Analyses

مركز البيان للدراسات والتخطيط
Al-Bayan Center for Studies and Planning

The Oil Dispute between Baghdad and Erbil
A Constitutional and Economic Analysis

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Introduction

Oil constitutes Iraq's most important economic resource, accounting for over 90% of the state's general revenues and gross domestic product, and serving as the primary source for financing government budgets and infrastructure. Given this central economic role, a clear and escalating dispute has emerged since 2007[1] between the federal government in Baghdad and the Kurdistan Regional Government (KRG) regarding the management and investment of oil resources in the Kurdistan Region, following the Kurdistan Parliament's approval of its own Oil and Gas Law.[2]

At the core of this dispute is the interpretation of the Iraqi Constitution and federal legislation concerning the oil sector, particularly the question of whether the KRG has the constitutional right to contract directly with foreign companies and undertake independent oil projects, or whether such authority is exclusively vested in the federal government under existing laws.

This disagreement has had tangible economic, administrative, and political consequences. Oil exports were periodically

1. Between Baghdad and Erbil: The Roots of the Oil Conflict and Aspirations Beyond the "Historic Agreement," Abdulaziz al-Fadhali, **https://raseef22.net/**
2. Oil and Gas Law in the Kurdistan Region. Laws. Official Website of the Kurdistan Regional Government. https://gov.krd/mnr-en/publications/laws/

halted along major export routes, particularly through Turkey, affecting Iraq's flexibility in global markets and reducing national revenues. Furthermore, the payment of salaries to the Kurdistan Region employees was delayed at certain periods, exacerbating the economic crisis within the region. The dispute also generated international and legal conflicts with companies and countries involved in oil transportation, including arbitration cases, as the federal government described some KRG activities as "smuggling" outside the legal framework.

Different types of oil contracts, such as Production Sharing Contracts (PSCs) and Technical Service Contracts (TSCs), play an important role in the dispute by regulating relationships with foreign oil companies operating in Iraqi Kurdistan. However, these contracts are not the root cause of the conflict;[3] rather, they constitute one of its practical manifestations within the broader political and constitutional disagreements. The KRG predominantly signs production-sharing agreements, whereas the federal government relies on technical service contracts, affecting profit-sharing, investment risk allocation, and the scope of national sovereignty over resources.

3. "Iraq to Discuss Amendment of Kurdistan Oil Contracts in December." Al Arabiya. https://www.alarabiya.net

In this context, the present study aims to analyze the roots of the dispute between Baghdad and Erbil from a legal and constitutional perspective, focusing on the interpretation of the provisions related to oil and gas in the 2005 Constitution of the Republic of Iraq, particularly Articles 111 and 112.[4]

The study also seeks to clarify the repercussions of this dispute on oil production and public revenues for both the federal government and the KRG, and to examine its impact on attracting foreign investment in the oil and gas sector. Additionally, it considers the role of oil contracts in managing resources within the broader political and legal conflict, and proposes practical solutions and implementable policies to reduce the intensity of the dispute and achieve more efficient and equitable management of Iraq's oil wealth. Such measures include establishing joint mechanisms to enhance transparency in revenue distribution and re-evaluating the legal frameworks governing oil contracts.

By doing so, the study not only analyzes the current situation but also aims to contribute both academically and practically to the ongoing debate on the future management of Iraq's natural resources, in light of the country's current constitutional, political, and economic challenges.

4. Statement from the Kurdistan Region. Official Kurdistan Region Website. Previously cited source.

Research Significance and Objectives

This research derives its significance from addressing one of the most prominent political and economic disputes in Iraq since 2003: the ongoing conflict between the federal government and the Kurdistan Regional Government (KRG) over the management and investment of oil resources in the Kurdistan Region.

At the core of this dispute is the interpretation of constitutional powers related to oil and gas, with differing views on the KRG's right to contract directly with foreign companies and implement independent oil projects, versus the federal government's exclusive sovereignty over national resources.

The study focuses on interpreting the constitutional provisions related to oil and gas in the 2005 Constitution, particularly Article 111, which states that "oil and gas are the property of all the Iraqi people," and Article 112, which sets out the mechanism for managing oil and gas extracted from existing fields through cooperation between the federal government and the governments of producing regions and governorates. The study highlights how these provisions have created scope for multiple interpretations, leading to ongoing legal and political disputes among the parties. It also seeks to clarify how these provisions have shaped current oil policies and the distribution of powers between the federal and regional governments, with the aim of providing a clear understanding of the roots of the prevailing legal and political conflict. Furthermore, the research examines the practical repercussions of this conflict for oil production and both federal and regional public revenues.

Within this framework, the research highlights tangible economic impacts, including the suspension or delay of production projects, delayed payment of Kurdistan region employees' salaries at certain periods,[5] and financial losses for both the federal government and the KRG. It further explores the dispute's effect on attracting foreign and domestic investment in the oil and gas sector, as well as on the long-term stability of the sector and the management of its financial and economic resources. Regarding resource management, the study analyzes the role of different types of oil contracts, such as Production Sharing Contracts (PSCs) and Technical Service Contracts (TSCs), within the broader dispute.

These contracts influence the relationship between the federal government and the KRG, shaping resource management and affecting national sovereignty and public revenues. The study also addresses the legal and political challenges associated with these contracts, including the risks arising from legal ambiguities and divergent interpretations of authority.

5. "Baghdad and Erbil on the Verge of a New Crisis Following Kurdistan Region Salary Suspension." Al-Araby Al-Jadeed. www.alaraby.co.uk

Overall, the research aims to achieve three primary objectives:

1. Highlight the legal and political roots of the dispute between the federal government and the KRG through an analysis of relevant constitutional texts and their varying interpretations.

2. Assess the economic and administrative impacts of the dispute on oil production, public and regional revenues, the stability of the oil sector, and investment attraction, while evaluating potential losses and their implications for economic development.

3. Propose practical solutions and policies to mitigate the intensity of the dispute, including the establishment of a joint revenue fund, revision of existing oil contracts to balance state rights and investment incentives, creation of joint monitoring committees, and development of long-term strategic plans for sustainable and equitable management of oil wealth.

Through these objectives, the study seeks to provide a comprehensive perspective enabling policymakers, researchers, and relevant stakeholders to understand the roots and consequences of the dispute, and to explore practical mechanisms for managing Iraq's oil resources more efficiently and equitably among the various parties.

Oil Fields in the Kurdistan Region

The Kurdistan Region contains 13 producing oil fields, distributed across six fields in Dohuk, five fields in Erbil, and two fields in Sulaymaniyah. These fields currently produce approximately 240,000 barrels per day, all operating under Production Sharing Contracts (PSCs).

I. Dohuk Governorate Fields

1. **Tawke Field:** Located in Fishkhabur near the Turkish border, Tawke was discovered in 2006[6] and began production in 2007, with subsequent expansions continuing until 2017. The main operator is Norway's DNO (75%) in partnership with Genel Energy (25%). Current production is approximately 68,000 barrels per day. DNO has announced plans to expand production and connect the field to additional wells, targeting 100,000 barrels per day after 2026.[7]

2. **Atrush Field:** Situated in the Shekhan District of Dohuk Governorate, Atrush was officially discovered on April 13, 2011, with formal production commencing on

6. Kurdistan Region of Iraq. DNO Company Website. https://www.dno.no/en/operations/kurdistan-region-of-iraq/
7. DNO Updates Status of Tawke License Oil Exports. Norwegian Company Website. Previously cited source.

July 3, 2017. The field is operated in partnership between the American company Shamaran (50%) and HKN (25%), with the remaining 25% owned by the Kurdistan Regional Government.

3. **Sarsang Field:** The Sarsang Field is located in one of the districts of Duhok Governorate. It was discovered in 2011 through the drilling of an exploratory well, and the geological results were positive, indicating the presence of heavy oil across several formations, which suggested the existence of reserves suitable for development and commercial production.[8] Actual production commenced in 2014 and is operated by two American companies: Shamaran, holding an 18% stake, and HKN, holding a 62% stake, while the remaining 20% is owned by the Kurdistan Regional Government.

4. **Shaikan Field:** Approximately 60 km northwest of Erbil within the Zagros Mountain belt, Shaikan was discovered in August 2009. Production operations began in July 2013, managed by the American company HUNT (80%) and Hungary's MOL (20%).

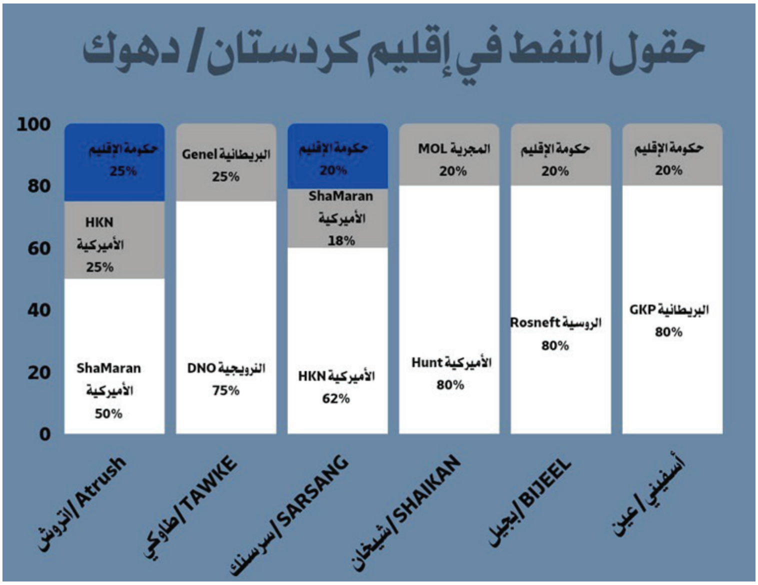
5. **Bijeel Field:** Hungary's MOL drilled a total depth of

8. "Iraq Kurdistan Swara Tika Oil Discovery Gauged." Oil & Gas Journal. https://www.ogj.com/exploration-development/article/17264632/iraq-kurdistan-swara-tika-oil-discovery-gauged

4,100 meters in May 2012 as part of exploration activities.[9] Production officially commenced in July 2013.

6. **Ain Sifni / Simrit Field:** Part of the Shekhan geographic and administrative area in Dohuk Governorate, this field is often included within the Shekhan oil block but has independent wells and facilities. Discovered in 2010, its continuity and production were confirmed between 2012 and 2013.[10] The field is operated by the British company GKP (80%) and the Kurdistan Regional Government (20%).

Figure 1. Oil Fields in Dohuk Governorate



9. “MOL Makes New Discovery in Iraqi Kurdistan.” MEED. https://www.meed.com/mol-makes-new-discovery-in-iraqi-kurdistan
10. Afren Announces Full-Year Results. Iraq Business News. https://www.iraq-businessnews.com/2014/03/28/afren-announce-full-year-results

II. Erbil Governorate Oil Fields

1. **Taq Taq Field:** Located between the Koyy and Jamjamal districts, approximately 60 km from the Kirkuk oil field, 85 km northwest of Erbil, and 120 km northeast of Sulaymaniyah, Taq Taq covers an area of 951 km², with estimated reserves of 1.5 billion barrels. Addax Petroleum (China) holds a 36% operating stake, Genel Energy (Turkey) holds 44%, and the Kurdistan Regional Government holds 20%. In 2012, the field was connected to the Khurmala station via a 78 km pipeline, which is further linked to the Ceyhan port in Turkey.[11]

2. **Hawler (Erbil) Oil Field:** Located 30 km northwest of Erbil city center, Forza Petroleum holds a 65% working interest. According to company reports, production began in June 2014,[12] with current output approximately 9,450 barrels per day.[13]

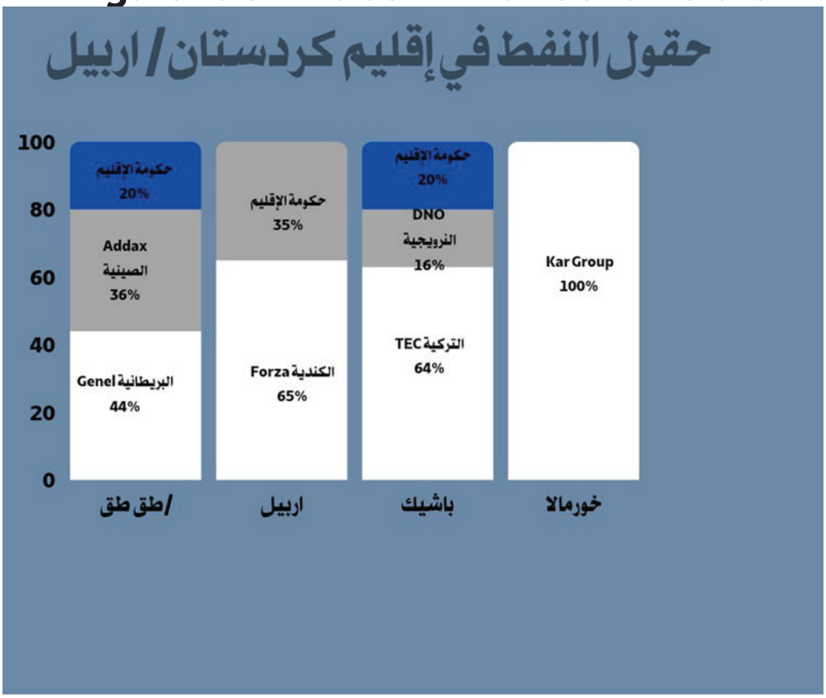
3. **Peshkabir Field:** Situated in rural Erbil, about 30 km southeast of the city and 100 km from the Tawke field in Dohuk, production began in 2017 using an Early

11. "Oil Production in Sheikhani and Taq Taq Fields." Draw Media. https://www.drawmedia.net/ar/page_detail?smart-id=11212
12. Kurdistan Region of Iraq. Forza Petroleum Company Website. https://www.forzapetroleum.com/en/operations/iraq.php
13. "Oil Contracts and Production Costs in the Kurdistan Region." Rudaw. https://rudawrc.net/en/article/oil-contracts-and-production-costs-in-the-kurdistan-region-2024-07-09

Production System (EPS) under the Tawke PSC license. The field is operated by DNO (Norway) with a 64% stake and TEC (Turkey).[14]

4. Khurmala Field: Located southwest of Erbil, Khurmala is operated by KAR Energy. According to the Kurdistan Regional Government's Ministry of Planning, it is one of the region's main oil sources, alongside Taq Taq and Tawke. Current production reaches approximately 100,000 barrels per day, with exports reliant on pipelines transporting oil toward the Turkish border.[15]

Figure 2. Oil Fields in Erbil Governorate



14. Ibid.
15. Rudaw Kurdish Media. Previously cited source.

III. Sulaymaniyah Governorate Fields

1. **Kurmian Field:** Located in the Kurmian area south of Sulaymaniyah, the Kurdistan Regional Government officially announced the signing of investment contracts for the field on August 4, 2012. The Russian company Gazprom holds a 40% operating stake, the American company Zagros Western also holds 40%, and the remaining 20% belongs to the Kurdistan Regional Government.[16]

2. **Kurmor Field:** Primarily a gas field rather than an oil field, Kurmor is located in the Jamjamal area, between Sulaymaniyah and Erbil governorates, and is considered one of the region's most important gas fields. It is operated by the UAE's Dana Gas in cooperation with Crescent Petroleum under the Pearl Petroleum Consortium.[17] The field produces over 500 million standard cubic feet of gas per day, in addition to daily production of liquefied gas and condensates estimated at 15,000-20,000 barrels of oil equivalent. Its significance lies in its role as the

16. "Russian Company Signs Two Agreements with the Kurdistan Regional Government to Invest in Oil Fields." Kurdistan Democratic Party. https://www.kdp.info/a/d.aspx?a=39266&l=14&utm_source=chatgpt.com
17. About Pearl Petroleum. Pearl Petroleum Company Website. https://www.pearlpetroleum.com/index.html?utm_source=chatgpt.com

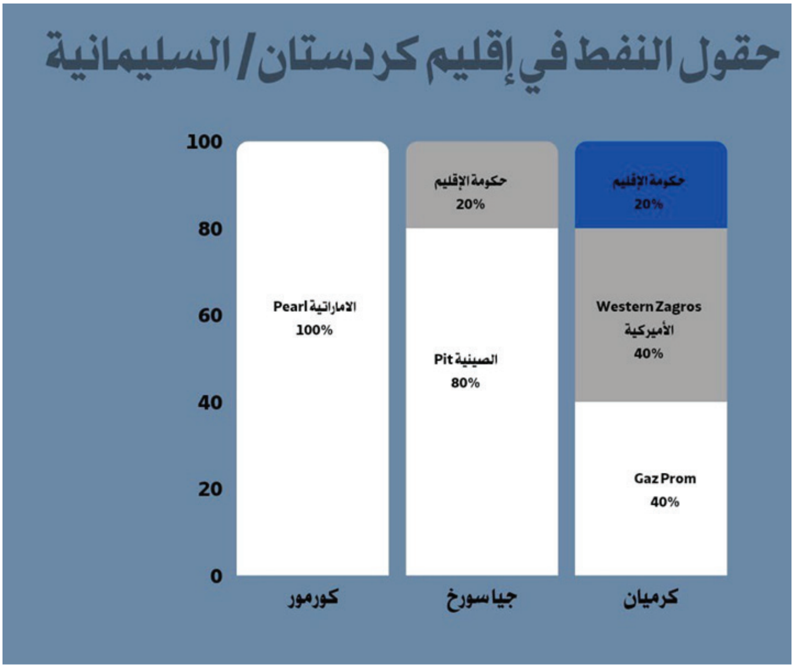
primary supplier for electricity plants in Kurdistan, including the Erbil, Bazian, and Jamjamal power stations.

3. **Jiya Surkh Field:** Situated in the Qarto area, also within the administrative region of Kurmian, the field is 80% owned by the Chinese company PIT, with the remaining 20% held by the Kurdistan Regional Government. The first well in this field was drilled in 1902, making it one of the oldest oil fields in the Middle East. It contains 12 oil wells and has estimated reserves of approximately 5.656 billion barrels of oil. In mid-2023, the Kurdistan Regional Government announced the suspension of operations due to water contamination in the oil, following a request from the Regional Ministry of Natural Resources.[18]

4.

18. "Jia Surkh Field Ceases Production Permanently." Draw Media. https://drawmedia.net/ar/page_detail?smart-id=15437

Figure 3. Oil Fields in Sulaymaniyah Governorate



Types of Oil Contracts and Their Mechanisms

Several types of oil contracts are used in Iraq, subject to modifications based on agreements between the parties. The most prominent are as follows:

1. **Production Sharing Contracts (PSCs):** Under PSCs, oil companies are granted the right to explore and produce oil in exchange for sharing production or revenues with the state that owns the resource, while ownership of the oil in the ground remains with the state. The company first recovers its costs and then receives

a share of the profits or production according to the contract terms.

In the context of contracts signed by the Kurdistan Regional Government, PSCs are generally suited to fields with limited reserves, fields that are difficult to extract due to high oil density or sulfur content, or fields located far from export outlets. In such cases, extraction costs per barrel are high due to the need for extensive infrastructure. Therefore, it is more practical for the producing company to receive a predetermined share of profits, which serves as an incentive to increase production.

Two conditions apply to the oil fields in Iraqi Kurdistan: limited reserves in each field and challenging terrain coupled with distance from export ports. Accordingly, adopting PSCs for these fields is not inherently problematic.

The issue arises because these contracts were often signed opaquely and without the approval of the federal government. Furthermore, the sharing percentages were frequently exaggerated, and the contracts were concluded by parties lacking sufficient expertise, at a time when the central government was preoccupied with other matters, without awaiting the enactment of the Oil and Gas Law or involving the Iraqi Ministry of Oil.

Today, these contracts exist as a de facto reality, and companies could potentially seek legal remedies and prevail in disputes. However, the preferable course of action is to involve the Iraqi Ministry of Oil in reviewing, amending, monitoring, and supervising these contracts, thereby ensuring the protection of national wealth.

Terminology of Production Sharing Contracts (PSCs)

- **Cost Recovery:** The company recovers its capital and operational expenditures from a designated portion of production known as "Cost Oil."

- **Royalty:** A percentage paid directly to the government before any sharing of oil, typically 10% of production or higher.

- **R-Factor Indicator:** This indicator links the company's cumulative revenues to cumulative costs; the higher the R-Factor, the smaller the company's share and the larger the state's share gradually.

The tables below illustrate the advantages and disadvantages of Production Sharing Contracts for the state and for companies.

Table 1. Advantages and Disadvantages of PSCs for the State

Advantages for the State	Disadvantages
Transfers financial and technical risks to the oil company	Can result in large shares for companies if contracts are unbalanced
State retains ownership of oil in the ground	Difficulty in monitoring company costs (risk of cost inflation (for greater recovery
Flexibility in attracting investment, especially for remote or complex fields	Lack of transparency can lead to significant financial losses

Source: Prepared by the author

Table 2. Advantages and Disadvantages of PSCs for Companies

Advantages for Companies	Disadvantages
Opportunity to recover costs before profit distribution	Greater environmental and regulatory obligations
Direct participation in production, not just a fixed fee	Possibility of contract terms being amended over time or due to changes in law
Incentive to increase production to maximize company share	Production restrictions can reduce company share

Source: Prepared by the author

The contracts currently in effect in the Kurdistan Region between the KRG and foreign companies follow this PSC framework but with a more complex mechanism favoring companies, according to some analyses, which contrasts with the KRG's perspective. An illustrative example follows:

For instance, the Tawke Field has two operating companies: Company A (40%) and Company AB (40%), with 20% assigned to the Kurdistan Regional Government. The KRG does not pay costs or participate directly in production—its share is a carried interest, representing the government's portion of the oil.

Illustrative Example:

- **Total Revenue:** $100,000
- **Deduction of Royalty:** The KRG royalty is 10% of revenues: $100,000 - $10,000 = $90,000
- **Cost Recovery:** Companies A and AB recover up to 40% of the remaining revenue ($90,000 × 40% = $36,000) to cover costs.
- **Remaining after Cost Recovery:** $90,000 - $36,000

= $54,000 (Profit Oil)

- **Profit Oil Sharing According to R-Factor:**
  - Government: 70% → $37,800
  - Companies: 30% → $16,200, divided equally between the two companies (50% each of their 40% operating share):
    - Company A = $8,100
    - Company AB = $8,100

Summary of the Example:

1. The royalty is paid to the government first.
2. Companies recover costs from a designated portion (40%).
3. The remainder after cost recovery is called Profit Oil.
4. Profit Oil is shared according to the R-Factor; as profit increases, the government's share gradually rises.
5. The government's share means it does not bear production costs but receives its portion of profits only.

2. Technical Service Contracts (TSCs)

Technical Service Contracts are agreements under which the government, or the entity owning the oil wealth, pays a company a fee in exchange for providing technical services or for each barrel produced. Under these contracts, all oil remains the property of the state, and the company does not have ownership rights over production; it receives only specified fees or charges.

Payment Mechanisms:

- **Fee per Barrel:** A fixed payment for each barrel produced.
- **Lump-Sum Payment:** A predetermined amount for operations and maintenance.

The company bears the technical risks, while the state usually covers major investment expenditures or funds them gradually. Agreements between the federal government and the Kurdistan Regional Government allocate $16 per barrel (in kind or cash) extracted from Kurdistan.[19]

19. Council of Ministers. Prime Minister's Office of Iraq Website. https://pmo.iq/?article=3532

Table 1. Advantages and Disadvantages of TSCs for the State

Advantages for the State	Disadvantages
The state retains full ownership of produced oil	The state bears greater financial risks if the project is costly
Clear costs and financial obligations	Company costs can be high if oil prices fall
Ease of oversight	

Source: Prepared by the author

Table 2. Advantages and Disadvantages of TSCs for Companies

Advantages for Companies	Disadvantages
Guaranteed fee regardless of price fluctuations or production volume	No share of oil or profits; only a fixed fee
Lower risk compared to PSCs	Lower profit potential if oil prices rise

Source: Prepared by the author

Constitutional and Economic Analysis of the Dispute

The oil dispute between the federal government and the Kurdistan Regional Government (KRG) largely stems from differing interpretations of the constitutional provisions governing oil wealth, particularly Articles 111 and 112 of the 2005 Constitution.

Article 111 establishes that oil and gas are the property of all the Iraqi people in all regions and governorates. This provision enshrines the principle of collective ownership of oil wealth, emphasizing that these resources belong to the nation as a whole.[20]

Article 112 addresses administration, stipulating that the federal government manages oil and gas extracted from existing fields in cooperation with the governments of producing regions and governorates, distributing revenues fairly in proportion to population, as regulated by law.

The dispute, however, extends beyond the text to the interpretation of the term "existing fields." The KRG contends that this refers only to fields that were active in 2005. Fields discovered or developed after that year, according to the KRG, do not fall under federal administration under this constitutional provision.

Another relevant provision is Article 115, which grants governorates and regions not integrated into a region legislative powers and stipulates that, in cases of conflict between federal and regional laws on matters not exclusively under federal jurisdiction, the regional law prevails. This too is a source of contention.

20. Assessment of the Impacts of the 2005 Iraqi Constitution on Society and the State. IDEA, International Governmental Organization, Sweden

From this perspective, the KRG maintains that it has constitutional legitimacy to contract directly with foreign oil companies and collect revenues from fields not producing in 2005, based on its interpretation of Articles 112 and 115. Conversely, the federal government rejects this interpretation, asserting that its authority includes managing exported oil and centralized exports, and arguing that some regional contracts conflict with the policy of a unified state.

The divergent interpretations between the federal government and the KRG can be traced to several factors:

1. **Interpretation of "existing fields":** The KRG argues this limits Baghdad's authority to fields producing at the time of the Constitution's adoption, while Baghdad contends this interpretation undermines unified oil policies and centralized export management, particularly since new fields may be strategically important for expanding production and exports.

2. **Competing legislative policies:** Under Article 115, regions have non-exclusive legislative authority in certain cases, especially where powers are not solely federal. The KRG uses this interpretation to justify passing and implementing its 2007 Oil and Gas Law (Law 22) without waiting for a federal law.

3. **Legislative vacuum:** A core source of the dispute is the absence of a mature, comprehensive federal oil law regulating field management and revenue distribution.

4. **Kurdistan Region stance:** The KRG asserts, in official declarations, that the Constitution grants it the right to manage its oil resources, and that Article 112 does not confer absolute supremacy to the federal government but requires joint administration with the Kurdistan Region.

5. **Federal Supreme Court decision (February 15, 2022):** The Court annulled the KRG's 2007 Oil and Gas Law (Law 22), ruling it unconstitutional. The judgment referenced several constitutional articles, including 110, 111, 112, 115, 121, and 130, and concluded that certain KRG practices exceeded constitutional allowances.

Thus, the dispute is not merely political but is embedded in the Constitution itself, arising from texts open to interpretation and compounded by weak legislative and executive coordination since 2005.

Economic and Administrative Implications of the Dispute

The oil dispute between Baghdad and Erbil extends beyond legal dimensions, producing significant economic and administrative effects on both oil production and national revenues.

❖ **Production Halt or Delays**

Key fields in the Kurdistan Region, such as Taq Taq, Tawke, and Bashiqa, have experienced project delays or partial export stoppages due to contractual and regulatory disputes. Since March 2023, some regional exports through the Ceyhan pipeline to Turkey were halted, reducing export flexibility and limiting the region's ability to sell production on global markets. These stoppages result in substantial revenue losses and missed investment opportunities.

❖ **Impact on Revenues**

The disputes between Baghdad and Erbil have resulted in direct financial losses for the Kurdistan Region, as production may be reduced or exports postponed. In addition, some practices involve allocating a share of production to oil companies instead of making cash payments, thereby creating an alternative revenue arrangement. Several documents indicate that a significant portion of production is provided to companies as in-kind compensation rather than direct cash payments, meaning that both Baghdad and the Kurdistan Region lose direct control over cash flows. The conflict also heightens legal risks and increases operating and investment costs, thereby weakening the ability to attract new investors or to expand production in existing fields.

Analysis of the New Oil Agreement and Its Financial and Administrative Effects

The agreement between Baghdad and Erbil requires the Kurdistan Region to transfer production to the State Organization for Marketing of Oil (SOMO), with foreign companies receiving compensation of $16 per barrel for costs and energy. This arrangement may help reduce legal friction by integrating the region into a more centralized mechanism for managing exports and revenues, enhancing SOMO's role, and limiting non-federal regional exports.

Financially, the agreement may ensure a more regular flow of revenues to the federal treasury while granting the region a fixed return for production transferred to SOMO, potentially reducing future disputes over revenue allocation and exports.

Administratively, implementing the agreement requires robust joint oversight, transparency, and a mutual commitment to monitor and audit contracts and oil flows. The absence of such mechanisms could reignite conflict. Additional risks include the temporary nature of the agreement, valid only until the end of 2025, and the possibility that falling oil prices could increase state losses.

Proposed Measures to Effectively Address the Baghdad-Erbil Oil Dispute

Short-Term Measures:

- **Contract Renegotiation:** Establish a joint federal-regional-company committee to review existing contracts, including those signed by the Kurdistan Region with foreign companies, ensuring compliance with the Constitution and financial transparency.

- **Fair Compensation Mechanism:** Implement a fair cost-determination system for the Kurdistan Region and companies, such as the $16 per barrel proposal, with independent auditing by neutral experts to assess actual production and transportation costs.

➢ **Legal Dispute Resolution Mechanism:** Create a permanent platform—parliamentary or judicial—between Baghdad and Erbil to resolve constitutional and financial disputes, ensuring enforceable decisions that can be executed promptly to prevent continuous escalation.

Long-Term Solutions:

- **Comprehensive Federal Oil Law:** Enact a clear federal oil and gas law regulating all aspects of production, export, revenue, and distribution, considering the interests of all regions, particularly Kurdistan. The law should define whether "new fields" fall under regional or federal administration and provide a fair mechanism for revenue sharing.

- **Constitutional Review:** Amend the Constitution to clarify ambiguous provisions, such as the term "existing" in Article 112, and strengthen clauses regarding joint revenue management.

- **Building Joint Institutions:** Establish federal-regional institutions, such as a Joint Oil Council, responsible for strategic planning, oversight, and global marketing of oil, ensuring technical participation from both sides.

- **Economic Diversification:** Although slightly beyond the oil sector, it is essential for the federal government and the Kurdistan Region to diversify income sources beyond oil, through investments in infrastructure, renewable energy, and tourism, thereby reducing dependency on oil wealth and mitigating ongoing conflicts.

Conclusion

The oil dispute between Baghdad and Erbil is not merely a resource disagreement; it reflects a fundamental conflict in interpreting the Iraqi Constitution and translating it into practice. Articles 111 and 112 provide a constitutional framework, yet conflicting interpretations, legislative gaps, and the practical application of oil contracts have fueled the dispute. Achieving a stable resolution is necessary not only for the region or the federal government but for Iraq's future as a unified state capable of managing its wealth responsibly and equitably. Without such a resolution, oil will remain a source of conflict rather than a unifying national resource.

For an Active state
and a participating society

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