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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

August 15, 2022

The Honorable Antony J. Blinken
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, DC 20520

Dear Secretary Blinken,

We write to express our concern that the ongoing constitutional dispute between Federal Iraq and the Kurdistan Regional Government (KRG) over natural resources undermines Iraq's economic development. We are also concerned by reports that recent court rulings, including the Iraq Federal Supreme Court's recent ruling on the KRG's Oil and Gas Law No. 22, are being selectively applied against U.S. energy companies operating in the Kurdistan Region of Iraq (KRI). Furthermore, we are concerned by recent and ongoing Iranian and proxy militia attacks against energy infrastructure and U.S. interests in northern Iraq as Iran continues to interfere in Iraq's government formation and internal political processes.

We urgently ask the Administration to engage the KRG and the Iraqi government at the highest levels to allow for continued energy work in the KRI, which is integral to Iraq's stability and prosperity, and to furthering Iraq's energy independence. The U.S. and U.S.-based energy firms have been essential to the development of the Iraqi-Kurdish region's energy sector and contribute to efforts to wean Iraq off of Iranian energy imports. To that end, the United States Development Finance Corporation (DFC) has extended over \$300,000,000 in loans to energy firms operating in the KRI.

We are concerned that the Iraqi Ministry of Oil's selective application of the Supreme Court ruling to certain U.S. companies, taken together with Iranian attacks on Iraq's energy infrastructure, harms Iraq's economic viability. Further, the actions of the court and Iranian-sponsored attacks negatively impact the foreign investment climate and Iraq's ability to become independent from Iranian-sourced energy. In parallel with the complex government formation process, it appears Iran is using its influence to put pressure on the KRG while limiting competition in the energy sector. We are particularly concerned about the viability of DFC loans in the wake of the Supreme Court ruling and recent missile attacks, two of which targeted a \$250 million DFC investment in infrastructure upgrades at the Khor Mor gas field.

The recent agreements to link Iraq's electrical grid to Saudi Arabia and to send electricity from Jordan to Iraq that were announced during President Biden's recent trip to the Middle East, are welcome signs of Iraq's energy diversification. However, more should be done to benefit the Iraqi people and free Iraq from its dependence on Iranian energy.

We urge you immediately to engage at a high-level with the KRG and the Iraqi government to safeguard the economic stability of the KRI. We hope to see a solution that would ensure that U.S. firms are able to maintain operations in the immediate-term in a manner that complies with the laws of the KRG and federal Iraqi government while pursuing a workable long-term solution to the court ruling and the broader constitutional dispute. The Administration also should seek to capitalize on the President's recent meeting with Prime Minister Kadhimi and maintain a high tempo of engagement even as government formation drags on.

We look forward to regular updates from the Administration.

Sincerely,



Robert Menendez
Chairman



James E. Risch
Ranking Member