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# Baghdad and Erbil on the Brink of Resuming Oil Exports

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## Authors

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**Summary :** The article explains the financial commitments of the Kurdistan Region according to the federal budget for 2004 and 2022, as well as the financial debts that the KRG owes to the oil companies.

Negotiations between Erbil and Baghdad about resuming oil exports from the Ceyhan port have raised several issues, including financial obligations to the KRG with oil companies, the prior sale of oil, and the absence of a representative of the Iraqi government. Despite these issues remaining unsolved, Iraq still intends to resume exports soon.

One important issue is the Kurdistan Region's share of the federal budget, which was allocated to the KRG after the fall of the previous regime in 2004. However, it was significantly reduced or changed in 2014, 2016 and 2017, no funding was allocated to the KRG. Meetings are being held to find a mechanism to reach an agreement on these issues. According to reports, Baghdad is demanding action in a post-ICC decision, and an Iraqi Oil Ministry spokesperson confirmed that Erbil and Ankara have ratified the ICC decision, which states that SOMO is the sole official institution responsible for export.

Baghdad has also asked to discuss the issue of debts and the way to manage oil and gas after the resumption of oil exports. Therefore, an Iraqi delegation is [expected to go to Ankara](#) soon in order to complete this matter.

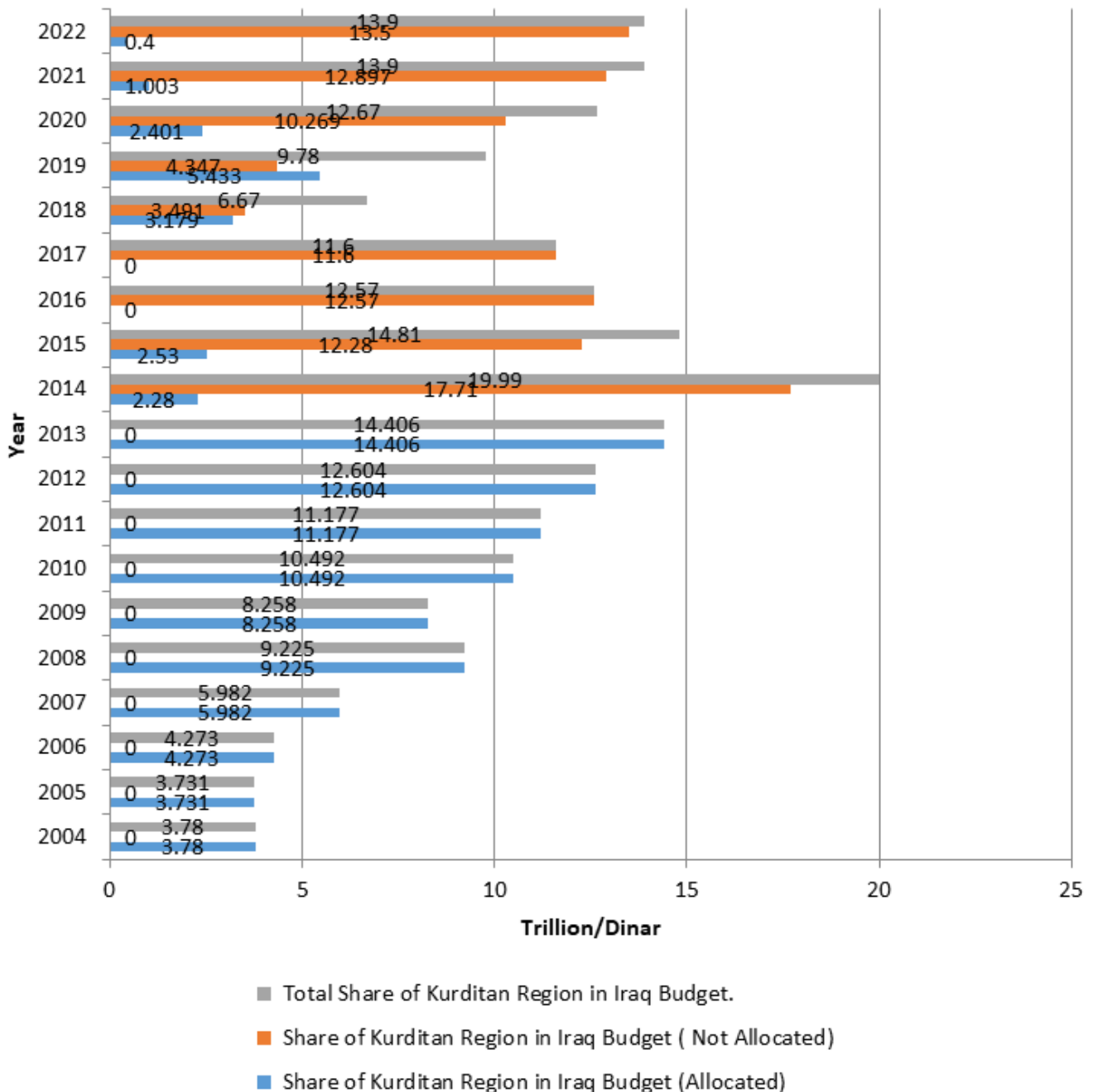
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## **Unpaid Bills and Broken Promises: Baghdad's Debt to the KRG**

According to official data from the Iraqi Ministry of Finance and the Iraqi annual budget law, the total budget of the Kurdistan Region since 2004 was 199 trillion and 818 billion dinars. The share of the KRG remained unchanged until 2014, but since then, it has faced problems. In previous years, the Iraqi government did not have a budget bill, and in 2020 and 2022, it worked with the previous year's budget bill and spent one-twelfth of the budget. Of the total amount allocated as a share for the Kurdistan Region in the budget, only 101 trillion and 154 billion dinars have been allocated, meaning that 98 trillion and 664 billion dinars have not been allocated and sent to the Kurdistan Region. As shown in the first graph for time period 2004-2022.

The issue of reducing the Kurdistan Region's budget since 2014 was not only due to the operation of the oil and gas industry in the Kurdistan Region. The KRG signed oil and gas contracts since 2002, and ones signed from 2006 - 2011. While Dana Gas and Crescent Petrolom contracts were signed in 2007. The issue of sending the Kurdistan Region's share in the Iraqi budget is not linked to investment in oil and gas in the Kurdistan Region but rather to the presence of the authority in Baghdad.

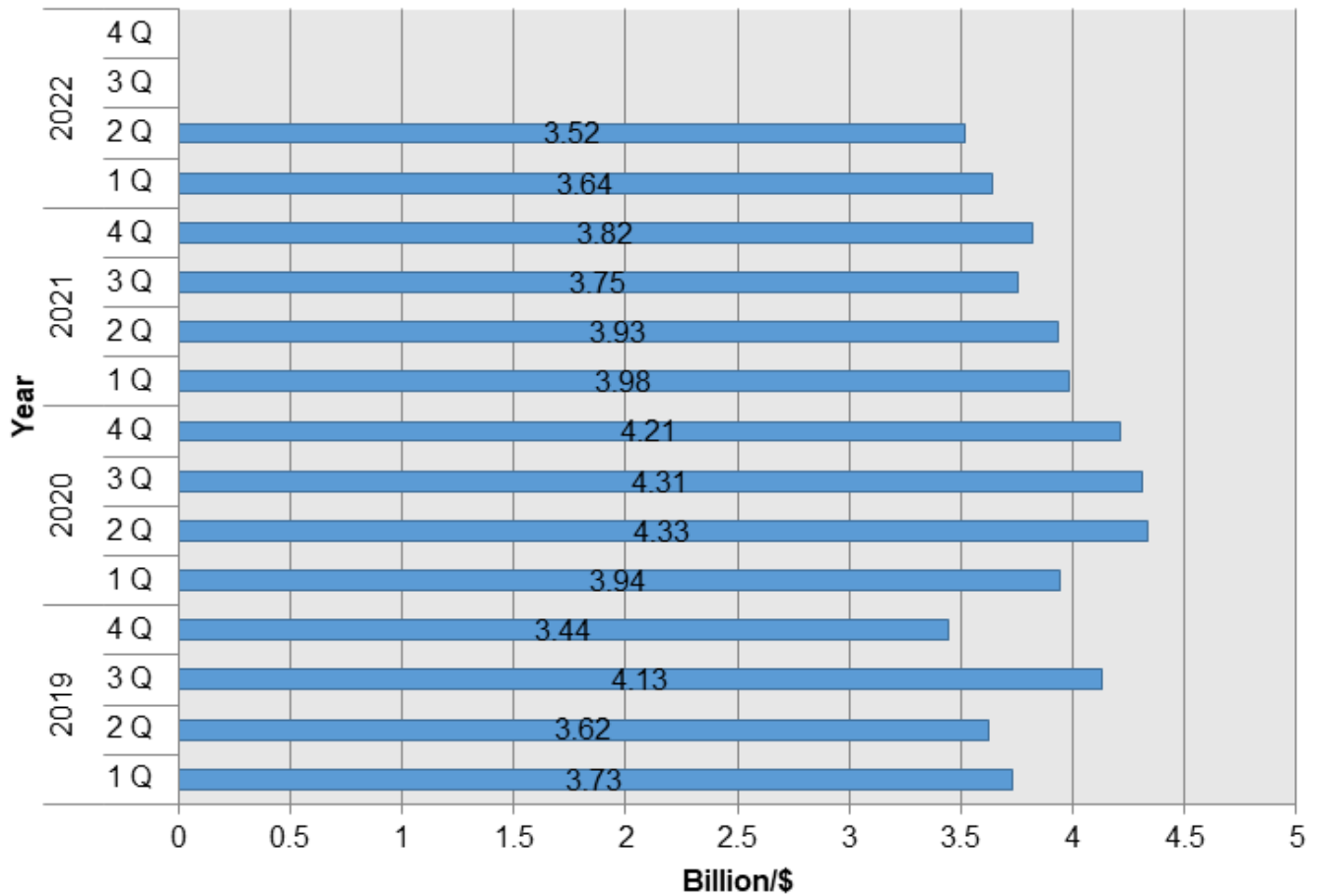
Now, the differences have deepened, and Baghdad has suspended oil supplies to the Kurdistan Region due to the decision of the ICC. This issue will postpone the operation of oil and gas companies in the Kurdistan Region and the export of oil from the Ceyhan port until an agreement is reached on managing the oil and gas operation.



Source: [Republic of Iraqi Ministry of Finance](#)

## Kurdistan Region's Debts to Oil Companies: A \$6 Billion Burden to Erbil

Negotiations between Erbil and Baghdad have brought to light the significant issue of the Kurdistan Region's financial obligations to oil companies. With debts reaching \$3.52 billion in the second quarter of 2022, the KRG has been working to repay loans to these companies. According to Deloitte's 2022 report, the KRG paid over \$990 million to these companies in previous years, but recent reports suggest that the total debt now [stands at \\$6 billion](#), with \$1.55 billion owed to Vitol and Petrac, a major oil trading companies. Although the amount of money received by the KRG from the third quarter of 2022 to the first quarter of 2023 was not disclosed, negotiations continue to address this growing financial burden.



There is progress in the agreements and understandings between Erbil and Baghdad regarding the export of KRG oil and Kirkuk oil through the KRG-Iraq pipelines to Ceyhan port. An agreement is expected on the debts of the oil companies operating in the Kurdistan Region, but these issues must be resolved through the balance of power.

In reality, the financial obligations owed by oil corporations that are active in the Kurdistan Region, as well as the volume of oil traded, are only a fraction of what the Iraqi government owes the Kurdistan Region in terms of financial entitlements dating back to 2014 - less than one-fifteenth of the amount, to be precise. It is thus anticipated that an agreement regarding oil exports will be reached.

"Iraq's goal is not to compensate or recover money from Turkey, but to control the oil of the Kurdistan region,"

Ministry of Oil Iraq's spokesperson

said recently. Regardless of the content of the resumption of oil exports, it will have dire consequences for the Kurdistan Region, foremost of which is the way oil and gas companies operate in the Kurdistan Region.

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