GoldSquawk

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Baghdad's Kurdistan push strengthens its quota case, but field reality still rules

GoldSquawk Research

Key takeaways

- Baghdad's move this week links sovereignty and quota politics: Prime Minister Ali al-Zaidi ordered disputed oilfields and border crossings brought under federal authority just ahead of the November 29 OPEC+ meeting that will shape 2027 baselines under the maximum sustainable capacity framework[1,2,3].
- Iraq is challenging external assessments of its capacity. Baghdad reported output of almost 4.9 mb/d in October 2026, versus OPEC secondary-source monitoring at 4.491 mb/d, while the IEA estimated October supply at 4.6 mb/d and sustainable capacity at 4.87 mb/d[4,5].
- Northern barrels matter, but they are not sufficient on their own. EIA says KRG production averaged close to 300 kb/d in 2024 and pre-shutdown northern exports via Ceyhan were more than 400 kb/d, material for baseline arguments but not enough to settle Iraq's wider capacity debate[6].
- The core constraint is deliverability rather than resource size. EIA says southern operational export capacity was about 3.4 mb/d in mid-2024, with up to 300 kb/d of potential compressor uplift, while the Iraq-Türkiye pipeline has remained a bottleneck since March 2023[6].
- Implementation risk remains high. Iraq's top court backed broader federal authority over borders and oversight of oil and gas fields, but Reuters said Kurdish authorities were likely to resist and AP reported thousands protesting in Erbil on November 26[7,8,1].

A sovereignty move timed for the baseline reset

- Baghdad's immediate objective is to recentralise control over disputed northern oilfields and border flows, while using that control to reinforce its case for a higher 2027 OPEC+ baseline. Reuters reported that Zaidi ordered federal authorities to manage oilfields in Kirkuk, Nineveh, Diyala and Salahuddin under Kurdish security control, with Khormala appearing to be within scope; the move was framed as a sovereignty and anti-smuggling measure[1].
- The legal position hardened on November 25, when Iraq's Federal Supreme Court backed Baghdad's authority to deploy federal forces along all international borders, including in the Kurdistan region. Reuters also reported that state TV said the federal oil ministry can oversee and audit oil and gas fields while sharing management responsibility with regional governments and producing provinces[7].
- The timing matters because OPEC+ has already adopted maximum sustainable capacity as the reference point for 2027 baselines. That process was approved at the November 30, 2025 ministerial meeting, reaffirmed on June 7, 2026, and the next key meeting is due on November 29, 2026[2,3].
- AP reported that the new measures place approval for oil exports under the federal oil ministry and transfer management of oilfields in Diyala, Kirkuk, Salahuddin and Nineveh to Baghdad. For OPEC+, that shifts the issue from a regional dispute toward whether those barrels can be counted as federally controlled national capacity[8,9].

Figure 1: Oil market positioning is light as Iraq contests capacity metrics



Source: CFTC Commitments of Traders (futures only), as of 17 November 2026.

Baghdad's capacity case still collides with external benchmarks

- Reuters reported that Iraq is pressing OPEC+ to raise the group's estimate of its crude production capacity ahead of the November 29 meeting, the first OPEC-led independent capacity assessment for setting 2027 allowances[9]. Bloomberg reported that Iraq rejected the consultant study commissioned by OPEC+, disputing an assessment of less than 5.0 mb/d[4].
- The production gap is material. Bloomberg said Iraq reported almost 4.9 mb/d of crude production in October 2026 to OPEC, while OPEC's externally sourced monitoring put output at 4.491 mb/d. The IEA's November report estimated October supply at 4.6 mb/d, 0.17 mb/d above Iraq's implied target of 4.43 mb/d, and put sustainable capacity at 4.87 mb/d[4,5].
- That mismatch matters because the OPEC+ framework is about sustainable capacity, not a legal claim over reserves or a single month's peak. The market will be watching whether Baghdad can turn federal authority over northern barrels into metered, marketable and durable supply rather than a political argument about undercounted production[9,5,7].
- Positioning and volatility suggest traders are not heavily leaning one way into the meeting. GoldSquawk data show OVX at 48.0, with an implied daily move of ±2.57 $/bbl, while NYMEX WTI non-commercial net length was 63.1K contracts in the week to November 17, down 10.8K week on week[10].

Figure 2: WTI remains below key moving averages as quota politics meet delivery constraints



Source: NYMEX WTI crude futures daily closes via Yahoo Finance; GoldSquawk calculations, as of 26 November 2026.

Northern control improves the optics; exports still decide the value

- The northern barrel pool is meaningful. EIA says KRG crude production fell from about 435 kb/d in 2022 to nearly 240 kb/d in 2023, then recovered toward about 300 kb/d by March 2024 and averaged close to 300 kb/d in 2024. Before the March 2023 shutdown, northern exports via Ceyhan averaged more than 400 kb/d[6].
- Baghdad's gains from federalising these flows are threefold: stronger claims that disputed and Kurdish-linked barrels belong in Iraq's national capacity estimate, better OPEC compliance optics through formal marketing channels, and greater revenue capture from barrels that may otherwise move through opaque routes[7,1,6].
- But exportability remains the constraint. EIA says southern operational export capacity was about 3.4 mb/d in mid-2024, with up to 300 kb/d of compressor uplift, while Sealine 3 is scheduled for 2027 and would add 500 kb/d. EIA also says no progress had been seen as of early 2025 on additional sealine projects that could eventually add another 2.0 mb/d[6].
- Baghdad's economic incentive is clear. EIA says crude oil export revenues accounted for an estimated 90% of Iraq's total government revenues in 2023, citing the IMF. On November 26, Oil Minister Basem Mohammed Khudair said exports had risen to 3.6 mb/d and October crude revenues reached $8.8 billion, while Baghdad was in talks with OPEC to increase its production ceiling[6,11].

Scenarios

- **Supportive case:** Baghdad converts court rulings and security pressure into practical federal oversight of disputed fields, export approvals and border flows, while OPEC+ accepts some upward adjustment to Iraq's recognised capacity. That would strengthen the view that northern barrels are becoming more marketable, more transparent and more relevant to Iraq's 2027 baseline[7,8,5,9].
- **Pressure case:** Kurdish resistance, protests and operational friction prevent meaningful changes on the ground, leaving Baghdad with legal authority but limited control over production, staffing, trucking and marketing. In that case, OPEC+ has stronger grounds to stick closer to consultant and IEA-style capacity estimates rather than Iraq's own claims[8,1,5,4].
- **Infrastructure-constrained case:** Iraq wins some political recognition in the baseline process, but export bottlenecks remain binding in both the north and south. That would leave a gap between

paper capacity and deliverable barrels, keeping attention on Ceyhan normalisation, Basra infrastructure and metering rather than on headline quota gains alone[6,9].

Levels to watch

- WTI last close: $84.91/bbl
- WTI 200-day moving average: $88.66/bbl
- WTI 50-day moving average: $92.53/bbl
- Brent-WTI spread: $6.82/bbl
- WTI 52-week range: $55.27-$112.95/bbl

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Glossary

OPEC+ baseline: The reference production level used to calculate how much a member is allowed to produce under OPEC+ agreements.

Maximum sustainable capacity: The level of oil production a country can maintain over time, rather than just reach briefly.

Secondary sources: Independent external data providers used by OPEC to estimate members' output instead of relying only on self-reported figures.

SOMO: Iraq's state oil marketing organisation, which handles official crude sales for the federal government.

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