

1.1.2 Relations between Baghdad and Erbil

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During the reference period, relations between the federal government in Baghdad and the Kurdistan Regional Government (KRG) in Erbil remained strained, shaped by enduring political, territorial, and financial disputes.36

A longstanding source of contention has been the allocation of federal budget funds and the management of oil revenues.37 Since the suspension of oil exports through the Kurdistan pipeline to Türkiye's Ceyhan port in 2023, financial tensions have intensified. Erbil has since received only partial budgetary transfers in the form of monthly advances, rather than the full payment. 38 This has led to prolonged salary delays and suspensions for civil servants in the Kurdistan Region, including a full halt to payments in May 2025. 39 The Iraqi Minister of Finance, Taif Sami, justified the suspension by asserting that the KRG had exceeded its budget allocation and failed to transfer agreed oil and non-oil revenues to the federal treasury.40

The oil and gas sector remains a central point of dispute. The KRG has criticised the federal government for attempting to exert control over hydrocarbon resources in disputed territories without consultation, which it views as an infringement on its constitutional rights.41 Conversely, the federal Ministry of Oil has rejected recent contracts signed by the KRG with US-based companies, deeming them illegal and in contravention of federal law,42 and has accused the regional government of persistently smuggling oil out of the country, threatening legal actions.43

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