

# **Importance of Exploration and Production Operations of Turkish Companies in Northern Iraq, for Turkish-American-Iraqi Relations**

**Murat YAZICI**  
**YAZICI LAW OFFICES**

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## **1. History of Iraq Turkey Relationship**

- Following the dissolution of the Ottoman Empire, at the end of the First World War, the relations between Turkey and Arab countries were almost non-existent for a considerable period of time. There have been cultural, historical and ideological reasons for this discontinuity and some related problems still persist.
- The relations with Iraq, in the aftermath of World War One, followed a different path comparing the relations with the other Arab states in general. The Turkish people's touch with Baghdad, which was once the intellectual centre of Islamic civilisation, has been continued.
- In addition to historical interest, Iraq has been a major trading partner for a considerable number of people and companies in Turkey. Trade and informal ties between the people of two countries have deepened the mutual interest at the societal level.
- Turkey and Iraq have many prospects for cooperation that will be exemplary for the whole region. Which may help Iraqi people to use this period as an opportunity to evolve into a democracy.
- Turks and Iraqi peoples share many things in common. Regardless of certain hard times and hardship in the past, they have a traditional

sympathy for each other. This has a very positive and softening effect in business relations.

- Kurds drew many lessons through their experiences with regional countries and superpowers for almost a century and they are aware of the fact that at this moment, happiness for them is to stay in a federal-democratic state structure in Iraq and establish good relations with Turkey rather than hostility.
- Turkey is the only democratic country in Islamic world and it is for its interest to extend utmost support for the establishment of a plural democratic regime in Iraq.

## **2. Recent History of Northern Iraq**

- Starting from 1970s under the leadership of Mustafa Barzani Northern Iraq obtained autonomy.
- After the first Gulf War in the beginning of 1990s, Northern Iraq was a part of Iraq without any influence from the Iraq's Central Government; were registering the birth, death, marriage, having courts independent from Iraq, their own money, drafting soldiers. Iraqi authorities had no power or control in Northern Iraq.
- Northern Iraq Governorates under two Parties were not recognised, pursuant to International Law but Northern Iraq was not like Northern Cyprus that is influenced by a non-recognition decision of the international world.
- Final Statement signed among the leading two party leaders and US Secretary of State accepting the elections of Northern Iraqi Parliament and the establishment of Northern Iraq Government.
- Ankara Process between the Kurdish Party leaders and UK, USA and Turkey was recognising the independent power in Northern Iraq, and requesting the local authority to protect Turkish boundaries against PKK terrorists.

- Northern Iraq was officially getting a certain percentage from the revenues generated through for oil for food program organised by United Nations.
- All these facts amount to ..... – acknowledgement of the authority of the Northern Iraq regional government.

### 3. Post Saddam Developments in Northern Iraq:

- During Saddam regime the experts were expecting one of the three options to be realized after the dissolution of Saddam. One was independent Kurdistan State, second was the strong Kurdistan federation and last one was a loose federation.
- Today it is observed that the Northern Iraq is merging with Central Iraqi Government and still keeping the same and old federative autonomy.
- The transitional constitution is stipulating that the oil revenues generated from the fields in Iraq and Northern Iraq will be gathered in the Iraqi Development Fund and will be shared by different regions of Iraq pursuant to the population and the development requirements.

### 4. Oil Industry in Iraq

- Iraq has the third largest proven oil and the tenth largest proven gas reserves in the world. Before the 1<sup>st</sup> Gulf War Iraq and Iraqi's manpower were considered among the most developed and professional in the international oil industry.
- The oil industry skill and know-how within Iraq has mostly diminished because of lack of training, import of equipment and materials; was not accustomed to up-date technical developments.
- Iraq requires not only foreign investment but also foreign expertise in order to restructure its' oil and gas facilities.
- Very few exploration wells were drilled in Northern Iraq and the discovered fields were not developed. The petroleum potential in Northern Iraq never been evaluated during Saddam's time or even earlier although there are minimum 10 or more big prospects in the region.

## 5. Turkey's contribution in energy sector in Iraq

- Turkey can increase its export of electricity to Iraq 5 times more from present mega watts (200 MW to 1,000 MW) within 6 months, against the payment in fuel oil. Turkey can, with significant experience and as provider of equipment and machinery, play a significant role to bring Iraq to self-sufficiency in the production of electrical power.
- Turkey is the only viable route to Europe for land based oil and gas pipeline transmission systems. Europe needs diversification and Iraqi gas can be transported to Europe through east west corridor via Turkey.
- Turkey can, with the increase of Europe's gas utilization and dependency on gas imports from non-European countries, become instrumental as a safe and reliable partner and transit country for gas production originating from Iraq (and the Arabian Gulf). Large-scale pipeline projects are already in the conception and preliminary planning stage.
- Turkey is the nearest and the most convenient market for Iraqi crude oil and natural gas as it is only producing 10% of its domestic crude oil and 2% of its natural gas consumption.
- Turkey can provide well maintained and workable crude oil export pipelines and loading facilities for volumes well in excess of 1.5 Million barrels per day through the Kerkuk-Ceyhan pipeline and loading facilities in Ceyhan (where, commencing this year, the BTC pipeline terminates bringing an additional 1 Million barrels oil per day from the Baku Sangashal pumping station). This number may increase to 4 m. Bbl/day through Samsun Ceyhan Pipeline as indicated by Mr. Demirbilek in the morning session.
- **The capacity of Kirkuk – Ceyhan crude oil pipeline can be increased by additional pumping facilities.**
- Turkey has a deep and historic understanding of any and all political and tribal dependencies in Iraq, especially in Northern Iraq.

- Turkish companies are in Northern Iraq with European and US partners or alone performing construction activities, as well as green and brown oil field developments.
- Turkey can provide and/or be seen as a safe and well-organized, functional staging post, for any type of materials, supplies and services required for the re-development of the infrastructure of the oil fields in Iraq.
- Turkey was a principal import gateway (almost the only one in emergencies) through which Iraq shipped in some 75 percent of its foodstuffs. Turkey can, of all countries neighbouring to Iraq, provide the fastest, safest and easiest access to Iraq (especially, Northern Iraq)

## **6. Turkey and Turkish Companies role in US' Iraq policy.**

- Iraq's GNP is heavily dependent on petroleum revenues. Both in terms of much needed cash and the energy shortages it is crucially important that Iraq's oil fields are promptly put in production. This requires capital, technology and legal infrastructure.
- It goes without saying that a very complicated picture and a huge number of variables that influence or likely to bear impact on the relations at any moment. In addition to traditional regional and international factors, non-conventional elements in international relations, i.e. history, culture, is in force in bilateral relations.
- Turkey has five major priorities in its Iraqi policy. The issues at stake are maintaining Iraq's territorial integrity, preventing the emergence of Kurdish entity in Northern Iraq, keeping balanced relations with the U.S., mitigating the cost of sanctions, and satisfying societal demands at home.
- The main Turkish worry is the emergence of a Kurdish entity in Northern Iraq and to a lesser extent a Shia state in the south that may increase Iranian influence in the region.
- There does not seem to be any conflicting interests among U.S. and Turkish approaches to Iraqi situation, as both countries will be satisfied with a solution that will remove Saddam from power and establish a democratic form of rule in Iraq.

- Iraq's five major priorities in its Turkey policy are; preventing the deployment of Turkish forces in the North of Iraq, discouraging Ankara from expending the presence of American forces in the Turkey (as well as Israeli forces), ending Turkish support for the Iraqi Turcoman opposition, maintaining Turkey as an outlet to market its oil, and ensuring that Turkey will allow the flow of the Tigris and Euphrates Rivers (both originating in Turkey) on terms favourable to Baghdad.
- While the USA have stressed that they would secure the Mosul and Kirkuk oil fields, any past power-sharing agreement between the Kurds and the central authority in Baghdad has failed due to the issue of reallocation of the Kirkuk oil revenues to the north of Iraq. Based on this past precedent, it seems likely that any agreement between the Kurds and a post-Saddam government will hinge on the issue of Kirkuk.
- The existence of the projects run by Turks in Northern Iraq provides a material betterment of the relations between Turkey and Northern Iraq. Both parties acknowledge this positive contribution and therefore, attach great importance to the continuance of operations.
- Northern Iraq authorities, in particular, realize that Turkey is their gate to Europe and the western world. They further realize that it is the presence of the Turkish companies in their territory that facilitates such gateway.

## **7. Existing Status of Turkish Oil Companies in Iraq:**

- There are four companies active in Iraq and Northern Iraq in oil industry:
- "Genel Enerji" with her european partner Addax as operator, working in the development of Taq Taq field in Northern Iraq,
- "Petoil" in partnership with an US company, Prime Natural Resources Inc. working at Pulkhana and Qamar in Northern Iraq for the development of these fields.
- "Avrasya" is acting as an oil field service contractor in collaboration with British and Russian companies at Khourmala field in Northern Iraq.
- Turkish Petroleum Corporation has through her affiliate TPIC performed drilling services activities in Northern Iraq before the Iraq war. TPAO is

negotiating with the Oil Ministry for the opportunity to develop the Garraf field.

- Genel and PetOil's PSA's signed by the regional government of Northern Iraq before the war. Genel have been operating there ever since, while Western or multinational companies could not even show presence.
- The Turkish state with all its subdivisions, including the Government and the armed forces, become very supportive to establish commercial relations from the beginning, which should be regarded as the recent change in the Turkish official policy towards the region and the Kurds in Iraq.
- Establishing mutual economical benefit between Kurds and Turks is not conflicting with US policy in the region, to the contrary it is one of the main objective of this Policy.

## **8. Conclusion:**

- The integration ability of the Turks, their knowledge of the traditions and culture and sharing the same religion with the Northern Iraqi people make them more advantageous together with their knowledge of western culture and education in western system.
- The safest, best and shortest way for the transportation of the materials is Turkey.
- In all above, the relationship between US and Turkey can lead to synergetic activities whereby all involved can benefit from it.
- The productivity and the quality of work will increase strategically with the collaboration of the western/Turkish companies through obtaining the western company's technical experience and know-how and the advantages of the Turkish status.
- These efforts will also support the development of the Iraqi oil industry, will provide Iraqi oil industry to reach their historical excellence and help to obtain stability in Iraq.
- The crude oil or natural gas, which Turkey (and may be Europe) is in need of, can be obtained through Iraqi pipelines. On the other hand, new

investment opportunities will occur for the Turkish oil companies as well as the related sectors.

- Turkish government's full support provided to the oil companies Genel and PetOil working in Northern Iraq, is based on the understanding that this collaboration will increase the peace and will assist to establish strong ties between Kurds and Turks.
- In order to avoid any hostility between the nations the easiest solution is the mutual economic benefit.
- Economic cooperation is a critical factor, for the stability and peace in a given region
- We believe that closer Turks gets to Kurds by performing activities in Northern Iraq, lesser conflicts will arise around the nations.

Thank you