

Make Iraq Independent of Iranian Energy

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Articles & Testimony

By letting previous waivers expire, the United States can help Baghdad establish other suppliers and stand on its own feet for the first time.

The Biden administration's last 120-day sanctions waiver that permits the export to Iraq of Iranian gas and electricity will expire on March 7, 2025. The Trump administration has signaled its intention to not sign the waivers again in the February 4, 2025 National Security Presidential Memorandum 2 (NSPM-2), which restarts the maximum pressure. Washington should let the waiver expire, because Iraq is now much closer to energy independence, and Iran is serially shutting off energy supplies to Iraq due to shortfalls within Iran. The U.S. should help Iraq stand on its own feet for the first time in the summer of 2025.

U.S. Sanctions Waivers on Iranian Energy Exports to Iraq

The National Defense Authorization Act (NDAA, the U.S. defense budget) in 2011 established sanctions against the Central Bank of Iran, albeit with "carve-outs" (waivers) for countries that had significantly reduced their purchases of Iranian crude oil or in cases where there was a prevailing U.S. national security interest.

Iraq, a major energy power which nevertheless is not self-sufficient in gas or electricity and relies on Iran to make up part of the shortfall, has been granted such a waiver for over a decade, including under the first Trump Administration. Iraq was seen as vulnerable to the shut-off of Iranian electricity imports (around 1.2 Gigawatts or GW) and gas imports that allowed the generation of an additional 8.8 GW of power in Iraqi generators. When the first Trump administration grudgingly issued sanctions waivers, even during their maximum pressure campaign, this 10 GW represented 40% of peak Iraqi power generation.

Uncertain Iranian Supply, Greater Iraqi Self-Reliance

Today the picture is arguably different. Iraq is aiming to produce 28 GW of available power in the peak demand season of summer 2025, which will still only meet 60-75% of total peak demand. Yet Iran's contribution is no longer

the huge 40% of Iraqi generation. Of the 10 GW Iran used to provide, the amount recently dropped to just 1.5 GW, as Iran chose to shut-off two-thirds of electricity exports to Iraq and a whopping 85% of the gas it had committed to provide in the winter of 2024-2025. Iran is likely to again cut energy supplies to Iraq in the summer of 2025.

Iran's unilateral suspension of power and gas imports in 2024 shows just how simple it would be for Iraq to replace most of those supplies today. Iraq only lost 5.2 GW of power last winter because it had not made preparations to replace Iranian supplies by burning greater quantities of available crude and fuel oil, plus light diesel oil. Even then, Iraq did salvage 3.3 GW with no advance notice just by switching parts of three plants to Iraqi liquid fuel.

If Iraq were prepared for such a switch this coming summer, as much as 8.1 GW of 8.8 GW of Iranian-fueled generation could be converted to liquid feedstock, most of which sits in Iraq's own inventory. One reason that fuel oil may not have been diverted to power generation is precisely because Iran-backed, U.S.-designated Iraqi terrorist organizations have earmarked that fuel oil for their well-documented oil smuggling operations to international markets.

Choices for U.S. Policy-Makers

The obliteration of Iran's threat network— Hamas, Hezbollah, the Assad regime—plus Iran's air defenses mean that there is finally a chance to loosen Iran's grip on Iraq—but only if momentum is maintained. Right now, Iraqi leaders are waiting for a sign that the Trump administration has a different and stronger Iraq policy than the Biden team. Many important issues pivot on the perceptions of the Iran-backed militias who run Iraq: should they release hostages who the Trump team is trying to free, should they honor contracts signed with US investors in Iraqi Kurdistan, should Iraq import American natural gas or Iranian gas, and should Iraq remove the arrest warrant against President Trump himself for ordering the killing of terrorist leaders on Iraqi soil?

The Trump administration's National Security Presidential Memorandum 2 (NSPM-2) explicitly states that "The Secretary of State shall modify or rescind sanctions waivers, particularly those that provide Iran any degree of economic or financial relief." Whether the Trump team executes this policy, or falls at the first hurdle, is now the issue at hand.

There has never been a more logical time to push Iraq over the finish line of energy independence from Iran. If Iraq switches to liquid fuel feedstock for a period of months, then summertime dependence on Iran could fall to as little as 4% (not 40%) of peak power generation. This can insulate Iraq from the effects of Iranian undersupply by shifting to Iraqi feedstock.

The threat of waiver denial (and Iran's own undersupply) is spurring Iraq, for the first time, to move quickly to replace Iranian energy—accelerating plans to import Saudi Arabian electricity, and to bring in modular electricity generation barges and LNG import vessels to Iraq's coastline. This trend must be further encouraged and supported, for Iraq's benefit as much as for America's national interest. The expiry of the sanctions waivers on March 7 can begin to free Iraq from Iran's grip. It should be accompanied by a surge of informational materials to the Iraqi public that demonstrate the growing unreliability and high cost of Iranian energy supplies and the urgent need to finally reduce dependence on Iran.

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