

In Search of a New Patron, the KRG Turns Back to Moscow

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Brief Analysis

As the Iraqi Kurds reach out to Russia, the Kremlin's sway over their politics and energy resources is growing.

On May 25, during the annual St. Petersburg International Economic Forum, representatives of the Kurdistan Regional Government and Russian energy giant Rosneft signed a new agreement to develop the KRG's natural gas infrastructure. Building on a previous deal signed at last year's forum, Rosneft agreed to construct a gas pipeline to Turkey with a capacity of 30 billion cubic meters per year, significantly expanding Moscow's reach in the Middle East energy sector. Speaking at a press conference on June 7, President Vladimir Putin emphasized that the contracts with the KRG are "promising" and "far-reaching."

Too weak and fragmented to be Iraq's kingmakers, the Kurds are searching for a new patron given what they see as the absence of a coherent U.S. strategy in the Middle East. On May 9, KRG prime minister Nechirvan Barzani set aside campaigning for Iraq's imminent parliamentary elections and went to Moscow at the invitation of Rosneft CEO Igor Sechin, a close and powerful associate of Putin. Previously, KRG president Masoud Barzani warned in November that he was "going to have a very serious revising of the relationship" with Washington, and the Kremlin is more than willing to help him carry out this shift. Through such outreach, President Barzani may be attempting to rekindle a historical partnership that peaked during his father's uprising in the 1940s.

RUSSIA AND THE KURDISH REFERENDUM

The KRG is now the weakest it has been since the 2003 Iraq war, largely due to the ill-timed **independence referendum it held last September (<http://www.washingtoninstitute.org/policy-analysis/view/the-urgent-u.s.-role-in-post-referendum-kurdistan>)**. Emboldened by regional and international opposition to the vote—which had doomed the initiative from the start—the Iraqi government forcibly recovered half of the territory and oil production capacity the KRG had gained since the Islamic State offensive began in 2014. Barzani’s traditional friends in the West, including Washington, essentially stood aside amid Baghdad’s power move. Russia took a more nuanced position on the referendum, stating at the time that it “respects the national aspirations of the Kurds” and believes that disputes between Baghdad and Erbil “can and should be resolved through constructive and respectful dialogue with a view to devising a mutually acceptable formula of coexistence within a single Iraqi state.” Although Washington made very similar statements, it also actively lobbied against the referendum, while Moscow remained publicly neutral. Russia’s approach played to its favor, giving it greater flexibility with the Kurds in the vote’s tense aftermath.

MOSCOW’S RETURN TO IRAQ AND KURDISTAN

In 2003, the new Iraqi government annulled many major energy contracts previously signed with Moscow under Saddam Hussein’s regime, but Russian companies have been brokering new ones ever since. Lukoil and Gazprom Neft entered the KRG energy market in 2012 and subsequently won a number of contracts for developing oil fields and other projects, spurring Barzani to visit Moscow for the first time soon thereafter.

Later, American firms such as ExxonMobil and Chevron began to decrease their footprint in the KRG’s oil and gas sector in 2015 due to security concerns over the Islamic State, in addition to geological and contractual difficulties. To fill this vacuum, the KRG invited more Russian firms—which, thanks to heavy state involvement, are less encumbered by political and economic risks than Western companies. As such, Rosneft signed oil contracts with both the Iraqi government and the KRG, despite being under Western sanctions since Russia’s invasion of Ukraine. From a purely economic standpoint, Moscow’s decision seems to make little sense, until one considers that Putin views energy deals primarily as a foreign policy tool. Since February 2017, Rosneft has lent the Iraqi Kurds about \$3.5 billion, signed contracts to develop five oil production blocks, and invested in the KRG’s oil and gas export infrastructure. Furthermore, Gazprom Neft is now developing three oil blocks. Such broad energy access will likely give Moscow at least some leverage over KRG politics, and perhaps wider regional affairs as well.

As Moscow seemingly pivots from Baghdad to Erbil, it is important to remember that its relationship with the Kurds goes back about two hundred years. Russia understood their importance during the days of Catherine the Great and began acting as their patron—while cynically using them toward its own ends. This pattern is apparently rematerializing with Putin.

PIPELINE POLITICS

As a precursor to full sovereignty, KRG leaders have used the oil and gas industry to bolster their drive toward an independent economy. In the process, however, they experienced a severe financial crunch, having amassed debt to a slew of oil companies and creditors. In August 2017, Rosneft stepped in and helped them settle one of their major disputes—an international arbitration case with the Emirati/Iraqi company Dana Gas that had cost the KRG a billion dollars and was slated to cost them billions more.

Moreover, Rosneft now has a majority stake in the KRG’s oil export industry and has promised to build a gas pipeline to Turkey. This could allow Moscow to inject itself into the KRG’s energy relationship with Ankara, boosting Russia’s geostrategic standing in the wider region. The Kremlin now has at least some leverage over Turkey’s efforts to become an energy hub, effectively inhibiting its potential as **an alternative to the Russian monopoly over European**

energy markets (<http://www.washingtoninstitute.org/policy-analysis/view/iraqs-energy-future-lies-to-the-north>).

Iraqi officials contest the KRG's legal right to export oil, but Baghdad's own export options for the large northern oil fields are limited: it must either use the KRG's pipeline or refurbish the Kirkuk line that was knocked out of service by Islamic State sabotage efforts. Now that Rosneft has a 60 percent stake in the KRG line, it may be able to help the Kurds deter Baghdad from the second option, which would require a great deal of time and money. In so doing, Barzani might save his main legacy—the KRG's nascent energy sector—from full surrender to the central government.

By dealing with Moscow, the Kurds seem to be taking cues from neighboring powers. Rosneft is at the forefront of expanding Russia's footprint in the wider regional energy scene, eyeing Iran, Algeria, and Egypt as potential partners. Cutting deals with Russia also helps the KRG diversify its foreign relations to make up for lost favor in Washington and Ankara. Furthermore, the Kurdish presence in the Iraqi government is slated to dwindle once the dust settles from the May 12 elections (<http://www.washingtoninstitute.org/policy-analysis/view/recount-will-test-the-integrity-of-iraqs-elections>), so Moscow could help the KRG regain some leverage in Baghdad.

THE RISKS OF PIVOTING TO RUSSIA

The United States and Turkey have long been crucial patrons to the KRG. Iraqi Kurds have depended on U.S. military assistance and financial aid to the Peshmerga for security, while their economy has depended on Turkey helping them export oil despite Baghdad's objections. Although Russia has bought itself a seat at the table, its usefulness to the KRG's goals is yet to be tested.

In recent years, Iraqi Kurdistan has strategically parlayed its oil and gas industry to attract powerful nations as a safeguard against Baghdad. Thus, its rationale for pivoting to Russia is not surprising—other American allies, including Israel, have found themselves turning to Moscow for help on various regional problems of late. With the United States distracted by the collapsing Iran deal, the Syria war, and the North Korea negotiations, the KRG felt the need to engage with an increasingly assertive Russia.

But Erbil needs to be careful about its choice of bedfellows in the longer term. Russia has always used the Kurds toward its own ends, not out of genuine support for their cause of independence (in part because that cause could set a dangerous precedent for other minorities in the post-Soviet space). In Syria, Moscow allowed Turkey to attack Kurdish forces and drive them from Afrin. And in Iraq, Russian energy companies may be using their operations in the KRG as a mere temporary lever to pry better contract terms out of Baghdad. Embracing internationally sanctioned Russian firms also goes against the aspirations of the Kurdish electorate, who have called for better governance and economic reform. More broadly, unlike the United States, Moscow has no regard for rule of law and human rights, so its patronage could be bad news for the Kurdish public.

In Washington, some officials may not consider rapprochement with the KRG to be urgent now that the fight against the Islamic State is winding down, especially given Erbil's decision to ignore U.S. warnings about the referendum. Yet they should understand that as long as the future U.S. role in the Middle East remains unclear, more local actors will look to Russia as the main alternative for their survival, at potentially great harm to long-term U.S. interests.

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