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IRAQ ECONOMIC REVIEW

- IRAQ'S GAS FLARING CHALLENGES
- UNEMPLOYMENT IN THE KURDISTAN REGION
- ECONOMIC RECOVERY IN ERBIL
- URBAN PLANNING AND INFRASTRUCTURE IN MOSUL
- THE IRAQ-TÜRKIYE PIPELINE

ABOUT IRIS

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The views expressed in the article are those of the authors alone, and do not reflect the views of the Institute of Regional and International Studies (IRIS).

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Nahr Bin Omar natural gas facility, part of Basra Gas Company, near southern port of Basra (AFP)

Iraq's Gas Flaring Paradoxes: Economic and Technical Obstacles

AHMED TABAQCHALI

Almost every year, since 2012, Iraq vies with Iran for the second or third-ranked gas flaring country in the world behind Russia. In 2024, it ranked third, for the second year running, with flare volumes of 18.2 billion cubic meters (BCM),[1] accounting for 12% of the world's total. These wasted resources could contribute to closing the country's growing electricity supply-demand gap,[2] especially considering that Iraq consumed 19.7 BCM of gas in the same year, of which 7.8 BCM were imported from Iran.[3] Such persistent high flare volumes stand in contrast to frequent official declarations that flaring is being seriously addressed and that it will end in a few years, the latest such declaration being that the elusive goal of zero flaring would be achieved by 2028.[4] Promisingly, this time it has substance; nevertheless, the timeframe is ambitious and a lot can still derail it.

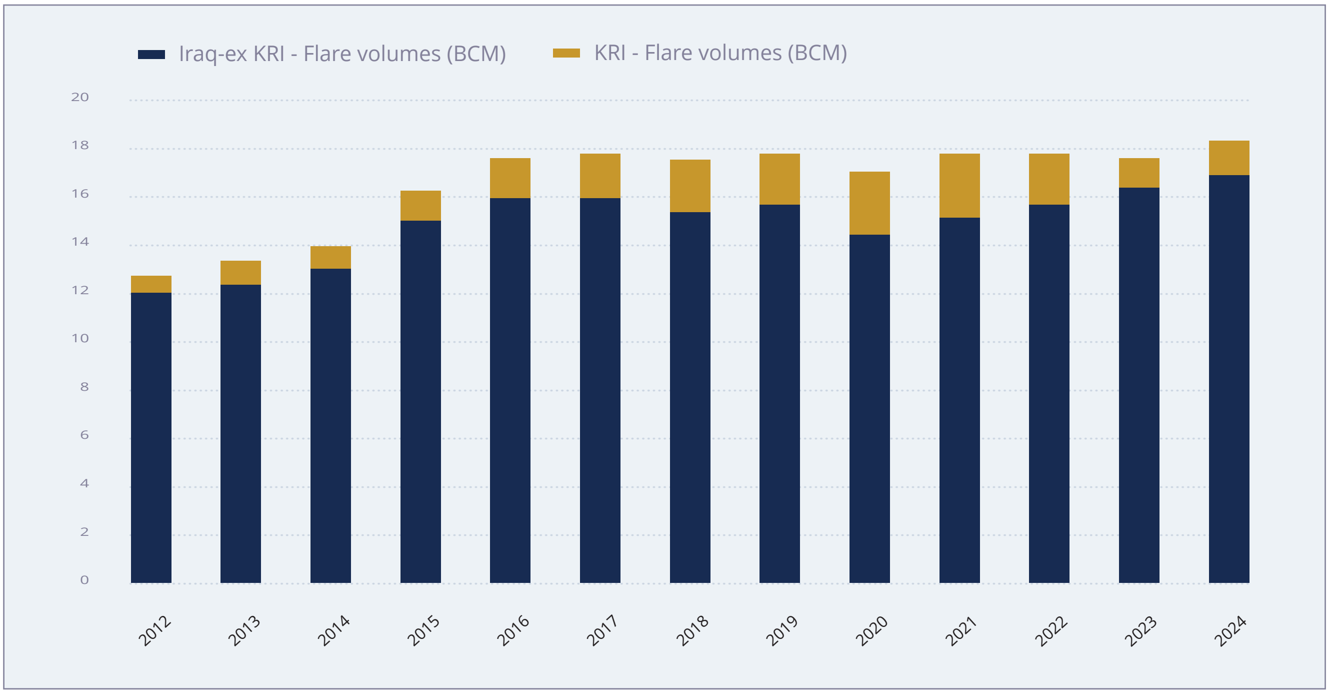
Iraq's first comprehensive plan for capturing gas and reducing flaring was a part of the Integrated National Energy Strategy (INES) for 2012-2030, which ambitiously foresaw that the minimization of flaring would be achieved by 2015.[5] Since then, instability and the onset of the Islamic State of Iraq and Syria (ISIS) conflict posed significant challenges, which ended up derailing those plans. Compounding these challenges, sharp increases in oil production volumes and subsequent higher associated gas volumes substantially increased flare volumes, and overwhelmed any flare reduction efforts. Nevertheless, the real culprits were self-inflicted wounds from flawed oil and gas production contracts, which failed to account for the modern complexities of the oil and gas industry.

This brief reviews Iraq's journey in reducing flare volumes and increasing the capture of associated gas, as a subset of increased domestic gas sources to fuel its power generation needs. It is a companion brief to "Iraq's Power Conundrum,"[6] which argued that addressing the growing electricity supply-demand gap is a long-term process based on a multifactorial approach. In the same vein, this analysis focuses on Iraq, excluding the Kurdistan Region of Iraq (KRI),[7] and argues that ending gas flaring and increasing capture volumes is also a long term process based on a multifactorial approach.

Zooming out: Background to flaring and gas capturing

Iraq's proved gas reserves stand at 124.6 trillion cubic feet (Tcf), or 1.9% of the world's total, as of the end of 2020,[8] of which about 25 Tcf, or 20%, are in the KRI.[9] Most of Iraq's gas reserves are of the associated type, i.e. natural gas that is held within oil reserves either dissolved in oil or as free gas caps above the oil, and which is released as a by-product of oil production. The KRI stands out as an exception, where the reserves are predominantly gas-based. The essential difference between the two is that the production of associated gas is complicated by the logistics and economics of oil production, while development of non-associated gas fields is much more straightforward and mostly determined by its own logistics and economics. Given the nature of Iraq's gas reserves and its primary focus on oil production, most of the country's gas production is associated gas that is normally flared, mostly for the lack of infrastructure and economics for capturing and processing the resultant associated gas. Satellite data shows that in 2012, Iraq flared about 12.7 BCM of gas, of which KRI accounted for around 0.7 BCM. This increased to about 18.2 BCM in 2024, of which the KRI accounted for approximately 1.5 BCM (Figure 1).

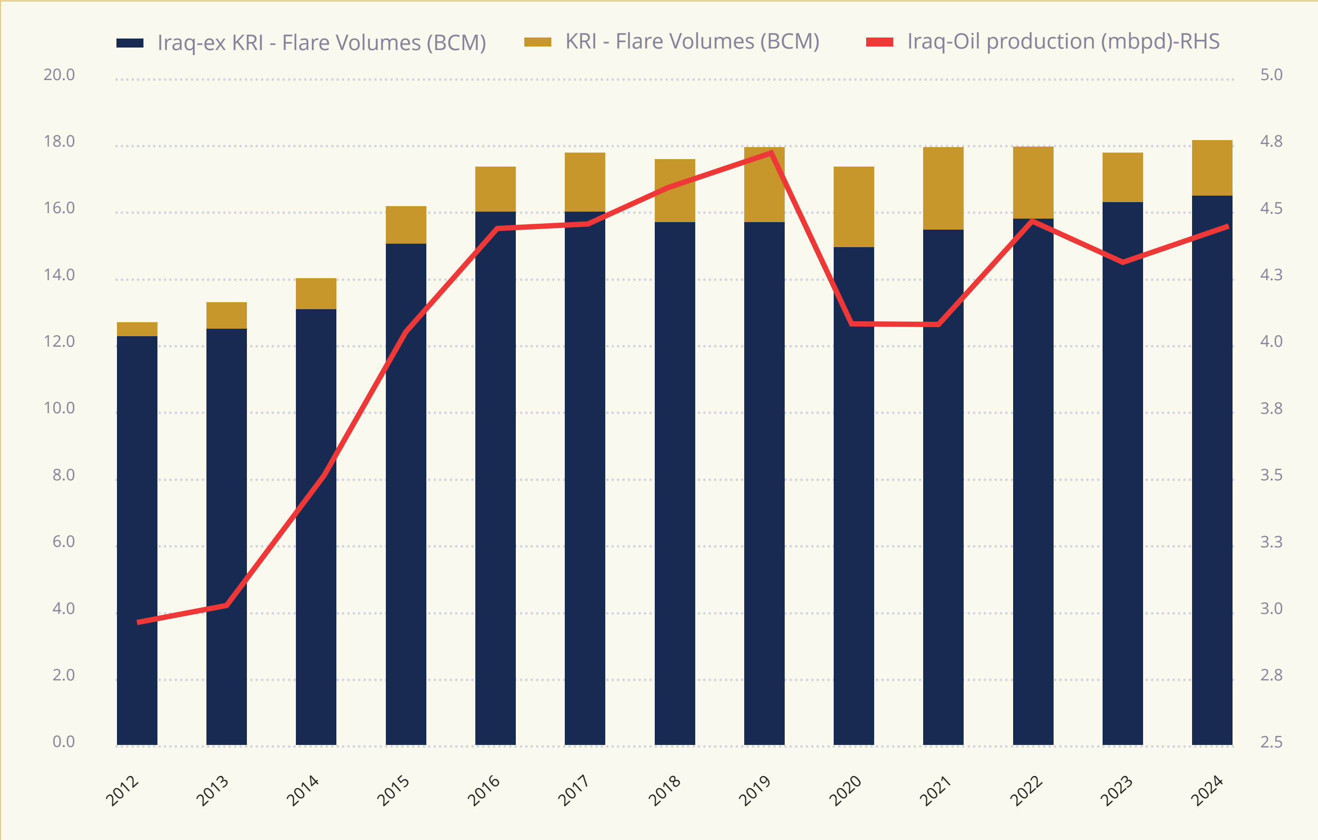
Figure 1: Gas flaring in Iraq 24-2012



Author estimates based on data from: World Bank Group. Global Gas Flaring Tracker Report, July 2025. https://thedocs.worldbank.org/en/doc/bd2432bbb0e514986f382f61b14b0400072025-2608/original/Global-Gas-Flaring-Tracker-Report-July-2025.pdf World Bank Group, Global gas flaring data for 2024, July 2025. https://www.worldbank.org/en/programs/gasflaringreduction/global-flaring-data

Contributing to increased flare volumes were the continuously moving goal posts of sharply increasing oil production volumes and with them the corresponding increasing associated gas volumes, which were mostly flared, and thus overwhelmed flare reduction efforts (Figure 2 and 3).

Figure 2: Iraqi oil production versus flare volumes 24-2012



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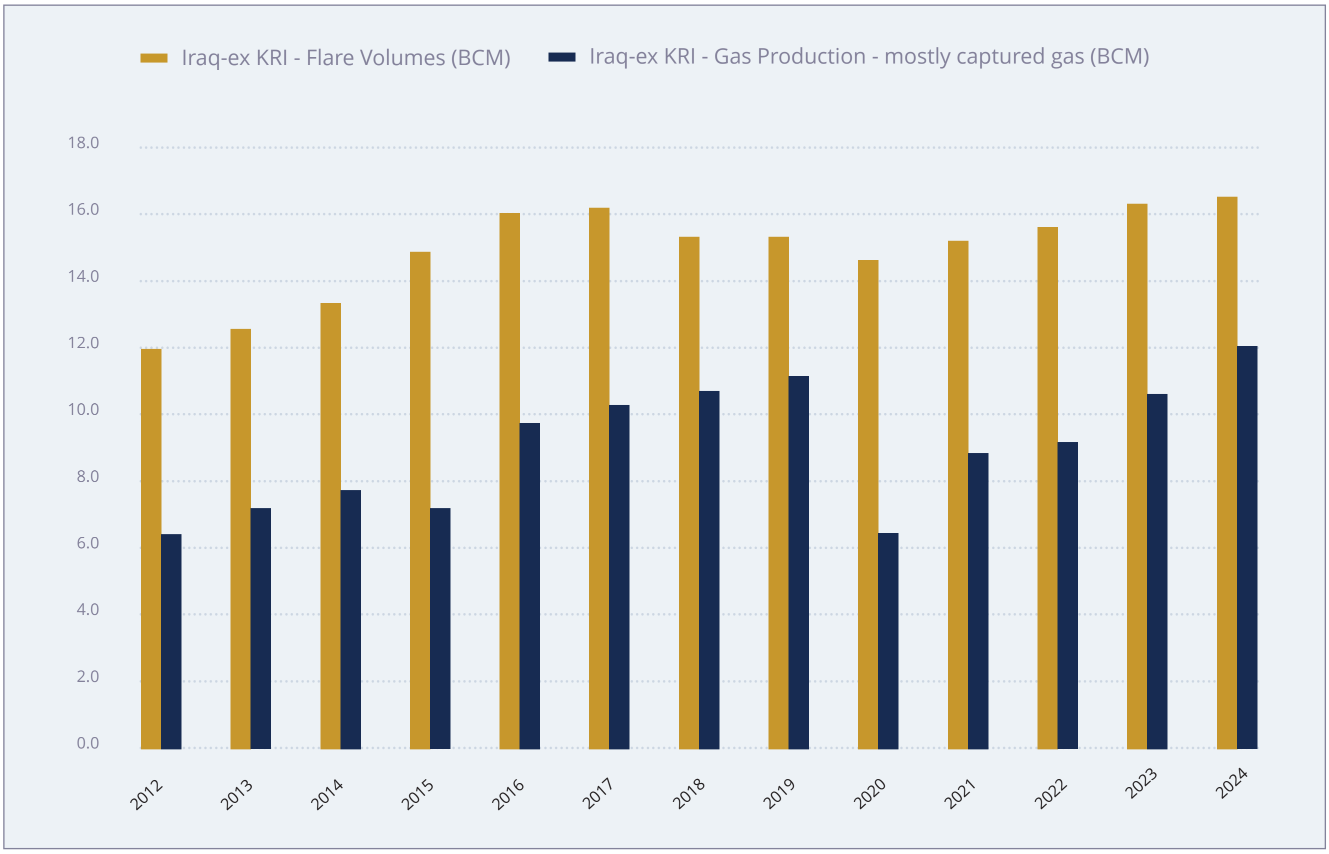
Zooming in: Gas flaring and capturing associated gas

Despite the persistence of high flare volumes, Iraq's gas capturing and processing projects increased over the years up to 2019, after which Iraq's compliance with OPEC+ production cuts decreased the supply of associated gas earmarked for capturing and processing. Nevertheless in 2024, gas production, which was mostly captured gas, recovered to a new high in 2024, and flare volumes rose to a new record too (Figure 3).

Figure 3: FI Gas production vs. flare volumes



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The disconnect between the increases in gas production volumes (mostly captured and processed gas) and the persistence of high flare volumes is that gas production projects, as positive as they have been, were derailed by self-inflicted wounds – primarily a consequence of failures in aligning the logistics and economics of oil production with those of associated gas production. Both technical constraints and economic considerations play a huge role in whether associated gas is captured and processed or whether it is flared. Technical constraints include the infrastructure for capturing and transporting associated gas, as well as that for processing this captured gas, and storing and transporting the resultant dry gas and natural gas liquids (NGLs) to end markets. Economic considerations include the economic viability for capturing the associated gas as part of oil production dynamics, as well as those for processing this captured gas.[10] Such viability allows companies to make the necessary investments to capture, transport, and process associated gas and to sell the resultant dry gas and NGLs. These were secondary considerations in the Ministry of Oil's (MoO) negotiations with International Oil Companies (IOCs) for oil and gas development, which focused primarily on oil production.

During this process, MoO sought extremely tough terms for IOCs in the pursuit of maximum benefits for Iraq, however, by ignoring modern oil and gas market dynamics, it ended up with the opposite result. Subsequently, the production contracts signed with IOCs ultimately negatively affected the dynamics of gas capturing projects. Compounding these factors were Iraq's cycles of violence and conflict between 2003 and 2019 and its human capacity constraints in dealing with the modern complexities of the oil and gas industry that stemmed from those conflicts,[11] while the country's convoluted bureaucracy added insult to injury by slowing decision-making and execution to a snail's pace. The effects of these factors can be seen in the evolution of the Basra Gas Company (BGC), the country's first major gas capturing project, but whose partial resolution, years later, allowed the next major project, the Gas Growth Integrated Project (GGIP), to move beyond the aspirational stage into the realm of possibility. BGC evolved from an agreement in principle signed with Shell in 2008 to capture and process associated gas to an actual joint-venture in 2011, in which MoO's South Gas Company has 51% ownership. Shell has 44% and Mitsubishi has 5%. BGC's initially aimed to capture and process up to 20.5 BCMA of associated gas by 2017. However, production started in 2013 with about 2.6 BCM, reaching about 9.5-9.8 BCM in 2024, and this year BCG increased its capacity to 14.5 BCMA, or 70% of its initial targets for 2017.[12]

Obstacles & Opportunities

Among the many factors that hindered development, three are crucial. The first is that BGC's remit covers associated gas output from only three fields—Rumaila, Zubair, and West Qurna 1—which means that it does not address associated gas output from other fields. Ultimately, this puts a cap on how much gas can be processed once BCG captures all associated gas output from these fields. The second is that the economic incentives of capturing or flaring associated gas are almost non-existent in the oil production agreements signed with the IOCs operating these fields. This complicates BGC operations, leads to a lack of coordination with IOCs at best and, at worst, the non-alignment of interests that can affect the supply of associated gas and, thus, the economics of BGC's investments. Brining this disconnect into focus is BGC's current gas production is significantly less than its capacity. The third is the build-up of the government's arrears to BGC for the resultant dry gas and NGLs and the salary arrears for the thousands of employees seconded from MoO's South Gas Company,[13] both of which held back investments and delayed operations.

GGIP's progress from an agreement in principle in March 2021 to an actual agreement was far from smooth, and could have unraveled a number of times. Nevertheless, a final agreement was signed in July 2023 with the formation of a joint venture in which TotalEnergies has a 45% ownership, MoO's Basra Oil Company (BOC) has 30%, and QatarEnergy has 25%. The gas component, of the four-component project, aims to process 3.1 BCM of captured gas in the first phase by 2028-2029, which could double to 6.2 BCM by the end of the second phase.

The current state of play indicates that the project is progressing well.[14] It could still face the return of some of BGC's obstacles or variations thereof; however, it benefits from a number of changes that bode well for its future progress.

Among the positives is that, while GGIP's first phase's remit covers only three fields —West Qurna 2, Majnoon, and Ratawi—the second phase could cover other fields as well. Another is that the oil production agreement signed with the IOC operating West Qurna 2, unlike those for supplying BGC, addresses a number of the economic factors involved in capturing or flaring associated gas. While Ratawi is operated by the joint venture, and Majnoon is operated by BOC. Moreover, the fields that can supply associated gas in the project's second phase are operated by MoO-owned companies.[15] All of these remove many, but not all, of the technical and economic obstacles that hindered BGC.

Perhaps even more important than these steps are some major changes from past practices – of which the first is the concept of an integrated development of a project – in which the mix of components creates a viable project to overcome the economic limitations of each component. Specifically, oil production revenues from the development of the Ratawi field will finance the three other components, thereby creating economic viability for the whole integrated project. The second and perhaps most critical change is the expenditure of political capital by the current government administration to overcome obstacles and to see through the development of these much-needed projects.[16]

Similar positives played a part in moving a number of past agreements in principle into actual agreements in 2023 and 2024, some of which have started operations. These include gas capturing and processing agreements, including: the Halfaya field with an initial capacity of 1.6 BCMA, increasing to 3.1 BCMA; the Nahr Bin Omar field, increasing current capacity from 1.0 BCMA to 1.6 BCMA, with plans for an additional 1.6 BCMA; and the Nassiriya field, increasing current capacity to 0.7 BCMA and then to 2.1 BCMA. [17]

What next?

The current major projects, led by BGC, GIIP, and the other smaller ones will play a significant part in reducing flaring and increasing gas capture and will contribute to closing the electricity supply-demand gap. However, a major drawback is that these projects came with separate dynamics that are specific to each. In order to move these and other potential projects into an effective and sustainable flare minimization effort and maximize gas production, a multifactorial approach is needed. This should include gas capturing, processing, and marketing infrastructures as parts of an integrated project with consistent dynamics. It could be along the lines of the proposals proposed by the World Bank and adopted by the government in January 2018, but which were never implemented.[18] These proposals called for the creation of a natural gas market framework, including a roadmap for the development of a market for natural gas, which would provide investors with clear guidelines and a market structure that allows for the rapid developments of much needed projects that are commercially viable and sustainable.

The success of such a strategy—which is similar to that for addressing the country's power conundrum—is highly dependent on two aspects of the country's political economy. The first is a dedicated, persistent, and long-term commitment by Iraq's political elite, irrespective of who emerges to form the new government after the November parliamentary elections. The second is a willingness by the administration that emerges following these elections to expend political capital to execute such a long-term strategy, much like the current one has done.

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Source: Rudaw Media Network

Unemployment in the Kurdistan Region: Interview with H.E. Kwestan Mohamad, KRG Minister of Labour and Social Affairs

Over the past decade, the Kurdistan Region of Iraq has experienced a severe and prolonged fiscal crisis that has strained the capacity of the Kurdistan Regional Government (KRG) to sustain public services, pay salaries on time, and invest in infrastructure. The crisis has reshaped the regional economy and tested the foundations of the public sector, which remains the primary source of employment and income for a large proportion of households in the Region. While the government has focused much of its energy on maintaining salary payments and keeping basic services operational, the issue of unemployment has received comparatively less attention. Each year, thousands of students graduate from universities and institutes across Erbil, Sulaymaniyah, Duhok, and Halabja only to find limited opportunities in both the public and private sectors. Public hiring has been largely frozen for more than a decade, while the private sector, weakened by the financial crisis, has struggled to grow and absorb new entrants into the labor market.

Addressing unemployment has therefore become one of the Kurdistan Region's most urgent economic and social challenges. The question is no longer simply about job creation, but about how to build a more resilient and diversified economy capable of providing sustainable livelihoods for a young and growing population. To better understand how the government is approaching this issue, the Institute of Regional and International Studies (IRIS) conducted the following interview with **Kwestan Mohamad Abdulla**, the KRG's Minister of Labour and Social Affairs. The discussion explores the ministry's role in promoting private sector development, regulating foreign labor, and supporting youth employment.

IRIS: The lack of job opportunities for young people and recent university graduates in the Kurdistan Region remains a critical issue, intensified by the ongoing financial crisis and the suspension of public sector hiring. How do you assess unemployment among youth in the Region more broadly?

Minister Kwestan: Unemployment is a global challenge and not unique to the Kurdistan Region. After the coronavirus pandemic, unemployment deepened everywhere. More advanced societies were able to cope more effectively, while developing regions like ours have faced greater difficulty. Unemployment is indeed one of Kurdistan's most serious crises. Since 2012, the government has stopped hiring in the public sector. The current approach focuses on encouraging private investment and creating opportunities through the private sector. The Ministry of Labour and Social Affairs has taken a number of steps to support this transition. However, the private sector in Kurdistan has not yet developed enough to function as a full alternative to the public sector. The problem remains profound. Every year, thousands of graduates from vocational schools, institutes, and universities struggle to find employment in either sector.

IRIS: You regularly coordinate with other KRG ministries and senior officials. In your view, has unemployment been treated as a top government priority at the highest levels?

Minister Kwestan: Yes, it has, although the degree of seriousness varies across ministries. Some institutions have taken substantial steps to address the problem, while others have been less active. Our ministry has tried to compensate for the lack of engagement from certain state bodies whose cooperation is essential to our work. For instance, the implementation of social security requires collaboration across multiple ministries. If one institution does not fulfill its role, we report this to the KRG Council of Ministers, which follows up directly to ensure that the issue is addressed.

IRIS: Reliance on oil revenues and public employment cannot provide a sustainable response to unemployment. What is the KRG's broader strategy for reducing this dependence and creating long-term opportunities?

Minister Kwestan: The key is to develop the private sector and diversify the economy. Most advanced economies have achieved stability by diversifying production and creating jobs outside the public sector. The current KRG cabinet is working to promote tourism, agriculture, and industry. If these sectors had been supported from the very beginning of the KRG's establishment in 1992, the Region might not have become so dependent on oil revenues. Kurdistan has significant potential in tourism,

agriculture, and industry, and these areas represent our most promising path for addressing unemployment and achieving long-term stability.

IRIS: You mentioned that the private sector has not yet developed enough to serve as a genuine alternative to public employment. At the same time, large numbers of foreign workers are employed in the Region's private sector. How do you view this issue?

Minister Kwestan: The private sector employs a large number of workers from Syria, Iran, Türkiye, various Asian countries, and from central and southern Iraq. This creates challenges for young people in the Kurdistan Region who are searching for jobs. To address this problem, on September 20, 2022 the Council of Ministers approved Decision 172 based on our ministry's proposal. According to this decision, no workplace may employ more than 25% foreign workers. At least 75% of the workforce must be local residents and 70% of those locals must be young graduates. This rule was introduced because many private employers prefer to hire individuals who already work in the public sector. These employees accept lower wages because they already receive government salaries and benefits. As a result, unemployed youth are excluded from opportunities. Our ministry now requires companies to register and comply with the 75% rule. If they fail to do so, their business licenses are not renewed. However, there are limited exceptions in sectors where compliance is difficult. For example, iron factories and smelters have requested permission to hire foreign workers due to a lack of interest among local laborers in physically demanding jobs. In such cases, we have allowed them to employ workers from abroad, particularly from India.

IRIS: Can unemployment really be addressed by reducing the number of foreign workers in the labor market? This seems overly simplistic.

Minister Kwestan: Certainly not. Unemployment has multiple causes. Reducing the share of foreign workers is only one part of a broader approach. What is most important is to protect the rights of local workers, to strengthen the private sector, and to create an environment where the private sector can serve as a real alternative to the public sector.

> *Unemployment has multiple causes. Reducing the share of foreign workers is only one part of a broader approach. What is most important is to protect the rights of local workers, to strengthen the private sector, and to create an environment where the private sector can serve as a real alternative to the public sector.*

IRIS: Some unemployed youth believe that political parties continue to influence hiring in both the public and private sectors. How do you respond to that concern?

Minister Kwestan: In our ministry, hiring has been carried out on the basis of applications, qualifications, and transparent criteria. For example, we have hired 1,000 employees entirely on merit, without political or personal interference. While political influence may persist in some other ministries, I can say that this cabinet has made genuine efforts to reduce partisan involvement in recruitment processes.

> *Hiring has been carried out on the basis of applications, qualifications, and transparent criteria.*

IRIS: And what about the private sector, where some companies are seen as linked to political parties?

Minister Kwestan: Our ministry does not have the legal authority to dictate whom private companies employ. What we can do is enforce existing regulations that promote fairness. The rule that at least 75% of employees must be local, and that 70% of those must be young people, applies to all companies operating in the Region. Compliance with this rule helps ensure that private companies contribute to addressing youth unemployment.

IRIS: Beyond regulations to balance the labor market, what specific initiatives has your ministry launched to increase job opportunities in the Kurdistan Region?

Minister Kwestan: We have launched a project called Gashanawa, which means "blooming" in English, in coordination with the KRG Prime Minister's Office. The program provides loans of 150 million Iraqi dinars to entrepreneurs who wish to expand their businesses. In the first phase, we supported twenty-two business projects. After follow-ups, we found that the results were encouraging. For example, in Sulaymaniyah, we supported a poultry project that expanded its facilities and created new jobs for young people. In Erbil, we supported a cooking oil factory that also expanded and hired additional workers. The Gashanawa program has also been designed to ensure that opportunities extend to women and cover all governorates of the Region. Based on the success of the first phase, we have decided to finance an additional 150 small and medium enterprises as part of the second phase of the program.

> *We have launched a project called Gashanawa, which means "blooming" in English, in coordination with the KRG Prime Minister's Office. The program provides loans of 150 million Iraqi dinars to entrepreneurs who wish to expand their businesses.*

IRIS: Finally, what do you believe are the most important steps needed to improve employment opportunities for young people and recent graduates in the Kurdistan Region?

Minister Kwestan: The most important step is to reduce dependence on oil revenues as the sole source of income and on public employment as the main source of jobs. Continuing to rely exclusively on oil and the public sector will not solve unemployment. It will only perpetuate it. The government must continue to diversify the economy by strengthening agriculture, industry, and tourism, while increasing its support for the private sector. Another essential step is to reform the education system so that it gives more weight to vocational schools, institutes, and technical colleges. We need a workforce equipped with the skills that the labor market actually demands. Finally, the government must continue to expand financial support for small and medium enterprises, as demonstrated by the Gashanawa project. Encouraging entrepreneurship and providing practical pathways into the private sector are key to building a more sustainable and inclusive economy.

IRIS: Thank you for your time.

Roundtable: Roadmap to Economic Recovery in Erbil and the KRI

On June 24, 2025, the Institute of Regional and International Studies (IRIS), in collaboration with the Middle East Research Institute (MERI), hosted a roundtable discussion titled "A Roadmap Towards Economic Recovery in Erbil and the Kurdistan Region." The event brought together experts from key institutions within the Kurdistan Regional Government (KRG), independent researchers and academics, as well as representatives from NGOs, the private sector, and labor syndicates. The discussion focused on the region's deepening financial challenges and the decline in public sector job opportunities, which have significantly affected the labor market across Erbil and other provinces. Participants examined the current employment crisis and critically assessed the KRG's existing policies and strategies aimed at addressing it. This timely event provided a valuable platform to reflect on the economic challenges and to consider whether a new and viable path forward can be found.

A central theme that emerged during the roundtable was the pressing need for the KRG to develop innovative strategies—particularly through stronger partnerships with the private sector—to foster job creation and sustainable economic growth. Nevertheless, persistent disputes and tensions between the KRG and the federal government in Baghdad have severely constrained private sector development in Erbil and the broader Kurdistan Region. As one business owner observed: "Beyond withholding the salaries of KRG employees—a policy that has inflicted serious harm on the region's economy—the government in Baghdad has also sought to impose new trade regulations that the KRG rejects. These measures have disrupted the operations of private enterprises in Erbil, resulting in the loss of numerous jobs and employment opportunities throughout the region." Participants agreed that resolving the key outstanding issues between the KRG and the federal government would strengthen the private sector and lead to the creation of more employment opportunities.

Another key issue raised during the discussion was the difficulty faced by many young job seekers who lack political connections. Participants emphasized that nepotism in employment is not confined to the public sector, but also extends to the private sector. Many large private companies are directly or indirectly affiliated with the two dominant political parties in the region, the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK). They often allocate employment opportunities to loyal party members and supporters. This practice has fueled widespread frustration among young job seekers.

> *I have been searching for a job for over a year, but have not found any opportunities. I don't understand why employment has become so politicized. In Erbil and Sulaymaniyah, being a member of the KDP or the PUK affects your chances of being hired by either a public institution or a private company*

Source: Rudaw Media Network

As one unemployed participant expressed: "I have been searching for a job for over a year, but have not found any opportunities. I don't understand why employment has become so politicized. In Erbil and Sulaymaniyah, being a member of the KDP or the PUK affects your chances of being hired by either a public institution or a private company." Participants agreed that depoliticizing employment opportunities was key to effectively addressing unemployment in the region. Participants emphasized that promoting equitable job distribution, free from political influence or affiliation, was crucial for effectively tackling unemployment in the region.

Another main theme that emerged was the persistent lack of coordination among government institutions responsible for addressing the issue. Participants emphasized that fragmented efforts and weak inter-ministerial communication have hindered the development of a coherent strategy to tackle unemployment. As one official from the KRG Ministry of Higher Education noted: "We have a meeting tomorrow among ministries of labor and social affairs, higher education, trade, and planning. It has been some time and the Ministry of Planning cannot assign someone to represent them in this meeting. This is just an example." This reflects a broader institutional challenge where overlapping responsibilities and inconsistent engagement between ministries result in delayed initiatives, policy gaps, and limited impact on the ground. Without stronger coordination mechanisms and shared accountability, even well-intentioned programs risk remaining isolated efforts rather than parts of a unified employment strategy.

Source: Council of Ninevah Governorate, facebook page

Roundtable: Urban Planning and Infrastructure in Mosul

The Institute of Regional and International Studies (IRIS) recently convened a roundtable in Mosul that gathered local officials, private sector representatives, and civil society actors from across Nineveh governorate. The meeting examined how urban expansion is shaping Mosul's economic trajectory at a moment when the city is still navigating the long aftermath of the conflict with Islamic State (ISIS). Participants assessed the obstacles that continue to hinder investment, planning, and job creation. They also reflected on what a more stable and predictable development pathway might require. The conversation highlighted the extent to which urban planning and political constraints are interlinked and how these relationships influence the city's ability to move beyond post-conflict reconstruction toward a more long-term strategy.

Land, Planning, and Demographic Concerns

A major part of the discussion focused on the long shadow cast by land violations and concerns over demographic change. Participants repeatedly noted that these issues sit at the heart of many planning dilemmas. Radhwan Munzir from the Urban Planning Committee traced the origins of the current situation to the period of instability immediately following the US-led invasion of 2003.

During the mid-2000s, weak oversight allowed extensive encroachment on public land. According to Munzir: "instability allowed many individuals to seize public land, including parcels reserved for service facilities and to treat these areas as private property. This resulted in irregular and disorganized patterns of urban development that still shape Mosul today." In other words, parcels originally designated for schools, clinics, and other public services were expropriated for private benefit.

> *Instability allowed many individuals to seize public land, including parcels reserved for service facilities and to treat these areas as private property. This resulted in irregular and disorganized patterns of urban development that still shape Mosul today.*

The unregulated growth that followed produced irregular settlement patterns that have shaped mobility, infrastructure, and land management ever since. These dynamics have had lasting effects on the master plan. Munzir explained that many strategic roads and bridges remain absent from the urban landscape because proposed routes cross areas claimed by political groups and factions that have the capacity to block construction. The result is a city whose transport network reflects decades of contested land use, rather than a coordinated vision for circulation and access. According to Munzir, any attempt to understand current planning challenges must take this legacy into account, since the past continues to drive what is possible today.

This assessment was echoed by Raad al-Hadidi, head of Nineveh Municipalities, who described an institutional environment characterized by contradictory directives and shifting political pressures. Local authorities were initially instructed to enforce the law and halt unauthorized building. Soon after they began this process, parliament and senior officials issued instructions that prevented effective local enforcement. The effect was a paralysis in which legal obligations could not be applied consistently. Hadidi also drew attention to neighborhoods connected to Article 140 of the 2005 Constitution, which concerns the so-called "disputed territories" between the federal government and the Kurdistan Regional Government (KRG).

He noted: "Areas subject to a constitutional article concerning disputed territories cannot receive new infrastructure or service extensions due to fears that such actions might trigger demographic change." Extending services to these areas is interpreted as a political act, which means that even basic infrastructure projects can become politically sensitive. The combination of unclear mandates and political caution has limited planners' ability to apply long term strategies.

> *Areas subject to a constitutional article concerning disputed territories cannot receive new infrastructure or service extensions due to fears that such actions might trigger demographic change*

These pressures are also felt by the private sector. Hoor al-Saegh, who represents an international construction company, described how ongoing land disputes have forced firms to relocate projects even after preparatory work had begun. In one instance, her company was instructed to halt work in a certain area due to concerns associated with demographic sensitivities.

The project was later moved to a different location, which created financial losses and disrupted planning timelines. Saegh emphasized that these constraints stem not from technical shortcomings, but from unresolved political and social tensions that shape decisions on land use. She argued that progress requires a political understanding capable of settling longstanding disputes so that both public institutions and private companies can operate within clear boundaries.

Lack of Continuity in Governance

A second theme concerned the effects of leadership turnover on urban planning and reconstruction. Participants agreed that continuity in government is essential for maintaining focus on long-term development strategies. Muhammed al-Rawi, a former Deputy Governor for Reconstruction Affairs, explained that frequent changes in federal and local leadership have created a problem in strategic planning. He said: "Frequent turnover among officials responsible for urban planning weakens institutional memory and disrupts long-term strategies." When key officials rotate out of their positions, plans that rely on sustained commitment lose momentum.

Agencies that in theory should work together to implement the master plan often become misaligned, as new leaders introduce priorities that differ from those of their predecessors. According to al-Rawi, this lack of continuity has slowed reconstruction across multiple sectors and created a wider environment of unpredictability. Investors hesitate to commit resources when government direction appears uncertain. Local institutions struggle to respond to rising demand for services because planning cycles are repeatedly interrupted. The city is caught between short-term needs and the absence of a long-term framework capable of guiding reconstruction in a coherent way.

> *Frequent turnover among officials responsible for urban planning weakens institutional memory and disrupts long-term strategies.*

Pathways Forward

Despite these constraints, participants also identified opportunities to advance development through more pragmatic approaches. Muhammed Najib, head of the Engineering Association for Development and Environment, argued that Mosul's urgent need for economic revival should guide planning choices. He said: "The city requires new construction, investment, businesses, and industries. Development should continue even when obstacles arise in specific areas." He clarified that not all parts of the city are equally restricted. Some areas remain subject to disputes or political sensitivities, while others provide more conducive conditions for growth. According to Najib, the East side of the city contains fewer land violations and is not burdened by the same political concerns, which makes it a viable area for new investment, infrastructure projects, and industrial activity. Participants considered this type of selective development a practical way to keep economic recovery moving. They stressed that unresolved disputes should not stall the entire city's progress. Instead, authorities can prioritize areas where conditions permit stable planning and where investments are more likely to bring immediate benefits for residents. This approach would allow Mosul to build momentum while broader institutional and legal issues are addressed through separate processes.

> *The city requires new construction, investment, businesses, and industries. Development should continue even when obstacles arise in specific areas*

In the final part of the discussion, participants outlined several shared priorities for improving the environment for urban expansion and economic development. A central recommendation was the need for a clear, sustained effort to resolve land disputes, as they are a major source of uncertainty for both public institutions and private investors. Participants also highlighted the value of stronger coordination between local and national authorities. Without consistent cooperation, planning remains vulnerable to contradictory decisions that weaken implementation. Another priority concerned public engagement. Participants agreed that clear communication about the purpose and scope of development projects would help build trust among residents and reduce fears that infrastructure or service extensions could harm particular communities. Universities, civil society organizations, and local leaders from different districts were seen as essential partners in this process, both for explaining development plans and for ensuring that community concerns are incorporated into future strategies.

An oilfield in the Kurdistan Region. File photo: AFP

Rebuilding Resilience: The Iraq-Türkiye Pipeline's Role in Iraq's Oil Export Security

YESAR AL-MALEKI

The resumption of Kurdish crude exports to Türkiye on 27 September 2025 marks the end of a two-and-a-half-year suspension that severed Iraq's pipeline access to European markets. The Iraq-Türkiye Pipeline (ITP) went offline in April 2023 when Baghdad largely prevailed in an arbitration case against Ankara for allowing independent Kurdish oil exports between 2014 and 2018. Flows to the Ceyhan terminal have now resumed under a trilateral arrangement between the federal government, the Kurdistan Regional Government (KRG), and international oil companies operating in the Kurdistan Region, with Iraq's State Oil Marketing Organization (SOMO) assuming full control of sales.

This development is of critical importance to Baghdad. The treaty governing the ITP was originally signed in 1973, last renewed in 2010, and expires in July 2026. Ankara has informed Baghdad of its wish not to renew the agreement. Türkiye has long argued that the treaty constrained its ability to include other users and that Iraq has historically underutilized the pipeline. With Baghdad now overseeing all exports through Ceyhan, Iraq aims to demonstrate continuity of flows and strengthen its hand as negotiations to renew the agreement begin.

For Iraq, securing the ITP's future is not merely a commercial priority but a strategic necessity. Although redirecting crude from its southern oil heartland to the ITP presents technical challenges, the route, which currently only carries oil produced in the Kurdistan Region, remains the only operational alternative to Iraq's Gulf export terminals at Basra.

Those facilities and associated onshore infrastructure are ageing and require significant investment and upgrades. Meanwhile, its near-exclusive reliance on the Gulf route leaves Iraq vulnerable to incidents and geopolitical disruption.

Recent tensions — from Houthi attacks on Red Sea shipping to the twelve-day confrontation between Iran and Israel — have reinforced that sense of fragility. Baghdad lacks contingency options, even if the prospect of instability in the Strait of Hormuz, a chokepoint for nearly 20% of global oil exports[1], remains a distant scenario. This contrasts with regional peers such as Saudi Arabia, the UAE, and Kuwait, which have developed either bypass pipelines and/or overseas storage.

Given that oil revenues account for more than 90% of government income, it is fundamental to Iraq's fiscal stability and economic resilience that it ensures uninterrupted oil exports. While alternative export corridors through Jordan and Syria have been proposed, this paper argues that revitalizing and expanding the ITP, while reaching amicable terms with Türkiye and the KRG, offer the most viable technical, economic, and geopolitical path for Iraq's long-term oil export security.

Bottlenecks Meet Geopolitical Vulnerabilities

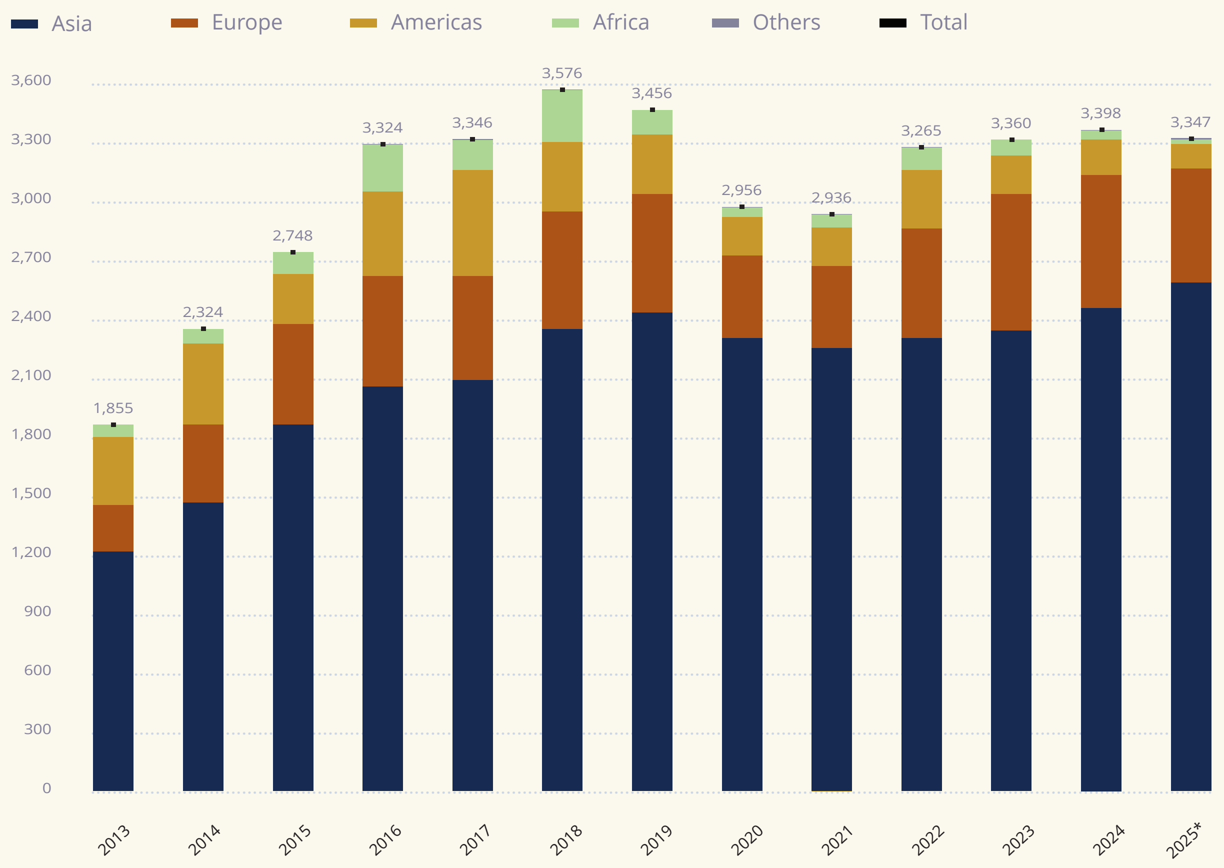
Iraq's oil exports depend almost entirely on its southern export system in Basra, a complex network linking oilfields in Basra, Dhi Qar, Maysan, and Wasit provinces to offshore terminals in the Gulf.[2] Built mostly in the 1970s, this infrastructure — flowlines, tank farms, pumping stations, and pipelines — remains the backbone of Iraq's oil economy.

Following the opening of Iraq's energy sector to foreign investment in 2009, oil production surged. Between 2012 and 2019, output rose by 50% to 4.7 million barrels per day (b/d), making Iraq the world's second-largest source of new supply after the United States and accounting for one-in-every-five barrels of incremental additions, according to the International Energy Agency.[3] This rapid growth, however, outpaced the capacity and reliability of Basra's ageing export infrastructure.

Despite the system's nominal combined capacity, which exceeds 6 million b/d, actual exports remain far lower due to historical damage, structural degradation, and insufficient pumping capacity. The Khor al-Amaya Oil Terminal (KAAOT) has been offline since 2018 following pipeline leaks,[4] while the Basra Oil Terminal (BOT) and its four operating single point mooring (SPM) buoys handle only up to 3.4 million b/d of exports. A fire at BOT in late 2022 knocked out 1 million b/d of export capacity,[5] exposing the system's fragility, while a surge in exports in 2023 forced the replacement of one of the SPM buoys.[6] Construction of the key Sea Line 3 project – to add up to 2.4mn b/d of export capacity – only began last month, targeting mid-2027 completion although this will likely be not met given Iraq's poor track record of project delivery.[7] Plans for two additional pipelines — Sea Lines 4 and 5 — remain bogged down by contracting and financing delays.[8]

Such operational fragility is compounded by geopolitical risk. With no functional northern export route, Iraq is fully exposed to disruptions in the Strait of Hormuz. This vulnerability became evident during the June 2025 conflict between Iran and Israel, when fears of an Iranian blockade temporarily rattled markets.[9] In contrast, Iraq's regional peers, Saudi Arabia, Iran, and the UAE, possess critical bypass infrastructure and have overseas storage, allowing them to sustain sales to customers,[10] especially those in Asia which is the destination for around 80% of Iraq's Gulf oil exports (See chart 1). Both factors allow them to better manage these risks.

1. IRAQ`S GULF OIL EXPORTS (000 B/D): AROUND 80% HEAD TO ASIA WITH LESS THAN 20% AND 10% TO EUROPE AND THE AMERICAS RESPECTIVLY



*TRACKED SEABORNE EXPORTS TO 7 NOVEMBER 2025. SOURCE: KPLER, MEES, YESAR AL-MALEKI.

Exports to Europe, which make up a lower 20% rose after EU sanctions on Russian oil in 2022, as refiners sought substitutes for Russia's Urals crude oil grade.[11] Iraqi Gulf exports to Europe reached a record 718,000 b/d in 2023, mostly via the Suez Canal. Yet Houthi attacks on shipping in the Bab al-Mandab Strait have since forced tankers to re-route around Africa's Cape of Good Hope, sharply increasing costs and transit times.[12] This and increased competition from other exporters saw flows to Europe fall in 2024, a trend that has continued this year as well.

Aligning Political Opportunity with Structural Necessity

These events have only underscored the urgency of restoring Iraq's northern export conduit. For Baghdad, the resumption of Kurdish oil exports through the ITP was an act of political opportunity that aligned with the need to resolve a structural problem within Iraq's oil export system.

Prime Minister Mohammed al-Sudani's government faced considerable American pressure to restart Kurdish exports, owing to the involvement of several US oil firms in operating oilfields in the Kurdistan Region. However, the move was also based on domestic political calculations. Prime Minister Sudani, as well as the wider Shia Coordination Framework (SCF), sought to extend an olive branch to the KRG and its dominant Kurdistan Democratic Party (KDP) ahead of parliamentary elections. The reopening of the ITP theoretically allowed the resumption of salary payments to Erbil, easing public pressure on the KDP. Winning support by Kurdish parties may help Prime Minister Sudani, or another candidate for the office from the SCF, form the next government.

However, the federal government in reality lacks the infrastructure to move crude from its primary production base in the south to the ITP. The Iraqi government's segment of the ITP has been inoperable since 2014 (See map), after sustaining severe damage from insurgent sabotage and Islamic State (ISIS) attacks that rendered it derelict.[13] The 1.6 million b/d pipeline's current condition is largely unknown and its restoration would require a complete overhaul of its connections, pumping stations, and storage depots.

Earlier this year, the oil ministry announced plans to partially rehabilitate the system, targeting 400,000-500,000 b/d of restored capacity. But the move was widely interpreted as an attempt to build leverage in negotiations with the KRG and its foreign operators over export resumption. The Middle East Economic Survey (MEES) reported in June that North Oil Company has been unable to assess the pipeline's condition beyond its operational areas in Kirkuk, Saladin, and Nineveh provinces.[14]

In practical terms, what today constitutes Iraq's operational segment of the ITP is the pipeline built by the KRG in 2014. Initially launched with a 300,000 b/d capacity, it was later expanded to 950,000 b/d by 2017. However, throughputs have never exceeded 600,000 b/d, even between 2014 and 2017 when the KRG controlled Kirkuk and fed its output into the system. The line connects at Fishkhabour, feeding crude into the Turkish-operated segment of the ITP, managed by state firm Botas. The pipeline is owned by the Kurdistan Pipeline Company (KPC), a joint consortium grouping local conglomerate Kar Group and Rosneft.

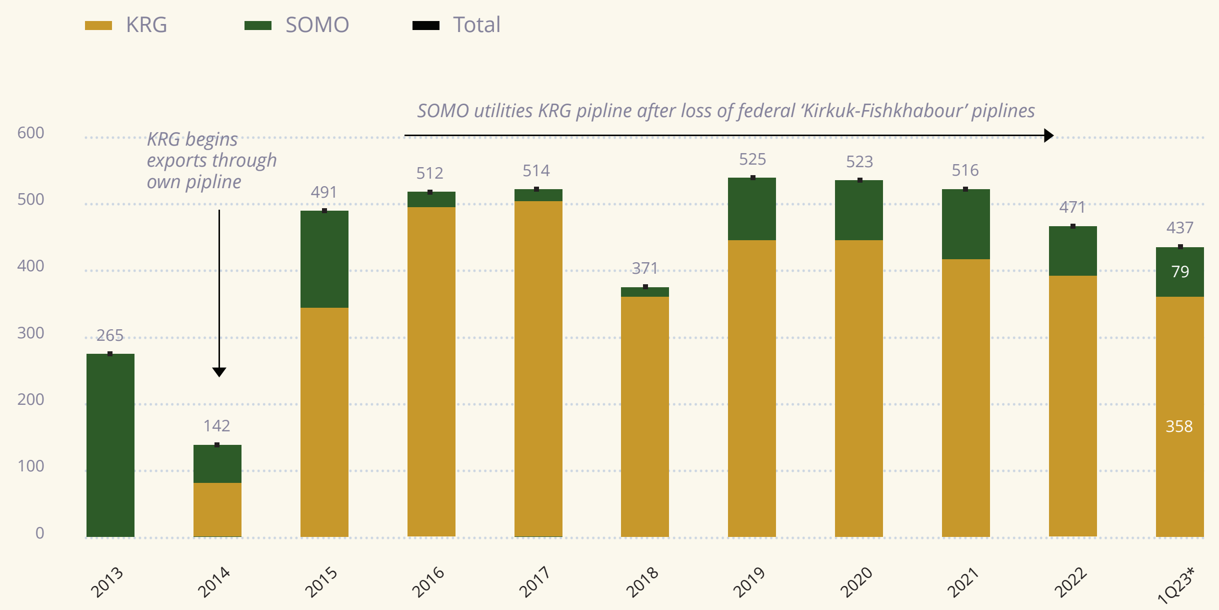
As a result of US sanctions on the Russian state firm, Rosneft divested 11% of its 60% stake in KPC to an obscure entity[15], whose address has been previously associated with Dubai-based sanctioned companies involved in Russian oil trading.[16]

The ITP treaty granted Iraq a legal monopoly over access to the system. When the KRG connected its line to Fishkhabour in 2014 without federal approval and began exports, Iraq quickly filed an arbitration case against Türkiye before the International Chamber of Commerce (ICC).[17]

Nonetheless, due to the damage sustained to the Iraqi government's northern line, SOMO subsequently reached several agreements with the KRG to use its pipeline to export Kirkuk crude to Ceyhan,[18] with these volumes averaging 80,000 b/d before the ITP's closure in early 2023 (See chart 2).

The federal oil ministry sees pipeline ownership in Iraq as a sovereign matter and has refused to pay KPC pipeline fees. More recently, however, it has de facto recognized the KRG's pipeline in a technical protocol agreed prior to resuming exports.[19] The protocol did not explicitly mention the KPC.

2. DESPITE DISPUTING INDEPENDENT KRG OIL EXPORTS, SOMO UTILISED THE KURDISTAN PIPLINE TO SEND KIRKUK CRUDE TO CEYHAN UP UNTIL THE ITP CLOSURE IN EARLY 2023 (000B/D)



*ITP WAS SHUT ON 25 MARCH 2023. SOURCE: KRG, MNR, DELOITTE, SOMO, MEES, YESAR AL-MALEKI

Reconnecting Iraq's Fragmented Pipeline System

Baghdad's loss of its portion of the ITP, combined with unresolved export disputes with Erbil over the years, prompted considering new alternative routes to the ITP with emphasis on Jordan's Aqaba as a potential outlet[20]. Yet such plans immediately encountered a fundamental structural weakness: Iraq's pipeline system lacks the capacity and flexibility to sustain high flows north from its production base in the south. The Strategic Pipeline, built in 1975 to provide operational flexibility between Iraq's northern and southern regions, now operates at up to 300,000 b/d capacity, but has endured decades of disrepair. It is currently used to carry oil from Basra to refineries and power plants in the Middle Euphrates region. It has been practically severed from Iraq's northern pipeline system and the ITP since the K-3 pumping station in Haditha (See map) suffered multiple raids during the 1991 Gulf War.

As such, establishing any new northern export outlet first requires expanding Iraq's internal south-to-north pipeline capacity. To achieve this, Baghdad plans to construct a 2.25 million b/d pipeline from Basra to Haditha in Anbar province, following the route of the Strategic Pipeline and providing the necessary throughput for future northern exports. The $4.6bn project was approved by Iraq's cabinet in January[21] and is to be delivered by the oil ministry's State Company for Oil Projects (SCOP) with the likely involvement of Chinese firms under Iraq's $10 billion financing framework with Sinosure.[22]

Why the ITP Still Makes Strategic Sense?

To secure other non-Gulf routes, Iraq has considered alternative pipelines through Jordan to Aqaba or Syria to Banias. Pursuing either option presents considerable challenges. Earlier cost estimates for the Jordanian section — including a small export jetty at Aqaba — stood at $22 billion, although later were revised to under $9 billion.[23] Constructing a new pipeline through Syria would be even more costly, as sections of the pre-existing Kirkuk-Banias line sustained extensive damage during the civil war.

There are also political considerations. Pro-Iran factions in Iraq have long opposed the Basra-Aqaba project, citing Jordan's ties with the US and Israel, and have concerns about Syria's new president, Ahmed al-Sharaa. At the same time, allies of Jordan and Syria are disinclined to extend loans to finance infrastructure projects with Iraq, given the pro-Iran factions' sway over decision-making in Baghdad.

By contrast, maintaining and expanding the ITP offers a more practical and politically feasible route. Türkiye is already a major energy hub, hosting multiple cross-border oil and gas pipelines connecting Asia and Europe. Ceyhan is less practical than Aqaba for reaching Asian markets, but Iraq would reroute most exports there only if the Strait of Hormuz were closed and when the resulting spike in oil prices would offset the added costs. In normal circumstances, Türkiye's domestic oil demand far exceeds that of both Jordan and Syria, providing a solid demand base for Iraqi exports. Türkiye has also emerged as a major oil products supplier to Europe. The Ceyhan terminal also grants access to East Mediterranean, European, and Atlantic markets.

Crucially, Ankara has consistently maintained its portion of the ITP. With the Kurdistan Region's pipeline operationally available, this spares Iraq the burden of financing new cross-border infrastructure and allows Baghdad to focus investment on revamping its internal pipeline network and strengthening flows from south to north. Realistically, the Iraqi government is unlikely to rebuild its old pipeline system to Fishkhabour. Now that SOMO oversees marketing Kurdish crude at Ceyhan, the Iraqi government is more incentivized to officially integrate the Kurdistan Region's pipeline into the ITP than before.

The fact that the ITP is largely pre-existing infrastructure reduces domestic pressure on the Iraqi government. Türkiye's support for Baghdad's "Iraq Development Road" — a trade and transport corridor linking the Gulf to Europe — reinforces the case for closer cooperation.

Turkish officials have in the past advocated for exporting oil from Basra through the ITP.[24] Following its decision not to renew the treaty, Ankara proposed an extended energy framework,[25] not only covering electricity and gas trade, but also building refining and petrochemical projects at Ceyhan. These projects could help Iraq secure a captive market in a region where such capacity is steadily shrinking. The two sides held their first round of talks on renewing the treaty on 17 November[26], but a final agreement will only be reached after a new Iraqi government is formed.

Expanding the ITP will also be key for BP to secure an outlet for oil from the Kirkuk oilfield, which the UK major is set to redevelop as part of a $25 billion agreement reached with Iraq this year.[27]

Engagement with Türkiye is not without challenges. Baghdad and Ankara still face unresolved issues ranging from sharing water resources to security coordination, while Türkiye and Iran continue to vie for political and economic influence within Iraq. There is growing unease within pro-Iran factions about improving relations with Ankara,[28] especially given its role in the demise of the Assad regime in Syria.[29] That said, Ankara has recalibrated its policy in recent years, pursuing closer ties with Iraq's Shia. As such, elements within the SCF may be open for further dialogue with Ankara, reflecting a pragmatic approach amid waning Iranian influence in the region.[30] Ankara's NATO membership and its ability to withstand Western pressure while continuing energy trade with sanctioned Russia and Iran enhance its attractiveness as a partner. Iraq, and its oil sector, are increasingly under US scrutiny in alleged connection to Iranian oil smuggling.[31]

Policy Recommendations: Pursuing A Win-Win Deal

Iraq's exclusive reliance on its ageing southern pipeline network and the Gulf as its sole export outlet constitutes a major strategic vulnerability. Recent regional crises have underscored the urgency of diversifying export routes and re-establishing a viable northern corridor.

The resumption of Kurdish oil exports through the ITP marks an important first step toward this goal. It enables Baghdad to demonstrate to Ankara its willingness and capacity to manage complex arrangements with the KRG while asserting greater sovereign oversight of oil exports, with SOMO now overseeing exports at Ceyhan.

Renewing the ITP treaty is pivotal to Iraq's export diversification strategy. The pipeline remains the most technically and commercially feasible alternative to the Gulf route, offering the most viable path to restoring export security. To ensure treaty renewal, once formed, a new Iraqi government must address Türkiye's longstanding grievances and pursue a new framework that is mutually beneficial. Historically, Iraq has failed to meet the treaty's minimum throughput requirements,[32] largely due to conflict and political instability. As Ankara seeks higher volumes through the ITP, Baghdad should align this objective with its own production growth targets and export security goals, framing an agreement that incentivizes partnership.

The Basra–Haditha pipeline must become a priority. Extending the line onward to Kirkuk and integrating it with the Kurdistan Region's pipeline would deliver several interrelated strategic benefits. First, it would enhance export security by providing a viable contingency route for southern crude in the event of a long-lived disruption to Gulf exports. Second, it would improve operational flexibility, enabling the transfer of crude between Iraq's southern and northern regions and ensuring a more efficient utilization of the country's refining capacity in the north. Third, it would strengthen the commercial viability of upstream investments — most notably BP's redevelopment of the Kirkuk oilfield, whose success depends on secure access to Ceyhan as its principal export outlet.

Baghdad could further consolidate cooperation with Türkiye by inviting Turkish firms to participate in constructing sections of the new pipeline. This approach could mirror the recent water cooperation agreement, under which Turkish companies are to be awarded infrastructure projects,[33] plausibly in exchange for increased water allocations to Iraq. A similar framework in the energy sector would foster mutual goodwill, align economic incentives, and reinforce interdependence between Baghdad and Ankara.

Equally vital is ensuring the durability of Baghdad's agreement with the KRG and the international oil companies operating in the region. The Kurdistan Region's pipeline now effectively constitutes the Iraqi segment of the ITP, and rebuilding the derelict federal line to Fishkhabour would be prohibitively costly and time-consuming. Instead, Baghdad should capitalize on the recent US sanctions on Rosneft to explore the purchase of the Russian firm's stake in the Kurdistan Region's pipeline. Though complicated by the KRG's debts to Rosneft, a successful purchase could facilitate a joint Baghdad–Erbil operating company, formalizing shared management and allowing for future expansion.

Such collaboration would not only reinforce the stability of the export arrangement but also provide a foundation for resolving broader oil disputes, including progress toward a mutually acceptable federal oil and gas law.

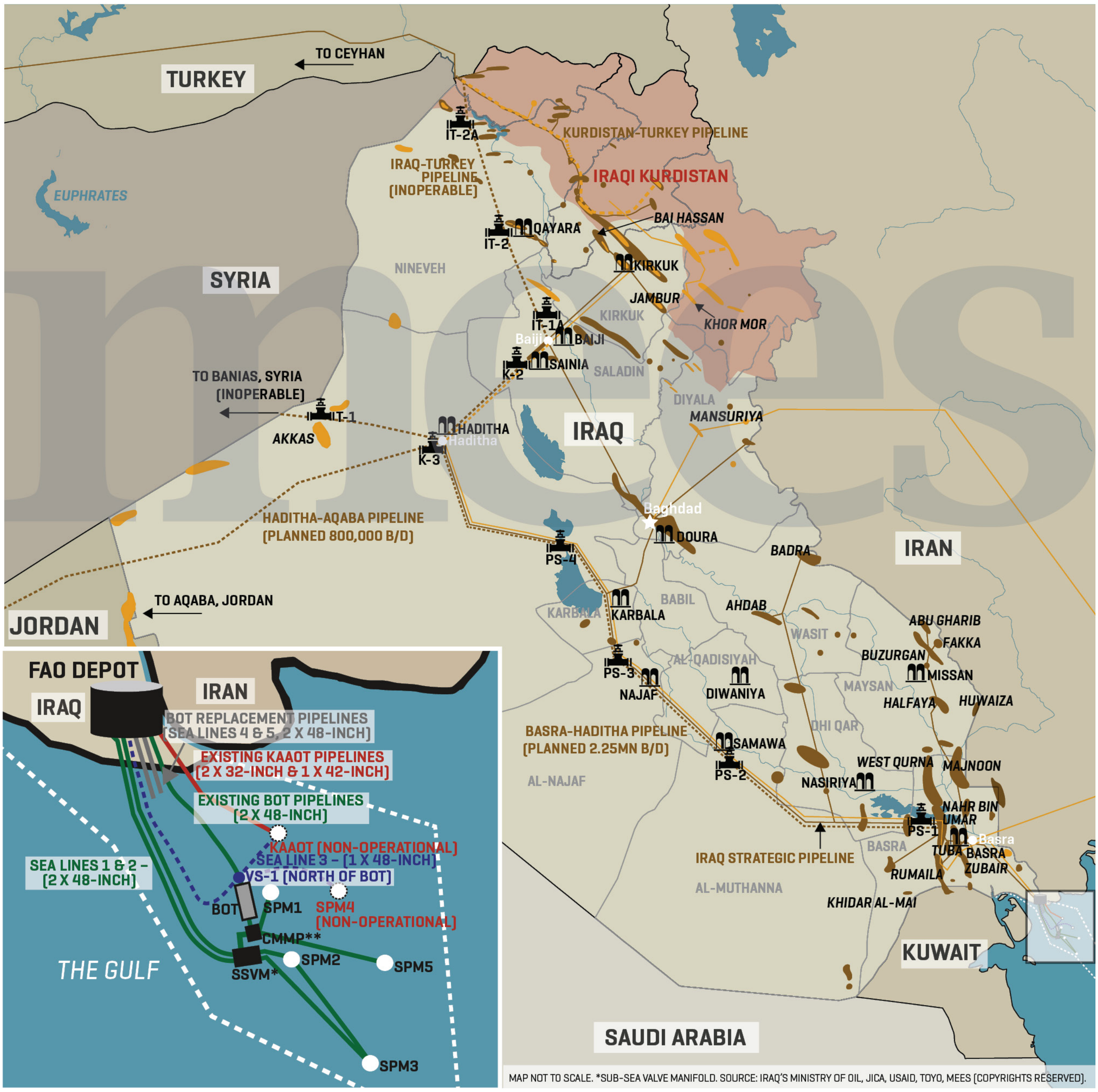
Proactive engagement from Baghdad could ease long-standing mistrust with Erbil and reduce the risk of the KRG seeking a standalone export agreement with Türkiye once the ITP treaty expires.

For Türkiye, an exclusive deal with the KRG would carry significant risks. It could strain relations with Baghdad, undermine broader economic cooperation, and potentially trigger further legal disputes between both countries. Ankara's goal of increasing ITP capacity to 1.5 million b/d ultimately depends on cooperation between Baghdad and Erbil.

The author acknowledges the Middle East Economic Survey (MEES) and Kpler for providing the data used in this paper. The map is included with permission from MEES; all rights reserved.

IRAQ'S OIL & GAS PIPELINE SYSTEM

OIL FIELD/PIPELINE GAS FIELD/PIPELINE PUMPING STATION REFINERY



MAP NOT TO SCALE. *SUB-SEA VALVE MANIFOLD. ** CENTRAL MONITORING AND MANIFOLD PLATFORM. SOURCE: IRAQ'S MINISTRY OF OIL, JICA, USAID, TOYO, MEES (COPYRIGHTS RESERVED).

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