

ANALYSIS

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'ENERGIZED' NEIGHBORLINESS

RELATIONS BETWEEN TURKEY AND
THE KURDISH REGIONAL GOVERNMENT

ALİ BALCI



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ABSTRACT

Throughout the 1980s and 90s, Turkey's interest towards Northern Iraq was shaped along the axis of struggle against the PKK due to the group's entrenchment in the region. In the second half of the 2000s, the relative autonomy that the Kurdish groups gained in Northern Iraq and then the later discovery of large amounts of oil and natural gas in the region added a new dimension to Ankara's politics towards this region. Especially with the 2010 years, the topic of energy became the fundamental dynamic in Turkey's relationship with the Kurdish Regional Government. This study is an attempt to analyze these energy relations which have come into play as a new parameter in the relations between Ankara and Erbil, and which also affect not only Turkey's Middle East policy, but its domestic politics as well.

INTRODUCTION

While the relations between Turkey and Northern Iraq (today the Kurdish Regional Government) were mostly conducted over Baghdad, the theme of this relationship was based mostly on the struggle with the PKK.¹ Especially after 2007, however, Turkey began direct relations with the Kurdish Regional Government, and proceeding from this date issues of energy formed the subject of this relationship, to the extent that at times energy surpassed the struggle with the PKK.

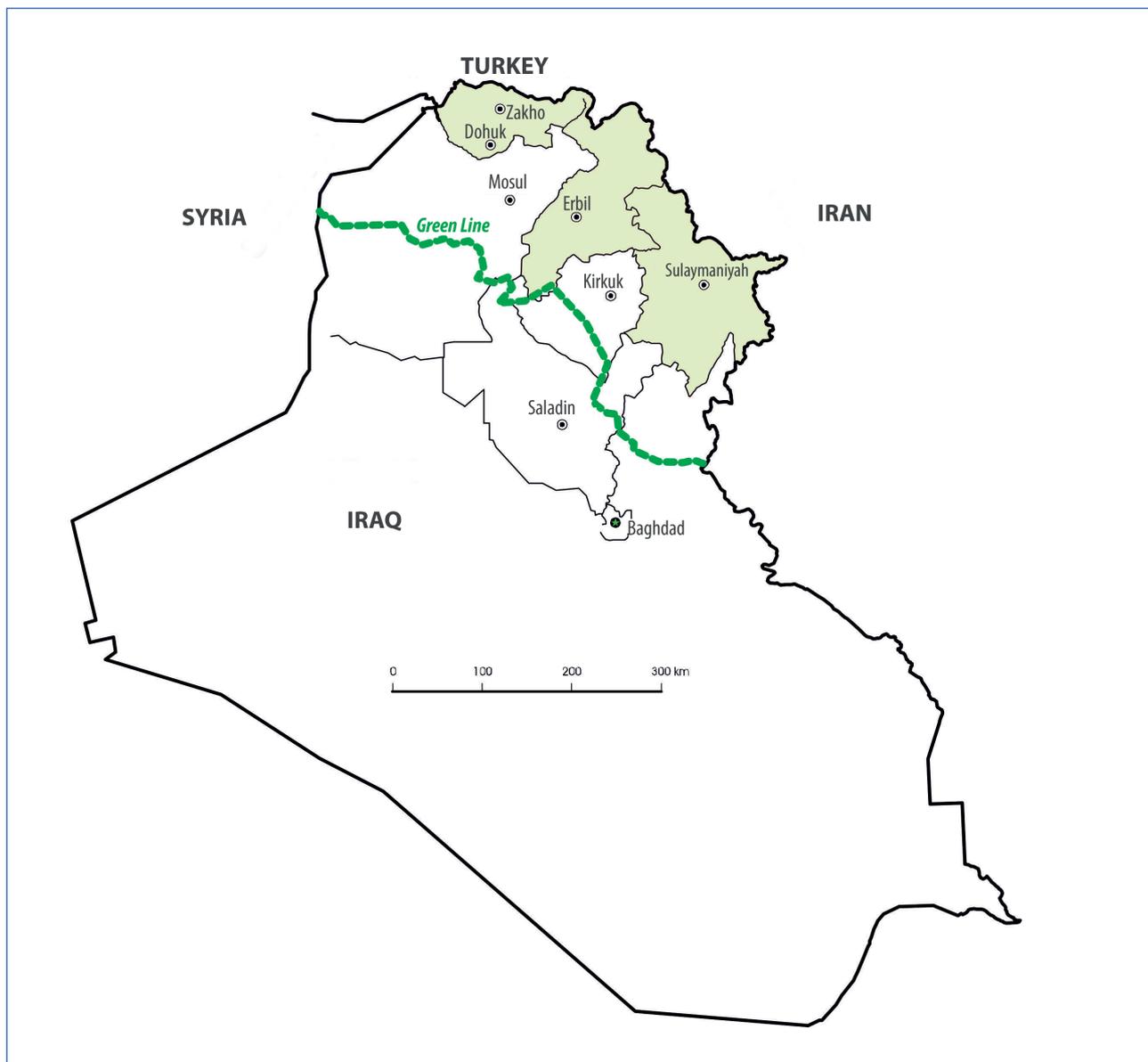
With the Peace Process that began in 2013 and following the declaration of a ceasefire by the PKK, the fundamental point in the relationship between Ankara and Erbil became energy. While the transformation of the Kurdish Regional Government into an important actor in the energy sector in the second half of the 2000s was important, factors such as the need for Ankara to meet rising energy demand, reach cheap energy sources, diversify energy sources and thus decrease dependency, and finally to become an energy transfer center and thus increase its regional influence were also determinative. For Erbil, while on the one hand there was a wish to reduce the economic and

political dependency on Baghdad, there were also thoughts of going beyond the 17% share of the income that would come from energy sales that had been foreseen by the central government's laws and thus to increase economic prosperity. When Turkey's strained relationship with the central Iraqi government after 2011 was added to all of these motivations, a speedy and effective convergence between Ankara and Erbil occurred.

Ankara, which had begun direct communication with the Kurdish groups in Northern Iraq due to the PKK in the 1980s, began to develop a new type of relationship over the petroleum being imported via tankers from Northern Iraq to Turkey in the 1990s after the closing of the Kirkuk-Yumurtalık petroleum pipeline as a result of the 1991 Gulf War. But these relations, while giving a certain amount of legitimacy to the Kurdish formations in Northern Iraq due to Turkey's dealing with them, did not actually stabilize until the middle of the 2000s and followed an up-and-down course. The carrying of this unstable relationship to a consistent level depended just as much on the change in the political structure of Turkey (the loss of influence by the military on the formation of foreign policy founded on security-based Kurdish politics) as it did on the initiation of energy which formed the material basis for this relationship.

This analysis will focus on the role and influence of energy in the relationship between Turkey and the Kurdish Regional Government and will consider other dimensions of the relationship only if they have a connection to the energy issue. After a short historical background, how Kurdish oil became an influential part of the energy sector will be discussed, followed by the legal arrangements about this oil. Later, an evaluation will be made over how Turkey's insistence on a unified Iraq eventually turned into a policy of two Iraqs, especially in regards to this change's resonance from the start of 2012 and afterwards, when the energy discussions began to turn into actual practices.

1. Partiya Karkerên Kurdistan, Kurdistan Workers Party



HISTORICAL BACKGROUND

For Turkey, a new Northern Iraq policy came to be in question in the 1980s after the PKK began using this region as a space for retreat. While active in the region in a military sense through organizing operations against PKK militants in the areas in and around Kandil, Turkey also began to establish interactions with the region on a diplomatic base by communicating with the influential Kurdish groups of the region. How-

ever, while the relations were mostly carried out in the form of official agreements done with the central Iraqi government during the 1980s, this situation changed with the 1990s. The central Iraqi government effectively cancelled the Border Security and Cooperation Agreement that had been signed in February 1983 giving Turkey permission to conduct cross-border operations when, in 1988, it did not allow for a hot pursuit operation by Turkey against the Iraqi Kurds who had run away and taken refuge there. Thus, while the legal basis for the cross-border opera-

tions against the PKK which Turkey had been conducting in Northern Iraq eroded and relations with the central Iraqi government began to sour, Turkey proceeded to conduct Northern Iraq politics independent of the central Iraqi administration.

After the 1991 Gulf War, the USA and coalition powers wanted to obstruct the operations of the central Iraqi government against the Kurds and thus declared the region north of the 36th latitude a forbidden zone by a decision they had issued through the United Nations, resulting in the formation of a Kurdish region autonomous from the center in Northern Iraq. Later, in 1992, the formation of a parliament by the active political movements in Northern Iraq and their establishment of a government via elections in the same year aided in the formation of a de facto Kurdish government.

With the decreasing influence of the TAF on foreign policy, the AK Party administration which had prioritized economic integration with the proximate geography began to develop relations with the Kurdish Regional Government.

KDP², one of the Kurdish Regional Government's important actors, pulled their support for the PKK in 1987, while the KYB³ did so following the Gulf War, and began following a new political line with Turkey. The preference of these two important movements who represent Iraqi Kurds in favor of Turkey developed parallel to Ankara's policy of working with these two movements to weaken the PKK. Despite serious prob-

2. Partiya Demokrata Kurdistan, Kurdistan Democratic Party

3. Yeketi Nishtimani Kurdistan, Patriotic Union of Kurdistan

lems throughout the 1990s this policy worked, and a new relationship began to be built upon a de facto recognition of these movements representing Iraqi Kurds. Despite this relationship, Turkey frequently expressed that Iraq's territorial integrity is its redline and has clearly declared that it will not accept a potential Kurdish state.

When the USA intervened in Iraq for a second time in 2003, Turkey once again declared that the establishment of a Kurdish state in the north of Iraq is its redline, and carried this policy to an institutional base by organizing the Conference of Countries Neighboring Iraq platform. After the official communication that would have allowed the USA to use Turkish soil during its occupation of Iraq was denied in the Turkish National Assembly on 1 March 2003, Turkey greatly lost the possibility of having an active role in the Iraqi reconstruction stage after the end of the war. Alongside this, Iraqi Kurds, who gave the most support to the USA during the occupation, became Washington's most important ally in the country. These two practical conclusions of the 2003 Iraq occupation affected the Kurdish settlement in Northern Iraq and the Kurdish Regional Government was formed through the Provisional Law that passed on 8 March 2004. Later, receiving 26% of the votes from the Iraqi Parliament elections done in January 2005, the Kurds became influential in the central administration as well. Thus, when Turkey returned to the area at the end of 2007 after its discussions with the US, it was faced with a Kurdish Regional Government that had--for the most part--institutionalized.

2007 was also an important year in terms of a breakup in Turkish domestic politics which directly impacted the relations with the Kurdish Regional Government. While the Turkish Armed Forces' (TAF) means in setting out foreign policy was fading by degrees from the start of the 2000s, they were still a continuing presence on Northern Iraq. When the cross-border operations in Northern Iraq which took place at

the end of 2007 and beginning of 2008, done despite the government's long-term objections, did not pan out in terms of the promise of breaking the PKK's influence, the psychological superiority in Ankara's policy toward Erbil passed to the government. This transition, experienced at the beginning of 2008, can also be read as a much larger break in the perception of foreign policy and geopolitics and what those studying Turkish politics identify as a segue from a Kemalist world perception to a civilizational one. And thus instead of a foreign policy based on security, the AKP government in power--which prioritized economic integration and mutual dependence with the geographic region--began to swiftly develop relations with the Kurdish Regional Government; there was even a decision from the National Security Council taken on 24 April 2008 saying that setting up relations with Iraqi groups and actors would be for Turkey's benefit. A short period after this decision, Ahmet Davutoğlu, advisor to the prime minister at the time, went to Erbil on 30 April and met with the Kurdish Regional Government's prime minister Nechirvan Barzani.

KURDISTAN'S OIL

With the shift from coal to oil in energy at the beginning of the 1900s, the period's great powers England, Germany, and France began to be interested in the oil reserves in the north of Iraq. The result of the First World War had seriously changed the balance and England had monopolized the influence over Iraq. While the oil reserves discovered in 1927 in Kirkuk were at first exported out through the pipelines reaching the Haifa port under English control, the operation of this pipeline stopped with the 1948 Arab-Israel War.

Again during the same period when large oil reserves were discovered in the south of Iraq and thus an easy way of exporting oil out through the Basra port was made possible, Iraq's north fell into second place in terms of oil and oil exports.

With the nationalization of Iraq's oil firms in 1961 and later, through the signing of an agreement between Ankara and Baghdad in 1973 in the context of including the Kirkuk oil fields in exports, the Kirkuk-Yumurtalık oil pipeline carried Kirkuk once again to the center on the subject of oil, but the northern areas where mostly Kurds lived were still outside of energy politics. The increasing need for energy in the world and the steady transformation of Northern Iraq into a stable structure with the 2000s drew the attention of big oil companies to this region.

Right after the US occupation of Iraq, the energy activities of Turkey-based Genel Energy (since 2002) and the Canadian-Swiss partnership Addax Petroleum in Taq Taq and the Norwegian oil company DNO's activities (since 2004) in Tawke brought the attention of the energy sector to Iraq's north. Although the fact that these companies addressed themselves to the Kurdish Regional Government made Baghdad uncomfortable, this development did not interrupt the discovery of new energy sources in the region. In 2007, energy companies such as the United Arab Emirates' company Dana Gas, Canadian Western Sands and Heritage Oil, and the English Sterling Energy began to negotiate with the Kurdish administration and to become active in the region. Again in the same year, the agreements that began with the US-based Hunt Oil Company between the Kurdish Regional Government and oil companies continued with French Perenco, Indian Reliance Oil, German OMV Petroleum Exploration, English Gulf Keystone and many other companies. At the end of 2007, the Kurdish Regional Government announced that agreements had been signed with around 20 international companies on issues of energy, while also emphasizing that these agreements were not contradictory with the Iraqi Constitution.

If the contested Kirkuk oil is put aside, during this time (until 2009) the Kurdish Regional Government was mostly in control over the Tawke field which the Norwegian DNO was op-

erating. The potential of increasing production in this oil-producing area if a legal basis could be found for more local consumption and the use of tankers for exports was among the primary topics keeping the Kurdish Regional Government busy. While on the one hand wanting to reduce its economic dependence on Baghdad, and on the other not seeing the 17% share coming from the central administration as enough and aiming to increase its economic income, Erbil began negotiations with international oil companies despite the risk of confronting Baghdad. But because the investments these companies would make in the region depended on the facility of exporting the oil and natural gas, Erbil began to make efforts to get closer to Turkey for possibilities of alternative energy transfers.

KURDISH REGIONAL GOVERNMENT ENERGY NUMBERS (2013)	
Oil Reserves	45 billion barrels
Natural Gas Reserves	2.8-5.6 trillion cubic meters
Oil and Natural Gas Investment	15-20 billion dollars
Oil and Gas Fields	57
2013 Oil Production	300,000 barrels/day

Source: Kurdistan Review, Invest in Group, Istanbul: Express Basimevi, 2014

The person who undertook this two-pronged politics was Ashti Hawrami, appointed as the Kurdish Regional Government's Natural Resources Minister in May 2006. As a matter of fact, Hawrami's first act was to get the Oil and Natural Gas Law to pass through the Kurdish parliament on 6 August 2007 in order to allow Erbil independence from Baghdad on the topic of oil and natural gas. This law would later serve as the legitimate base for the steps taken in negotiations and energy exports to be done with foreign energy firms.⁴

Able to pull only small-size energy companies to the area, the Kurdish Regional Government was not successful in signing any contracts

with big energy companies until 2009.⁵ The Erbil administration thought that it would be able to operate more freely against Baghdad if big companies could come to the area and thus was following opportunities for this kind of policy.⁶

Big companies, however, were wary of investing in northern Iraq due both to the uncertainty over energy experienced between Baghdad and Erbil and to the lack of a discovery of large oil and natural gas fields anywhere other than in Kirkuk.⁷ Moreover, some Turkish officials were worried about the increased possibility of independence for the Kurdish Regional Government that had gotten rid of its dependence on Baghdad, and thus were not ready to open Turkish soil--the only available alternative for oil and natural gas exports--to Erbil.⁸ Thus, be it the possible hardships of energy transfer or the lack of discovery of sizable energy fields obstructed big companies' arrival to the region.

Alongside all of this, Gulf Keystone's discovery of a large oil reserve in Shaikan in the north near the Turkish border in August 2009 marked a turning point and transformed the Kurdish Regional Government into one of the most important actors of the energy sector.⁹ For this reserve, the most optimistic predictions are that of

5. In September 2008, the following oil companies were active in the region: DNO (Norway), Addax Petroleum (Canada/Switzerland), Genel Energy (Turkey), Western Zagros (Canada), Pet Oil (Turkey), Prime Natural Resources (US), Oil Search (Australia), Crescent Petroleum (UAE), Dana Gas (UAE), Norbest (Russia), OMV Petroleum Exploration (Austria), Hunt Oil (US), Hillwood International Energy (US), Perenco (France), Aspect Energy (US), Gulf Keystone Petroleum (UK), Texas Keystone (US), Kalegran/MOL (Hungary), Reliance Energy (India), Heritage Oil and Gas (Canada), Sterling Energy International (US), Niko Resources (Canada), Vast Exploration (Canada), Groundstar Resources (Canada), Korea National Oil Corporation (South Korea) and Talisman Energy (Canada). See, International Crisis Group, "Oil for Soil", p. 17.

6. International Crisis Group, "Oil for Soil", p. 18.

7. Neil King, "Wildcatters Plunge Into North Iraq 'Easy Oil' in Kurdistan Spurs Westerners to Brave the Risks", *The Wall Street Journal*, 9 July 2008.

8. International Crisis Group, "Oil for Soil", p. 19.

9. For the explanation on the company's website see: <http://www.gulfkeystone.com/operations/kurdistan-region-of-iraq/shaikan/discovery>.

4. International Crisis Group, "Oil for Soil", p. 17.

15 billion, and the most pessimistic predictions state 12.4 billion barrels. Keeping in mind that Kirkuk has 7-10 billion barrels and the Basra Gulf contains about 20 billion barrels worth of oil reserves, the importance of the Shaikan discovery can be better understood. It is predicted that with the new discoveries and including the contested areas, the area belonging to the Kurdish Regional Government contains 45 billion barrels of oil and 100-200 billion cubic meters of natural gas reserves.¹⁰

This discovery made by Gulf Keystone increased the interest of other big oil companies such as ExxonMobil, Chevron, Gazprom Neft and Total and these companies signed various agreements with Erbil in 2011 and 2012.¹¹ Of these, ExxonMobil came to an agreement with the Kurdish Regional Government and became the first big international oil company to step into the Kurdish oil sector.

The policies being followed since 2007 eventually paid off: while the Erbil administration established control over the energy areas found within its own borders, it was also able to tie the contested regions to itself through signing agreements with foreign firms.¹² For example, Erbil engaging in activities in the region around Kirkuk within the framework of the agreement between ExxonMobil and the Kurdish Regional Government can be evaluated in terms of Erbil increasing its influence in the contested areas to the southwest of the Green Line (established by the US in 2003 and leaving Mosul and Kirkuk outside of the Kurdish region).

CONSTITUTION OR FAIT ACCOMPLI

The Iraqi Transitional Government formed a constitutional commission in 2005 and the draft constitution prepared by this commission was accepted by the referendum done on 15 October 2005. The first part of article 110 of the constitution in question states, “the federal authorities will control the oil and natural gas reserves that have already been brought up in collaboration with the regional and provincial authorities”, while the second part contains the expression, “the federal authorities and the producing regional and provincial authorities develop the necessary strategies ... [for] oil and gas resources.”¹³ Moving from these expressions, it could be said that the Provisional Constitution names the Baghdad administration as one of the key actors but does not give it full authority on the topic of oil and gas.

On the other hand, article 74 of the Kurdish Regional Government’s draft constitution not only states that strategic policies will be formulated jointly with the federal government, it also states the need that “all matters related to the region’s resources must meet with the approval of the Parliament of Kurdistan.”¹⁴ The 3rd article of the Oil and Natural Gas Law that was approved on 6 August 2007 by the Kurdish Parliament, while emphasizing a partnership with the federal government, also states that the regional government has the authority to make all arrangements regarding oil.¹⁵

When looking at the legal texts in general, we see that Baghdad is given a leading position (even if not absolute) in the provisional Iraq Consti-

10. Sylvia Pfeifer, “Exxon signs Kurd exploration contracts”, *Financial Times*, 10 November 2011.

11. Ali Balcı, “Türkiye’nin Irak Politikası 2012: İki Irak Hikâyesi”, Burhanettin Duran, Kemal İnat and Ufuk Ulutaş (Edt.), *Türk Dış Politikası Yıllığı 2012*, (SETA, Ankara: 2013).

12. International Crisis Group, “Iraq and the Kurds: The High-Stakes Hydrocarbons Gambit”, no. 120 (19 April 2012), p. 5.

13. “Irak Anayasası (Taslak Metin)”, *Serbesti*, No: 22, p. 47.

14. For the English translation of the Kurdish Regional Government draft constitution which was approved in October 2008 see: <http://content.lib.utah.edu/utils/getfile/collection/qjp/id/276/file-name/277.pdf>.

15. For the Arabic and English text of the law see: http://www.krg.org/uploads/documents/Kurdistan%20Oil%20and%20Gas%20Law%20English__2007_09_06_h14m0s42.pdf.

tution; when considering the Kurdish Regional Government's draft constitution or its oil law, we see that despite the emphasis on working jointly with Baghdad, the leadership position is assigned to Erbil.¹⁶ But this leader status can be read not as the ultimate decision-making authority, or in other words, not as the power to have the last say, but more as being in a position of someone who is sought after for approval when a joint decision is to be made. This situation follows not just for the provisional constitution, but also for the regional government laws that say they are not contrary to the provisional constitution. The Kurdish Regional Government's emphasis on working jointly with the central government be it in the draft constitution or in the oil law could be evaluated in this sense. While an attempt was made to get rid of the uncertainties about the issues of oil and gas in law through a proposal by the Iraqi Constitution Revision Committee in May 2007 where more authority would be given to the federal government, no such change was made in the final document that was published on 27 July 2009 due to the opposition of the Kurdish Regional Government.¹⁷

As a result, the fact that the law gives the final decision to everyone but at the same time to no one means that on issues of oil and natural gas it is not practice coming from law which become the rule; on the contrary, it is fait accompli practices that have become rules when Iraq's northern oil and natural gas are in question.

Despite the objections of the Baghdad administration, Erbil has continued to sign Production Sharing Agreements with international energy companies allowing them to search for energy sources within the borders of the Kurdish Regional Government. While these agreements, numbering around fifty at the time of this study, are identified as illegal by Baghdad, due to profits

much higher than the market offered by Erbil, energy firms come to the region and engage in search activities. Erbil offers a share of 20% of the gains to be made from the energy firms' activities in the region.¹⁸ This share, when compared to that offered by agreements signed between the Baghdad administration and the energy firms, offers a hard-to-refuse profit opportunity. In this situation, Baghdad's repeated claims that according to law it solely has the right to negotiate with international energy firms and declaring the agreements made by Erbil as invalid lose their effectiveness in the face of actual practices. It is exactly because of this that the energy agreements signed by Erbil present a de facto image in the face of the uncertainties in the Iraqi Constitution which was put into place during the American invasion and which was shaped by practices.

FAR FROM BAGHDAD, CLOSE TO ERBIL

When in July 2008 Ankara signed the High-Level Collaboration Council Agreement with the Baghdad administration, it clearly showed Baghdad as its main respondent in Iraq. This agreement included topics on energy such as the increase of the Kirkuk-Yumurtalik Oil Pipeline's capacity and the conveyance of Iraqi natural gas to the international market; it also showed that on the topic of energy as well it was the Baghdad administration that was the main respondent. On top of that, Turkey thought that the way to prevent Erbil breaking off speedily from Baghdad on the basis of the Kurdish Regional Government and transforming into an independent Kurdish state was through making Erbil and Baghdad dependent upon each other through energy laws.¹⁹

Accordingly, Ankara has followed a policy of convincing Erbil and Baghdad to come together at a similar point on the legal arrangements about energy between 2006 to 2010. For example, the

16. Rex J. Zedalis, "The role provincial governmental units can play regarding oil and gas development agreements in the Kurdish North: Allocation of Iraqi constitutional power", *The Journal of World Energy Law & Business*, c. 6, n. 4 (2013), pp. 317-321; Zedalis, *The Legal Dimensions of Oil and Gas in Iraq*.

17. Zedalis, "The role provisional government units", p. 322.

18. See Ben van Heuvelen, "A Fragile Construction: Erbil, Ankara, Baghdad: The Energy Potential of Iraq's Kurdistan Region", *energlobe.eu*, 28 January 2014.

19. International Crisis Group, "Iraq's Secular Opposition", p. 17.

agreement covering energy transfer mostly with Baghdad done in July 2008 can be evaluated as a call on Erbil to work in coordination with Baghdad on the topic of energy. Also, Ankara's acceptance of an agreement in September 2010 with Baghdad whereby the Kirkuk-Yumurtalık oil pipeline was extended by 15 years and thus its assumption of the risk of disturbing Kurdish leaders is closely related to this policy.

Two important events in 2009 and 2010 have greatly affected the balanced politics which Turkey had been following in the face of Erbil and Baghdad, and have forced Ankara to follow two different Iraq policies after the withdrawal of the USA from the region in 2011.

The first of these is the discovery of large reserves of oil and natural gas sources in the land within the borders of the Kurdish Regional Government in 2009; the second is the souring of relations between Ankara and Baghdad following the end of 2010. The first forms the basis of the material convergence between Ankara and Erbil, while the second allows for an appropriate political setting for this relationship. Before moving on to the energy issue, it will be useful to consider the second dynamic, meaning the developments that prepared the groundwork for the tensions between Ankara and Baghdad.

Acting very sensitively towards the risk of Iraq splitting along ethnic and sectarian lines after the 2003 American invasion, Ankara, taking a political risk, supported the al-Iraqiya coalition in the elections held in 2010 headed by Shi'i-based Ayad Allawi. In Turkey's eyes Allawi, an Iraqi nationalist and someone who did not follow sectarian politics, was much more preferable to Maliki who had begun applying authoritarian methods and spoke in a sectarian way. As such, moving together with Saudi Arabia and Qatar, Ankara attempted to convince Iraqi Sunnis to support the al-Iraqiya coalition.²⁰

20. International Crisis Group, "Iraq's Secular Opposition: The Rise and Decline of al-Iraqiya", no. 127, (1 July 2012), p. 10; Mesut Özcan, "Türkiye'nin Irak Politikası 2010", Burhanettin Duran, Kemal İnat and Mesut Özcan (ed.), *Türk Dış Politikası Yılığ*, (SETA Yayınları, Ankara: 2011), pp. 141-2.

Despite Allawi's coalition winning the elections, Nuri al-Maliki, who had received a number of votes close to him, establishing the government on 22 December 2010 set the ground for the tensions that would be experienced a year later between Ankara and Baghdad. The permutation of this tension into politics became possible with the US withdrawing its soldiers from Iraq in December 2011, while the clear appearance of antipathy occurred after the attempted arrest by the Maliki administration of Tariq Hashimi, the Presidential Aid, and later on with Hashimi seeking refuge in Turkey.

The energy agreements Erbil signed present a de facto image positioned upon the Iraqi Constitution created during the American invasion and which was shaped through practices.

If we are to return to the first development, meaning the start of the material relations between Ankara and the Kurdish Regional Government on the basis of energy, 2009 can be taken as a turning point. Gulf Keystone's announcement of its discovery of 10 billion barrels of oil reserves in Shaikan made the Kurdish Regional Government one of the most important actors of the world energy sector. The rise of the Kurdish Regional Government to 10th place among countries with the largest oil fields²¹ 2013-on took Erbil out of being just a respondent to get close to based only on energy needs. For Turkey, Erbil is not only a source of diversification for energy dependency, it is also important because of the potential it offers in turning Turkey into a center of energy transfer. Aside from these two important strategic concerns, Erbil also offers Turkey-

21. "Petropolitics: Kurdistan's Oil Ambitions", *Bloomberg*, 14 November 2013.

based energy firms an entry point into the global energy sector via investments.

It should be stated here that the inclusion of the Kurdish Regional Government in the energy sector in this way cannot be evaluated as the beginning of or the formative basis for the convergence between Ankara and Erbil. On the contrary, it can be said that the discovery of these energy resources had the dynamic function of strengthening the interdependency between two actors who had been getting closer since 2008 and placed this convergence within a material basis.

THE GAME-CHANGING CARD: ENERGY

While in 2007 Baghdad's increasingly centralizing politics and Iran's expanding influence in Iraq brought the Kurdish Regional Government closer to Turkey, the PKK's intensifying violence motivated Ankara to draw closer to Erbil and thus limit the presence of the PKK in Kandil. For example the Erbil administration, wanting to bring Ankara closer to its side at this time, gave construction tenders to Turkish firms for the construction of the Erbil and Suleymaniye airports.²²

With the signing of a joint intelligence agreement between Ankara and Washington in November 2007, the relations that had been tense since the March 1st official communication relaxed to a considerable degree and the appropriate backdrop assisted by this mellowing helped the Iraqi Kurds--America's most important allies in the region--get closer to Ankara.

Alongside all of these developments, the fact that the Turkmens, which held a central place within Turkey's politics towards Northern Iraq, received less than 1% of the vote in the 2005 elections demonstrated that Ankara's Turkmen-dependent policy was not on solid ground. After

this situation, Turkey engaged in direct dialogue with Iraqi Kurdish officials via a group of officials headed by the President of the National Intelligence Service Emre Taner; by 2007, these meetings had reached an important point.²³

Within the year 2007, domestic tensions such as the presidential election crisis, the army's answer to this crisis through an e-memorandum and the early popular elections combined with the increasing PKK activities interrupted the on-going convergence between Ankara and Erbil. Erdogan, expressing that he would be able to meet Kurdish leaders in Northern Iraq at the beginning of 2007²⁴ later said, "Our respondent is Iraq's central government. I have spoken with both the president and the prime minister of the central government. I cannot meet with any other tribal leaders."²⁵

Later on, when the administration responded positively for requests to do cross-border operations to Northern Iraq by the Turkish Armed Forces, a large-scale military operation was held between the end of 2007 and the beginning of 2008. Whether the operation actually gave the expected results (liquidating PKK's strength in Kandil) is disputed²⁶; however, right after the end of this operation, the administration continued with its original policy of convergence to Erbil as it had explained in the first months of 2007 from where it had left off, and only a week after the operation had ended, Jalal Talabani made a visit to Ankara on 7 March 2008. On 30 April 2008, Ahmet Davutoğlu--advisor to the prime minister at the time--and Iraq Special Envoy Murat Özçelik went to Erbil and met with the Kurdish Regional Government's prime

22. Soner Çağaptay and Tyler Evans, "Turkey's Changing Relations with Iraq: Kurdistan Up, Baghdad Down", *Washington Institute for Near East Policy*, no. 122 (November 2012), p. 1.

23. Henri Barkey, "Turkey's new Engagement in Iraq: Embracing Iraqi Kurdistan", *United States Institute of Peace, Special Report*, no. 237 (May 2010), pp. 5-6.

24. Ferai Tınç, "Kürt hükümeti ile yakınlaştı", *Hürriyet*, 15 February 2007.

25. "Erdoğan, "Barzani'yi ima ederek konuştu: Kabile reisleriyle görüşmem", *Milliyet*, 7 June 2007.

26. Selcan Hacıoğlu, "Turkey May Launch New Incursion in Iraq", *The Washington Post*, 3 March 2008.

minister Nechirvan Barzani. In short, when Ankara's Erbil politics left the control of the Turkish Armed Forces in 2008, the relations between the two sides gained an official, direct and institutionalized dimension.²⁷

2009 on the Kurdish region's speedy debut in the energy sector prepared an important material basis for political change and this basis brought Ankara and Erbil even closer together. For the first 10 years of the 2000s, Turkey established its energy politics on a three-pronged strategy.

The first of these was made up of fulfilling Turkey's increasing energy demand for the most appropriate price. Turkey, whose gross national product (GNP) in 2000 had been 226 billion dollars and which had risen to 794 billion dollars in 2012 according to IMF data, was faced with an increasing demand for energy.²⁸ For example, Turkey's natural gas consumption which in 2001 had been 16 billion cubic meters had risen to 46.3 billion cubic meters by 2011.²⁹ When the fact that Turkey depends on imports for 98% of its natural gas is taken into account, it makes sense that the procurement of cheap and safe energy had become the main goals of foreign policy.

The second part is shaped by the diversification of the sources through which the energy demand is supplied and thus to avoid having Turkey be dependent on only one country. For example, when the 2008 data published by the Ministry of Energy and Natural Resources are considered, Turkey bought around 65% of its natural gas from Russia.³⁰ Even though there was a decrease in this percentage when the Az-

eri natural gas came into play, Turkey still shows significant dependence on Russia for natural gas.

Thirdly, Ankara, in order to increase its regional and global force, is following a politics of transforming itself into an energy transfer center connecting energy-rich Middle East and Middle Asia with energy-hungry Europe. Ankara's three-pronged politics has thus incorporated the Kurdish Regional Government with its newly discovered oil and natural gas reserves in the aftermath of 2009 into the Turkish foreign policy's area of interest.

After taking on the mantle of Foreign Minister, Davutoğlu's visit to Erbil in October 2009 can be considered a turning point in terms of the relations between Turkey and the Kurdish Regional Government. In a joint press conference organized with the President of the Kurdish Regional Government Masoud Barzani, Davutoğlu emphasized that Turkey can be a bridge to the West for Erbil, and that Erbil can be the door that opens to the Gulf for Turkey.³¹ This critical function for Turkey in terms of Erbil opening up to the West was brought to a practical dimension as part of energy politics with the beginning of oil exports by the Kurdish Regional Government over the Kirkuk-Yumurtalık oil pipeline before this visit.

An agreement was reached on the 100,000 barrels of oil drilled from Taq Taq and Tawke in May 2009 to reach the international market over the Baghdad-controlled Kirkuk-Yumurtalık pipeline. According to the agreement, 88% of the income from the oil export would go to Baghdad and 17% of this would be for Erbil, while 12% of the sum would go to the energy firms.³² But in this system of agreement, Turkey had an indirect importance for Erbil. Only when an Erbil which had made an agreement with Baghdad could An-

27. Mariana Charountaki, "Turkish Foreign Policy and the Kurdistan Regional Government", *Perceptions*, c. 17, no. 4 (Winter 2012), p. 191.

28. Simone Tagliapietra, "Turkey as a Regional Natural Gas Hub: Myth or Reality? An Analysis of the Regional Gas Market Outlook, Beyond the Mainstream Rhetoric", *Fondazione Eni Enrico Mattei Working Paper* (February 2014), p. 4.

29. The numbers have been taken from the BP Statistical Review of World Energy's June 2012 statistics. See: <http://www.bp.com/>

30. Enerji ve Tabii Kaynaklar Bakanlığı, "The Republic of Turkey Ministry of Energy and Natural Resources Strategic Plan (2010-2014)", p. 26, <http://www.enerji.gov.tr>

31. "President Barzani, Turkey's Foreign Minister Davutoğlu hold historic meetings, announce plans to open consulate", *krv.org*, 31 October 2009.

32. Şaban Kardaş, "The Kurdistan Regional Government Launches Oil Exports through Turkey", *Eurasian Daily Monitor*, c. 6, no. 105 (2 June 2009).

kara take on the critical function of a “bridge” in terms of reaching the international market.

Prime Minister Tayyip Erdogan’s visit in 2011 can be termed another turning point in relations, and the Kurdish Regional Government’s Natural Resources Minister Ashti Hawrami meeting with Erdogan can be evaluated as a breaking point in Ankara’s energy interest toward Erbil.³³ Thinking at this time that a potential negotiation on energy might disturb the American administration which was sensitive to the unity of Iraq, Ankara got rid of this reservation as well after the signing of an energy agreement between ExxonMobil and Erbil in October 2011. Therefore when 2012 arrived the energy-related developments experienced in the Baghdad-Erbil-Ankara triangle began to change to an important degree. This transformation also changed the indirect bridge role Turkey played between Erbil and the West and brought the discussions that would carry Turkey to the position of being a direct bridge. It was within this framework that Baghdad began loudly proclaiming that the energy agreements Erbil was signing with oil companies was not legal, especially after the withdrawal of the US from the country in December 2011.

The discovery of new energy sources saw the strengthening of interdependency between the two actors which had been growing since 2008, and played the dynamic role of putting this rapprochement on a material basis.

On another note, the largest energy company in the region, Genel Energy Plc and other companies began lobbying activities on Erbil for a direct pipeline to be built between North Iraq

33. Ben Van Heuvelen, “A Fragile Construction”.

and Turkey other than the Kirkuk-Yumurtalık pipeline. In just this situation, the Baghdad administration suspended its payment of 1.5 billion dollars from the export income received from the international oil operators working in the Kurdish region in April 2012, and Erbil stopped exporting oil from its pipelines.³⁴

Although after a four-month hiatus the sides came to an agreement towards the end of August and began oil delivery again, these developments had important impacts. First of all, energy companies that wanted to guarantee their income began to pressure Erbil to find alternative export methods. Secondly Erbil, aspiring to become an autonomous structure, wanted to reduce its dependence over pipelines on the central Iraqi administration by finding alternative export paths.

When Ankara’s policies of wanting to find cheap energy, decreasing its dependence on Russia and Iran in the energy sector, and becoming an energy transfer center were added to the already convened energy firms active in the Kurdish Regional Government’s borders and Erbil, Turkey stepped in as an alternative export goal and route. Because the agreements of natural gas done with Russia and other countries were up for renewal in the coming few years, Kurdish natural gas came out as a strong alternative. The fact that Turkey offers the potential of meeting Erbil’s export demands just by itself³⁵ motivates the natural gas companies active within the Kurdish Regional Government.

This critical position that natural gas has come into play between Ankara and Erbil over discussions of laying down a direct pipeline independent from Baghdad, and the construction of a natural gas pipeline next to the oil pipeline came up. The first tangible step on this came when the Minister of Energy and Natural Resources at the time Taner Yıldız announced that

34. Balçı, “Türkiye’nin Irak Politikası 2012”, p. 128.

35. Stephen A. Elliott and Louis B. Beryl, “Natural Gas Development in Kurdistan: A Financial Assessment”, *Belfer Center for Science and International Affairs Report*, August 2012, p. 42.

a direct pipeline would be built between Turkey and the Kurdish Regional Government during a visit to Erbil on 21 May 2012.

Despite all of these developments, Ankara, with the exception of meetings with Erbil, preferred to conduct agreements through firms that were established for this goal rather than at the state level.

Accordingly, the Turkish Petroleum International Company--an associate of the Turkish Petroleum Corporation but which was later bound to the Petroleum Pipeline Corporation (BOTAS)³⁶ by the decision of the council of ministers in 2013--established the Salus Energy Company for the oil and gas operations it would be directing in the Northern Iraq region in Jersey, to the north of France and connected to United Kingdom, on 12 October 2012. Energy agreements with Erbil were signed through this company.³⁷ But because in Latin “salus” meant “emancipation” and the possibility that the Baghdad administration, which was sensitive about Erbil acting autonomously, might misunderstand, the name of the company was changed on 31 July 2013 to “Turkish Energy Company.” As a result of negotiations conducted via the Salus company, what was considered to be “the best energy agreement ever made in Turkish history” was signed between Ankara and Erbil on 25 March 2013 during the Kurdish Regional Government’s Prime Minister Nechirvan Barzani’s visit to Ankara.³⁸

Alongside Ankara’s direct energy relationship with Erbil, the pressure on the part of international energy firms for the construction of a new pipeline to ease energy transfer increased. For example, ExxonMobil’s announcement on 15 February 2013 that it would be conducting drilling in the oil fields in North Iraq brought with it the problem of how the drilled oil would

be transmitted to the international market. The fact that the Kurdish Regional Government lacked an oil and natural gas pipeline which it could use independently of the central administration opened up discussions over a new pipeline that would be constructed over Turkey.

In 2013, meetings between Erbil and Ankara began to turn around the construction of direct energy transfer pipelines due to the above developments. The construction of a direct energy pipeline between the Kurdish Regional Government and Turkey first came on the agenda during Nechirvan Barzani’s visit to Turkey during May 2012.³⁹ After this date, although Erbil has spoken of plans to build pipelines during various occasions, Ankara has preferred to remain silent on this topic.

The first time this project was explicitly stated occurred through the announcements made by the Kurdish Regional Government’s Minister of Natural Resources Ashti Hawrami during an energy conference held in Erbil in June 2013. Hawrami announced that the construction of the pipeline that would carry oil to Turkey would be complete in September 2013 and that natural gas exports to Turkey would begin in 2016.⁴⁰

After this date, while there were many attempts on the part of Kurdish Regional Government leaders to ease the concerns of the Baghdad administration, convincing Baghdad was not simple. While Baghdad was still unconvinced, Hawrami made another announcement in October 2013 and said that a second alternative pipeline between Turkey and the Kurdish region would be built, independent of Baghdad, and that through this pipeline which would have the capacity of 500,000 barrels/day, Erbil would be able to reach its goal of 1 million barrels/day export capacity. In the last days of 2013, Turkey’s Minister of Energy and Natural Resources Taner

36. “500 milyon dolarlık şirket Botaş’a eklendi”, *Hürriyet*, 22 January 2013.

37. “İşte Türkiye’nin Kuzey Irak’taki petrol sahası!”, *Haber Türk*, 21 December 2013.

38. “Erbil ile tarihe geçecek anlaşma”, *Hürriyet*, 26 March 2013.

39. Cengiz Çandar, “İşin İçine Kürdistan Petrolü girerse”, *Radikal*, 26 May 2012.

40. “Ucuz gaz müjdesi”, *Hürriyet*, 20 June 2013.

Yıldız also visited Baghdad as part of the increasing diplomatic traffic.⁴¹ Although Baghdad was not fully convinced, news about the start the Kurdish Regional Government's oil flowing to Turkey and its storage in Ceyhan began to take place in newspapers in December 2013.⁴²

When 2014 came around, arguments between Ankara, Baghdad, and Erbil over the construction of oil pipelines left its place to arguments about whether sales of oil over this pipeline would be permitted. Although Deputy Prime Minister Hussain al-Shahristani's announcement in January 2014 that the "Kurdish administration promised to not sell oil (to Turkey) without coming to an agreement (with Baghdad)" was not validated by the Kurdish Regional Government's Prime Minister Nechirvan Barzani, the problem of selling the Kurdish oil stored in Turkey was not resolved. The meetings between Erbil and Baghdad partially came through within March 2014, and the Kurdish Regional Government offered as a "gesture of goodwill" to sell one-fourth of the drilled oil through an Iraqi national company.⁴³

In short, by the year 2014 important steps were taken on the transfer of Kurdish oil to Turkey through pipelines and meetings over the sale of this oil stored in Turkey to the world market at the time of this work (May 2014) were underway. Although the fact that 2.5 million barrels of oil were stored in Turkey within the month of May was announced, Ankara has neither put this oil to use in the domestic market, nor has it disclosed that they have been marketed outside. The most important reason for this can be seen in this explanation by Taner Yıldız: "At this point Tüptaş has said that it does not have any requests about Northern Iraqi oil. Turkey is receiving its highest crude oil supply, of about 6 million tons, from Iraq. Iraq is important for us, and we are

important for Iraq."⁴⁴ The expression in question shows that even at this stage where the oil is being stored in Turkey, Ankara is still insistent on a solution where Baghdad is also persuaded.

TURKISH FIRMS' ENERGY DANCE

Genel Energy⁴⁵--which belongs to Çukurova Holding, the earliest energy firm to enter Iraqi Kurdistan--has become one of the most active and influential firms in the region through its rapidly increasing investments from 2002-on. Active in the Taq Taq oil region which has a capacity of producing 120,000 barrels of oil per day and which is targeted to reach a capacity of 200,000 barrels, Genel Energy has joined with the English Vallares PLC, headed by former BP executive Tony Howard, with a 50% partnership in 2011 and thus increased its influence on the energy sector even more.⁴⁶ Investing in oil and natural gas in areas such as Bina Bavi, Ber Bahr, Miran, Tawqa, and Dohuq, the company is following a policy of increasing its shares in these regions as well. For example, in August 2012 it bought the 26% share Heritage Oil had in North Iraq, in the area of Miran where its natural gas sources were stored, for 156 million dollars and thus increased its shares in Miran from 25% to 51%.⁴⁷ Conducting more buys later on, Genel Energy eventually gathered all of the shares in Miran to itself.⁴⁸ Concentrating on natural gas investments in North Iraq, reported to have a natural gas reserve of around 3 trillion cubic meters⁴⁹,

44. "Kuzey Irak petrolü depoları doldurdu", *Hürriyet*, 14 Mayıs 2014.

45. For more information on the company see: <http://www.genelenergy.com/>

46. Agustino Fontevecchia, "Tony Howard's Revenge: Ex-BP CEO to Head Iraq Oil Venture", *Forbes*, 7 September 2011.

47. Balci, "Türkiye'nin Irak Politikası 2012", p. 130.

48. When the Kurdish Regional Government wanted to become active in Miran, Genel Energy left 25% of the field to Erbil on 23 February 2014 and thus their share dropped to 75%.

49. Emre İşeri and Oğuz Direk, "The Nexus of Turkey's Energy And Foreign Policy with Iraqi Kurdish Oil: the Iranian Connection", *Ortadoğu Analiz*, c. 5, no. 50 (2013), p. 30.

41. Erdal Sağlam, "Enerji Bakanı Yıldız'ın daha çok uçması gerekecek", *Hürriyet*, 3 December 2013.

42. "Kürt petrolüne Bağdat hamlesi", *Hürriyet*, 27 December 2013.

43. "İşte Kürt petrolü", *Hürriyet*, 25 March 2014.

Genel Energy has taken Ankara as a respondent in response to Turkey's increasing natural gas demand and in parallel to its policy of diversifying natural gas resources. Accordingly, of the natural gas energy lines that were being planned to run in 2016, it was reported that Genel Energy PLC's natural gas coming from its fields in Miran and Bina Bavi would be first.⁵⁰

GENEL ENERGY PLC'S ENERGY REGION OWNERSHIP SHARES (2013)	
Taq Taq	% 44
Tawke	% 25
Dohuk	% 40
Miran	% 75
Bina Bawi	% 44
Chia Surkh	% 60
Ber Behr	% 40

Source: <http://www.genelenergy.com/>

Entering the energy market in the Kurdish region at the same time as Genel Energy⁵¹ and active in the structure of the Pet Holding Corporate Group, Petoil first announced that they had begun oil drilling in the borders of the Kurdish Regional Government in 2006.⁵² Active mostly in the Shakal field, Petoil was also active in the Bina Bavi field through its affiliate A&T Petrol Limited Company, but in 2012 it transferred here to Genel Energy.⁵³ Petoil, who had joint ventures with Genel Energy, announced that rich oil beds had been found in the Chia Surkh region where it had shares of 20% (Genel Energy had 60%) in 2013.⁵⁴ Alongside these private firms, state-owned Salus Energy Company, formed in October 2012 and later renamed as the Turkish Energy Company in July 2013, also

entered the scene as a serious actor in Kurdistan's natural gas and oil.

The last Turkey-based company to get involved in the energy sector controlled by the Kurdish Regional Government was Siyahkalem. The Siyahkalem Natural Gas Import Export and Trade Incorporated Company, whose application was accepted by the Energy Market Regulatory Board on 12 September 2013, came on the scene after receiving the authority to export natural gas from North Iraq for the next 26 years; it was made to wait for quite some time because it was not able to get an agreement of purchase and sale from the Iraqi central authority. Despite being unable to obtain this agreement, the permission given to Siyahkalem to export 0.7 billion cubic meters in 2014, 1.5 billion cubic meters in 2015, 2.5 billion cubic meters in 2016, and 3 billion cubic meters in 2017-2033 of natural gas made this firm one of the strongest actors of the energy sector.⁵⁵ Siyahkalem's undertaking of the Turkish leg of energy relations between Ankara and Erbil also shows the fact that the Turkish Energy Company, active in North Iraq, had made great forward strides in bringing Kurdistan's natural gas to Turkey. With the agreement between Erbil and Ankara in March 2013, the Turkish Energy Company's obtainment of permission to extract oil and natural gas from 13 different energy fields⁵⁶ and the actualization of this extracted energy reaching Turkey strengthened Ankara's position in the Northern Iraqi energy sector quite a bit.

Another Turkey-based firm which comes up in the line of Kurdish oil is Powertrans, the intermediary for the Kurdish Regional Government's oil exports through tankers.⁵⁷ This company, conveying Kurdish oil to the world market over Turkey since 2012, first brought a large part of the oil to the Italian city of Trieste and from there transferred it to France, Germany, Holland,

50. "Kuzey Irak ile tarihi anlaşmalar tamam", *Hürriyet*, 6 November 2013.

51. Sabrina Tavernise and Neela Banerjee, "Kurdish Group Takes Autonomous Role in Iraq Oil Projects", *The New York Times*, 15 May 2003.

52. "Ölümden döndü, pes etmedi Kuzey Irak'ta petrol çıkardı", *Hürriyet*, 19 July 2006.

53. For more information on this company see: <http://www.petoil.com.tr/>

54. "Genel Energy'ye Kuzey Irak Piyangosu", *Sabah*, 10 April 2013.

55. "Kuzey Irak gazı Siyahkalem'e", *Hürriyet*, 14 September 2013.

56. "K. Irak petrolü TEC'le aranacak", *Hürriyet*, 16 November 2013.

57. For information on the company see: <http://www.powertrans.com.tr/>

and Latin America.⁵⁸ Assuming the job of carrying due to the agreements made by Trafigura and Vitol in October 2012 with the Kurdish Regional Government (Baghdad had been basically bypassed because it was dependent to a significant degree on these two companies for oil exports), it is hard to state that Powertrans has any direct initiative in the Kurdish region.

OIL MONEY AND HALKBANK

One of the most intriguing details in the energy transfer meetings between Ankara and Erbil was where the income coming from exporting oil through Turkey would be invested. According to this, the price of the oil would be put into Halkbank and receipts would be regularly sent to Baghdad and Erbil. Therefore, the Iraqi oil income division envisaged in the Iraqi constitution, divided as 83% going to the central authority and 17% of it going to the Iraqi Kurdish Regional Government, was to be conducted over Halkbank.⁵⁹

Halkbank had stepped in as the institution that was functional in the breakdown of the embargo placed by the US against Iran and had also come into play as the intermediary institution for India's oil trade with Iran. For example, India announced that it had made the 1.4 billion dollar payment to Iran over Halkbank in the year 2011.⁶⁰

These and similar moves had the US take an open stance against Halkbank, and according to a document that was released through Wikileaks, the US Department of Treasury Minister David Cohen had met with Halkbank officials in October 2009 and warned them of puncturing the embargo against Iran.⁶¹ When Halkbank,

warned later on through various occasions by the US, did not change its policies, these warnings began to turn into political consequences.⁶² For example in April 2013, the “worry that Tehran is attempting to surpass international embargoes by using gold through deposits it has made to five international offices and the Tehran branch of Halkbank” was clearly expressed with the support of 47 representatives in the US.⁶³

The first serious challenge to the oil income being deposited came from Baghdad; the Baghdad administration gave the compensation being paid to Kuwait as justification for all the income coming from Kurdistan's oil being deposited in a bank in New York.⁶⁴ The detainment of the Halkbank Manager on 17 December 2013 with allegations of bribery brought a new dimension to these discussions, and Erbil began to focus on the option of depositing at the Development Fund for Iraq that had been opened by the United Nations in 2003 at the JP Morgan bank located in New York. A short time after the announcement that an agreement had been reached on the topic of oil shipment in a meeting between the Kurdish administration's Prime Minister Nechirvan Barzani and Iraqi Prime Minister Nuri al-Maliki in Baghdad on 25 December, the fact that the oil income would be deposited in JP Morgan Bank was reflected in the press.⁶⁵ Although the Turkish Minister of Energy and Natural Resources Taner Yıldız announced that Halkbank's “current situation would not affect the course”,⁶⁶ the potential of the 26 billion dollar cash flow over Turkey

58. “Kuzey Irak petrolü Türkiye üzerinden satılmaya başladı”, *haber7.com*, 1 January 2014.

59. “Kürt petrolü aktı, akacak”, *Hürriyet*, 4 December 2013.

60. “Hindistan, İran'a petrol borcunu Halkbank'tan ödedi”, *Hürriyet*, 10 August 2011.

61. “Treasury Official on Fight Against Terrorist Financing”, 4 December 2009, *Wikileaks*, https://www.wikileaks.org/plusd/cables/09ANKARA1725_a.html.

62. For a comprehensive report on this topic see: Seda Kırdar, “ABD'nin İran'a Uyguladığı Yaptırım ve Olası Sonuçları”, *Türkiye Ekonomi Politikaları Araştırma Vakfı*, (April 2013).

63. Tolga Tanış, “ABD'li vekiller Halkbank'a yaptırım istedi”, *Hürriyet*, 21 April 2013.

64. Cengiz Çandar, “Kürdistan petroleri ve Türkiye'nin Tercihleri”, *Radikal*, 15 December 2013.

65. “Irak'tan flaş iddia: 'Paralar Halkbank'ta toplanmayacak”, *Hürriyet*, 28 December 2013; “11,5 milyar \$'lık Halk tezgâhı”, *Sabah*, 28 Aralık 2013.

66. “Kürt petrolü için yeni adres Halkbank”, *Hürriyet*, 28 December 2013; “Ali Babacan: Kuzey Irak petroleri için de Halkbank'ı kullanacağız”, *t24*, 8 January 2014.

which had been one of the most important legs of negotiations between Ankara and Erbil was seriously harmed.

Despite this development, Erbil continued to express discontent over the “money going into an account under Baghdad’s control”.⁶⁷ There were even news that Erbil and Baghdad had actually come to an agreement to a large degree over the transfer of Kurdish oil through Turkey, but that the fundamental problem in front of the agreement was the issue of “the bank to which the income would be deposited and the oil company that would do the trade”.⁶⁸ While Ankara and Erbil came to an agreement on the oil income being deposited in Halkbank and then being distributed to the parties from there, the Baghdad administration continued to insist on the income being gathered in a fund in the US and being allocated then.⁶⁹ While these discussions were going on, even though news that an income of 90 million dollars had been deposited in Halkbank came out, Taner Yıldız said that these allegations were not true and that discussions were continuing between Erbil and Baghdad over the bank to which the income would be deposited.⁷⁰ Thus although Ankara continued to insist on the income being kept at Halkbank and convinced Erbil of this, at the time of this writing no tangible steps had been taken on this issue.

THE US AND OTHER POWERS

During the 2003 Iraq invasion, the region’s Kurdish groups had given the most important support to America and after the invasion became Washington’s most important ally and had also taken

on a leading role in America’s reconstruction of Iraq after Saddam. But this development put America’s two-pronged policy of keeping Iraq’s integrity intact while not making Turkey, its ally in the region, uncomfortable, in danger.⁷¹

As an exit strategy from this contradictory situation, Washington, by encouraging the convergence between Ankara and Erbil⁷² since 2007 tried to reverse the situation that was making Turkey uncomfortable while also attempting to prevent a potential break-up of Iraq by bringing an Ankara insistent on keeping Iraq’s unity intact to the center of Iraqi politics. But this policy depended on the relations between Ankara and Baghdad continuing on a positive path. The souring of Ankara and Baghdadi relations from 2010 on and the start of Ankara following a convergence politics toward Erbil in response to this forced Washington to change its policy. The Washington administration, which had formerly supported Ankara in following a policy of proximity to Erbil, now became uncomfortable of the extent of this relationship and turned towards a policy where Baghdad would be added to the equation.

Halkbank, which had played a central role in puncturing the embargo against Iran put in place by the USA, also came to the forefront on the topic of the transfer of oil income.

Among the basic dynamics coming at the forefront of America’s view on the convergence between Ankara and Erbil over energy was the

67. “Yoluna Bağdat’sız devam edebilir”, *Hürriyet*, 4 January 2014.

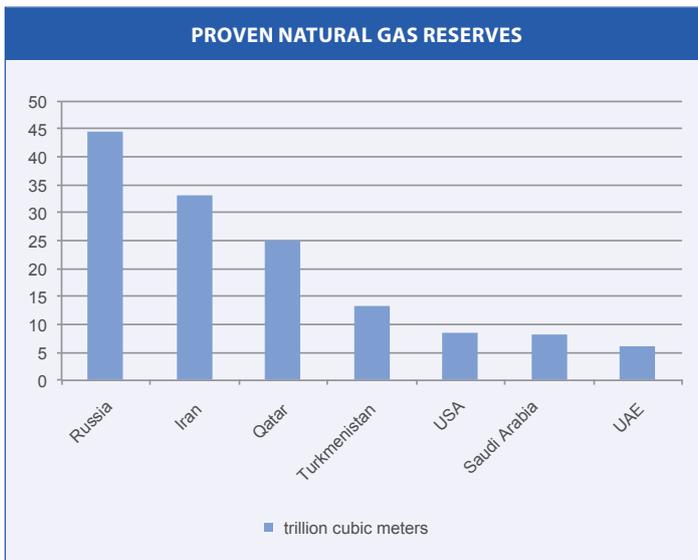
68. Mehmet Nayıt, “Türkiye Halkbank’ta direniyor”, *Sabah*, 9 March 2014.

69. “Kürt petrolü masaya yatırıldı”, *Hürriyet*, 17 April 2014.

70. “Turkish energy minister denies selling Kurdish oil without Baghdad’s consent”, *Hurriyet Daily News*, 17 February 2014.

71. Ofra Bengio, “Ankara, Erbil, Baghdad: Relations Fraught with Dilemmas”, *Ortadoğu Etüdüleri*, c. 5, no. 1 (2010), p. 79.

72. For a document published by Wikileaks on this topic in May 2008 see “Scenesetter for Nechirvan Barzani’s Visit to Washington, May 20-21”, <http://wikileaks.org/cable/2008/05/08BAGHDAD1526.html>



Source: <http://www.eia.gov/naturalgas/>

question of how this proximity would affect the relations between Erbil and Baghdad. On top of all this, there was the potential that if an agreement was reached between Erbil and Ankara on energy transfer, the Kurdish Regional Government's dependence on the US would, at least on the economic front, greatly lessen. According to American decision-makers, because the proximity between Ankara and Erbil could go so far as to trigger the break-up of Iraq, stemming the tide of Iraq's fragmentation depended on Turkey re-evaluating its energy politics.⁷³ First in December 2012, when Ankara began to get closer to Erbil on the basis of energy agreements, Washington began to criticize Turkey by moving off of the idea that this proximity would take Iraq to the point of breaking apart and that it would also be a risky step whereby Baghdad might get closer to Iran.⁷⁴

After these criticisms coming from Washington, Turkey responded by saying that doing

73. Massimo Morelli and Costantino Pischetta, "The Turkey-KRG Energy Partnership: Assessing Its Implications", *Middle East Policy*, c. 21, no. 1 (2014), p. 107; For two articles that came out in American media on this see: Ben van Heuvelen, "Iraq's Kurdish Region Pursues Ties with Turkey—for Energy Revenue and Independence", *The Washington Post*, 9 November 2013; Tim Arango and Clifford Krauss, "Kurds' Oil Deals With Turkey Raise fears of Fissures in Iraq", *The New York Times*, 2 December 2013.

74. Ben van Heuvelen, "Turkey weighs pivotal oil deal with Iraqi Kurdistan", *The Washington Post*, 11 December 2012.

these kinds of agreements is not a problem by putting forward the agreements that American energy firms such as ExxonMobil had made with Erbil. For example, in April 2013 Erdogan requested that Washington not interfere in the relations between Ankara and Erbil and said that these relations were no different than ones other countries had with the Kurdish Regional Government.⁷⁵ Coming to 2014, it can be said that the US has not followed this attitude in a decisive manner. In fact, Reuters News Agency published the news that the US and Israel had begun purchasing the Kurdish oil that had been transferred by Powertrans' tankers to the Mersin and Dörtöyl ports.⁷⁶ Accordingly, the America which had objected to the sale of Kurdish oil independent from Baghdad and had criticized Ankara on this basis, became the client for this oil.

For Europe, lessening its dependency on Russian oil and thus using the Kurdish oil that would reach Europe through Turkey is a major issue. Nabucco, the most important project that had been activated in order to lessen dependency on Russia, was temporarily put aside due to reasons such as the un-sustainability of Hazar gas, the proposal of alternative projects such as TANAP (Trans-Anatolian Natural Gas Pipeline) that came from Turkey, and the disheartening of the firms that had been contracted to run the project. It can be said that the Kurdish natural gas will remove the first reason that prevented the Nabucco pipeline from actualization and will supply a sustainable amount of natural gas to the project.⁷⁷ While 80% of Russia's oil is going to European countries with Germany and Holland at the lead, 76% of its natural gas is also being exported to European countries.⁷⁸

75. Wladimir van Wilgenburg, "Erdogan Rebut US Administration Over Oil Deals", *rudaw.net*, 19 April 2013.

76. "Israel, US import disputed oil from Iraqi Kurdistan", *Reuters*, 15 May 2014.

77. Elliott and Beryl, "Natural Gas Developments in Kurdistan", p. 43 and 45.

78. "US Energy Information Administration, Russia: Overview", *eia.gov*, 12 March 2014.

Europe's high rate of dependency on Russian energy sources came to the fore once again with the Ukraine/Crimea crisis at the beginning of 2014. When the fact of Europe's serious dependency on Russia for energy formed the most important obstacle to Western economic sanctions against Moscow as a reaction to Russia's involvement in Ukraine, alternative energy sources for Europe began to be discussed in earnest.

While the most serious tension between the US and Russia since the Cold War has been experienced in Ukraine, one of Russia's largest energy companies OAO Rosneft (ROSN) began negotiations with ExxonMobil in March 2014 in order to receive licenses for energy fields in Northern Iraq.⁷⁹ This, while showing the difficulty the West would have in terms setting up sanctions against Russia in the energy sector, also demonstrated that Russia was following a policy of strengthening its competitiveness against alternatives that might challenge its influence in the energy sector. Due to the fact that the largest proven natural gas reserves are found in Russia (44,4 trillion cubic meters) and that Europe does not have the potential of solving its energy shortfall in the short or median terms, it can be said that Kurdish natural gas and oil do not actually present a replacement for Russia. Because of this, integrating Iran--possessing the world's second largest natural gas reserves, 33,1 trillion cubic meters--with the European energy market seems to be the "most reasonable" way of balancing Russia in the energy market. Consequently, the fact that the West has been going towards finding a middle path on nuclear negotiations with Iran can be read as a sign of this policy change.

79 "Rosneft Said to Discuss Taking Stake in Exxon Kurdish Blocks", *Bloomberg*, 26 March 2014.

CONCLUSION AND EVALUATION

The centralized place of energy issues in the relations between Ankara and Erbil puts forward a positive future in the short and median terms because of its production of mutual dependence. But because the continuation of this newly developed dynamic depends on many different factors, what kind of a path the Ankara-Erbil relationship will follow is open to debate.

First of all, it can be said that a mutual economic dependency is an asymmetric one. While the Kurdish Regional Government provides an important input for Turkey's increasing energy needs and Ankara's policy of becoming an energy reservoir, it also demonstrates a dependency on Turkey on the topic of energy exports due to the tensions it experiences with Baghdad. While Ankara has the possibility of covering up any energy losses resulting from tensions with Erbil with alternatives in Russia, Azerbaijan and Iran, Erbil does not seem to possess many choices when it comes to alternatives.⁸⁰ Thus the continuity of this unbalanced mutual dependence has the potential to greatly affect bilateral relations.

Second of all, how Baghdad will react to an Ankara-Erbil agreement will affect the continuity of the process. For example, during 2012 when the discussions of Kurdish oil being brought to the international market over Turkey were intensive, Baghdad cancelled the oil search contract of TPAO, which had partnerships in four different projects worth 25 billion

80. In fact the economic dependence between Erbil and Ankara is not limited to energy. For example according to 2013 statistics, 1500 of the foreign-based firms active in the Kurdish Regional Government, in other words 65% of them, are made up of Turkish firms. Again, while 80% of the products sold in the Kurdish Regional Government come from Turkey, Turkish firms made a 4,3 billion dollars worth of investment in the construction sector in 2013. These economic relationships were also reflected in the volume of foreign trade--what was 4 billion dollars of foreign trade volume in 2009 tripled in a short period until 2013 and rose to 12 billion dollars (excepting oil and gas commerce). Invest in Group, *Kurdistan Review*, (Express Basimevi, İstanbul: 2014), p. 47 and 63; Çağaptay and Evans, "Turkey's Changing Relations with Iraq", p. 9.

dollars, in the southern oil fields.⁸¹ But this situation can be substituted by the fact that Turkish firms received advantages in Erbil.

The relationship of the Baghdad administration with Iran, USA, and Syria has the potential to shape Ankara's Erbil policy. Despite this potential, when the fact that most of the tension between Baghdad and Ankara is experienced at the level of leaders (Erdogan and Maliki), the predictions as this article is being written about the end results of the Iraqi elections to be held on 30 April 2014 will, to an important degree, shape the Ankara-Erbil-Baghdad relations. According to these predictions⁸², the fact that no clear party won with the ability to form the Iraqi government will turn Erbil's energy politics into one of the important topics of government formation.

Thirdly, when the fact that the energy negotiations between Erbil and Ankara have been through Barzani and his party is kept in mind, questions over how the behavior of the region's oppositional Kurdish parties and a possible regime change would affect the process come to mind. The second strongest movement in Iraqi Kurdistan, the Goran Movement, has said that it does not accept the Kurdistan government's politics of sending oil directly to Turkey without first informing Baghdad on various occasions.⁸³

Fourth, the peace process begun in 2013 in Turkey and how the PKK will act also has the potential to affect the energy convergence between Ankara-Erbil. The possibility that PKK violence will start within Turkey's borders and the PKK camps remaining within the Kurdish Regional Government's borders can place Barzani in a difficult situation.

Fifth, the manner in which Iran's politics of convergence to the West which began in the sec-

ond half of 2013 will affect regional dynamics is still opaque. For example, an Iran which prior to 2013 supported the central administration in Iraq on the basis of Shiism and had problems with the West was hardly an option that would be chosen by Iraqi Kurds when there was a Turkey which was a member of the NATO and a candidate country for the EU. Contrary to this, an Iran which has solved its problems with the West has the potential to solve Europe's energy dependency on Russia. Therefore the Iran which has sat down at the negotiating table with the West has drawn Erbil's attention and Erbil has begun signing various agreements with Tehran on issues of energy in 2014.⁸⁴

Lastly, the discussions about Syrian Kurds and to what line the PYD⁸⁵ movement here will go toward also remain unclear. Therefore how the groups that are against the central administration in Syria and especially how the Kurdish movement will be have the power to affect the relations between Erbil and Ankara.

81. Balci, "Türkiye'nin Irak Politikası 2012", *ibid.*, p. 126.

82. For example, Verda Özer, "Iraq Elections and Turkey", *Hürriyet Daily News*, 3 May 2014; "Unresolved Iraqi Election Affects Turkey's Relations with Baghdad, KRG", *Daily Sabah*, 2 March 2014.

83. "Goran, Petrol Anlaşmasına Karşı", *kurdistan-post.eu*, 30 November 2013.

84. "IKBY ile İran arasında enerji anlaşması imzalandı", *Hürriyet*, 27 April 2014.

85. Partiya Yekitiya Demokrat, Democratic Union Party

Throughout the 1980s and 90s, Turkey's interest towards Northern Iraq was shaped along the axis of struggle against the PKK due to the group's entrenchment in the region. In the second half of the 2000s, the relative autonomy that the Kurdish groups gained in Northern Iraq and then the later discovery of large amounts of oil and natural gas in the region added a new dimension to Ankara's politics towards this region. Especially with the 2010 years, the topic of energy became the fundamental dynamic in Turkey's relationship with the Kurdish Regional Government. This study is an attempt to analyze these energy relations which have come into play as a new parameter in the relations between Ankara and Erbil, and which also affect not only Turkey's Middle East policy, but its domestic politics as well.



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