

COUNTRY RISK SEMINAR SKEMA BUSINESS SCHOOL 2017-2018

Iraq's Kurds Independence Referendum

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Iraq's Kurds Independence Referendum

- Kurdistan presentation
- Geopolitical risks
- Impact on markets
- What's next ?



Kurdistan

- 30 million people over 4 countries
- 18% of Iraq population
- Voted YES at 93% for independence



GEOPOLITICAL RISKS

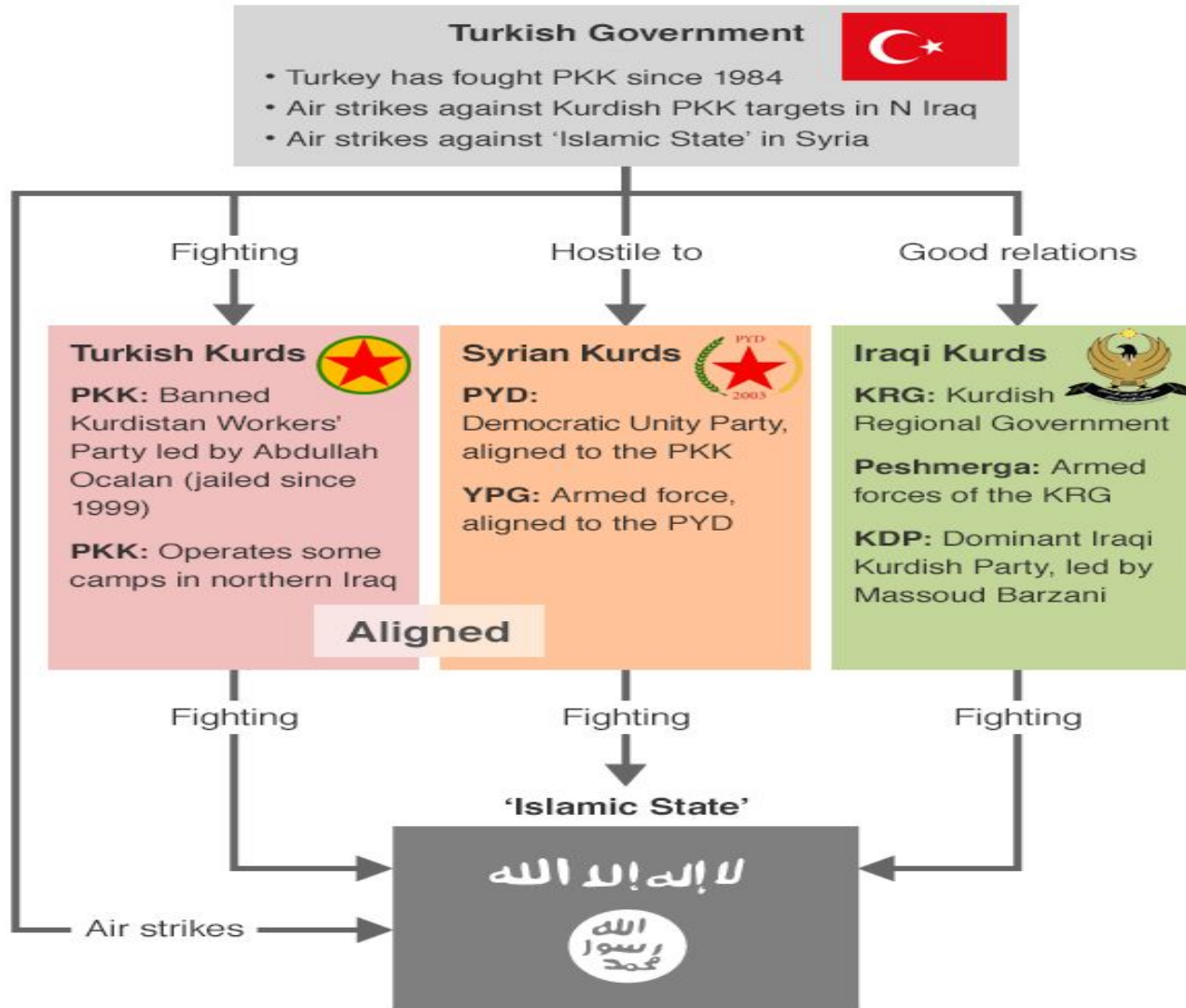
Geopolitical risks

- ▣ Sparks independence movement in other Kurds groups
- ▣ Weaken regional forces fighting ISIS
- ▣ Tension could emerge with Russia



Kurds, Turkey & ISIS

Kurdish groups, Turkey and the Islamic State



IMPACT ON MARKETS

OIL – BONDS - CURRENCIES

Why oil market should care about this referendum ?

- ▣ Kurdish enclave could hold 45 billion barrels of crude reserves
- ▣ The region pumped about 550,000 barrels of oil a day in 2016 (12% of Iraq's total supply)
- ▣ Same as Ecuador and Qatar
- ▣ Publicly listed oil companies operate in the area



Is the referendum a threat for exports?

- Turkey could shut down pipeline (700,000 barrels a day)
- “Who are they going to sell the oil to? If we close the valve, their income is gone too” - *Recep Tayyip Erdogan*

Pipeline Route For Oil Exports From Iraq's Kurdish Region

Kurds say region contains 45 billion barrels of reserves

■ Majority Kurdish population / Kirkuk-Ceyhan pipeline



Is the referendum a threat for production ?

- ▣ Production could be cut in Kirkuk oil rich area (400,000 barrels a day)
- ▣ Kurdish took control of Kirkuk against ISIS in 2014
- ▣ Baghdad refuses to recognize Kurdish control of the area
- ▣ Kurds, Arabs and Turks are all competing for Kirkuk
- ▣ Iraq and Turkey may use force to take back the region:
“We may arrive one night, suddenly.” - Recep Tayyip Erdogan



Yield & Currencies

- “The escalation both in geopolitical and military uncertainty is never welcome; both the CDs and 10-year yields are indicating concern”
- Turkish lira depreciated as much as 1 percent against the dollar

Yield & Currencies



What's next ?

- Turkey agreed to deal only with Bagdad for oil exports
- Iran and Iraq sent military forces at the frontier
- Ban on international flights into Iraq's Kurdish region
- Presidential and legislatives election in Kurdistan are postponed

