line* (Brussels: International Crisis Group, 2009).

³ Michael Knights, "The Necessary U.S. Role in Fixing the Baghdad-Kurdistan Energy Dispute," *The Washington Institute for Near East Policy*, June 27, 2022.

started building the Khurmala-Duhok independent pipeline in 2009, which it planned to use to export gas to Turkey by 2011.⁴ However, the pipeline was repurposed for oil exportation as production in the Kurdistan region increased dramatically in 2014, approaching 220,000 barrels per day; authorities looked to build a parallel gas pipeline.⁵ But, the war against the Islamic State in Iraq and the Levant, the slowdown of the economy due to a decline in oil prices and subsequent budget cuts in Baghdad,⁶ and the overarching ideological conflict in the Middle East between Turkey and Gulf Arab countries thwarted efforts to build the gas pipeline.⁷

On the positive side, gas production increased for domestic consumption and power generation. But the goal of the Kurdish leadership has always been to export gas to further interlock the Kurdistan region politically and economically with Turkey and eventually with Europe as a means of thwarting Baghdad's claims over Kurdistan's energy sector and establishing a future counterweight to an assertive central government.⁸

The negative repercussions of the ill-fated 2017 Kurdish independence referendum sent shock waves across the Kurdish national consciousness and the KRG's plans pertaining to its energy goals.

The negative repercussions of the ill-fated 2017 Kurdish independence referendum sent shock waves across the Kurdish national consciousness and the KRG's plans pertaining to its energy goals. As a result, the KRG lost almost half of its territory and its control over massive oil fields in Kirkuk, intra-Kurdish fissures became exacerbated, and Kurds became politically weak vis-à-vis Baghdad, all of which turned the Kurdistan region into a less conducive environment for business and investment.⁹

But the Russia-Ukraine conflict has muffled some of the 2017 fallout and provided a fresh – and more compelling – opportunity for the Kurdistan region to market itself as a source for Europe to meet its natural gas needs. Recently, Kurdish Prime Minister Masrour Barzani stressed the Kurdistan region's "huge gas potential" during a trip to Turkey, Gulf Arab countries, and the United Kingdom.¹⁰ Barzani urged the United Arab Emirates and Qatar to invest in developing untapped gas reserves in the Kurdistan region, where the UAE is already the biggest player.¹¹

⁴ Robin Mills, "Under the Mountains: Kurdish Oil and Regional Politics," *Oxford Institute for Energy Studies*, January 2016.

⁵ Humeyra Pamuk and Orhan Coskun, "Exclusive-Iraqi Kurdistan Oil Pipeline Export Capacity to Double," *Reuters*, August 19, 2014.

⁶ Stephen Kalin, "Iraqi Kurdistan's Cash Crisis Hits Banks - and the Region's Promise," *Reuters*, December 4, 2015.

⁷ Julius Dihstelhoff and Alexander Lohse, "Political Islam as an Ordering Factor? The Reconfiguration of the Regional Order in the Middle East Since the 'Arab Spring,'" in *The Regional Order in the Gulf Region and the Middle East*, ed. Philipp O. Amour (New York: Palgrave Macmillan, Cham, 2020), 29-59.

⁸ "Flash Points: Turkey's Iraq Strategy," *Energy Intelligence*, April 21, 2009.

⁹ Ofra Bengio, "The Kurdistan Region of Iraq: The Dream of Independence Meets Reality," *Moshe Dayan Center*, November 14, 2019.

¹⁰ "Barzani Says Iraqi Kurdistan Has Energy Capacity to Help Europe," *The Arab Weekly*, March 29, 2022

¹¹ Ibid.

The KRG claims the region has more than 200 trillion cubic feet of gas reserves, but the figure has not been independently verified.¹² The KRG's recoverable associated and nonassociated gas reserves are estimated at over 30 trillion cubic feet. The Kurdish region currently produces 5.25 billion cubic feet of natural gas annually – the Pearl Petroleum consortium produces 4.33 billion cubic feet from the Khor Mor gas field, while the Kurdish KAR Group produces 0.92 billion cubic feet of associated gas annually.¹³ The Pearl Petroleum consortium is comprised of UAE-based Dana Gas and Crescent Petroleum, which each holds a 35% stake, and European firms OMV, MOL, and RWE, which each holds a 10% stake.¹⁴ The consortium holds production rights to the Khor Mor and Chamchamal gas fields in Sulaymaniyah province. Khor Mor's production has doubled since 2018 to 452 million cubic feet of gas, 16,000 barrels of condensate, and 1,000 tons of liquefied petroleum gas per day.¹⁵ The U.S. International Development Finance Corporation supported the expansion of the field investing \$250 million in financing in 2021.¹⁶ The goal was to increase KRG gas production to feed gas turbine power plants in southern Iraq to lessen dependency on Iranian imported gas and to support local needs in the Kurdish region. The consortium had expected to increase natural gas production to 700 million cubic feet per day by the first quarter of 2023.¹⁷ But, recent rocket attacks by Shia militia groups on Khor Mor have put the expansion on hold indefinitely.¹⁸

Although the Kurdistan region has two existing pipelines for transporting gas for local consumption, only the Khor Mor-Khurmala pipeline is operational. The pipeline carries natural gas from Khor Mor to power plants in Chamchamal, Sulaymaniyah, and Erbil. Thus, Kurdish gas production has aimed to meet domestic needs, generate power,¹⁹ and improve the quality of Kurdish sour oil for exportation.²⁰ Although the KRG has enough gas turbine power plants to provide 24-hour electricity, they have not reached their optimal power generation because of the lack of sufficient gas delivery to gas power plants. Most of the Kurdish gas power plants run at below capacity because they use expensive fuels, such as diesel and crude oil, which have caused technical problems and don't generate as much power as gas.²¹ Such fuels should only be used in cases of emergency, but with the gas shortage and, according to some official sources, entanglement of powerful oil service companies connected with the two main Kurdish parties, there is no incentive to cut the cord with the usage of oil in some of the gas turbine power plants.

¹² "After Oil, Erdogan Asks for the KRG's Gas," *Draw Media*, February 6, 2022.

¹³ "Opportunities to Strengthen the Natural Gas Sector in the Iraq Kurdistan Region: A Step Towards a Cleaner and More Secure Energy Future," *Qamar Energy*, September 21, 2021.

¹⁴ "Khor Mor Gas Field Expansion, Kurdistan Region, Iraq," *Hydrocarbon Technology*, accessed October 5, 2022.

¹⁵ "Dana Gas, Crescent Petroleum Achieve 50% Gas Production Growth in KRI Over Past 3 Years," *Khaleej Times*, January 12, 2022.

¹⁶ "Pearl Petroleum Secures \$250m Funding for Expansion of Khor Mor Gas Plant," *NS Energy*, September 9, 2021.

¹⁷ Jennifer Gnana, "Dana Gas Kurdish Field Operating 'Normal' After Third Rocket Attack: Krg Spokesman," *S&P Global*, June 26, 2022.

¹⁸ Yesar Al-Maleki, "Iraqi Kurdistan's Khor Mor Attacked for Fourth Time," *MEES*, July 29, 2022.

¹⁹ "Opportunities to Strengthen the Natural Gas Sector in the Iraq Kurdistan Region: A Step Towards a Cleaner and More Secure Energy Future," *Qamar Energy*, September 21, 2021.

²⁰ Author interview with Kurdish Member of Parliament Ali Hama Salih, October 2020.

²¹ Author interview with an industrial insider, July 2022.

If the Kurdish gas sector is expanded by increasing production in Khor Mor, developing other gas fields, building gas-processing facilities, and constructing gas pipelines, it could help federal Iraq lessen its dependency on electricity supplies from Iran and help Turkey and Europe to reduce their dependency on Russian energy in the long run. But the outlook for Kurdish gas remains dim due to intra-Kurdish divisions and a host of legal, financial, political, and geopolitical hurdles.

Legal and Investment Issues

The manner in which the Kurdish energy sector has developed in the last two decades has been a byproduct of the ambiguity in the Iraqi Constitution regarding oil and gas in the country. In 2007, the Iraqi Parliament tried and failed to pass a hydrocarbon law, which would have clarified the division of authority among the federal government, KRG, and local governments in Iraq over oil and gas resources.²² The lack of federal energy legislation paved the way for the KRG to pass its own oil and gas law the same year, allowing the regional government to sign multiple contracts with international oil companies to develop the Kurdish energy sector.²³ In response, Baghdad blacklisted international oil companies operating in the Kurdish region and took legal measures against Ankara for allowing Erbil to export oil through Turkey.²⁴ But the strategy failed to deter international oil companies from operating in the Kurdistan region, and Turkey continued to allow the exportation of Kurdish petroleum.

The manner in which the Kurdish energy sector has developed in the last two decades has been a byproduct of the ambiguity in the Iraqi Constitution regarding oil and gas in the country.

The international oil companies had relied on this murky legal situation for their continued investment in the Kurdish energy sector. However, in February, the Iraqi Supreme Court ruled the KRG's oil and gas law unconstitutional.²⁵ Erbil has refused to comply with the ruling thus far but has shifted its tone from an assertive posture regarding its energy sector to a more defensive one.²⁶ Through several conciliatory statements, the KRG has asked for a revision of the ruling and the restructuring of the court compatible with the constitution. Practically, Erbil has shown willingness to reach an amicable settlement with Iraq by sending several negotiation teams to Baghdad to discuss the matter with federal officials.²⁷ But no progress has been made yet. Instead, the Iraqi Ministry of Oil continues to apply incremental pressure on the KRG and international oil companies operating in the Kurdish region. The ministry served a letter to the international oil companies to attend a commercial court in Baghdad

²² Kamil Mahdi, "Iraq's Oil Law: Parsing the Fine Print," *World Policy Journal* 24, no. 2 (Summer 2007): 11-23.

²³ Aymenn Jawad Al-Tamimi, "Assessing Iraq's Oil Industry" *Middle East Forum*, July 1, 2012.

²⁴ Lizzie Porter, Mohammed Hussein, Rawaz Tahir, and Ben Van, "UPDATE: Iraq-Turkey Arbitration Ruling Nears, With Kurdistan's Oil Independence in the Balance," *Iraq Oil Report*, July 11, 2022.

²⁵ Oxford Analytica, "US Company Withdrawals Threaten Iraqi Oil Output," *Expert Briefings*, July 5, 2022.

²⁶ Ali Jawad, "Iraq's KRG Leader Rejects Federal Court Decision on Region's Oil," *Anadolu Agency*, March 3, 2022.

²⁷ Mohammed Hussein, Lizzie Porter, and Rawaz Tahir, "Iraqi Federal and KRG Oil Talks Cordial but Still at Odds," *Iraq Oil Report*, April 13, 2022.

regarding their operations and contracts in the Kurdish region.²⁸ In addition, the Ministry of Oil has threatened to take further legal actions against the companies and freeze the bank accounts holding the KRG's oil revenue.²⁹ If the ministry goes through with this, it would mean the reassertion of federal authority over Kurdish hydrocarbon resources and the effective end to the KRG's control over its energy sector.

Although the court ruling might not immediately shut down the KRG's energy sector due to the political and institutional dysfunctionality in Baghdad, and the global need for oil, it has shattered the confidence of investors in Kurdish energy projects and could stifle development. Three U.S. companies – Schlumberger, Baker Hughes, and Halliburton – have already complied with the court's decision by not applying for future tenders from the KRG's Ministry of Natural Resources.³⁰ Dana Gas has also put on hold the expansion of the Khor Mor gas field amid political, legal, and security concerns.³¹ These developments appear to have stymied the KRG's efforts to woo investment and attract energy companies for gas development projects at the moment.

The KRG has criticized the court decision, insisting it was politically motivated and questioning its constitutionality, as the court was not established through mechanisms stipulated in the Iraqi Constitution.³² In the KRG's view, the court has no constitutional standing to adjudicate high-level and sensitive cases, such as the energy dispute between Erbil and Baghdad.³³ Such an issue, according to the KRG, should be resolved through political consensus, through the legislature, for example by Parliament passing the 2007 hydrocarbon law.³⁴ While the KRG has sought to address the legal and constitutional merits, it has found itself unable to counter the pressure Baghdad has been able to apply on international oil and gas companies, wielding the court ruling to stop or slow foreign investment in the KRG's energy sector.

One of the most fundamental causes of the conflict and negotiation failures between Erbil and Baghdad over energy resources is grounded in the issue of sovereignty for both sides, which has made compromise difficult. For Baghdad, sovereignty is a matter of indivisibility – maintaining a unified Iraq – while Erbil views it as a shared duty and responsibility.³⁵ These contrasting views have not only been muddled by constitutional ambiguity in Iraq but more importantly informed and solidified by a deep history of distrust between the Kurds and successive governments in Baghdad. As such, shared sovereignty, for the Kurds, is a matter of political and financial survival, while federal Iraq's interest in exclusive sovereignty is a matter of national pride and a symbol of unity. This issue is compounded by uncertainty about the future of the Kurdish region. Baghdad is haunted by the Kurds' attempt to use energy

²⁸ Rowena Edwards, "UPDATE 3-Iraq Threatens New Legal Action Against Kurdistan Crude Buyers," *Reuters*, August 25, 2022.

²⁹ "Iraq Oil Organization Threatens to Shut Kurdistan Region's Bank Accounts," *Kurd Press*, June 1, 2022.

³⁰ "Three US Oilfield Services Companies to Exit Kurdistan Region in Iraq," *NS Energy*, July 5, 2022.

³¹ "Iraqi Kurdistan's Khor Mor Attacked for Fourth Time," *MEES*, July 29, 2022.

³² Safwan Al-Amin and Bilal Wahab, "One Less Hurdle Before Iraqi Elections," *The Washington Institute for Near East Policy*, April 1, 2021.

³³ "KRG Says Iraqi Federal Court Has No Legal Authority," *Kurd Press*, June 4, 2022.

³⁴ *Ibid.*

³⁵ Author interviews with Iraqi and Kurdish officials, September 2020-June 2022.

as a vessel to seek political independence in 2017,³⁶ while the Kurds are burdened with a security dilemma regarding a militarily and financially stronger Iraq in the future. This fear is deeply engrained in the memories of Kurdish leaders, when in the past cooperation has led to betrayal of promises regarding Kurdish rights in the country.³⁷ Accordingly, Kurdish leaders believe that they will lose their last source of leverage over Baghdad if they hand authority over their energy resources to the federal government. For Kurds, control over the region's energy resources has been about self-preservation in the face of a resurgent Baghdad. Nevertheless, the KRG will face an uphill battle to convince international oil companies to invest in its gas sector unless there is a deal with Baghdad that ensures a conducive legal environment.

However, the global need for energy, high oil and gas prices, and the exploitation of energy as a geopolitical tool by Moscow against Europe and potentially Tehran against Turkey could offset some of the risks posed by Iraq's court ruling. The Europeans are currently suffering from ills of dependency on Russia,³⁸ while Turkey has frequent power hiccups due to Iran periodically cutting gas supplies under the pretext of technical issues.³⁹

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The KRG is aware of this new opportunity in the oil and gas market. It has aggressively sought to develop a robust and export-oriented gas sector, and senior KRG officials have recently made multiple energy-focused trips to the Gulf Arab countries,⁴⁰ Turkey, and the U.K.⁴¹ But there is a mismatch between the KRG's ambitions and the realities on the ground pertaining to gas development.

Therefore, such trips won't be sufficient to increase Kurdish gas production and expand the sector's development unless several conditions are met. First, the KRG needs to secure long-term purchase agreements with potential buyers. The KRG already signed a 50-year energy deal with Turkey in 2013.⁴² But the deal's terms have not been disclosed, making it difficult for private sector energy companies to risk investing without understanding what that agreement entails and whether the deal has political support, for example, from Ankara in case of conflict with the Iraqi federal government. Investment in gas is financially riskier than oil. It requires heavy upfront investment, which is unrecoverable should the projects get derailed for any reason.⁴³ Therefore, from a financial standpoint, it's very unlikely energy companies will put their capital in the Kurdish gas sector without a prior well-defined legal and political

³⁶ Yerevan Saeed, "The Impacts of Oil on Secessionist Groups in the Oil Producing Regions: The Case of the Kurdistan Region of Iraq in 2017," (PhD diss., George Mason University, 2022).

³⁷ Christopher Paul, Colin P. Clarke, Beth Grill, and Molly Dunigan, "Iraqi Kurdistan, 1961–1975: Case Outcome: COIN Win," in *Paths to Victory: Detailed Insurgency Case Studies* (Santa Monica: RAND Corporation, 2013) 213–25.

³⁸ Anna Shiryayevskaya, "European Gas Extends Gains as Specter of Russian Cuts Persists," *Bloomberg*, June 22, 2022.

³⁹ Muhdan Saglam "Iran's Gas Cut Exposes Turkey's Vulnerability to Energy Risks," *Al-Monitor*, January 31, 2022.

⁴⁰ "Barzani Says Iraqi Kurdistan Has Energy Capacity to Help Europe," *The Arab Weekly*, March 29, 2022.

⁴¹ Goran Sabah Ghafour, "The Significance of Prime Minister Barzani's Official Visits to Turkey and Britain," *Kurdistan* 24, April 21, 2022.

⁴² "Turkey, Iraqi Kurdistan Agree on '50-Year Energy Accord,'" *Hurriyet Daily News*, June 5, 2014.

⁴³ Ragip Soylu, "Iraqi Kurdish Gas to Turkey? Easier Said Than Done," *Middle East Eye*, February 17, 2022.

agreement between the KRG and the federal government and long-term bilateral government commitments regarding the purchase of gas. As a result, because of the political and security risks, state-sponsored investment in the energy sector is the most viable option for Erbil.

Another issue the KRG faces is that Kurdish gas is of low quality in undeveloped fields, such as Bina Bawi.⁴⁴ The gas is sour and requires processing facilities to purify it. This would add billions of dollars to operation costs and lengthen the time needed to make the fields commercial.⁴⁵ Such realities could spook investors out of developing these fields, especially in the absence of long-term purchase agreements between the KRG and potential buyers. Moreover, such additional costs could make Kurdish gas more expensive and less competitive compared to Iranian and Russian gas. For these reasons, the KRG needs to start negotiating with potential buyers to reach long-term purchase deals to pave the way for international oil companies to invest in the Kurdistan region's gas sector if it wants to be able to reach the gas sector's full potential for exports in the future.

Internal Political and Social Fissures

The biggest challenge to Kurdish gas development is the Kurds themselves. The development of oil had a Kurdish consensus in the past, but, currently, the KRG lacks political and social harmony. Tensions have been rising between the two ruling Kurdish parties – the Kurdistan Democratic Party and the Patriotic Union of Kurdistan – over wealth, power, and energy. The rivalry has been exacerbated by toxic competition over the post of the Iraqi presidency, which is traditionally reserved for Kurds.⁴⁶ To fight for political advantage and thwart the presidential ambitions of their Kurdish rivals, the Kurdish parties aligned with opposing political camps to exact concessions from one another at the beginning. While the KDP initially joined Shia cleric Muqtada al-Sadr and allied Sunni groups in Baghdad after the October 2021 parliamentary elections, the PUK sought common cause with the pro-Iranian Shia camp of the Coordination Framework. However, the KDP later mended ties with the Coordination Framework as a part of its efforts to undermine the PUK's presidential candidate.

As a politically and economically dominant power in the Kurdistan region, the KDP has sidelined the PUK on gas development and exportation, which has led to deep grievances inside the PUK.⁴⁷ But the PUK possesses significant military power in the region, which can derail gas projects especially in its controlled area. The KDP's unilateral actions regarding the energy sector have not only pushed the PUK to align with Baghdad and pro-Iranian forces but also could disrupt KRG gas flows to Erbil as has happened in the past.⁴⁸

⁴⁴ Ragip Soylu, "Iraqi Kurdish Gas to Turkey? Easier Said Than Done," *Middle East Eye*, February 17, 2022.

⁴⁵ "A Rocky Road: Kurdish Oil and Independence," *Iraq Energy Institute*, February 19, 2018.

⁴⁶ Yerevan Saeed, "Hard-Fought Iraqi Presidential Contest Signals Fraught Government Formation Ahead," *Arab Gulf States Institute in Washington*, February 4, 2022.

⁴⁷ Amina Ismail and Maha El Dahan, "Analysis: Kurdish Tensions Stymie Iraqi Region's Gas Export Ambitions," *Reuters*, June 13, 2022.

⁴⁸ Yerevan Saeed, "Corruption and Partisan Politics Can Bring Down the KRG," *Al Jazeera*, March 1, 2020.

This suggests that any KDP-led KRG-Ankara gas deal, without the blessing of the PUK, would face serious political and security issues as most of the gas fields are located in PUK-controlled areas.⁴⁹ PUK leader Bafel Talabani made this clear recently by vowing that a gas pipeline could be built over his dead body if he is not consulted and the plans are not transparent.⁵⁰ But the PUK's rhetoric regarding transparency and public interest has been severely undermined by acts of extortion, smuggling, looting public money, and land occupation in its controlled area.⁵¹ Thus, it seems the PUK is driven more by the financial interests of the party and its officials – and by the political prestige and power that come with major energy projects – than protecting the public interest when it comes to gas development.

The KRG plans to connect the major gas fields via a network of pipelines for domestic power generation and exportation to Turkey. Currently, the PUK has halted the work of KDP-affiliated KAR Group, which is tasked with constructing a pipeline from the Khor Mor and Chamchamal gas fields to Turkey. But even if political divisions can be resolved and infrastructure issues fixed, domestic energy demand must be met before Kurdish gas can be exported. According to Dana Gas Chief Executive Officer Majid Jafar, it could take five years for Kurdish gas to be ready for exportation after providing domestic needs,⁵² while a report commissioned by the U.S. Department of Energy puts the timeline for the exportation of gas export beyond 2030.⁵³

The process of oil contracting, development, and production has been riddled by a lack of transparency, and, as a result, corruption has become a hallmark of Kurdish oil policy.

Additionally, the KRG has significant public trust issues when it comes to energy affairs primarily because of how the oil sector was developed in the Kurdish region. The process of oil contracting, development, and production has been riddled by a lack of transparency, and, as a result, corruption has become a hallmark of Kurdish oil policy. Billions of dollars are still unaccounted for, and oil revenue collection is still murky.⁵⁴ This has disheartened the Kurdish public, who are skeptical they will reap the financial and economic dividends from the region's energy resources. So, there has been significant resistance and pushback about developing the gas sector for exportation purposes.⁵⁵ Consequently, the heyday of Kurdish energy nationalism designed to excite the Kurdish public by promising the delivery of a Kurdish state and prosperity is gone. Instead, the Kurdistan region has fallen into a version of the oil-curse trap like many oil-rich countries.

⁴⁹ "After Oil, Erdogan Asks for the KRG's Gas," *Draw Media*, February 6, 2022.

⁵⁰ "Gas Export From Iraqi Kurdistan Must Be Transparent, PUK Leader Bafel Talabani Says," *EKurd Daily*, April 29, 2022.

⁵¹ Karwan Faidhi Dri, "PUK's Counter-Terror Unit Denies Smuggling Link," *Rudaw*, July 23, 2021.

⁵² Dania Saadi, "UAE's Crescent May Export Kurdish Gas in About 5 Years After Fulfilling Local Needs," *S&P Global*, October 27, 2021.

⁵³ "Opportunities to Strengthen the Natural Gas Sector in the Iraq Kurdistan Region: A Step Towards a Cleaner and More Secure Energy Future," *Qamar Energy*, September 21, 2021.

⁵⁴ "\$1.2 Billion Missing From Iraqi Kurdistan's Oil Revenues: Leaked Documents," *EKurd Daily*, November 19, 2016.

⁵⁵ Author interviews with Kurdish academics, journalists, and subject matter experts, June-August 2022.

The 2007 oil and gas law provided a good roadmap for building necessary institutions that could have enhanced public trust and created technical expertise in the energy sector.⁵⁶ But the stonewalling of parliamentary efforts for transparency and the failure to fully implement the 2007 oil and gas law have exacerbated mismanagement and diminished public faith in the current Kurdish political elite's sincerity to develop gas for the public good.⁵⁷ Successive KRG Cabinets have failed to build strong institutions to manage oil and gas. The KRG has cherry-picked implementation of the 2007 law, effectively evading provisions stipulating that such institutions should be established to govern the sector and ensure transparency and accountability. And as the KRG seeks to expand and develop its gas enterprise, the government still lacks a gas directorate to manage its gas affairs and ensure the requisite levels of technical expertise required to adequately oversee such a demanding enterprise.⁵⁸ This lack of specialization and division of labor could also negatively impact plans to expand and develop the gas sector.

In addition to other technical and political issues, the corrosive effects of oil on the Kurdistan region's governance and economy have been profound. The financial well-being of the KRG has been dependent on oil prices, which fluctuate on international markets, as Erbil relies largely on oil revenue to operate, provide public services, and pay government employees. During both the good and bad times, oil has distorted the reality of the Kurdish economy, misleading Kurdish policymakers to phase out long-term plans to build a stronger economy diversified away from oil. For example, during the pinnacle of the Kurdish oil policy, the KRG borrowed billions of dollars to fund its infrastructure projects, such as building highways and power plants, driving the Kurdish region into over \$20 billion of debt.⁵⁹ Such borrowing was done in the hope of higher oil prices and higher production in the future. The assumptions underlying such decision making have proved deeply flawed. Unsteady oil prices and internal tax revenue, coupled with Baghdad's budget cuts and onerous debt servicing, taken together, have restricted the KRG's room for maneuver to manage the fiscal crisis; it has also limited the government's ability to provide public services. For example, the KRG has not been able to collect garbage for weeks in some areas of the Kurdistan region,⁶⁰ civil servant salaries have been delayed by a month,⁶¹ electricity is unstable, and unemployment is on the rise.⁶² As a result, for the public, oil and corruption have become synonymous. In the words of a Kurdish member of parliament, "you cannot talk about oil without corruption and corruption without oil."⁶³ Given such realities, the prospect of exporting gas has not excited Kurds because they

⁵⁶ Dahlia Zamel, "In a Nutshell: Oil and Gas Law in Iraqi Kurdistan," *Lexology*, October 25, 2019.

⁵⁷ "The Kurdistan Region of Iraq - Reforming the Economy for Shared Prosperity and Protecting the Vulnerable," Working Paper 106132, The World Bank, Washington, DC, May 30, 2016.

⁵⁸ Author interview with industrial sources, July 2022.

⁵⁹ James Jeffrey, Matthew Amitrano, and Bilal Wahab, "The KRG Turns Thirty: The Future of U.S.-Kurdish Relations in Iraq (Part 3)," *The Washington Institute for Near East Policy*, June 28, 2022.

⁶⁰ Dilan Sirwan, "Trash Piles Up in Sulaimani, Municipality Can Only Clean 30 Percent," *Rudaw*, March 3, 2022.

⁶¹ Dana Taib Menmy, "Iraqi Kurdistan Government Workers Say Delayed Salaries Mean No Eid Al-Fitr," *The New Arab*, April 29, 2022.

⁶² Halsho Aziz, "Kurdistan Unemployment Risen Sharply Due to COVID-19, Economic Crisis: Officials," *Esta*, January 30, 2021.

⁶³ Author interview with a Kurdish member of parliament, October 2020.

believe that gas will have the same fate as oil, its positive impact eroded by lack of transparency, corruption, and mismanagement. Some express further concern about the prospect of Erbil moving forward without a political agreement with Baghdad.

Kurdish-Turkish Energy Ties and Challenges

The Kurdistan region of Iraq is landlocked. Therefore, it has needed a neighbor to export its energy. With the KRG at loggerheads with Baghdad over energy rights in the Kurdistan region, the Kurdish government has turned to Turkey. But this collaboration has often been complicated by Turkey's political and security interests.

Generally, Turkey has supported the KRG's energy policy, but it has also been an unreliable partner. When ISIL closed in on Erbil in the summer of 2014, Ankara refused to assist the Kurdish forces to ward off ISIL attacks despite repeated pleas for help. This was a huge disappointment for Kurdish leaders who believed that Ankara at least would intervene to protect its economic and investment interests.

Such despondency was highlighted by the former chief of staff to the KRG presidency, Fuad Hussein, who said, "Turkey consistently reiterated that if the security of the Kurdistan region is threatened they would intervene. Well, our security was under threat, but still we did not receive any support from Turkey."⁶⁴

The Turkish indifference to the Kurdistan region's security demonstrates the limitations of the KRG leveraging commercial and energy ties to elicit protection in the face of what's perceived by Turkey as a threat to its own security by a rising Kurdistan region.

The Turkish indifference to the Kurdistan region's security demonstrates the limitations of the KRG leveraging commercial and energy ties to elicit protection in the face of what's perceived by Turkey as a threat to its own security by a rising Kurdistan region. Turkey prioritized its security over trade and economic interests, as countries often do. Turkey's calculations may have been affected by a degree of contradiction and second thinking about whether its generally supportive policies toward the KRG risked exacerbating the spillover effects of a powerful Kurdistan region on its own Kurdish population. For this reason, Turkey may have viewed ISIL as less of a short-term threat to its national security than a strong Iraqi Kurdistan region in the long term.

But the Iraqi Kurds almost always have to go back to the same powers that have failed them in the past because of the lack of a better alternative. However, the question is whether Ankara wants to undertake this gas venture, which risks further galvanizing anti-Turkish sentiments in Iraq and putting Turkey in greater legal jeopardy. Ankara is already unpopular and faces serious challenges inside the Kurdistan region due to its increasing military operations, bombing of Kurdish villages, setting up military outposts in the Kurdish enclave, and mistreatment of its own Kurdish minority. Furthermore, Shia forces have issued multiple warnings against Turkey interfering in Iraqi affairs. Ankara's intervention could invite further ire of the Iraqi government, and Iran as well, which views itself as Turkey's main competitor in Iraq and the Kurdistan region. Even if Turkey is interested in Kurdish gas, it's likely to keep a low profile and take a financially risk-averse approach to the issue. It already faces billions of dollars in arbitration

⁶⁴ Hevidar Ahmed, "Senior Kurdistan Official: IS Was at Erbil's Gates; Turkey Did Not Help," *Rudaw*, September 2, 2014.

cases filed by Baghdad in the International Chamber of Commerce in Paris for allowing Kurdish oil exports through the country.⁶⁵ Should Ankara push for Kurdish gas development, Baghdad could increase its pressure in the international courts and arbitration system and utilize other international organizations, such as the U.N. Security Council, and other diplomatic tools to discourage Turkey – and others – from assisting the KRG when it comes to gas exports.

Additionally, Turkey's efforts to diversify energy imports might make Kurdish gas less attractive than a decade ago when Ankara was spearheading the development of the Kurdish energy sector. Today, Turkey imports natural gas from various sources and countries. A decade ago, Turkey was mostly dependent on Russian and Iranian gas imports to support its growing economy and meet increasing domestic electricity demand. But, in recent years, such dependency has substantially decreased. In 2010, Turkey imported 64% of its gas from Russia,⁶⁶ however, Russian gas now makes up only 45% of Ankara's total imports.⁶⁷ In 2011, Turkey imported 19% of its gas from Iran, but that has dropped to 11.9%. In addition, it currently imports 12.9% from Azerbaijan and 17% from the United States.⁶⁸ The recent discovery of gas fields in the Black Sea under Turkish sovereign control could also make Kurdish gas less attractive, given the political and financial risks. To increase the appeal of Kurdish gas, the KRG will likely have to heavily discount prices compared to Russian and Iranian gas – which will almost certainly prove extremely unpopular in the Kurdistan region and Iraq. Although an arguably justifiable strategy, given realities, the expertise and transparency deficits cited above are likely to prompt debilitating populist second guessing.

For understandable reasons, the KRG has put all its eggs in Ankara's basket regarding its gas exportation aspirations. However, Erbil's reliance on Ankara could prove far more disastrous now than in the past as the KRG has lost many of its sources of power. These include a lighter U.S. presence in Iraq, which means less protection for Kurds, and a weakened KRG as a result of the negative ramifications of the 2017 independence referendum, which reversed Kurdish territorial, political, economic, and energy gains.

The most severe consequence of the referendum was the loss of strategic depth for the Kurdish oil sector and financial hub. Erbil and Kurdish oil-producing gas fields and refineries are more exposed to threats from Shia militia groups deployed along the KRG's south and western border from Mosul to Khanaqin. Most of the Kurdish oil and gas fields are on the border with federal Iraq and are within range for rocket and mortar attacks from militia groups. Before 2017, KRG control of the disputed areas had insulated the Kurdish energy and financial sectors from such threats. Pro-Iranian militia groups have launched multiple rocket and drone attacks on Erbil, oil refineries, and the Khor Mor gas field, which is the backbone of the Kurdistan region's gas sector, increasing instability in the region and alarming international oil companies. The KRG is now alone in facing the powerful Shia militia groups and a resurgent Baghdad, which rejects its solo control over the energy sector in the north.

⁶⁵ Michael Knights, "The Necessary U.S. Role in Fixing the Baghdad-Kurdistan Energy Dispute," *The Washington Institute for Near East Policy*, June 27, 2022.

⁶⁶ Orhan Coskun and Ayla Jean Yackley, "PREVIEW-Turkey's PM Goes to Russia With Gas in Mind," *Reuters*, March 14, 2011.

⁶⁷ "Turkey Will Not Cut Russian Oil Supplies, Becomes Top Buyer of U.S. Gas," *Ahval News*, March 9, 2022.

⁶⁸ David O'Byrne, "US Becomes Turkey's Second Biggest Gas Supplier, but for How Long?," *Al-Monitor*, April 25, 2022.

Additionally, the KRG must compete with big exporters – Russia and Iran. Under current circumstances, Moscow and Tehran, heavily sanctioned by the Western countries, are unlikely to allow the emergence of another gas competitor and may seek to hinder Kurdish gas exports. Moscow could apply pressure on the KRG via the KRG oil pipeline, which is controlled by the Russian oil company Rosneft, although such overtly politicized behavior by Rosneft could have damaging consequences on its professional reputation. Iran has, for its part, already proved its ability to harm Kurdish energy interests through its armed proxies in Iraq. In March, Iran launched a ballistic missile attack on the house of the CEO of the Kurdish oil company, the KAR Group. Iran claimed it was targeting Israeli interests in Erbil, but as the prominent oil businessman had no known ties to Israel,⁶⁹ the attack appeared to be a warning shot to Erbil regarding its intention to develop its gas

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sector. For Iran, gas has not just been about generating revenue, it has also been geopolitical leverage against both Turkey and Iraq. The reliance of Baghdad and Ankara on Iranian energy has provided breathing space for Tehran to avoid some U.S. and EU sanctions. Therefore, Tehran has a vested interest in ensuring its dominance as a gas exporter to both countries, and it hopes to expand to Europe in the future.

Kurdish Energy Diplomacy

Iraq's Kurdistan region has largely been successful in utilizing its energy resources as a diplomatic tool to expand its regional and international relationships. The Kurdish energy potential, particularly in the first decade after the 2003 Iraq war, helped turn what had been an antagonistic relationship between the KRG and Turkey into functioning political, diplomatic, and business ties. Kurdish energy resources have also helped the KRG foster cooperation with the UAE. But the Arab Spring uprisings and subsequent emergence of ISIL were a hit to the prospect of Kurdish gas development and exportation. The Arab Spring put the KRG's close partners – Abu Dhabi and Ankara – on two different sides of the conflict in the Middle East and North Africa. The UAE opposed Muslim Brotherhood-allied groups, seeing them as a threat to the stability of the Gulf Arab states, while Ankara viewed them as a part of its own political DNA and as useful proxies to expand and project its power beyond its borders, backing them across the region militarily and financially. These two different visions for the future of the Middle East led to the rupture of Turkey's relationships with the UAE and Saudi Arabia, and this had ramifications for the KRG's gas sector.

To commercialize its gas sector to a level capable of exporting to the international market, the KRG needs foreign investment and buyers, but, more important, the consent of a neighboring country to export its gas. The frayed ties between Turkey and the UAE threatened this goal of Kurdish gas exportation. The KRG needed Turkey as a potential buyer and transit country to export its gas to Europe. But it also needed investment from the Gulf Arab countries,

⁶⁹ Lizzie Porter, Mohammed Hussein, Rawaz Tahir, and Araz Mohammed, "Iranian Missiles Destroy House of Prominent Kurdish Oil Businessman," *Iraq Oil Report*, March 16, 2022.

especially from UAE-led Pearl Petroleum, to develop its gas sector and ramp up production in the existing producing fields. However, with the political tensions, the UAE was unlikely to have much incentive to invest in something that would eventually benefit Turkey financially and consolidate its energy security, and thereby its political and military standing. Therefore, Kurdish gas exportation found itself hostage to the fortunes of rapprochement between Turkey and the UAE.

The KRG enjoys close relations with the UAE, Saudi Arabia, and Turkey and, given its dependencies, has played a positive role in bringing the UAE and Turkey together after a decade of strained relations. KRG President Nechirvan Barzani's mediation helped pave the way for the first phone call between then-Abu Dhabi Crown Prince Mohammed bin Zayed al-Nahyan and Turkish President Recep Tayyip Erdogan in August 2021 as they sought to improve ties after a decade of diplomatic rupture.⁷⁰ To capitalize on the improved relationship, in recent months, KRG Prime Minister Masrour Barzani

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made several multipurpose visits to Turkey and the Gulf Arab countries, particularly the UAE. Barzani stressed that the Kurdistan region is a safe place for investment and promised the exportation of Kurdish gas to Europe. The KRG delegation entertained the idea of Gulf investment in the Kurdish gas sector to help jumpstart exportation to Europe, with political support from Turkey. The prime minister also made the case for this export scheme during his visit to London in April.⁷¹ This ambitious export scenario is in the early stage, and its chances of success will likely depend on the increasing openings from the UAE and Saudi Arabia to Turkey and Israel and their willingness to assist the Kurdish region in exporting gas to federal Iraq, Turkey, and potentially Europe as a counterbalance to Iran's and Russia's dominance as gas suppliers.

However, not all branches of the Kurdish government are on board with the approach led by the prime minister regarding the potential for gas development and exportation. At this stage, claims of Kurdish gas exportation are regarded as a political and public relations stunt for domestic political consumption that could undermine the KRG's gas exportation goals. As a senior Kurdish official put it, what the KRG does now is just an unnecessary provocation of the powerful neighbors without even being able to export gas for many years. The official asserted that it was impossible to export gas without fulfilling domestic needs first, and it would take many years for Kurdish gas to be ready to export if conditions are right.⁷² The CEO of Kar Group, Baz Karim Barzanji, whose house was destroyed in the March Iranian attack, said that the Kurdistan region does not have the capacity to export gas. "As I see it, gas will not go across the border anytime soon if local consumption is not met," he said.⁷³ Thus, the KRG appears to be putting the cart before the horse when it comes to its gas development. In

⁷⁰ Amberin Zaman, "Iraqi Kurdish Leader Helps Ease Turkey-UAE Tensions," *Al-Monitor*, August 31, 2021.

⁷¹ "UK and Kurdish Leaders Discuss Energy Exports to Replace Russian Oil and Gas," *Reuters*, April 19, 2022.

⁷² Author interview with a senior Kurdish official, July 2022.

⁷³ Amina Ismail, "Iraqi Kurdish Businessman Says Not Involved in Gas Export Talks, Region's Capacity Low," *Reuters*, March 30, 2022.

fact, this approach contrasts with the KRG's oil development and exportation, where the KRG laid the groundwork by signing dozens of contracts and building a pipeline before endeavoring to promote the Kurdish region as a new frontier of energy in the world.⁷⁴

The unlocking of the KRG's full potential as a regional power broker and energy exporter has also been limited by its fractured diplomatic engagement with Iran. Unlike the Turkish-Gulf relationships, KRG ties with Iran are so broken that its representative to Tehran, Nadhim Dabagh, said that his office has not been informed about the KRG delegation visits to Tehran, adding that the visits are done at the party level.⁷⁵ As a result, this has translated into the failure of Kurdish leaders to communicate their vision to Tehran and address Iran's strategic interests in the region at the government level regarding the prospects of Kurdish gas exportation, where Iran could perceive it as a threat. Although it's unlikely for Tehran to lose its supremacy as a gas exporter if Kurdish gas potential is fully realized, it could diminish Tehran's geopolitical and economic leverage over federal Iraq and Turkey, as currently Tehran provides nearly 12% of gas to Turkey⁷⁶ and at least 30% of federal Iraq's electricity supply depends on Iranian gas.⁷⁷

New Security Architecture

Although there are deep ideological and political fissures among the Gulf Arab states, Turkey, and Israel, there appears to be a realization of the need for at least an informal security cooperation among them. The Abraham Accords were foundational to the relationship among the UAE, Bahrain, and Israel.⁷⁸ But Washington's approach toward Iran, centered on diplomacy to resolve the nuclear issue and revive the Joint Comprehensive Plan of Action, has expedited and deepened ties among these countries because of the belief that diplomacy is unlikely to stop Iran's projection of power in the Middle East through its militant proxies. For example, the recent, yet nascent, rapprochement between the UAE and Israel and the subsequent agreements have elevated cooperation to a strategic level of cooperation,⁷⁹ while Israel and Saudi Arabia have initiated talks that could at some point lead to political and economic ties.⁸⁰ Ankara has also recently mended ties with the UAE, Saudi Arabia, Israel, and, to some extent, Egypt.⁸¹ The KRG may be able to look to this new security architecture, if realized, for protection. This could provide space for Kurdish gas development and eventual exportation, not just through investment from the Gulf countries and logistical cooperation from Ankara, but also through the deployment of a credible deterrence strategy against pro-Iranian Iraqi Shia militia groups that have caused serious threat to the Kurdish energy sector.

⁷⁴ "Iraqi Kurdistan Begins First-Time Oil Exports," *Al Arabiya*, June 1, 2009.

⁷⁵ "KRG Envoy Says, He is Unaware of Any Visit of KRG Officials to Tehran," *Kurd Press*, May 21, 2022.

⁷⁶ David O'Byrne, "US Becomes Turkey's Second Biggest Gas Supplier, but for How Long?," *Al-Monitor*, April 25, 2022.

⁷⁷ Isabel Coles and Ghassan Adnan, "Iraq Moves to Pull Plug on Its Iran Power Cord," *The Wall Street Journal*, August 27, 2019.

⁷⁸ Lucy Kurtzer-Ellenbogen, "Historic UAE-Israel Trade Deal Proves Abraham Accords' Resilience," *United States Institute of Peace*, June 2, 2022.

⁷⁹ Ibid.

⁸⁰ Steven Scheer, "Israel Envisions Common Mideast Market With Saudis Amid Biden Visit," *Reuters*, July 11, 2022.

⁸¹ Selcuk Aydin and Hamdullah Baycar, "Israel, the Gulf and Turkey: Why is Everyone Making Up in the Middle East?," *Middle East Eye*, February 23, 2022.

But where might the KRG fit in this emerging security architecture? According to some Kurdish officials, the KRG views itself as a part of this front against Iran despite the lack of guarantee of protection.⁸² The Kurdish leadership believes a united Sunni front with Israeli military and intelligence capabilities is crucial to counter and weaken Iran's influence in Iraq. Accordingly, the consolidation of the Sunni-Israeli front could have therapeutic spillover effects on the Kurdistan region through a deterrence strategy that could lead to reducing the political and military ascendancy of Tehran and pro-Iranian groups in Iraq. Although recent Arab-Israeli military and economic cooperation could inspire some hope for such a deterrence strategy, it's hard to see how the Kurds would benefit from it when they are geographically separated from both Israel and the Gulf Arab countries (and are legally banned from dealing directly with Israel by the anti-normalization law passed by the Iraqi Parliament in May⁸³), and given the reality that the Kurdistan region shares a border with Iran.

Erbil has been the linchpin for the Gulf Arab countries' projection of power to the rest of Iraq, and the Gulf states provided humanitarian assistance through the KRG to displaced Sunnis in post-2003 Iraq. However, the Gulf Arab countries have been strengthening political, diplomatic, and trade ties with Baghdad since 2015. The rapprochement might not have an immediate negative impact on KRG-Gulf Arab relations. However, this could change in the long term if there is a new government in Baghdad that aspires to maintain a balanced relationship with its neighboring countries and works to strengthen the formal political and military institutions

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of the state while clipping the wings of the pro-Iranian militia groups that pose a threat to Iraq itself and the Gulf Arab countries. But as long as Baghdad is an Iranian client city and remains rancorous to the Gulf Arab political and economic interests, Erbil will remain the most important geopolitical and economic center for the Gulf Arab countries to push forward their agendas in Iraq on a piecemeal basis. Yet to protect their interests on the national level, the Gulf Arab countries' foreign policy approaches toward Iraq are likely to be multipronged in a way that will be agile and responsive to the competing interests of the country's ethno-sectarian components.

For the KRG to become an asset for this emerging security architecture, it needs to speak with one voice and set aside internal partisan politics that complicate things for the Kurds themselves and their regional and international partners. The policy choices of the KDP and the PUK during the recent efforts to form the Iraqi government by allying themselves with opposing Shia political camps in Baghdad limited their ability to serve as a decisive force to help Iraq to get out of the political stalemate; in fact, they potentially perpetuated the political crisis. Certainly, this is not to suggest that a united Kurdish voice is the panacea for Iraq's political ills and that the KRG's influence alone could tilt Iraq toward its southern and western neighbors. Rather, although it's a nonstate actor, if unified, the KRG, which continues to enjoy relative political stability and security, could play an outsized role in improving Iraq-Gulf Arab relations.

⁸² Author interview with a senior Kurdish official, July 2022.

⁸³ Yerevan Saeed and Hussein Ibish, "Iraq's Anti-Normalization Law Could Prove a Risky Political Stunt," *Arab Gulf States Institute in Washington*, June 6, 2022.

Last, ideological, historical, and legal factors could limit the KRG's relationships with the countries in the new security architecture. Iraq is governed by a majority Shia rule, representing a community that has historically had strained relationships with the Gulf Arab countries and Israel. Although prominent Shia cleric Muqtada al-Sadr has ties with the Gulf Arab states, he has been critical of Gulf initiatives to normalize relations with Israel and spearheaded the anti-Israel law in the Iraqi Parliament, forcing the KDP, which is known for its discreet ties with Israel, to reluctantly support the law. If enforced, the law could have severe implications for Kurdish political and economic ties with Israel, implications its drafters in Baghdad were well aware of. In 2021, 24% of the KRG's oil exports made it to Israel. Under the new law, such transactions with Israel would be punishable by death in Iraq.⁸⁴ In another blow to the KRG and to the disappointment of the KDP, the Sadr bloc, which the KDP allied with to counter pro-Iranian political forces in Iraq, expressed support for the February Supreme Court decision ruling the KRG's oil and gas law unconstitutional, saying the decision was "binding" for all parties. Accordingly, the KDP's alliance with Sadr was more of a liability to the KRG's diplomatic outreach as well as energy and economic cooperation with the emerging front than an asset.

Conclusion

Over the past several months, geopolitical developments have given Iraq's Kurdistan region an opportunity to insert itself into the international energy discussion as a potential gas exporter. This has been primarily driven by the Russia-Ukraine war and the warming of relationships between some Gulf Arab counties with Turkey on one hand and Israel on the other. The improved ties between former antagonists provided the KRG with a fresh opportunity to rekindle the notion of expansion of its gas production and exportation. For this reason, it sought to market itself as a potential solution to Turkey and Europe's gas dependency on Russia.

However, the KRG still lacks both the institutional capacity and foreign investment and support to expand its gas production to the level of exportation. It currently cannot meet its domestic needs, which is crucial to achieve to gain public support for gas expansion. The KRG does not have the military power to counter Baghdad, and it does not have sufficient political and legal means to stop the Iraqi government from using the courts and Parliament to make resolutions against its fragile energy sector. For the KRG, the Kurdish public represents an important defense shield against Baghdad's encroachments on the energy sector through mobilization. However, securing strong public support requires building social trust in the government, and the KRG has been suffering from a serious trust deficit at least since 2013, mostly because of how oil contracts, exploration, and exportation have been handled.

For the KRG, the Kurdish public represents an important defense shield against Baghdad's encroachments on the energy sector through mobilization.

⁸⁴ Yerevan Saeed and Hussein Ibish, "Iraq's Anti-Normalization Law Could Prove a Risky Political Stunt," *Arab Gulf States Institute in Washington*, June 6, 2022.

Amid efforts by Gulf Arab countries to strengthen ties with Iraq, the dividends of a new security architecture involving Israel could be minimal for the Kurdistan region because of geographical and legal factors. Therefore, the KRG as a nonstate actor should find a middle ground to balance its relations with countries in the region. Both the geography and lack of sovereignty make the Kurdistan region highly susceptible to the influence of powerful neighbors, like Iran.

The Iraqi court ruling, militia threats, and a weakened KRG have already conspired to put oil exportation on life support. At best, the recent KRG gas exportation claims are for the most part a public relations campaign. It's an attempt at regional and international diplomatic and energy relevance amid high energy prices and the global quest for more oil and gas, where the KRG sees an opportunity. But this opportunity is limited by legal, practical, geopolitical, and intra-Kurdish rivalry challenges.

Certainly, the KRG was able to make international headlines by presenting itself as an untapped frontier of natural gas that would be able to meet Turkey's and Europe's energy needs. But this also appears to have provoked already established natural gas powerhouses, such as Russia and Iran. Accordingly, recent Iranian missile attacks are likely a message to Kurdish authorities regarding their gas exportation ambitions. Without the coordination and consent of Baghdad and an understanding with its neighbors, the KRG's unrealistic pursuit of energy adventures could prove politically costly for the Kurds and unlikely to open the way to large-scale gas exports.

