

### ENERGY CROSSROADS: SHIFTING DYNAMICS IN THE TROUBLED TRIANGLE BETWEEN ANKARA, ERBIL AND BAGHDAD

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#### Abstract

Iraq, Turkey, and the Kurdistan Regional Government are in tense political relations over recent energy politics and regional dynamics. While major international interests related to oil and gas resources might currently be at stake, historic mistrusts and deeper political challenges seem to stand in the way of a peaceful trilateral cooperation. While energy deals with the Kurdistan Regional Government grow apace, Ankara seems to stand both as an active gambler and a key facilitator. The domestic and regional dynamics unfolding in Turkey will likely be indicators of whether a durable peace situation can succeed over long-standing political obstacles and historical tensions between the countries.

#### Background

Stretching for more than 600 km from northern Iraq through Turkey's southern borders, the Kirkuk-Ceylan pipeline has linked Iraqi oil to western markets for decades. Despite frequent disruptions linked to the Kurdistan Workers' Party (PKK) terrorist attacks over the years (Today's Zaman, 2012), the Kirkuk-Ceylan pipeline has long remained one of the symbols of Baghdad's historical partnership with Ankara. The autonomous Kurdistan Regional Government (KRG), however, has emerged in recent years as a potential competitor, seeking to use oil and gas reserves to secure its own economic future and political autonomy. In the middle of these balances, Turkey stands both as an indispensable transit route and a key facilitator. Torn between its energy-hungry economy's needs and the historical relations with Baghdad, Ankara lingers with a foot in both camps.

While major regional and international economic interests are currently at stake, Iraq, the KRG, and Turkey carefully walk through a delicate political tightrope. Aware of their strategic interdependence, it is not sure whether they will be able to turn these uneasy balances into a triple win-win-win game (Council of European Union, 2013).

#### Erbil and Baghdad, Brothers and Foes

Relations between the federal government of Baghdad and the KRG have long been strained (Mills, 2013, p. 54). The source of political contention ultimately falls down to the question of KRG's right to sign independent oil exploration contracts and to the profit shares of the Kurdish oil revenues.

This controversy has its roots in the times of the American occupation of Iraq (2003-2011), as a national oil law draft to regulate these questions had been a benchmark of the US President George W. Bush administration and was required by the 2005 Iraqi Constitution. Despite of foreign mediation, the two sides were not able to reach a deal, and when American troops withdraw from the Iraqi soil in 2011, Baghdad and Erbil were left in a perpetual clash over how to divide profits and who had the authority to sign deals with international oil companies (Arango & Kraus, 2013). According to Erbil, the Iraqi constitution entitles the KRG to sign contracts for all the fields discovered after its enactment (Tol, 2013b). This would mean essentially all oil fields, since only three were discovered prior the approval of the constitution (Mills, 2013). Baghdad, on the other hand, claims that KRG's unilateral actions are circumventing the central government's authority and fostering the country's divisions by developing a separate energy deals without the central government's consent (Tol, 2013a). Strong criticism was also directed to all international oil companies that signed contracts with the KRG, such as the Chinese Sinopec, and the American Hess and ExxonMobil (Kirdar, 2012).

In this context, the cutting of a bilateral agreement to build one gas and two oil pipelines directly from northern Iraq to Turkey in May 2012 (Tocci, 2013, p. 3) has inflamed an already hot political debate, accusing Erbil of being willing to divide the country for its own economic aspirations. However, when the question is seen from a wider perspective, a different image comes into the frame. Erbil's oil and gas reserves are relatively modest if compared to the ones of the central government (Mills, 2013, p. 54). Baghdad's reserves are in fact esteemed at 143 billion barrels (bbl) of oil, the fifth largest in the world, and 127 trillion cubic feet (tcf) of gas (Kirdar, 2012). Its oil fields, such as the Majnoon field in the area of Basra, are among the largest in the world. The Iraqi Kurds, in contrast, can count on a modest amount of 12 billion bbl of oil and 22 tcf of gas, globally representing just one tenth of Iraq's total resources (Mills, 2013, p. 52). While surely more autonomous than the past, Erbil appears more similar to a little brother under the shadow of the central government. Could it represent a real threat to Baghdad's autonomy and future political stability?

### **A Kurdish Threat?**

In December 2013, in front of an audience of nearly eight hundred professionals of the international oil industry, the KRG announced that the first pipeline to the Turkish border was complete and ready to transport 300,000 barrels a day, probably a million a day by 2015 (Rudaw, 2013). Beyond the initial enthusiasm, however, the question of the revenues of these exchanges and Baghdad's accusations still stand in the way of the Iraqi-Turkish embrace. A first effort to solve the contention had brought the President of the Iraqi Kurdistan Region Masoud Barzani, and the Prime Minister of Iraq Nouri al-Maliki to sign a first yet important deal in April 2013 (Idiz, 2013). The parts maintained their will to draft a national oil law and a special committee was supposed to deal with the historical objects of contentions between the two governments (Mills, 2013, p. 54). Further expectations rose from a mutual exchange of visits between al-Maliki and Barzani in the summer, but the agreement has not been implemented and the discussions regarding the profit shares of the Kurdish oil revenues, as well as its right to sign independent oil exploration contracts, remain largely unresolved.

While talks are mainly focusing on the economic disputes, however, political reasons appear to be the real fears in the shadow of the contention. KRG's growing economic autonomy is seen by Baghdad as a Trojan horse to pursue the path for an increasing political independency (Arango & Kraus, 2013). This happens in a geopolitical situation in which Kurdish leaders in Syria and Turkey

are taking decisive steps towards greater autonomy. On the Syrian side, the armed troops of the Syrian Kurdish movement of the PYD (Democratic Union Party) recently declared an autonomous administration in the country's northeastern region (Durukan, 2013). At the same time, since March 2013 Ankara has engaged in negotiations with the PKK, with the goal of ending their three-decades long and deadly armed struggle. Part of the debate around the Kurdish question in Turkey focuses on the possibility to grant to the Kurdish regions of the southeast a form of greater administrative autonomy. While tens of millions of Kurds living between Iraq, Syria, and Turkey see for the first time their long held ambitions for independence advancing, Baghdad's fears of a split of Iraq find fertile ground to blossom. In this tangled mix of fears and economic gains, Turkey is called into both mediation and challenge: it is Ankara, apparently, who holds the higher stakes in the increasingly troubled energy triangle.

### **Turkey: Peace Dove or Active Gambler?**

With its thriving economy and impressive growth rate, Ankara's energy hunger is rapidly growing. While domestic energy consumption rises by 6-8 percent per year (Tocci, 2013), Turkey has hit the top of the list of members of the International Energy Agency for total energy consumption (Koranyi & Sartori, 2013). The high dependency over expensive Russian and Iranian gas has made diversification a key issue and Kurdish resources even more appealing. Thanks to the agreements over prices signed between Ankara and Erbil, KRG's supplies could in fact be three times cheaper than Russian and Iranian ones, according to international experts (Tol, 2013b).

The awareness of the potential of the KRG as an ally in the energy field strongly contrasted the structural suspicion that Ankara has held towards Iraqi Kurds for decades. Accusing Erbil to act as a safe-harbor of Kurdish armed militants, Turkey has historically privileged its relations with the central government. This situation started to change since 2007, when Turkey was able to target PKK training camps in the Kandil Mountains due to American extensive intelligence sharing (Tocci, 2013, p. 3). As Ankara gained control over the area, KRG's image of a safe-haven for terrorists started to fade and Erbil became more an opportunity rather than a threat for Turkey. Stronger political ties and a blossoming economic cooperation have led Ankara to take a surprising yet strategic U-turn. The number of Turkish firms operating in northern Iraq suddenly bounced from 730 in 2010 to nearly 1,023 in April 2012 and soon Turkey became KRG's main economic partner (Tocci, 2013). As it was easy to foresee, Turkey's honeymoon with Erbil soon strained relations with Baghdad. Tensions grew apace and reached its peak in November 2012 when Minister al-Maliki expelled a Turkish state company out of Iraq (Economist, 2012) and denied landing rights to Ankara's Energy Minister Taner Yildiz (Zeyrek, 2012). Despite Ankara's efforts to bridge this diplomatic crisis, relations between the two countries are still strained, with Baghdad accusing its former ally to spark divisions in its country and threaten its own sovereignty. While Turkey keeps trying to reassure the central government that it will not be sidelined in any new agreements with Erbil, it is still stuck in an uneasy balance between Erbil and Baghdad (Kohen, 2013).

### **The Turkish-Kurdish Variable**

From whatever perspective we view the question of power-balances between Turkey, KRG, and Iraq, the Kurdish-Turkish minority seems to play an important key role for establishing a stable trilateral peace. The success of the energy partnerships between Ankara, Erbil, and Baghdad, seem to a large extent dependent on the peaceful resolution of Turkey's Kurdish question (Candar, 2013a). The pipelines connecting Iraq to Turkey have always been a strategic target of PKK attacks,

forcing both countries to keep the route largely inactive (Tol, 2013b). With the new conduct built by the KRG almost complete, the settlement of Turkey's Kurdish question stands as a key to assure the investor's interests in the region. The Turkish government has undertaken its steps, notably through the presentation of a democratic reform package with several provisions in favor of the Kurds, adopted on September 30, 2013. However, the Kurdish minority claims that the reform is unsatisfactory (Taraf, 2013), threatening to abandon the recent breakthrough in peace negotiations between the Turkish state and PKK. The clashes that occurred between police and protesters in the Kurdish Hakkari Province on December 6, 2013 and the kidnapping of four Turkish soldiers by PKK militants in December 8 (Radikal, 2013), have brought Turkey to fear that the ceasefire with PKK might be broken. Should this happen, not only the deals on the new pipelines but also the whole energy crossroads between Turkey, Iraq, and KRG could be put at stake.

The ultimate prospects of the trilateral relations on regional energy resources appear to be closely intertwined with deeper political challenges as well as with the uncertain futures of the Kurdish population living between Turkey, Syria and Iraq. Historic fears and ongoing mistrusts suggest that no stable peace nor fruitful economic exchanges will be achieved until a political balance with the Kurdish population living in between the three countries has been found. Only time will tell what impact these dynamics are going to have on the destiny of the region and the future cooperation in the troubled triangle between Ankara, Erbil and Baghdad.

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