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Iraq's Oil Exports to Turkey Resume Under Federal Control

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At the end of September 2025, crude exports from northern Iraq to Turkey resumed for the first time in two and a half years. As of mid-October, about 200–205 kb/d are being exported through the pipeline to Turkey. In recent years, Iraq's crude exports have totaled roughly 3.25–3.45 mb/d, almost all via the southern port of Basra. The Turkish route, therefore, accounts for less than a tenth of national exports, but for Iraq it restores a valuable outlet that does not rely on passage through the Strait of Hormuz. More importantly, however, is the question of where the export revenues will flow—and, fundamentally, whose oil is being exported.

Northern Iraq is home to the giant Kirkuk oil field, whose crude historically moved through the Iraq–Turkey Pipeline (ITP) for export via Turkey's Ceyhan terminal. In the early 2010s, however, jihadist groups wreaked havoc across Iraq and Syria, repeatedly sabotaging pipelines inside Iraq. After 2013, the line became inoperable. Apart from roughly 10 kb/d trucked to Jordan, the Basra terminal in the south became the federal government's sole export outlet.

Also in northern Iraq lies the Kurdistan Region (KR), an autonomous area populated largely by Kurds. After the Iraq War, negotiations stalled over whether ultimate authority over hydrocarbon development and production in the KR rested with the federal government or with the Kurdistan Regional Government (KRG). With no consensus and talks on a federal hydrocarbons law deadlocked, the KRG enacted its own region-only oil law in 2007 and began courting international oil companies (IOCs). Dozens of firms—including majors such as ExxonMobil and Chevron—signed contracts with the KRG and entered the previously untapped upstream sector in the KR.

With Turkish support, the KRG also secured an export route. Despite the federal government's strong objections to both KRG-led field development and independent exports, the KRG laid a pipeline inside the KR and tied it into the ITP at the Turkish border, enabling full-scale pipeline exports from 2014. Capitalizing on the turmoil of battles with jihadist groups, the KRG also took control of the Kirkuk field, pushing peak exports above 600 kb/d. The KRG held an independence referendum in September 2017; however, the bid collapsed amid strong domestic and international backlash, and the KRG lost control over Kirkuk. Even so, because Turkey did not shut the pipeline, KRG exports continued at around 400 kb/d. Through development contracts and export agreements in which the federal government had no role, the KRG secured its own independent revenue base.

A turning point came in March 2023, when the International Court of Arbitration of the International Chamber of Commerce (ICC) in Paris ruled on a case brought by the federal government, which argued that Turkey's facilitation of KRG oil exports violated the ITP agreement. The tribunal awarded approximately USD 1.5 billion in damages against the Turkish government. While Ankara has contested the ruling and has not paid the damages, it did halt exports from the KR. The KRG's attempt to build an autonomous oil industry thus came to a halt.

To restart exports to Turkey via the ITP without running afoul of the award, the Iraqi side responsible for exports had to be the federal government, not the KRG. Yet production in the KR is carried out by IOCs under contracts with the KRG. This set the stage for protracted three-way negotiations among: (i) the federal government, which does not recognize the validity of KRG–IOC contracts; (ii) the IOCs, which insist on recovering costs and remuneration under their KRG contracts; and (iii) the KRG, which fell into fiscal distress after losing its independent export revenues due to the pipeline shutdown.

After roughly two and a half years of talks, the parties appear to have reached a provisional understanding: the federal government will conduct exports and receive the proceeds, from which it will make temporary payments to the IOCs covering costs (USD 16/b) and fees (USD 1/b). In parallel, Baghdad will continue the budget transfers to the KRG that are already in place. That said, the federal government still does not recognize the legal validity of the KRG's contracts with the IOCs, and it remains uncertain whether future cost true-ups will proceed smoothly under the new mechanism. If the framework proves stable, crude from the Kirkuk field—currently consumed domestically—could again be exported to Turkey through pipelines across the KR. Above all, the resumption of exports to Turkey marks the first instance in which the federal government will capture revenues from oil resources located in the KR—an emblematic first step, nearly two decades in the making, toward reasserting federal control over those resources.

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