
The fate of the Erbil-Baghdad-IOC tripartite agreement in 2026

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Summary : More than three months ago, a trilateral agreement was signed for exporting oil from Kurdistan Region fields through pipelines and selling it to global markets. According to the penultimate clause of the agreement, " The agreement will be effective for 30 days from the date of signing and will automatically extend until December 31, 2025. The parties can agree to extend the agreement for a longer period or terminate it prematurely."

Overview

More than three months ago, a trilateral agreement was signed for exporting oil from Kurdistan Region fields through pipelines and selling it to global markets. According to the penultimate clause of the [agreement](#), "The agreement will be effective for 30 days from the date of signing and will automatically extend until December 31, 2025. The parties can agree to extend the agreement for a longer period or terminate it prematurely."

On December 21, the State Oil Marketing Organization ([SOMO](#)) issued a clarification regarding a Reuters report about the sale of oil produced by DNO from the Tawke field. It stated that oil companies operating in the Kurdistan Region are "committed" to delivering crude oil to the federal government for export or domestic use.

The clarification also stated that "all international companies participating in the extraction and production of oil from Kurdistan Region fields must deliver the produced oil to SOMO, except for oil retained for domestic use."

According to the trilateral agreement, a consulting company will be assigned to review oil production costs, company expenses, financial returns on field investments, and company profits. Wood Mackenzie was mentioned as a major company, but it has not started work yet. According to available information, the consulting company is scheduled to begin work in the new year, whether Wood Mackenzie or another company.

Additionally, according to the agreement's provisions, Kirkuk's oil is considered to be oil exported from the Kurdistan Region, and SOMO sells it to European markets at the Brent price, to Asian markets at Oman exchange rates, and to America at the West Texas Intermediate (WTI) price. However, SOMO has not included the Kirkuk oil type among its exports to global markets for January 2026.

Now, the question is: What will be the fate of the trilateral agreement in 2026, what are the challenges facing it, and why is its continuation necessary, even in its current form?

Challenges facing the tripartite agreement in 2026

What we see now is a continuation of the phase before SOMO exported Kurdistan Region oil. For example, according to SOMO's latest report on exports of all three types of Iraqi oil in [November](#), the amount of exported Kirkuk oil - which includes Kurdistan Region field oil mentioned in the tripartite agreement - reached over 252,000 bpd at the Ceyhan port, and in [October](#) it was 188,000 bpd. This means 13,418,597 barrels of oil were exported in those two months. If we add this month, it exceeds 20 million barrels that SOMO has exported. However, in return, the Kurdistan Region receives only enough to cover employee salaries, not the monthly budget for expenditures, investments, and meeting needs. The Region's employees began receiving their October salaries on Monday.

Currently, Iraq is in the phase of re-electing its institutions, and delegations are negotiating. The question regarding Erbil-Baghdad relations is: What will be the Kurdistan Region's status with Baghdad after SOMO has been selling oil for more than three months? Will it be only salaries, even if there is a budget law, will it still use the same numbers as the semi-law? Will there be an end to using the economic issue as a political weapon and entering into a new economic phase where the Kurdistan Region's rights and entitlements are provided, as they were in early 2005? Will there be temporary agreements and a resolution of issues temporarily with improved relations for a period, followed by a resumption of committee assignments and preparation of committee reports for negotiations in 2026?

Regarding the issue of accumulated debts owed to international oil companies that produced oil between September 2022 and March 2023, not only did they not receive profits, but their entitlements also became debts, amounting to nearly one billion dollars, most of which is owed to the Norwegian oil firm [DNO](#). At the time of the tripartite agreement, it was decided that meetings would begin within a month to establish a mechanism for debt repayment. For this reason, DNO decided to continue its participation in the current sales method domestically and made the debt repayment mechanism a condition for its participation in the tripartite agreement.

Also, for international oil companies operating in Kurdistan Region oil fields, the current method SOMO follows to pay their financial entitlements is no different from domestic sales, because the basis for paying their entitlements is in oil according to the equation: "number of barrels given to companies as repayment = number of barrels delivered at Ceyhan in the previous month × \$16 per barrel ÷ advance export price (according to the average estimated price of Kirkuk oil by Platts company)." This mechanism [covers what companies sold domestically](#) between March 2023 and September 2025, and also what they were owed.

Will debts become a serious obstacle in 2026 for companies to withdraw, or will they continue with a long-term mechanism where their debts are repaid, even if in oil, or will the Kurdistan Region adopt a new mechanism to repay its debts?

The quality of oil from 2025 Kurdistan Region fields, especially its density or API, has not reached the number stated as a basis in the tripartite agreement, which should be 36 degrees API, with variations of less or more determined by \$0.04.

The history of exported [Kirkuk oil at the Ceyhan port](#) shows periods when API levels exceeded 36 degrees is why it was said that Kirkuk oil sold at two dollars above Brent in global markets.

Currently, the produced oil from Kurdistan Region fields has the following API levels: 80,000 barrels of Tawke oil at 28 degrees API, 40,000 barrels from the Sheikhan field at 18 degrees API, and 30,000 barrels from [Atrush](#) at 24 degrees API. The only oil field with an API higher than Kirkuk is the 27,000 barrels from the [Sarsang](#) field at 37 to 39 degrees.

Although SOMO has lowered the quality specifications of Kirkuk oil (which is measured as the Kurdistan Region oil) for January 2026, this is due to the large difference between what was stated in the agreement and what Kirkuk oil was previously known and exported as.

In July 2026, the Ankara-Baghdad agreement for exporting oil through the Iraq-Turkey Pipeline (ITP) expires. [Turkey has submitted](#) provisions for a new agreement to Iraq, and [several joint discussions](#) and meetings have been held this year. What is evident are Ankara's demands regarding usage rights and the amount of oil exported through the pipeline, because if a situation like the two-and-a-half years of halted Kurdistan Region oil exports were to occur, the pipeline would be empty and would transport only air. But this time, Ankara wants the pipeline to be full of oil and in large quantities.

Another aspect of renewing this oil export agreement between Iraq and Turkey is related to British company BP's entry and [its \\$25 billion](#) agreement for four oil and gas fields in Kirkuk, which aims at increasing oil production from 320,000 bpd to [nearly half](#) a million.

The last meeting of Iraqi and Turkish delegations on renewing the agreement was on November 17 in Ankara, where it was stated that "the negotiation atmosphere was positive, and the understandings reached are an important step toward establishing a new agreement that strengthens cooperation between the two countries, ensures continuity of transfer operations, and achieves common strategic interests."

Another point evident in those negotiations was that not only did Kurdistan Region representatives not participate, but also those working in the federal ministry of oil and SOMO did not participate, even though the agreement may be for decades to come in terms of oil and gas transfer. Therefore, the Kurdistan Region must participate because, now and in the future, the Region will be an important part of energy transfer outside Iraq. For example, SOMO will use the Kurdistan Region oil pipeline (known as KPC) for transferring oil from Kurdistan Region fields and even Kirkuk oil to Ceyhan port in the future. In the coming years, the amount of natural gas produced in the Kurdistan Region that meets domestic needs will become a new issue for export.

Conclusion

According to the latest development, companies transporting oil by tanker to the Kurdistan Region oil export pipeline to the Ceyhan port have renewed their contracts until April 2026, meaning for three more months. No party to the tripartite agreement has yet announced a decision against extending the agreement. In fact, SOMO in its latest statement indicated continuation of exports. However, the mentioned challenges, if they don't cause a halt to exports, can bring about changes in the export method in 2026 and modifications to clauses in the trilateral agreement.

Also, we must not overlook that the agreement, beyond the three parties' demands, has been marked by acceptance or postponement of issues both before the agreement and now during its implementation, just as the Paris arbitration court's ruling for Iraq's repayment by Turkey amounting to \$1.4 billion has not been discussed yet, despite Ankara being bound by international law to pay it to Iraq.

In reality, issues such as company debts, exported oil quality, and the Turkey-Iraq pipeline agreement may be much easier to resolve than the economic relations issue between Erbil and Baghdad because ultimately, a mechanism can be adopted for debt repayment, oil quality can be raised with Khor Mor condensate gas, and it's decided that from early 2026, over 15,000 barrels of Khor Mor condensate gas with an API between 55-63 will be mixed with exported Kurdistan Region oil for export. Finally, Iraq and Turkey can reach an agreement either without the Kurdistan Region's participation or by implementing Turkey's demands. But what remains is how Baghdad will resolve its financial relations with Erbil.

Finally, resuming Kurdistan Region oil exports by pipeline, even in the current form, will have various impacts on Iraq and the Kurdistan Region, such as: In the Kurdistan Region, the return of investment and [CAPEX](#) expenditures by companies, for example, [drilling eight new wells by DNO](#) and raising Tawke contract production levels to 100,000, drilling three new wells by the US-based HKN and raising Sarsang production levels to over 38,000 barrels, etc. Also, for Iraq, this means achieving the sovereignty it seeks, where exports are under its authority, and maintaining commitment to production quotas in the OPEC organization.