The Role of National Oil Company in Kurdistan Region Oil process through International Oil Companies

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Abstract:

This article examines the role and characteristics of the National Oil Company (NOC), as well as the challenges and opportunities inherent in its plans and emerging trends. The Kurdistan Regional Government (KRG) possesses significant oil reserves and has attracted International Oil Companies (IOCs) for exploration and production activities. While the concept of establishing a National Oil Company (NOC) in the region might have seemed advantageous, since it never materialized in reality. This essay explores the reasons behind the absence of an NOC in KRG and proposes potential alternatives to address the challenges faced by the KRG in managing its oil resources more effectively. NOCs can be utilized to advance the government's objectives in the upstream to the downstream supply chain because they play such a significant role in the global oil and gas industry and are often fully or partially controlled by their respective governments. As a result, refortification of NOCs is near the top of many oil-producing countries' policy agendas, although in some cases incrementally and in others fundamentally. This paper thus argues that the national oil company model may have had a number of beneficial effects on the KRG economy if it hadn't been just a piece of paper, and it also supports the establishment of a national oil company in the KRG, which may be thought of as a state rich in petroleum as a result of a significant recent petroleum discovery there. Finally, the study technique employed an evaluation of previously published content. Based on the comparative analysis, the study drew some potential findings regarding the function of NOCs and fiscal regimes and provided some recommendations for NOCs in the Kurdistan region.

Keywords: KRI, NOCs, Oil price volatility, Oil Trade and Diplomacy, Foreign Policy, Gross domestic products, and Economic growth.

Introduction

1.1 Background to the study

In recent years, NOCs have become more competitive with international oil companies, and not only as joint venture partners with the world's largest oil companies (IOCs). Numerous NOCs are boosting their mergers and acquisitions activity, leading to an increase in the number of NOCs exploring international upstream and downstream acquisition and asset opportunities. (Al-Fattah, S. 2013). The Kurdistan Region, is blessed with abundant oil reserves, making it a significant player in the global oil industry. The KRG has formed a National Oil Company (NOC) to assist in the exploitation of these resources since the enactment of its Oil and Gas Law No. (22) 2007 to administer and supervise the activities of the oil sector.

This essay will explore the essential functions of the NOC in facilitating the oil process through cooperation with IOCs. National oil companies are described as oil companies whose parent government owns the majority portion of its stock and whose purposes are to serve the country's interests. The traditional goal of a NOC has been to give strategic investors access to its home country's hydrocarbon resources as co-owners and service providers. NOCs are required by law to own and operate the whole oil and gas supply chain in their native country, from upstream to downstream (Tordo, S, 2011). Accordingly, National oil companies presently control over 90% of the world's oil reserves and 75% of production (similar figures apply to gas), as well as a large portion of the oil and gas infrastructure. These can be as direct producers or as "gatekeepers" for private oil companies' exploitation (POCs) (Marcel, V. & Titans, O, 2003).

Thus, the supply of access to hydrocarbon resources, knowledge transfer of cutting-edge technology, engineering experience, and managerial and project management abilities are the key drivers of investment between NOCs and International Oil Companies (IOCs), (Marcel, V, & Titans, O, 2003). Without a doubt, because NOCs are involved in the majority of oil and gas processes by IOCs, they support the oil and gas sector in the wealthiest oil and gas countries in the world. In fact, the main oil contracts mention NOCs as the first party with IOCs, to play a reprehensible role of the National Government (Ledesma, D, 2009).

The NOC's role in collaboration with International Oil Companies (IOCs) is crucial in ensuring the sustainable development of the region's oil resources while adhering to international standards and promoting economic growth and stability. Furthermore, as the Kurdistan area has demonstrated, NOCs can be used to endorse both social and political goals as well as economic ambitions. Different objectives may only be regarded significant if they result in distinct characteristics and outcomes, as is the case with national oil companies. Many of these companies have been shown to be inefficient and invest inefficiently. However, if the price of oil falls, the potential supply limitation caused by inefficient national oil companies' operations could become a destabilizing element in the oil market. To reduce the potential threat posed by national oil companies' dominance, a variety of legislative options might be pursued) Jawad al-Khatteeb, L, 2017), Demand management policy can reduce the Kurdistan Region of Iraq (KRI) dependence on imports (Al-Fattah, S, 2013), While NOCs have been frozen in such a variety of things that follow after all the large oil and gas processes for KRI as a separate area in Iraq, until authoring this research, they have not been given a vital function. Oil and Gas Law of the Kurdistan Region - Iraq Law No. (22) - 2007 is distinctive and gives KRI particular priority. According to Article 111 of the Federal Constitution, ownership of oil and gas is governed by Article 3 of the law. According to this law and Article 112 of the Federal Constitution, the Regional Government is entitled to a share of the revenues obtained from fields producing after 2005 in accordance with the provisions of this law. This share is equal to the share of all Iraqis. This shows that shall, in accordance with the terms of Article 112(1) of the Federal Constitution, jointly manage Petroleum Operations relating to producing fields with the Federal Government. Further evidence that shall jointly manage Petroleum Operations relating to producing fields with the Federal Government in accordance with Article 112(1) of the Federal Constitution. Kurdistan Exploration and Production Company (KEPCO) is hereby established as a public company, being a legal entity with independent management and finance. Members of the Board of KEPCO shall be appointed by the Council of Ministers and approved by an absolute majority of the Parliament. Members must be impartial toward the Ministry and hold technical and managerial degrees in the field of petroleum. All KEPCO Board members are appointed for a fixed five (5) year term that is renewed by the Parliament on an absolute basis. Finally, KEPCO may, subject to the approval of the Regional Council: (1) compete with other companies to obtain Authorisations regarding Future Fields; enter into joint ventures and similar contractual arrangements, whether in the Region, in other parts of Iraq or abroad.

Similarly, Article 11 is hereby created the Kurdistan National Oil Company (KNOC) as a public company being a legal entity with independent finance and management. Article 12 of the same law found the Kurdistan Oil Marketing Organisation (KOMO) in line with the SOMO the entity responsible for oil marketing in Iraq is known locally as a State Oil Marketing Organization. According to the current Iraqi laws, it is the sole governmental body permitted to sign contracts for the purchase and sale of crude oil as well as the import and export of petroleum products. The company's primary focus is on marketing Iraqi crude oils through export ports in Turkey's Ceyhan Port, Khor Al-Amaya Port, and Basra Oil Port, specifically Kirkuk Crude Oil and Basra Light Oil. In addition, the Oil Marketing Company strives to supply gasoline, gasoline, kerosene, and liquid gas in accordance with local requirements and export fuel oil products and certain specialty items that are surplus to those demands (Jumaah, D. 2021).

In theory, the legislation has given a significant role to a number of NOCs, such as Kurdistan Exploration and Production Company (KEPCO) and others, by establishing a separate chapter focusing on their critical function in the oil and gas industry. The issue is that the majority of the articles are still just ink on paper. In reality there is nothing existing as a NOC or any building to be called NOC, KEPCO or KOMO. In reality, there is no such thing as a NOC or any structure that could be referred to as a NOC. The research will focus on the great role of NOCs and will compare the reality with what had been written in the legislation (Aresti, M. L. 2016).

The history of the participation of the state or one of its national companies in oil operations is divided into two phases: the phase of traditional oil contracts, including: traditional concession contracts and the phase of new oil contracts, including: contracts for participation in oil production, as well as contracts for oil contracts. In the first phase, researchers discovered that oil-rich countries were tied to international oil companies and granted them numerous contract rights, resulting in no prominent role for the state in oil operations, and no national oil companies to participate in oil operations first or later, where oil was excavated and extracted by international oil companies, and oil-owning countries had the right to obtain a few financial or non-financial benefits. For instance, in the 1923 oil concession agreement between the Turkish Oil Company and the Iraqi government. In addition, the Saudi Arabian government and the American Oil Company - Shell - have an oil concession agreement (Patel, B. N, 2000).

However, despite concluding their concession-style oil contracts with international oil companies, other countries have proved in their content materials and paragraphs that enabled them to claim participation in oil operations by establishing the right to own part or full shares of the International Petroleum Company, and the most prominent example appears to have been the oil concession contract between the British oil expert: Sir William Drassy and the Iranian government in 1951. Article 10 of that contract explicitly indicated that the Iranian government had the right to own the shares of the oil extracted, (Article: 10 of Darcy contract 1951 with Iranian Gov).
Although the idea of participation existed in most of the concession agreements concluded by other countries, including the oil concession contract between the Iraqi government and the Turkish Oil Company in 1925, article 3 states: “If a private oil exploitation company is formed in Iraq, it must allow the local government or other local interests to participate if it wishes not to exceed 20% of the company's capital” (Article 15 of the Concession contract)

With the information presented above, it is possible to draw the following conclusion: With these legal provisions, given the weak technical and economic potential of countries when entering into traditional concession contracts on the one hand, and the financial and technical capacity of those countries on the other hand. The same applies to the 1949 oil agreement between Getty Oil Company and the Government of Saudi Arabia, as well as the concession of Arabian Oil Company Limited (Japan) with the Government of Saudi Arabia in 1957. So is Kuwait's agreement with Shell (Article 23 of the concession contract).

However, in modern days the performance characteristics of national oil companies are likely to differ from those of private oil companies because they may be driven by different goals than private oil companies. The national oil firms may eventually constitute a barrier to the efficient operation of the global oil market, which may not be of much significance to oil-consuming nations in the short term, as will be further detailed below.

1.2 Research Questions

In order to illustrate the paper topic, five distinct questions are developed.

1. How important are National Oil Companies to the growth of the economy?
2. How does National Oil Company play a part in foreign policy?
3. Does KRG have a National Oil Company?
4. How do NOC and IOC relate to one another?
5. What prevents KGR from establishing a NOC?

1.3 Research Methodology

This section outlines the essential comparative methodologies and techniques applied in the current investigation to ascertain the aforementioned questions. By combining primary (observation) and secondary (document analysis) techniques of data collection, the method is fundamentally a qualitative study. Secondary sources include reviews of the current literature as well as relevant publications, periodicals, journals, websites, and publications in the field. An observational research design was employed in this investigation. This design employs a comparison approach to draw a conclusion in situations where the researcher has little or no control over the event. In order to investigate several approaches, put forth to address the issue of the National Oil Company's role in the Kurdistan Region Oil Process through International Oil Companies, this study employs a comparative methodology.

The main objective of the research is then achieved by applying the comparative results to determine a suitable substitute for National Oil Company's participation in the Kurdistan Region Oil Process through IOCs. A consequence of the aforementioned study methodology offers distinct advantages. For example, it allows researchers to cite options from English, foreign, and worldwide oil revenue streams. In certain areas of law, researchers might have to examine the laws of other legal systems;

for example, it could be difficult to evaluate the laws of other nations that establish NOCs and explain how KRG can profit from them.

1.4 The Role of NOC in Economic Development

The concept of energy security varies every nation. For countries that import resources, like the USA, it can generally be seen as insurance against the risks of damaging energy import disruptions that result in the loss of economic wellbeing. Although nations define energy security differently depending on whether they are net exporters or importers, an importing government strengthens the energy security of its own country by providing a consistent supply of energy at competitive costs to sustain the country's economy and industry (Vivoda, V, 2010), There are undoubtedly many benefits for the nation from the finding of large petroleum resource deposits in any state, but for these benefits to materialize, several stakeholders must play important roles in accomplishing this aim. It has been demonstrated that petroleum resources can contribute to certain economic progress (Addison, T, & Roe, A, 2018).

According to several studies, governments and national oil firms play crucial roles in the domestic and even international petroleum industries. The paradigm used by national oil companies to manage petroleum resources has recently come under fire and is thought to be a conduit for waste and corruption. Furthermore, the national oil companies frequently flout the rules of supply and demand. They typically have the vertical integration, wealth redistribution, job creation, general economic development, and energy and economic security as their goals because of their close relations to the national government. Although the national government may deem these objectives desirable, they are not likely to share the same objectives as the stated objectives of the private international oil companies, which is to maximize shareholder value (Tordo, S, 2011).

Iraq is a significant producer of natural gas and oil, with the fourth-largest confirmed crude oil reserves in the world. It is also the largest crude oil production of the Organization of the Petroleum Exporting Countries (OPEC). However, years of conflict and international sanctions have left much of Iraq's oil and gas deposits undiscovered. Nevertheless, the oil sector accounts for 36% of GDP and 90% of government revenue in Iraq; the majority of this revenue is generated through export sales made possible by the SOMO. Therefore, the oil industry in Iraq (SOMO) is essential to the country's economic situation, the health of the economy, and the continuous efforts to rebuild the nation, especially in terms of infrastructure development and the use of gas and oil to power infrastructure (EITI 2020) Additionally, Governments also use national oil companies as tools in the wider economic development process. The petroleum sector is the first significant economic sector opened to the world economy in various countries. As a result, the petroleum industry may be the first to introduce international investment contract and property law concepts, as well as established accounting and financial standards, all of which are required for economic development to progress. The industry could act as a conduit for transferring technology to the rest of the economy. To spread development dollars, local content regulations may be introduced to ensure the establishment of ancillary service firms. The national oil corporation may also be compelled to provide subsidized fuels to companies that are part of the countries' long-term growth objectives. Kazakhstan is an example of a national oil company's development obligations, since KMG has explicitly declared its goals.

These goals include integrating Kazakhstan into the global economy and ensuring that KMG's growth and development is reflected in the country's overall economic growth (Pirog, R. L, 2007). As a result, the national oil company model may have had numerous positive effects on the KRG economy if it hadn't been merely on paper. This paper also argues in favor of the establishment of a national oil company in the KRG, which has recently seen a significant amount of petroleum discovered there by Chevron from the United States. Since 2007, the largest oil companies, including ExxonMobil Corporation, Rosneft, Gazprom, and DNA GAS, have abandoned their multibillion-dollar investments in the KRG basin's heavy oil potential. Oil companies agreed to contracts that increased their involvement in their KRG projects from a controlling interest of roughly 40%, (Azubike, V. C, 2020). The order on local content issued by the Nigerian National Petroleum Corporation (NNPC) led to a deliberate, planned expansion of the nation's oil industry capabilities. Nigerian providers would win bigger contracts as they expanded their skills. These businesses receive funding, finance assistance, training, and knowledge transfer from Shell. These actions eventually made sure that over 90% of all Shell contracts went to Nigerian industries.

In addition, the NOC oil corporations have shown that they can reach both great heights in terms of producing revenue and managing core industries, as well as horrific lows in terms of mismanaging resources and encouraging corruption. Brazil's Petrobras in the 1960s and 1970s, Petrobras gained specialized knowledge in deep-water exploration and production as a result of growing up in Brazil under military rule. Moreover, the company increased its productivity and skill levels during this time (Heller, P. R, 2017), The Brazilian petroleum industry became more competitive in the 1990s, and Petrobras continued to expand, giving the government dependable petroleum resources and revenue, sparking the nation's expanding oil services private sector, and expanding its operations overseas. By the 2010s, "experts" in the sector were applauding Petrobras as an illustration of successful company operations (Addison, T, & Roe, A, 2018), Furthermore, In several rising producers as well as some of the world's most oil-rich nations, such as Iran, Mexico, Saudi Arabia, and Venezuela, state companies control the majority of the energy output. National oil corporations that disclosed information about their holdings in 2017 reported total assets of $3.1 trillion. And in April, Saudi Aramco disclosed its own financial information, showing that it had a net income of more than $100 billion the previous year, making it by far the most profitable company in the world(Patrick R.P. Heller, David Mihalyi and Morgan (D. Bazilian, 2019)، Therefore, the aforementioned examples demonstrate that NOCs can benefit any state that produces oil if it wants to exploit its natural resources in an equitable manner and in accordance with good development principles.

1.5 Influence of the National Oil Company on Foreign Policy

Many researchers and politicians today hold the view that oil trade does have an impact on the security or diplomatic ties between producing and consuming countries. This is partly because it is believed that oil is different from other traded commodities and, in some ways, more significant. People also think that consumer countries respect their relationships with producer countries highly in order to maintain the oil flowing in the right directions. According to this logic, one might have certain expectations if oil trade between two countries were to increase or decrease. Increased oil trade may lead to stronger diplomatic ties, whilst lower oil trade may negatively impact the security or diplomatic ties between the parties. Effective collaboration between the NOC and IOCs leads to significant revenue generation from oil exports. The NOC plays a central role in managing these revenues, ensuring transparency, and directing funds towards critical sectors such as infrastructure, education, healthcare, and economic diversification projects. By using oil revenues strategically, the NOC can reduce the region's reliance on oil exports and stimulate the growth of other industries, promoting a more balanced and sustainable economy.

Additionally, if a producer nation's oil trader with a particular consumer nation declined and it was forced to look for new markets elsewhere, this could open the door for a different consumer nation to increase its trade with the producer nation and gain influence in tandem with its rising oil imports. This particular problem has been brought to light by the US Shale Revolution: As domestic oil production increases and oil imports decline in the United States, producer nations are shifting their oil exports to other major consuming nations, some of whom are political rivals of the United States, such as China. Some national oil companies have a significant impact on the economics of nations outside of their own. In order to avoid sanctions and maintain his hold on power in Venezuela, Nicolás Maduro is allegedly receiving financial support from the massive Russian oil company Rosneft. While this is going on, Sinopec and China National Petroleum Corp. are at the heart of China's Belt and Road initiative and are working with governments from South Sudan to Iran to assist them in extracting oil and funding public expenditures (Patrick R.P. Heller, David Mihalyi and Morgan D. Bazilian 2019).

Some argue that because the US supports democracy and global markets, Chavez sees the US as a threat to his revolution. To counter what he sees as US expansionism, Chavez is gaining clout throughout Latin America, the Caribbean, and beyond by promising economic assistance, joint energy projects, and a lower oil price. The Petroleos de Venezuela (PDVSA) plays an important role in these initiatives. Ecuador, Bolivia, Argentina, Nicaragua, and other countries have lately inked accords with the Chavez government. Iran has exploited the possibility of oil cutoffs to the West as a threat and possible deterrent in the debate over its nuclear weapons program. Russia has halted natural gas delivery to Europe due to conflicts with former Soviet Union nations over supply prices and transit costs (Pirog, R, L, 2007).

The authoritarian government of Azerbaijan has attempted to strengthen its energy relations with Europe in an effort to maintain its political independence following the fall of the Soviet Union. It accomplished this by giving funding for the construction of export pipelines that bypass Russia. Through Georgia, the Baku-Tblisi-Ceyhan oil pipeline links Azerbaijan with the Turkish coast. It was originally put into use in 2006. To avoid going through Russia, Azerbaijan has been collaborating with British Petroleum (BP) and the European Commission on establishing a pipeline to transport Caspian gas to the European market. The Southern Gas Corridor project consists of the Trans-Anatolian Pipeline (TANAP), which runs from the Turkish-Georgian border to the Turkish-Greek border, the South Caucasus Pipeline, which connects Azerbaijan and Georgia to and Italy. The first gas supplies to Europe are planned to occur in 2020. Azerbaijan suggested the Baku-Tbilisi-Ceyhan oil pipeline and the Southern Gas Corridor as methods to improve the political and economic links between Baku and the EU. These initiatives are especially important to Azerbaijan since they help it maintain its political independence.

In addition, all above, Iran has developed close ties with China and other nations in the energy industry through its oil exports. As a result, the country has escaped the heavy economic sanctions that the West agreed to apply in response to its nuclear development largely unscathed. This choice was supported by both political and financial considerations. The money from oil sales to China came at a time when sanctions were biting, and it also offered Iran political leverage in talks over the Joint Comprehensive Plan of Action, the nuclear agreement negotiated by Iran and the US and its allies (AFET Committee, 2018).

The Kurdistan Regional Government is thus not an exception to this rule; whenever it NOCs is founded in reality, it likewise has the ability to use its national oil companies to achieve its foreign policy goals. Direct alliances and connections between national oil companies are the outcome, and these connections may lead to political relations. The production and use of oil, a key commodity in the world economy, can result in strategic partnerships. Like Saudi Aramco's choice to raise oil production in the wake of Iraq's invasion of Kuwait, China's connections with Iran, Venezuela, Russia, and other countries that depend on oil can all be viewed as political. (Pirog, R, L,2007), Last but not least, NOCs work in tandem with their national governments to assist business clusters in particular sectors that may have connections to the oil and gas industry, such as machine tools, petrochemicals, automobiles, or oilfield services. Increasing public finances, generating appealing returns for investors, and generating long-term wealth and employment locally can all be balanced by a well-thought-out cluster plan.

1.6 Partnership with IOCs

Partnering with IOCs is a calculated move to gain access to greater project and management expertise as well as important international markets, as some NOCs are eager to grow and globalize their business.

Additionally, IOCs can provide cutting-edge knowledge, vital experience, and global exposure that certain NOCs might not have as easy access to. Consequently, the establishment of cross-investment and the development of institutional knowledge in important domains of important technological proficiencies can come from IOC-NOC partnerships. Utilizing the upstream industry, the NOC IOC alliances can advance national economic growth. NOCs have historically favored long-term partnerships, but they are now more interested in short-term, project-based deals. To create a greenfield refining and petrochemical project in Saudi Arabia, for instance, Saudi Aramco Total Refining and Petrochemical Company and Total formed (SATORP, Pant, H. V 2008). Furthermore, China National Petroleum Corporation (CNPC) signed an agreement to invest in chemical facilities, power stations, and railroads in (Kazakhstan Al-Fattah, S. 2013). Another trend that appears to be developing is that NOCs in hydrocarbon-rich nations like Saudi Arabia, Venezuela, and Russia appear to have increased negotiating leverage over IOCs. That is to say, in nations with substantial reserves, they are going to have fewer opportunities than in the past. This is a result of NOCs developing into competent national operators through increased experience and skill, utilizing oilfield services companies OFSCs' specialized services at a reduced cost, purchasing smaller businesses to gain access to technology and expertise, and cultivating talent and experience through international alliances. Large growing economy nations like China and India, which have limited hydrocarbon resources, are perceived as being harder negotiators when it comes to their dealings with IOCs. Oil prices affect cash flow and outlays significantly even though they may not be very volatile in absolute terms. Cordesman, (A. H., & Gold, B. 2014). The total effect of price volatility might complicate forecasting and cash flow management. As a result, NOCs must develop strict cash and risk management plans in order to combat this volatility. International tax planning becomes a crucial component of financial planning as NOCs go worldwide (Ibid). It is inevitable that non-resident corporations NOCs will exploit opportunities for international tax planning, double tax treaties, and different tax rates in the nations in which they conduct business. Regarding Kurdistan Region, which is part of the global interest, there have been numerous arguments about the PSCs' major goal of forming partnerships in order to obtain modern technology and political interest inside IOCs. In accordance with Kurdistan Region Oil and Gas Law No. 28, 2007, Iraqi Kurdistan used production sharing agreements with foreign oil corporations. Even though Iraqi federal governments did not recognize oil contracts, this was nonetheless done. Article 112 of the Iraqi Constitution grants the Kurdistan regional government the authority to enter into oil contracts with foreign oil companies. (Hasan, Q. M., & Perot, K. A. 2021). The Kurdistan Region Government asserted that these contracts have legitimacy and serve to attract and encourage foreign investments in the region. Although production sharing contracts entail greater risk for multinational oil corporations, these contracts also offer a higher degree of benefit to these firms since they offer a structure that allows for the highest possible level of cost recovery. It is true that in production sharing agreements, foreign oil corporations take on the greatest amount of risk; yet, oil contracts also work better for them since they offer a structure that allows for the highest possible degree of cost recovery and oil output. Oil contracts between the Kurdistan Region of Iraq and the Iraqi government have evolved into a political rather than a legal or commercial dispute, (Zebari, D. F. 2020).

1.7 Reasons for KRG not establishing NOCs.

Company plans must present a sustainable future vision to NOCs and their governments. A clear and effective set of regulations governing the amount that NOCs can borrow, spend, and contribute to the national treasury can be facilitated by such a vision. Otherwise, it is difficult to maintain NOCs, which can result in failures like KRG. Here are several factors might have contributed to the KRG's failure to establish NOCs, including:

a. The Baghdad central government is refusing to acknowledge any NOCs established by the KRG or any transactions of this nature conducted through any other entity than SOMO.

Political Challenges: The KRG operates within a complex political environment, and establishing an NOC could have led to disagreements among various political parties and regions over revenue distribution and decision-making powers.

b. Financial Constraints: A NOC must be established with large upfront investments and continuous running expenses. Financial constraints may have prevented the KRG from establishing and sustaining such an organization.

c. Capacity and Expertise: Developing and managing an NOC requires significant technical expertise, experience, and institutional capacity, which the KRG might have lacked at the time of consideration.

d. Foreign Involvement: Given that IOCs frequently contribute cutting-edge technologies, capital, and operational skills, it's possible that their presence in Kurdistan's oil industry discouraged the KRG from forming a NOC.

1.8 Conclusions and Recommendations

This article examined the role of NOCs in any producing counties and addressed the evolution of oil revenue in KRG and other international states, as well as new roles, possibilities, and rising difficulties that the oil and gas industry in KRG would face in the future. The study's main goal is to look at the impact of NOCs oil revenues on economic growth. The first section of the study is an introduction to the research's subject matter; it discusses the study's history in general, as well as the topic of oil revenue and economic growth general.

The National Oil Company of the Kurdistan Region serves as a crucial intermediary between the region's oil resources and International Oil Companies. Through its regulatory role, contract negotiations, and emphasis on environmental and social responsibility, the NOC ensures that oil exploitation is carried out responsibly and sustainably. Moreover, by leveraging partnerships with IOCs, the NOC gains access to advanced technologies and expertise, enhancing its capabilities in managing oil projects. In addition to the paper, if the NOC had been duly established and recognized by the Central Government, it might have contributed to the long-term stability and prosperity of the Kurdistan Region through the efficient management of oil income and the promotion of economic diversification. Therefore, this essay also argues in favor of the establishment of a national oil company in the KRG, in which employ energy exports both offensively and defensively in terms of foreign policy. They can be used to compel or hinder other governments from acting in a certain way. They might be applied as a form of punishment or to forge close economic ties. The dependency relationship that forms between an oil or natural gas producing state and a consuming state serves as the foundation for the offensive or defensive use of energy exports. A transit state serves as an essential intermediary when talking about pipelines.

This relationship can therefore be used as a weapon to threaten transit or end-user governments or as a shield against political pressure from outside the producing state. A defensive strategy might not always be advantageous for other nations. On the other hand, a successful defensive strategy, or the appearance of one, may inspire the authoritarian state in question to adopt a more proactive foreign policy. Conflict instability may result from this heightened willingness to take risks, whether diplomatically or militarily. This analysis shows that if the study had not been limited to paper, the KRG may have benefited in a variety of ways from its further examination of the national oil company model's roles in foreign policy.

Nonetheless, the KRG's choice of not implementing National Oil Company in the region is impacted by a number of variables, including as financial limitations, political difficulties, and foreign intervention. While an NOC might have its benefits, the KRG can explore alternative approaches to effectively manage its oil resources through collaboration with International Oil Companies. By strengthening its regulatory framework, investing in capacity-building, renegotiating contracts, and establishing partnerships, the KRG can optimize the benefits of its oil sector for the long-term development and prosperity of the Kurdistan Region. Finally, it can be concluded that, in reality, KRG lacked the basic key capabilities to manage oil revenues in order to achieve the desired economic growth due to the presence of weak political and democratic institutions that have encouraged the institutionalization of bad governance, and outright disregard for the rule of law.

- Recommendations Based on the aforementioned results and suggestions, the study recommended that the Kurdistan Oil and Gas Law, which was approved by the Kurdistan National Assembly, the Region's parliament, on August 6, 2007, diversify its articles further to clarify the revenues share and also to show the cost of oil revenue, and that the government should promote greater private company participation.
- These NOCs have been mentioned in this law should be are putting it into practice because no NOCs have actually been formed as of yet, which is critical at this point for KRG. By doing this, the damage brought on by the unauthorized export of crude oil products will be reduced.
- The government must act quickly to provide assistance to the local indigenous inhabitants in the region where crude oil is being mined. There will consequently be less instability there. A body should be established by the government to ensure that foreign oil firms are socially responsible to the areas in which they operate and the oil distribution system.
- Establish guidelines for transparency in the management of natural resources, especially with regard to revenue from the sale of oil and gas. There may be enhanced transparency in government-owned oil national companies' reporting as a result of all of them adopting the extractive industries transparency initiative and holding both majority and limited control over oil and gas reserves.
- Last but not least, KRG should be able to use its natural resources to advance its foreign policy.

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