Mechanisms for Concluding Oil Contracts in the Kurdistan Region Government (KRG) under the International Law and Iraqi Legal System

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Abstract: The adoption of the new Iraqi constitution, a federal, republican, representative, and democratic system had an impact on the distribution of competencies and powers between the center and the regions. What concerns us here is an issue, who is the authority authorized to conclude contracts related to oil wealth in accordance with this constitution? The new constitution has dealt with the exploitation of oil wealth as the most important natural wealth of the country - explicitly through articles (111) and (112), and Article (112) stipulates that the exploitation of this wealth is through the issuance of a law that regulates the mechanism of exploitation. So far to regulate the provisions of exploitation of this wealth - because of differences between the political blocs on it. Ratification of the majority of the rights of the people of Kurdistan from the permanent constitution of 2005, including the rights of people to the natural resources, especially oil and gas, in two articles (111,112), but until now it will not settle this problem to determine the stake of the Kurdish people and the existence of continuing conflict between the Kurdistan Region and the center in how to manage oil and gas. This research investigates the legitimacy and authority of the Kurdistan Regional Government and its people to invest and conclude oil and gas contracts in accordance with the constitutional framework, laws, decisions, international, Iraqi and Kurdish agreements and treaties to solve this problem.

Keywords: Oil and Gas Contracts, Kurdistan Regional Government (KRG), Natural Wealth, Natural Resources

INTRODUCTION

In the texts of their constitutions, the federal states dealt with the issue of wealth sharing between the central government and the governments of its constituent units, whether they are states, regions, cantons, etc. The constitutions of these countries differ in how competencies are distributed according to the way in which the state was established.

In the federal states that were formed as a result of the union of independent states, it is noticed that the texts of their federal constitutions specify some powers for the central government and leave the remainder to the state governments, and in the federal states that were formed from the disintegration of a simple state, their constitutional texts define the powers of the states and leave what remains to the central government, and there are federal states that gave its constitutional texts provide a measure of balance for both levels of government in their sharing of the state’s wealth.

The adoption of the federal system in Iraq in the constitution of 2005 is one of the most important legal and political developments that have brought about fundamental changes in the structure of the political and legal system in Iraq, and what distinguishes this system is that it preserved the unity of the national fabric while it recognized Kurdistan as a region with its legislative, executive and judicial powers.

In fact, by extrapolating the tangible results, the new federal rule experience in Iraq has achieved - for some time - relatively stability at most levels, and paved the way for building a democratic civil state in the Middle East, in which the Arabs and the Kurds are real partners in building homeland. This experience was based mainly on the 2005 Constitution, which included everything that would achieve what we referred to - regardless of the presence of some gaps - but the problem began to appear, after those in charge of power disagreed regarding the interpretation of the articles of the constitution, the conflict began between the federal government Which tried to impose its control over the farthest thing stipulated in the constitution, and the Kurdistan Regional Government, which sought to expand the powers and privileges that came in the constitution in its favor, and also after the ratification of a permanent constitution in 2005, including the rights of our people to natural resources, especially oil and gas, in two articles (111, 112), but even now it has not reached a permanent agreement to determine the share of the Kurdish people and the existence of disagreements and problems
between the region and the center in how to manage oil and gas issues. We aim through this research to know
the authority of the Kurdistan Regional Government and its people to invest and conclude oil and gas contracts
in accordance with the framework of the constitution, laws, resolution, agreement and international, Iraqi and
Kurdish treaties to solve this problem. In view of the continuing differences between the federal government and
the Kurdish Regional Authority regarding investment contracts related to oil and gas, it is necessary to clarify
the authority of the Kurdistan Region to conclude this type of contract, and how the international and national
legal system stands for these contracts.

1. Ownership of oil wealth and the methods used in concluding its contracts in domestic and
international laws.

Fully sovereign states have the right to regulate the ownership, exploitation and marketing of their natural
resources and wealth (ownership of the natural resources located in the ground belongs to the state, regardless of
who owns the land), and therefore we will divide this topic into two demands, the first is the ownership of oil
wealth in national legislation and the second arising disputes on the sharing of wealth in Iraq related to oil and
gas wealth as follows:

The first requirement
ownership of oil wealth in national legislation
By the percentage of ownership of oil and gas wealth, perhaps the Iraqi constitution in force of 2005 is the first
constitution to record this right for Iraqis, which was not mentioned in any previous constitution, whether the
constitutions were written by Iraqis such as the permanent constitution of Iraq (the Basic Law) of 1925 and the
series of temporary constitutions for the years 1958 and 1964 1968. And 1970 and the draft constitution of Iraq
for the year 1991 (after the popular uprising) as well as the law of administration of the Iraqi state for the
transitional period signed by the members of the Governing Council on March 8, 2004, or the constitutions
enacted on it such as the Ottoman Constitution of 1867 or the executive regulations written by the British ruler
of Iraq in 1920. This requirement is divided into two branches as follows:

1.1. ownership of oil wealth in the permanent Iraqi constitution 2005:
Article (111) of the 2005 constitution, which deals with the ownership of oil and gas in Iraq, stipulates that: “Oil
and gas are the property of the Iraqi people in all regions and governorates.” This text is consistent with the
direction of general international law, which considers natural resources the property of the people, not the
property of the Rulers, and the state is nothing but a tool for management, distribution and development
This is what was confirmed by United Nations resolutions, including its Resolution No. 1803 of 12/14/1962
under the title (Permanent Sovereignty over Natural Resources) which emphasized the necessity of respecting
the right of peoples and nations to permanent sovereignty over their wealth and natural resources in accordance
with the interest of their national development and the welfare of the nation's people. Concerned, the decision
also stressed the observance of goodwill in the compliance of states with agreements related to foreign
investment regarding natural resources. Since then, international charters, covenants and agreements have
affirmed the right of peoples to pursue their own goals by freely disposing of their wealth and natural resources.
Under no circumstances may any people be deprived of their own livelihood and welfare.
Despite the apparent clarity in the text of Article 111, the jurisprudence was divided into different opinions
about it, the opinion of one party is that oil and gas ownership is the for all the Iraqi people in all their regions,
governorates and all sects, but they have directed some criticisms about this text that can be summarized as
Follows:
The right of ownership is a real and original right that must be devoted to a legal, natural or legal person, and
since the Iraqi people do not have a legal personality, therefore, assigning the right to ownership of oil and gas
to it is considered legal. The real ownership is for the state as a legal person according to the provisions of
Article (47) of the Iraqi Civil Law No. (40) of 1951. Article (1048) of the Iraqi Civil Law No. (40) of 1951
stipulated that (the full ownership would be disposed by the owner. Absolutely disposing of what he owns in
kind, benefit and exploitation, so he benefits from the owned wells, its fruit, and its products, he acts on its own
Wells with all permissible acts.

Opinion of Second Party
This team agrees with the opinion of the first party that oil and gas are of all the Iraqi people, but it classifies
this ownership into two categories: ownership of current fields and ownership of future fields. He agrees with
the first team's opinion on current fields and disagrees with him on future fields. Where he believes that the
ownership of future fields differs from the ownership of the current fields in terms of the method of distributing
the revenues of these fields, as the provisions mentioned in Paragraph 1 of Article 112 do not apply to them
because the provisions of this paragraph only go to the current fields without the future fields, and he believes
that the share of the region and the governorate must be determined. In agreement with the Federal Government
without being bound by the provisions of Paragraph 1 of Article 112. In the sense that a specific share is allocated to the producing region or the producing province without being bound by the provisions of the first paragraph of Article 112 We, in turn, prefer the first opinion for the following reasons:

According to this law, the Kurdistan Regional Government has the authority to conclude oil and gas contracts because it is a federal region and part of the Iraqi state in accordance with the permanent constitution, and it has the authority to exploit and invest natural resources because it is constitutional, legal, is mandated and authorized representative of the Kurdistan Parliament.

Also, it was stated in the Iraqi Oil and Gas Bill of 2007 (that the ownership of oil and gas belongs to all the Iraqi people in all the regions and governorates)

(The natural resources of Iraq that belong to all the people of the regions and governorates in Iraq. . . The revenue resulting from this wealth is distributed through the public budget equitably, commensurate with the population distribution throughout the country)

1.2. ownership of oil wealth in other countries constitutions:

The wealth is divided between the Federal power and the power of the states: Examples include the Constitution of Nigeria in 1960 AD, the Constitution of 1963 AD, 50% of the revenues of the oil wealth of the states were allocated, and the Constitution of the Russian Federation of 1993 AD, Article 72 in which it states (the joint jurisdiction between the Russian Federation and the people of Federal Republics), and in Sudan before its division into two states in 2011 AD, the Sudanese wealth-sharing document was signed on 11/17/2004 AD, between the Sudanese government and the Sudan People's Liberation Movement, if it was mentioned in Article 1 (the wealth of Sudan is divided in an equal manner in a way that is possible for all levels &Ranks of government to implement its legal and constitutional responsibilities and duties, and that this document gave 50% of the oil to the southern government (The experiences of the federal states in the ownership of oil wealth, such as the Constitution of Nigeria, Russia, Sudan ), the powers that the constitution does not assign to the Federated States as a whole and does not withhold them from the states (individually) are reserved for each of these states or for the people. The natural Resources in the entire Region, is owned by the public ownership of that Region, and society is based on its preservation and good exploitation for the benefit of the national economy.

- AD 123, the Constitution of the United Arab Emirates of 1996), there are economic guarantees stipulated in the new Iraqi constitution, as the ownership and management of oil fields, the current resolution, as well as the distribution of its revenues, have been dealt constitutionally in Articles 111 and 112, and we are not here to discuss the contents of the articles as much as an attempt to focus on the fair distribution of the revenues to the people, while using the criteria included in the paragraph: the criterion of population density and the criterion of deprivation that affected the governorates and regions by the previous regime and the criterion of the damage that was caused to it after that. What is also important in this paragraph is that these constitutionally mentioned criteria in the distribution of revenues must lead to achieving balanced development of the different regions in the country, therefore, wealth returns must achieve a developmental balance without discrimination throughout the country, this balance in development becomes the main body in ensuring the distribution of revenues in a manner that ensures the allocation of a fair share to the regions and governorates sufficient to carry out their duties and responsibilities, taking into consideration their resources, needs and the proportion of the population in them, as it is been indicated, in paragraph 3 of Article 121 of the Constitution.

This type of policy is compatible with the demands of the Kurds, as they have expressed their desire for the national income to be divided between the regions, including oil income, according to the population census. After the change of the political system in Iraq in 2003, a new phase of Iraqi oil investment began. The natural resources of Iraq, which belong to all the people of the regions and governorates in Iraq. . . the revenues resulting from this wealth is distributed through the general budget in an equitable manner, commensurate with the population distribution throughout the country, the ruling of the federal Iraqi constitution differs regarding the various natural resources. We will deal here with the ruling on all minerals except gas and oil, where we singled out a single issue for them because of their importance, Minerals other than oil and gas: Article (115) of this constitution stipulates that (everything not stipulated in the exclusive powers of the federal authorities shall be within the jurisdiction of the regions and governorates that are not organized in s territory or Region... etc.).

Here, the first possibility is likely, because there is no effort in the text resource, but we must analyze the concept of ownership here, so does it mean ownership as it is known in private law as it is a direct authority of the owner over the property it with its three elements: use, exploitation and disposition? Or is what is meant by this is to emphasize the necessity of putting the oil and gas wealth in the service of the Iraqi people and allocating their revenues for their benefit, prosperity and progress, not to be as they were during the time of the previous regime by the hand of a small group that used them for their own benefit, to achieve their own goals and disperse it as they wish? The text came as a reaction to the situation prevailing under the outdated regimes and their reckless policies. This interpretation supports what was stated in Paragraph (First) of Article (112)
regarding the assertion that income to be distributed fairly and that the population distribution is taken into account as well as the previous deprivation, on the one hand.

1.3. the constitutional and legal articles that dealt with the issue of oil wealth after 2003:
This section deals with the most important constitutional problems related to the distribution of powers between the federal government and the regional government which led to tension in the relationship between the two parties, it is the problem of oil and gas wealth and the reasons behind these problems:

First: the problem of oil and gas wealth
Oil and gas wealth is an important national resource for the state, and for the federal countries, they are keen to stabilize them
How to exploit, manage, produce and distribute this wealth is in the Federal Constitution, so we find that the Iraqi Constitution of 2005 has devoted two articles (111 and 112) to treat oil and gas wealth, as Article 111 of the constitution states that (oil and gas are the property of all the Iraqi people in all regions and governorates) Article 112 of the Constitution stipulates the following from Paragraph First, and during the interpretation of these two articles we notice an overlap in some powers between the federal government and the Kurdistan Regional Government, which has created many problems (Dalawer, 2010). Nor are the joint competencies, but the expressions contained therein indicate that the authorities contained therein are among the common competencies, and the text of the first paragraph of Article (112) means that the management of oil and gas extracted from the fields that were produced before the implementation of the Iraqi constitution is shared between the federal government and the regions governorates. Other than that, the governments of the producing regions and governorates are the ones with the competence to extract oil in the fields that were explored after the entry into force of the constitution, given the importance of these wealth. In the federal states, both the federal and regional authorities try hard to control them or exploit them for their benefit. When drafting the constitutions of the federal states and as a result of the difference or agreement of interests between the federal government and state governments, both levels of government waive part of their privileges for the sake of the state's permanence. Federalism as a whole. The constitution defines the basis for the distribution of these powers and wealth, so the federal government is independent with some powers, and the states are also independent with powers, which means that the constitution is a guide for the distribution of competencies between the federal government and local governments. Oil or petroleum was and still is the focus of human attention, so the twentieth century was called the era of petroleum. The difference in visions in this file is purely constitutional and legal and not a political one. The federal government in Baghdad believes that the powers to develop oil fields, marketing and export operations are confined to the Federal Ministry of Oil according to the laws in force under Article 130 of the Iraqi constitution and even the enactment of a new federal law that mimics the federal practice in this regard, while the Kurdistan Regional Government believes that the region has the right to develop the fields And marketing of oil and gas without returning to the federal government, according to Law 22 of the year 2007 enacted by the region.

2. disputes arising from wealth sharing in Iraq related to oil and gas wealth
The 2005 constitution of Iraq addressed the issue of sharing natural resources, the most important of which is oil and gas wealth, in Article 111, which indicated that oil and gas belong to all the Iraqi people. As well as Article (112) which gave the federal government the right to manage the oil and gas extracted from the current fields, in cooperation with the governments of the producing regions and governorates, as well as distributing the revenues of these two wealth to the regions and governorates in proportion to the population distribution in Iraq, and setting a quota for a specific period for the affected regions, which was deprived unfairly by the previous regime, which was subsequently damaged, and indicated that these matters would be regulated by a law issued after that.

However, these constitutional articles were the reason for stirring up many disputes, especially between the federal government and the Kurdistan Regional Government, as they were formulated in an unclear and inaccurate manner, which opened the door to many interpretations of them by both sides of the government in Iraq. Hence, many disputes arose over the process of wealth sharing between the central government and the regions and governorates, especially with regard to oil and gas wealth, and the contracts concluded by the Kurdistan Regional Government with foreign investment companies. Therefore, this requirement will be divided into two branches:
The first branch: disputes related to the management and investment of oil and gas.

3.2. oil and gas investment contracts in the Kurdistan region.
The first branch: disputes related to the management and investment of oil and gas
The oil contracts concluded by the Kurdistan Regional Government with foreign companies have raised many disputes between the central government and the Kurdistan Regional Government, especially the issue of competence in concluding these contracts based on the 2005 constitution of Iraq, and this caused a state of
instability and misunderstanding, the situation worsened from mere formal differences. On the interpretation of constitutional texts into a political crisis that is often raised by the central government, despite the fact that the Constitution of Iraq of 2005 AD had been stipulated in Article (141) that all contracts concluded by the Kurdistan Regional Government shall be effective with retroactive effect dating back to the year 1992 AD, but the central government did not understand, did not accept this matter, and did not abide by it, despite the fact that this matter was explicitly stated in the Federal Constitution. Therefore, it is necessary to refer to the articles of the Iraqi constitution for the year 2005 that dealt with this matter as follows:

First: Drawing up oil policy and managing oil and gas extracted from the current fields

Article (112) in its two paragraphs referred to the participation of the Federal government, the regions and governorates in exercise of the jurisdiction contained in the word (together), which makes it objectively among the common competencies, because it is formally not suitable to be weighted within the exclusive powers mentioned in Article (110) in its nine paragraphs and cannot be counted remaining jurisdiction, as the governments of the regions or governorates that were not organized into a region have singled out this jurisdiction.

And before going into the details of discussing this jurisdiction, if the above opinion is correct that Article (112) is a joint jurisdiction, it will undoubtedly be governed by the deficiency of Article (115), in that the priority in it is the law of the regions and governorates that are not organized in a region in case of disagreement between them.

Second: Drawing up oil policy and managing oil and gas extracted from future fields

Article (112) which assigns the management of extracted oil and gas to the federal government with the governments of the regions and governorates is limited to current fields only and does not extend to future fields (- Ismail Alwan Al-Tamimi, The Most Important Problems of the Iraqi State for the Post-Implementation Period of the 2005 Constitution, Civilized Dialogue - Issue: 5882 - 5/24/2018 - 15:25, http://www. ahewar. org/debat/show. art. asp.). The researcher believes that the role of the federal government in managing oil and gas in the regions and governorates is limited to the current fields, so the regions and governorates are unique in managing oil and gas in the fields in which they began to extract oil from, after the implementation of the 2005 constitution without the participation of the federal government. From Article (112), the role of the federal government is limited to formulating the strategic policies needed to develop oil and gas wealth in future fields, in partnership with the regions and governorates, and the role of the federal government does not extend to implementing these policies, that is, the federal government does not have the right to participate in managing oil and gas in these fields, as it is considered a private affair for the regions and governorates.

3.2. oil and gas investment contracts in the Kurdistan region

The Kurdistan Regional Government has concluded contracts for the management and investment of crude oil based on Article (141) of the Federal Constitution, therefore, all the contracts concluded by the regional government since the date of 1992 are in effect and are in conformity with Article 112 of the Constitution. It is not permissible to rely on the text of Article (110) and Article (111) when dealing with these contracts, as Article (111) must be read in the context of Article (115) of the Constitution. This Article (112) did not mention the future fields that are understood from the constitutional text, is that it will be exclusively one of the powers of the Kurdistan Regional Government in the areas in which it will be discovered in the region. The researcher believes that Article (112) gives all the right to the Kurdistan Regional Government to conclude future oil and gas contracts, and to manage the current oil fields from which the oil is extracted. Article (112) of the Constitution of Iraq for the year 2005 AD explicitly stipulates the management of the current oil fields jointly between the central government, the Kurdistan Regional Government and the producing provinces.

The central government objected that the regional government entered into some investment contracts with foreign companies in contravention of the provisions of the Iraqi constitution of 2005. However, on the contrary, the oil contracts concluded between the Kurdistan Regional Government and between the oil companies, whether foreign or local, are considered within the internal law contracts (administrative), including the Kurdistan Regional Government’s contract with Exxon Mobil and others, despite the central government's demand from United States, these attempts did not succeed, because the decisive factor in resolving these matters is the Iraqi constitution in force based on Article 115 thereof disputes have also reached a climax between the central government and Kurdistan over these contracts concluded by the regional government with international oil companies, especially when the regional government announced in 2011 that it had awarded six contracts for oil exploration and production to (Exxon Mobil), which is considered the largest oil company in the world. The central authority claimed its right to conclude these contracts instead of the Kurdistan Regional Government, and considered this matter a violation of Iraqi laws.

The central government also lodged a protest that the oil contracts signed between the Ministry of Natural Resources in the Kurdistan Region and foreign companies are in violation of the constitution, and objected that relying on the type of contracts concluded by the Kurdistan Regional Government, considering that they are participation contracts in the current situation in Iraq, with companies that risk their money, Therefore, these
contracts are legal, legitimate and constitutional, and the legality of these contracts depends on the extent to which their terms and clauses conform to the Kurdistan Region Oil and Gas Law No. 22 of 2007, which does not contradict the Iraqi constitution. Among the evidences for the Kurdistan Regional Government’s right to conclude oil and gas contracts are the following:

3.2.1. The validity of the contracts concluded by the Kurdistan Regional Government since 1992:
According to Article (141) of the 2005 Constitution of Iraq, all the contracts concluded by the Kurdistan Regional Government from 1992 to 2005, when the federal constitution was drawn up, are enforceable with the text of the federal constitution, meaning that it explicitly recognized the authority of the Kurdistan region to conclude contracts, if it becomes evident We have the text of the article that the Kurdistan Regional Government has full competence, authority and competence to conclude such contracts.

3.2.2. The region’s eligibility to conclude oil and gas contracts based on the constitution:
The 2005 constitution of Iraq addresses the capacity of the Kurdistan Regional Government to manage oil and gas in cooperation with the central government in Article (112 / First). In the event of its issuance and its contradiction with regional law, it will clash with the text of Article (115) of the constitution, which states that all Unless agreed upon in the exclusive powers of the federal authorities, the joint powers between the federal government and the regions, the primacy is for the law of that regions or governorate that is not been organized in a region in case of disagreement between them.
The Iraqi Constitution of 2005 specified in Article (121 / Paragraphs First, Second, and Third) the powers of the Kurdistan Regional Government (KRG) the right to exercise legislative, executive and judicial powers and amend the application of federal law in the region and allocate to the regions and governorates a fair share of the federally collected revenues (Kurdistan, 2017.). Article (112) did not address the fields discovered in the region’s lands after the constitution entered into force in 2005 (future fields), which is implicitly understood from the constitution that oil contracts are one of the powers of the Kurdistan Region and have full capacity to conclude them with regard to future fields discovered in the region’s lands, as witnessed Kurdistan Region has made major developments at various economic, political, social and other levels, as the region’s government concluded contracts for oil exploration, extraction and production in the region’s lands, based on the provisions of the constitution.

3.2.3. Administrative Adjustment of Oil and Gas Investment Contracts:
Administrative contracts are the contracts in which the administration is a party, and it is related to the activity of a public utility, provided that the administrative contract includes exceptional conditions not usual in private law. And if we look at these three conditions that were formulated by the French State Council to consider the contract an administrative contract, we find that the oil and gas investment contracts that the Kurdistan Regional Government signed meet these three conditions. As one of the parties to the contract must be the administration or one of the institutions affiliated with it, we find that one of the contracting parties is the Kurdistan Regional Government represented by the Ministry of Natural Resources as one of its institutions, and in that the administrative contracts must be related to the activity of a public utility, the oil utility It is considered one of the economic facilities in the country, and it is one of the vital facilities in oil-producing countries. Oil contracts contain exceptional conditions, including the granting of the foreign company with the concession exceptional powers in the face of others. It is clear from the compatibility of these conditions that must be met in the administrative contracts that these contracts are within the validity of the Kurdistan Regional Government, so that it has full capacity to conclude these contracts.

3.2.4. The opinion of specialists in the eligibility of the Kurdistan Region regarding the conclusion of oil contracts:
James Crawford, Professor of International Law, Head of the (Lauterbach) Center for Research in the Field of Law at the University of Cambridge, went on to say that the text of Article (112) refers to the regulation of oil and gas extracted from (current) fields and grants authority to the federal government to manage oil and gas fields in conjunction with the Kurdistan Regional Government and the joint administration includes oil and gas after their extraction, and thus the extraction and production process is incorrect if it is outside the joint powers, and the revenues of the current fields must be distributed fairly, as the fields that will be discovered after the implementation of the constitution are not considered current fields, but are future fields, the oil and gas extracted from them fall outside the scope of Article (112), thus the management of these fields is exclusively vested in the Kurdistan Regional Government (- James Crawford, The Kurdistan Regional Government's Power Over Oil and Gas Under the Iraqi Constitution, 1st Edition, Lauterbach Center for International Law, Cambridge University, London, 2008, pg. )

In this regard, Mrs. Valery Marcel, a specialist in oil affairs at the (Royal Institute for International Affairs) in Britain, told Al-Sharq al-Awsat newspaper that one of the outstanding problems between the central government
and the Kurdistan Regional Government is the problem of transporting and exporting oil from the Kurdistan region, where the central government demands that oil is transported through Iraqi oil pipelines, and even exporting it through trucks in small quantities must be in cooperation with neighboring countries. However, the point of disagreement between the Iraqi government in its negotiations with the Kurdistan Regional Government is the means of transporting oil, and said that the Iraqi government’s proposal to transport oil for the sake of exporting it through Iraqi territory (outside the Kurdistan region) that is heading to Turkey (the port of Ceyhan) is a far-fetched proposition, which aims to influence the independence of the financial region, and therefore this matter may impede the export of oil if the export formula is not agreed. About the constitutionality of the contracts concluded in the Kurdistan region. Dr. Munther Al-Fadl believes that (oil contracts for the Kurdistan Regional Government are valid according to the Iraqi constitution. Legitimate and valid contracts and approval of the Federal Constitution and the Kurdistan Region Oil and Gas Law No. 22 of Year 2007.

The jurisdiction of the Kurdistan Region to conclude oil and gas contracts in accordance with national and international legislation:
Therefore, this topic will be divided into two requirements:
The first requirement: the authority to conclude oil and gas contracts by the Kurdistan Region in accordance with national legislation.
The second requirement: the legal and international framework regarding the investment of natural resources in the Kurdistan Region.

2.1. the jurisdiction of the Kurdistan Region to conclude oil and gas contracts in accordance with national legislation.

We are discussing in this requirement the legality of signing and ratifying Kurdistan contracts to clarify the legal aspect in it, after the contractual aspects have been clear to us through our previous study, and it is known to all that signing oil contracts of all kinds differs from ratification, so signing is a preliminary signature of the contracting parties, as for ratification, it is to legitimize this signature by the competent authority after studying the contract and the ratification is by law, that attaching the contract to the law makes the contract linked to the contract and the ratification is by law, that attaching the contract to the law makes the contract linked to the law in existence and absence, and acquires the character of law, a valid internal legal system is enforceable, but the Iraqi constitution of 2005 did not limit the competent authority to ratify, leaving that to the law, unless specified that constitution is the authority responsible for ratifying contracts, meaning that the exclusive authority is not for the center and in the event of conflict between the region and the center of priority for the regional law.

Therefore, we will divide this requirement into six branches as follows:

2.1.1. The jurisdiction of the Kurdistan Region to conclude oil and gas contracts under the Kurdistan Region’s Oil and Gas Law:

A researcher considers the validity and right of the Kurdistan region to ratify and conclude contracts of oil wealth according to articles (111, 112, 115, 121) the Iraqi constitution for the year 2005, and the signature and ratification of the regional government is valid based on the following legislative texts:
First: These contracts were carried out from a legal cover in accordance with the law of Oil and Gas of Kurdistan Region No. 22 of 2007, but the Iraqi Constitution of 2005 did not limit the competent authority to ratify, leaving that to the law, unless specified that constitution is the authority responsible for ratifying contracts, meaning that the exclusive authority is not for the center and in the event of conflict between the region and the priority status of regional law, the researcher considers the primacy of the Kurdistan Region’s law in the case of ratification of contracts.
Second: Article (112) of the Constitution of Iraq of 2005 stipulates that the central government, in conjunction with the producing regions and governorates, shall exploit the current fields, as well as obligate these parties to participate in drawing up a strategic policy to develop new fields in a manner that is entitled to the highest benefit to the Iraqi people, and the Kurdistan Region has been concluded Contracts according to the text of this article.
Third: The drafting of contracts approved by the Kurdistan Regional Government according to the model of production-sharing contracts is consistent with the articles stated in the Constitution of Iraq for the year 2005, the Iraqi constitution does not specify the quality of oil investment contracts which means the authority of the region has the right to choose the type of contracts consistent with the interests and benefits of the supreme region in particular and Iraq in general.

2.1.2. the jurisdiction of the Kurdistan Region to conclude oil and gas contracts according to the draft federal oil and gas law

The constitutional articles, as a general principle, cannot address the details of precise matters and issues, but rather specify broad lines and details that are entrusted with regulating them to national legislation. Thus, the
federal authorities have created a draft federal law for oil and gas in order to include the details, remove ambiguity, clarify the purposes and interpret the phrases received in relation to management Oil operations and their derivatives, and a statement of who has the authority and the decisive word in this field, but so far this draft has not become legal legislation due to the lack of agreement on its provisions between the parliamentary blocs on it.

**First:** Article (40) of the draft federal law dated 2/15/2007, which was placed under the title “Existing Contracts”, talks about how to solve the problem of these contracts, if there is a problem, as these contracts are production-sharing contracts, the draft federal law allows this under the same name or another name but with the same content. This article says:

A. The competent authority in the Kurdistan region shall review the exploration and production contracts concluded with any party prior to the enforcement of this law. . . . and that within a period not exceeding three months from the promulgation of the law. The independent consultant’s office shall evaluate the contracts referred to in this article after review, and its opinion shall be binding with regard to dealing with these contracts.

B. As an exception to the provisions of Paragraph (a) above, the Ministry must review all exploration and production contracts concluded with any party before the entry into force of this law to be consistent with the objectives and general provisions of it and to submit them after review to the Federal Oil and Gas Council within a period not exceeding three months.

We note here what we have emphasized several times in our book that the so-called "exploration and production contracts” are the same as "production-sharing contracts", as the Kurdistan Regional Government was more transparent than the federal government and called them by names did not avoid calling them "partnership contracts". Here we notice in Paragraph (a) of this article talking about reviewing “exploration and production contracts, ” and this expression was not mentioned in the four regional contracts signed up to that date, as they were under the name “production-sharing contracts, ” and that the new contracts signed by the regional government Bear the same last title.

**Second:** The constitutional and legal errors in the draft oil law prepared by the 15th Committee of 2007

1. In the introduction to the draft law (Page No. 1) there is a wrong interpretation of the provisions of Article 111 and 112 of the Iraqi constitution. The Ministry of Oil is trying to pass it on to the regional government in Kurdistan and other regions as if it is a binding law, and it is an incorrect interpretation, because the opinions, ideas, interpretations or proposals of the Ministry of Oil. The Oil and Energy Committee in the Council of Ministers is not binding, because the mandatory capacity is determined by the legislative authority or whoever it authorizes.

2. Paragraph 2 of the second page of the draft law says: (It is essential that the draft oil and gas law in the Kurdistan Region be consistent with the provisions and provisions of the Federal Oil and Gas Law and in line with the constitution).

3. Paragraph 4 of Page No. 2 of the Federal Oil and Gas Draft Law stated the following: ((All parties will undertake to refrain from entering into any contracts or entering into new obligations in exploration and production activity in all Iraqi lands until this law comes into effect)). this means Ministry of Oil in the federal government prevents Kurdish Regional Government and other regions that will be formed in the future from enjoying their constitutional rights in oil and gas issues, especially with regard to new fields, and therefore this is another violation of the constitution and a legal violation of the text of Article 1 - 112 of the Constitution and contradicts Article 3 of Law of Oil and Gas in the Kurdistan Region No. 22 of 2007, especially since the mandate of the Minister of Oil in the federal government may not exceed the sovereign borders of the Kurdistan Region.

4. What confirms this is the wrong interpretation of the provisions of the constitution, as the Ministry of Oil thinks that the text of Article 111 of the Federal Constitution is the only basis and reference in the issue of oil and gas. Article 111, the general principle and Article 112 general.

5. The Ministry of Oil in the federal government tends to try to centralize control over all matters in the field of oil and gas. A researcher believes that the federal oil and gas law seeks to strengthen and strengthen the federal authority and reduce the powers of the region.

6. With great attention to Article 111 of the Federal Constitution, as for the other related articles (110, 112, 114 and 115), he cited them under Article (111). Iraq means making the not produced fields or not discovered fields as the discovered fields. Establishing the Federal Oil and Gas Council, whose most important task is to set the federal oil policy.

**2.1.3. The jurisdiction of the Kurdistan Region to conclude oil and gas contracts according to the decision of the Federal Supreme Court**

The Iraqi Federal Court - the independent judicial body in the country that interprets the constitution and determines the constitutionality of laws and regulations - did not issue a decision in the case submitted by the central government in 2012, but it refused - in 2014, the Ministry of Oil granted a judicial order against the
Kurdistan Regional Government to prevent it from exporting crude oil in an independent manner. The court justified its decision on the basis that “(granting such a ban) gives the impression of a premature decision on the subject matter of the procedures and the decision to be issued by the court,” which would contradict the judicial rules, and therefore this decision must be taken in the context of the “subject matter of the case.” When the Kurdistan Regional Government considered the decision a great victory for it, the court’s final decision - which has not yet been issued - will have far-reaching effects, and we can conclude here that the ongoing oil and gas dispute between the Kurdistan Regional Government and the central government is subject to the interpretation of the constitution, this is largely unclear.

He pointed out that «the Federal Court saw that this article set a general provision for oil and gas wealth, and at the same time the court says that Article 112 of the Constitution has drawn up how to implement the general provision in Article 111, which must be implemented in accordance with a law enacted by the Iraqi Council of Representatives, which did not legislate this law. Even now, despite the passage of 12 years since the issuance of the Constitution ».

Rahim pointed out that «the Federal Court also asked the Proxy of the Iraqi Oil Minister to inquire whether there is any agreement or understanding with the Kurdistan Regional Government in this regard or not». And he continued that «so far Baghdad has not relied on any legal basis in the management of oil, gas and revenues Verified by them.

The spokesman for the Federal Supreme Court, Iyas Al-Samuk, said in a statement that “the session witnessed the attendance of all parties, namely the attorneys of the plaintiff, the Federal Oil Minister, the representative of the defendant, the Minister of Natural Resources in the region, and the agents of the third persons, the Prime Minister and Minister Federal Finance, and the Prime Minister in the Kurdistan region / in addition to their jobs ».

He noted that the court “found that Article (111) of the constitution stated a general principle for the issue of oil and gas, and its text (“Oil and gas is the property of all the Iraqi people in all regions and governorates”),” indicating that “the court confirmed that Article 112 of the constitution drew How to implement Article (111) thereof and stipulate that the actions and implementation of the ruling of that article shall be according to a law detailing what is contained therein.” The statement explained: The Federal Court held on June 23, 2014, a special session to consider the request and the reasons behind it, indicating that it decided Unanimously, the request was rejected for being “inconsistent with the legal contexts in force in Iraq.”

The statement added that Baghdad relied on its own interpretation of the constitutional provisions by claiming that oil and gas affairs fall within the exclusive powers of the federal government and relying on central laws enacted before 2003, indicating that it ignored the fact that the current constitutional provisions in Article 110 that define the exclusive powers of the federal government do not include Oil and gas matters.

The statement continued: With the issuance of this court’s decision, the Kurdistan Regional Government has other important clarifications about its acquired rights as stipulated in the constitution. The statement indicated that the Federal Court’s decision was unanimous of all its members, stressing that it explicitly rejected the request submitted by the Federal Oil Minister.

He pointed out that such a decision by the highest court in the country is binding on the Council of Ministers and is not subject to appeal in any way. The statement called on the federal government to respect this judicial decision by the Federal Supreme Court, stressing that the Federal Ministry of Oil and the "SOMO" company to abandon illegal and unconstitutional interventions to prevent the export of oil from the Kurdistan Region. The statement also called on Baghdad to stop sending threatening messages and intimidation or presenting false claims to traders and potential buyers of oil exported by the Kurdistan Regional Government.

2.1.4. The jurisdiction of the Kurdistan Region to conclude oil and gas contracts under the Federal Budget Law

To oblige Kurdistan Regional Government to legally (since the budget is a law) pumping an average of (250) thousand barrels / day of Kurdistan oil for the purpose of export within the federal line for the export of oil as described in the following paragraphs: 1-M1 / Paragraph (B), including (250) thousand barrels Daily for the quantities of oil produced in the Kurdistan region. It was stipulated in the Federal Budget Law for the year 2013 in order to continue to pay the dues of these companies and send the 17% allocated percentage that the regional government provide the federal government with (250, 000 barrels per day), and the federal government headed by Nuri Al-Maliki for the first time installed this condition in the Federal Budget Law, and it was passed in the Iraqi Parliament without the approval of the Kurdish blocs, and although the Kurdistan Regional Government committed itself to providing the federal government with the allocated amount of oil, the federal government did not commit to sending the dues of these companies under the pretext that there are amounts related to oil and gas revenues not handed over by the regional government to the central government, the government cut the budget allocated to the Kurdistan Region on this basis and caused a major financial crisis in the region. A researcher believes that the Kurdistan Regional Government is obligated to hand over (250) thousand barrels of oil per day to the central government and to confirm and ratify the Federal Budget Law in previous years,
indicating the constitutionality, legality, and tacit recognition by the Iraqi government and the Iraqi parliament of these oil contracts that the Kurdistan Regional Government concluded with foreign companies Invested in the field of oil and gas.

2.1.5. The jurisdiction of the Kurdistan Region to conclude oil and gas contracts according to the State Administration Law for the Transitional Period of 2004

And after Iraq moved from the totalitarian system that has the power and monopolization, to a federal system, it was necessary to share powers and wealth between the federal government and the governments of its constituent units from the regions and governorates. On this basis, the State Administration Law for the Transitional Period of 2004 AD mentioned in Paragraph (e) of Article (25) that “the management of the natural resources of Iraq belongs to all the people of the regions and governorates in Iraq in consultation with the governments and administrations of these regions and governorates.

2.1.6. The jurisdiction of the Kurdistan region to conclude oil and gas contracts according to the draft constitution for the Kurdistan region

We also find that in the draft constitution for the Kurdistan region, texts are consistent with the provisions of the Iraqi constitution for the year 2005 AD, as it is stated in Article (74) thereof, “The Council of Ministers exercises the following powers and competencies, seventh: Forming a joint administration with the federal government to manage the oil and gas extracted from Kurdistan /Iraq and commercial production before (15/8/2005), provided that the resources derived from it are distributed fairly according to the principles specified in Article (112) of the Federal Constitution and the laws of the Kurdistan Region regarding oil and gas, and for the purpose of applying the provision of this paragraph, the scale of commercial production is defined, (that the production is not less than (5000) five thousand barrels per day for a period of (12) twelve months.

2.2. The legal and international framework regarding the investment of natural resources in the Kurdistan Region

The state’s territorial sovereignty over its natural resources is one of the most important basic principles that are stable in the international arena. The United Nations General Assembly has issued resolutions to the African Charter on Human Rights.

2.2.1. Investment of natural resources in the Kurdistan Region in accordance with United Nations resolutions

The United Nations General Assembly issued a set of resolutions and recommendations in which it drew the general legal framework that achieves states and peoples from investing in natural resources:

1. Resolution No. (1803) of the year 1963 AD, in which it declared the right of peoples and nations to exercise permanent sovereignty over their wealth and natural resources, in accordance with the interest of national development in them and the welfare of the people of the states at a stake. The violation of this right is contrary to the principles of the United Nations Charter and hinders the development and maintenance of international cooperation.

2. Resolution No. 523 (that developing countries have the right to freely determine the use of their natural resources, and that the use of these resources must be for the purpose of improving their position.)

3. Resolution 626 (The right of peoples to use and exploit their natural resources and wealth is a right derived from their sovereignty and conforms to the goals and principles of the United Nations Charter.)

4. Resolution No. 1314 (to form a committee for permanent sovereignty over wealth and natural resources, given that this sovereignty is one of the basic components of the right to self-determination).

5. Resolution No. 1515 (recommended respect for the absolute right of every country to dispose of its wealth and resources in accordance with the rights and duties of the state as determined by international law)

6. Resolution No. (1514) issued in 1960 under the title of the Declaration on Granting Independence to Colonial Countries and People, as it stipulated in its second clause: (All people have the right to self-determination, and according to this right they have the right to freely determine their political position and seek freely to achieve their economic, social and cultural development, Nationalization, expropriation or expropriation must be based on foundations and causes of public benefit, security, or national interest, given that they are preponderant over individual or purely private interests, both domestic and foreign. In such cases, appropriate compensation is paid to the owner, in accordance with the rules in force in the country which takes those measures to exercise its sovereignty in accordance with international law. In the event of any dispute over the issue of compensation, the national judicial methods of the state taking those measures must be taken into consideration, and take into account, however, the settlement of the dispute through arbitration or international justice.
The violation of the rights of people and nations to sovereignty over their natural wealth and resources is considered incompatible with the spirit and principles of the United Nations Charter and an obstacle to the development of international cooperation and the maintenance of peace, good faith is observed in adhering to agreements related to foreign investment concluded by or between sovereign states, and states and international organizations observe exact and sincere respect for the sovereignty of peoples and nations over their wealth and natural resources, in accordance with the United Nations Charter and the principles established in this resolution.
- The African Charter on Human Rights Article 21, paragraph 1)

2.2.2. The African Charter on Human Rights
As for the African Charter on Human Rights, it was mentioned that Article 21, paragraph 1 (All peoples freely dispose of their wealth and natural resources. This right is exercised in the interest of the population alone, people should not be deprived of this right in any way.)
Also, the African Charter on Human Rights mentioned that Article 22, paragraph 1- (All people have the right to their economic, social and cultural development with full respect for their freedom, autonomy and equal enjoyment of the common heritage of humankind)
1982 Treaty on the Law of the Sea in a number of its requirements and the declaration of the right to development (Paragraph 2, Article 1). As this declaration made clear that the principle of sovereignty over natural resources has an international dimension represented in liberation from colonial domination and foreign domination of the economic system, and thus liberation from influence on the state's political system, allowing the people to govern themselves by themselves and determine the internal and international choices that they desire. It has already been referred to from the texts and articles that we have touched on, about sovereignty over natural resources that only peoples and nations have the direct and real right to sovereignty over natural resources and resources permanently. Some argue that the sovereignty of peoples over their wealth assumes two things, the first is if the people represent a population for the state as a whole, the contracts that involve disposing of natural resources that are concluded by the state on its own or on its behalf are subject to scrutiny and subsequent review to nullify it or to avoid its conclusion if it appears that it is not in the interest of the population. As for the second matter, it is assumed if the people represent a part of the state’s population, then the idea of permanent sovereignty the authority of the national government makes a specific restriction to freely dispose of the natural wealth and resources of the region, as these contracts must not be concluded about the resources D. Naturalness is against the will of that part of the population or against its interests.
From the above, the researcher inclines, that the second matter applies to the Kurdistan Region because the Kurdish people in the Kurdistan Region are part of the people of Iraq, and that any contract concluded about their wealth and natural resources in a manner affecting the interests of this people, it must be in line with their political, economic, social and cultural interests.
In addition, some argue that the formula of nations and peoples can be implicitly applied to peoples that have not acquired the status of an independent state, that they have the right to sovereignty over their natural resources, which leads to becoming a political problem related to self-determination. This also applies to Kurdistan, which allows it to dispose of its natural wealth according to its interests and its development policy, based on its being part of the Iraqi people and also as an independent people on its own within the Iraq (*6 ) - The specialization of the Kurdistan Region in concluding foreign investment contracts.

CONCLUSION
We have dealt with the issue of the validity of the Kurdistan Region in concluding oil contracts and gave it the importance it deserves, as local studies rarely deal with such topics completely while focusing on less important topics because they may be of a personal nature. Its effect is general and extends to the entire region or state, and it could reach an island solution between the Kurdistan Region and the Center in accordance with the permanent Iraqi constitution of 2005 and the relevant laws.
After completing this research, we came to a set of results and conclusions. The proposals can be highlighted, the most important of which are as follows:
1- The constitutional organization mentioned in the Iraqi constitution has defined the powers of the federal government exclusively, with some common competencies defined, and according to this, the Kurdistan Regional Government is the one with jurisdiction, and this is what supports the authority of Constitutionally Kurdistan Region to exercise its powers.
2- The failure to enact the federal oil and gas law stipulated in Paragraph 1 of Article 112 led to the emergence of deep and persistent disagreements with the Kurdistan Regional Government, one of which was the failure to approve the federal budget for the year 2014, and the Kurdistan Regional Government to conclude oil contracts for the production of oil A pipeline was extended to be transported and marketed across Turkish territory to the Turkish port of Ceyhan.
3- The problem of oil and gas wealth is that the exploitation and management of this wealth is one of the common powers between the federal government and the Kurdistan Regional Government, so the regional government has the right to extract oil and contract with international oil companies in coordination with the federal government, but the federal government is trying to centralize the oil and gas file. In order for the regional government not to be able to achieve economic and political independence.

4- Ownership of oil wealth in accordance with the permanent Iraqi constitution of 2005, international constitutions, relevant Kurdish laws, international charters and decisions, and the United Nations in particular belongs to the Iraqi people. The Kurdistan region is a part of the people and the Iraqi state according to the constitution and it has the right to benefit from the region’s natural wealth in case of disagreement. The center is with the region to manage the oil and gas wealth for the benefit of the Kurdistan region.

5- The Iraqi constitution does not specify a competent authority such as the central government to conclude, sign and ratify oil contracts in Iraq, which means that this jurisdiction is shared between the region and the center, and in the event of a conflict, the priority for the Kurdistan Region’s law is in accordance with Article 115 of the Iraqi constitution.

6- According to the provisions of the permanent Iraqi constitution for the year 2005, the management of the current oil fields, and the formulation of strategic policies for the development of future fields, is done through participation in these actions between the federal government and the governments of the producing regions and governorates.

**Recommendations:**

1- Reform and review the legal system for oil and gas contracts by expediting the legislation of the federal law for oil and gas in line with the requirements of the stage for the economic life of all the Iraqi people in accordance with Articles (111,112) of the Iraqi permanent constitution for the year 2005, and defining the authority and jurisdiction of each of the region and the center in accordance with the constitution.

2- Legislating the laws stipulated in the constitution, especially the Federation Council Law. It has become clear in the area of competence and powers for investment and conclusion of contracts, oil and gas. The problem has become between the Kurdistan Regional Government and the center is over the mechanism of oil and gas management.

3- Therefore, remedial action and a speedy consensus procedure will help reduce the phenomenon of problems related to authority and competence in oil and gas contracts, follow a constitutional and legal system, and refer to international decisions and covenants to solve this problem.

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