

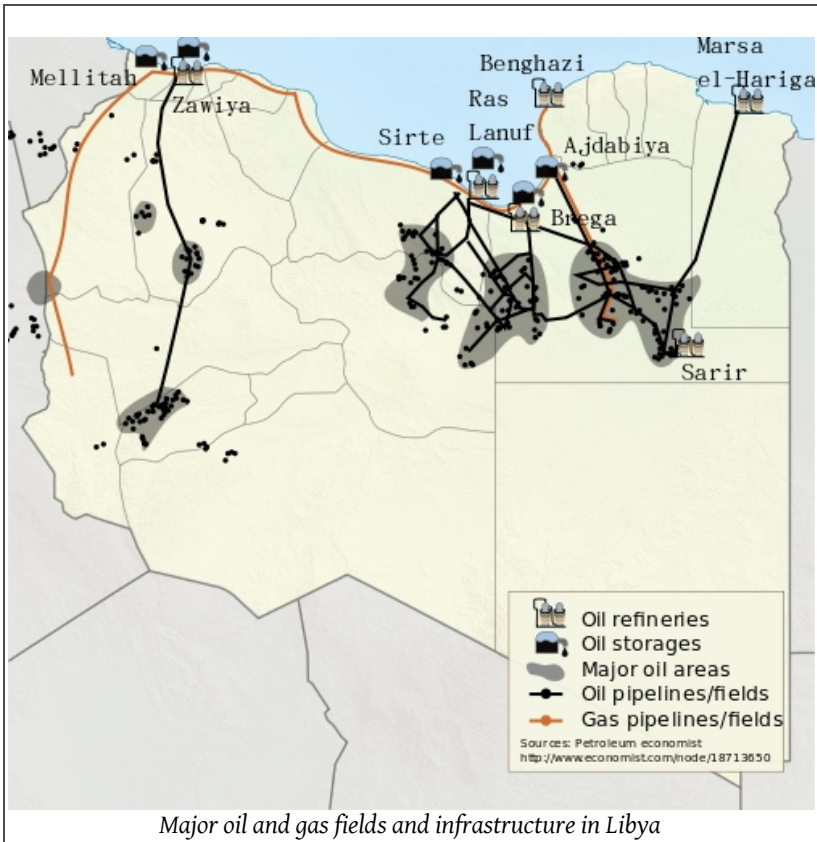
Libya Oil Almanac

An OpenOil Reference Guide

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Major oil and gas fields and infrastructure in Libya

Introduction

The Libya Oil Almanac has been created to significantly increase the stock of information available in local languages among journalists, civil society actors, government officials and others. The Almanac provides a living database of publicly available information around the Libyan oil industry, from both domestic and international perspectives, and will form the basis for a locally based knowledge community on these issues. The first edition of the Almanac has been prepared for Revenue Watch Institute by OpenOil UG.

It is anticipated that the Almanac will provide the basis for a series of capacity building workshops for local Libyan wiki editors, who will then go on to be the sole administrators of the Arabic version of the wiki, as well as to create a lasting resource of information around the Libyan oil industry.

The English language version of the wiki can be seen online at libya.wiki.openoil.net. The information currently available will only increase in quantity and quality as the number of contributors to the platform increases.

All information included here is taken from publicly available sources and is clearly referenced (see the footnotes at the end of each page), enabling the reader to locate the source from which the information was taken for further research. Crucially, it was created using MediaWiki software, meaning that there now exists an online database of all of the articles which can be updated as more information becomes available. As such, this printed Almanac is merely a snapshot of what the database looks like at any given moment; this bank of information will grow in the future as the online articles are updated.

The ultimate goal of this resource is to create, by means of the capacity building workshops, a group of trained local editors who can take ownership of the guide and be responsible for its maintenance. This in turns creates a crucial platform by which Libyans can share perspectives and are able to access all of the information necessary to hold their government to account in its use of extractive industry revenues, in order to achieve valuable development outcomes for the Libyan people.

OpenOil has created similar guides for a range of other countries across the Middle East, Africa and South America. If you are interested in finding out more, please see our website at openoil.net, see our series of guides at wiki.openoil.net or get in touch with us at wikiguides@openoil.net.

Energy Industry Background

Definition of reserves

Different systems have been used to classify reserves of oil and gas since the industry first developed in the nineteenth century. However the most widely used definitions today are provided by the Petroleum Resources Management System of the American Society of Petroleum Engineers.¹

Reserves

Proven Reserves

Proven reserves are those that a company is more than 90% certain of extracting under existing market conditions. They are often reserves that fall within the extraction of existing infrastructure such as wells and associated transport infrastructure. The category of proven reserves is often prescribed in the regulations of various financial markets as the key definition of a company's energy assets, and therefore the amount of proven reserves a company has access to will influence its share price, and the amount of capital available to it for investment. Proven reserves are also known by the phrase P1.

Proven reserves are usually quoted by the holding company and are not subject to external audit. Libya's proven reserves are stated by the government to be 46.4 billion barrels of crude oil as of 2011.

British Petroleum publishes a Statistical Review every year which includes proven reserves for over 50 producing countries.²

Probable Reserves

Probable reserves are reserves which are known to exist and are recoverable under current market and technological conditions, but which the company is less certain of extracting than proven reserves. The threshold for probable reserves is 50% certainty of recovery, as opposed to 90% for proven reserves. Reasons for the difference could be that the reserves lie outside the extractive capacity of existing wells, so need new investment, or that various licenses for production and transportation are required from the host country. Probable and proven reserves are often lumped together in a definition known as P2.

1 “[Petroleum Resources Management System](#)”. *SPE International*, retrieved 25 October 2011.

2 “[BP Statistical Review of World Energy June 2011](#)”. *BP*, June 2011.

Possible Reserves

Possible reserves, like probable reserves, are recoverable under existing macro conditions of oil price and technology. But they reach only a 10% degree of certainty on the part of the holding company. Proven, probable and possible reserves are lumped together in a definition known as P3.

Contingent Resources

Contingent resources are those which are known to exist but which may be too expensive or technologically challenging to extract under current conditions. For example, an oil field may exist so far out to sea that it will be too expensive to drill and produce unless the price of oil rises higher than it is today. Which resources are classified as contingent is therefore a moving picture, depending on the development of technology.

Dependency on oil revenues

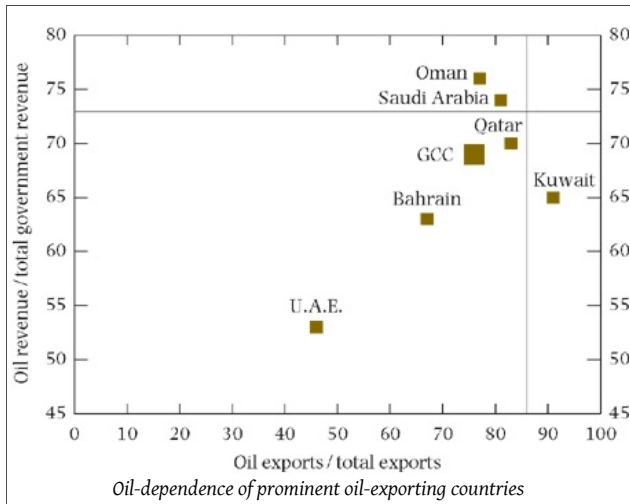
There are two different measures of oil revenue dependence, as can be seen in the figure below. The first is the ratio of oil revenues to fiscal revenues, or the total income of the government. The second is the ratio of oil revenues to total exports. The IMF estimated that of the Gulf producers the United Arab Emirates shows the least oil dependence, with oil accounting for just over half of government income, and just under half of exports.³

Qatar, by contrast, showed a ratio of 70% of government revenues, and 80% of total exports. The International Monetary Fund identified at least 30 countries where revenues from oil and gas accounted for at least 25% of government income during the period 2005-8 and where sufficient information was available for meaningful analysis:⁴

Algeria, Angola, Azerbaijan, Bahrain, Bolivia, Brunei, Cameroon, Chad, Congo, Ecuador, Equatorial Guinea, Gabon, Indonesia, Iran, Kazakhstan, Kuwait, Libya, Mexico, Nigeria, Norway, Oman, Qatar, Russia, Saudi Arabia, Sudan, Timor-Leste, Trinidad and Tobago, UAE, Venezuela, Vietnam, and Yemen. It is important to note that oil revenue dependence is not related to the quantity of oil produced or exported. Yemen, which exported around 160,000 barrels of oil a day (bpd) in early 2010, displays a higher degree of dependence on oil revenues than Saudi Arabia, which exported around 8 million bpd over the same period, or 50 times more.

3 [“GCC Countries: From Oil Dependence to Diversification”](#). *International Monetary Fund*, 2003.

4 [“Fiscal Policy in Oil Producing Countries During the Recent Oil Price Cycle”](#). *International Monetary Fund*, February 2010.



Energy Governance Weak Points

Pre-Production Stage

Exploration Licenses

Oil and gas production often works in two stages, with licenses awarded to explore given regions at the initial stage, and then separate arrangements being made once oil or gas is discovered. Given that prediction is so difficult, and the potential rewards are so great, even the license to explore certain areas can present an opportunity for corruption. For example, in 1999 Nigeria granted a series of exploration licenses for offshore exploration to companies which did not have any experience in oil production.⁵ In the Libyan case, it was lucrative exploration contracts which were at stake when British Petroleum (BP) faced an outcry in 2010 over links made by the press between the company and the release of Lockerbie bomber Ali al-Megrahi,⁶ who was released on 'compassionate grounds' by the Scottish government. BP denies any lobbying that linked Libyan prisoners to commercial contracts.⁷

5 “[Africa: Nigerian generals deny corruption](#)”. *BBC News*, 10 May 1999.

6 “[Libyan controversy adds to BP's woes](#)”. *Washington Post*, 16 July 2010.

7 “[A black cloud on the horizon for Anglo-American relations?](#)”. *The Economist*, 21 July 2010.

Production Awards

Once discoveries have been made, the right to produce presents a further opportunity for corruption. In some cases, the company which made the discovery has already agreed terms to go ahead and produce the oil. But especially in post-conflict countries, licenses may be obtained without due process. A 2004 review of companies extracting minerals in Liberia found that only 45 out of 70 operating companies were in possession of proper licenses.⁸ In other cases, officials in host governments can use the threat of renegotiation or revocation of production rights to extort illegal payments from companies. Many economists regard auctions as the best way to manage both corruption and asymmetry of information between governments and companies at the production award stage.⁹ Nevertheless, corruption is possible even in the context of an auction process, since a company and a government official can collude over subsequent modifications and renegotiations to the contract.

Production Stage

Import licenses, dues, levies

Once a company is producing in the country, the host government has a range of tools by which it can effectively change conditions for operating companies, which have now sunk large investments and so have incentives to keep producing even in the face of extra burdens. This is known to the economists as a "time-inconsistency" problem.¹⁰ This ability to hold the company to ransom over its sunk investment can either be exploited for public interest - as when the government of Abdul Karim Qassem raised port fees in Basra Oil Terminal by 1200% overnight as part of its struggle with the Iraq Petroleum Company in the 1960s,¹¹ or it can be used for private gain by influential officials in the host government.

Among such blocking tools are licenses to import equipment needed to produce, such as has happened in Angola,¹² transit fees in ports and along pipelines, such as happened in the Iraqi industry when it fell into disagreement with neighboring Syria, and more recently between Ukraine and Russia,¹³ and changes in various forms of corporate and other taxes.

Support Service Contracts

The oil industry, in line with trends in the rest of the global economy over recent dec-

8 [“Corruption and the renegotiation of mining contracts”](#). *U4*, 30 November 2007.

9 [“Managing the 'curse' of natural resources: charter offers guide for politicians”](#). *The Guardian*, 5 February 2009.

10 [“Dynamic Inconsistency”](#). *Wikipedia*, retrieved 25 October 2011.

11 [“Iraq: Post-World War II Through the 1970s”](#). *US Library of Congress*, retrieved 25 October 2011.

12 [“Angola Trade Report”](#). *US Trade Department*, retrieved 25 October 2011.

13 [“Q&A: Russia-Ukraine gas row”](#). *BBC News*, retrieved 25 October 2011.

ades, has taken to outsourcing aggressively. This means that even when a top level operating license has been granted under public scrutiny through an auction process, the primary operator then issues contracts, which could be worth hundreds of millions of dollars, to other companies who in turn implement various activities to fulfill the contract with the host government. Since these contracts are between two private sector companies, they usually fall outside the scope of any governmental audit or integrity agency.

Cost Recovery Accounting

Many oil contracts make provisions for an oil company to recover the heavy investment it has made to discover and then produce oil and gas. This is typically on a sliding scale over time, whereby a large portion of oil revenues are awarded to the company to cover their costs at the outset, but the proportion gradually diminishes over time.¹⁴ Big oil companies often have sophisticated accounting methods at their disposal and can, for example, find ways to increase costs and decrease profits in one country with relatively high taxation, transferring the profits to another country where corporate taxes are lower. In some cases, multinational companies engage in complex transactions between several subsidiary companies across different legal jurisdictions. This is known as "transfer pricing", which can result in above market "costs", which they can then reclaim out of the oil revenues created by their production.¹⁵

All of these issues can be disputes between a host government and an oil company, as was seen in Indonesia in 2009-10 with cost recovery accounting.¹⁶ Equally, they can present bribery opportunities for an individual official in the host government.

14 “[Glossary of Terms Used in Petroleum Reserves/Resources Definitions](#)”. *Society of Petroleum Engineers*, retrieved 25 October 2011.

15 “[Cost Recovery And High Oil Price: How Can Host Governments Capture Adequate Revenue? A Case Study Of Nigeria](#)”. *CEPLMP*, 04 June 2009.

16 “[Indonesia to drop cost recovery cap](#)”. *Upstream Online*, 05 January 2010.

History of Libyan Oil and Gas Industry

Oil Industry pre-1969

Historical Context

Throughout its history, Libya has formed part of various Empires which have had control over the Southern Mediterranean. The territory began the 20th Century under the rule of the Ottoman Empire, but was later invaded by Italy in 1911. A resistance ensued which would last until the end of World War II and Libya became a de facto colony of Italy over that period. After the conclusion of World War II, Italy renounced its claims over Libya in a peace treaty signed with the Allies and the territory was ruled jointly by the UK and France from 1942 until the country gained its independence in 1951.¹⁷

In 1949, the region of Cyrenaica had become an independent Emirate under resistance leader Emir Idris Sanusi. However, in the same year the United Nations ruled in favour of a united country covering all three provinces of Tripolitania, Cyrenaica and Fezzan. In 1950 a National Assembly gathered in Tripoli and designated Emir Idris Sanusi as King. The following year, a Constitution was established and King Idris declared the independence of Libya from the UK.¹⁸

The Discovery of Oil

Soon after the new Kingdom was created, the UK and the US obtained rights to build military bases in Libya. In 1956 the first concessions for oil exploration were granted to foreign companies and in 1959 the first successful drilling was reported when Zletin oil field, one of the largest in the country, was discovered by [Esso Libya](#).¹⁹ Libya became an oil exporter in 1961 with the completion of a 167km pipeline linking important oil fields in the interior to the Mediterranean Sea.²⁰ This marked the beginning of a spectacular production rise that would surpass 3 million barrels per day (bpd) in 1969.

With the discovery of significant oil reserves in 1959, Libya moved abruptly from being dependent on international aid and the rent from U.S. and British air bases to being an

17 “[History through Libyan eyes](#)”. *BBC News*, 28 March 2011.

18 “[Everything You Need To Know About The Libyan Oil Industry](#)”. *Business Insider*, 22 February 2011.

19 “[Libya: What Happened and When ?](#)”. *Libya: Our Home*, retrieved 19 October 2011.

20 “[History, Kingdom Established](#)”. *Countries Quest*, retrieved 25 October 2011.

oil-rich monarchy.²¹ However, equity was lacking and popular resentment grew as oil exports grew, setting the stage for the young Colonel Gaddhafi's bloodless coup d'etat in 1969.

Oil Industry Under Gaddafi

Overthrow of the Monarchy 1969

When Libyan King Idris was overthrown in a coup led by the 27-year-old Muammar Gaddhafi, the country and its oil industry embarked upon a radically new chapter in their history. The early years following the revolution can be seen to be divided into three recognizable political phases:

1. 1969-70: a new political and organizational model was sought to overcome the shortcomings of the preceding monarchy.
2. 1971-75: the Arab Socialist Union was established as the sole political party, based on the Nasserite Constitutional model (which came into force in Egypt in 1971, based on the principles of freedom, socialism and unity).²²
3. Towards the end of 1975: the Nasserite model was replaced with an officially sanctioned vertically organized system of 'direct democracy', governed by popular Peoples' Committees.

The original task of these Committees was to establish the political system, but over the years members have increasingly controlled the system and shut out the political opposition, effectively dissolving it.²³ The ideological basis of Colonel Gaddhafi's new regime was his Green Book, touted as an alternative to both communism and capitalism, and he named his new system a Jamahiriya (loosely translated as a 'state of the masses').²⁴

Nationalisation of Banks and Oil Industry 1970s

In 1969 the Libyan state took over 51% of the capital of foreign banks, and ²⁵in 1970 the government formally nationalised all banks. Private ownership of financial institutions was not officially permitted until 1993.

The Libyan regime also began a process of nationalisation of the oil and gas sector in the early 1970s. This began with demands for higher petroleum prices, a greater share of revenues and more control over development of the industry. This led to foreign petroleum companies agreeing to a price increase of more than three times the rate

21 "[The Discovery of Oil](#)". *Encyclopaedia Britannica*, retrieved 25 October 2011.

22 "[Nasser and Arab Socialism](#)". *US Library of Congress: Country Studies*, retrieved 25 October 2011.

23 "[2010 Libya Country Report](#)". *Bertelsmann Stiftung*, retrieved 19 October 2011.

24 "[Libya country profile](#)". *BBC News*, retrieved 19 October 2011.

25 "[Libya: What Happened and When?](#)". *Libya: Our Home*, retrieved 19 October 2011.

previously (from US \$0.90 to US \$3.45 per barrel) early in 1971.²⁶ In March 1970, the Libyan Government dissolved the Libyan Petroleum Company (Lipetco), whose functions up until then had included the negotiation and supervision of oil concession agreements²⁷, replacing it with the Libyan [National Oil Corporation](#) (NOC). Furthermore, in July the regime nationalised the networks for distributing oil products owned by foreign oil companies. Henceforth only the NOC would have the right to distribute such products throughout the country.²⁸

Later in 1971, Libya nationalised the holdings of [British Petroleum](#) (BP) as a gesture in support of Islamic and pan-Arab power.²⁹ This move followed Britain's withdrawal from three small islands in the Straits of Hurmoz, leaving them to 'Iranian occupation' (Iran under Shah Reza Pahlavi was then perceived as a close ally of Israel). In 1973, Libya announced the nationalisation of oil major Hunt's assets in the [Sarir](#) field,³⁰ in retaliation for US support of Israel. Later in the year the regime issued a decree nationalising US-owned [Occidental](#), transferring 51% of all funds, rights, assets, shares and interests to the state. The Oasis Group also signed a similar agreement (affecting [Continental](#), [Amerada](#), [Marathon](#) and [Shell](#)).

In September of 1973 Libya issued a 16-article law nationalising 51% of the assets of all remaining oil companies operating in Libya. This policy was not outright nationalisation, but part of a general program Libyanizing the economy. Dr Mahmoud Elwarfally suggests in his book on the Libyan oil industry that a total nationalisation could not be pursued until a Libyan staff of technicians and experts was ready to take over.³¹ Over the course of 1973, Libya also played an active role in the Arab oil embargo on the USA in the wake of the Yom Kippur war between Israel and its Arab neighbours.³² In 1974 further nationalisation activity took place, with Gaddhafi nationalising three US companies by seizing the remaining 49% share of California Asiatic Company, American Overseas Petroleum Company and the Libyan-American Oil Company. By 1975 the assets of almost all companies working in Libya were either fully nationalised (such as BP) or majority owned by the Libyan State, who held a 63% of the assets of German [Wintershall](#), 85% of Austrian [OMV](#), 59.2% of the Oasis Group and 50% of the assets of Italian Agip. According to ElWarfally, these moves were widely interpreted as Gaddhafi using oil resources as a political weapon.

New Constitution

In 1969, following the overthrow of the monarch, a provisional Constitution was announced by the Revolutionary Command Council (RCC), to remain in force until a per-

26 "[Libya: Politics of Oil](#)". *US Library of Congress*, retrieved 25 October 2011.

27 "[Libya: Energy and Power](#)". *Encyclopaedia of the Nations*, retrieved 25 October 2011.

28 "[Libya: What Happened and When?](#)". *Libya: Our Home*, retrieved 19 October 2011.

29 "[Newsletter No. 34](#)". *The Association for the Study of Peak Oil and Gas*, October 2003.

30 "[Once world's richest man, Bunker Hunt has 'no regrets' 29 years after silver collapse](#)". *Texas Cable News*, 22 March 2009.

31 "ElWarfally, M. [Imagery and Ideology in U.S. Policy Toward Libya 1969-1982](#)". *University of Pittsburgh Press*, 1998, p56.

32 "[Oil: Thirty years of turmoil](#)". *BBC News*, 17 October 2003.

manent version could be adapted. In 1977 this provisional document was replaced by a new Constitution and Libya's official name changed from the Libyan Arab Republic to the Socialist Peoples' Libyan Arabic Jamahiriyah.

The new Constitution incorporated a blend of Islamic and socialist theories espoused in Gaddhafi's Green Book and his Third Universal Theory. The direct authority of the people constituted the political order, while the social system was governed by the Holy Koran. Political institutions were represented by Peoples' Congresses, committees, trade unions and vocational syndicates.³³

Promotion of Arab Unity

Colonel Gaddhafi was said to be inspired by Egyptian nationalist leader Gamal Abdul Nasser, who dominated Arab politics through the 1950s and 1960s. Although Gaddhafi has always presented himself as an Arab nationalist, his attempts to forge unity with other Arab states met with little success, going so far as triggering a brief war with Egypt in 1977. In the 1990s Gaddhafi eventually turned his back on the Arab world, which chose not to challenge the UN sanctions imposed on his regime, and instead concentrated his efforts on establishing closer relations with Sub-Saharan Africa. However, his promotion of the idea of a 'United States of Africa' has show little progress.³⁴

The Sanctions Era

(For more detailed information please see [Sanctions Against Libya](#))

By the 1980s, Gaddhafi's perceived confrontational and often erratic foreign policies, his developing relationship with the Soviet Union as a primary arms supplier, and his involvement with terrorism had antagonized not only the West but Libya's neighbours in North Africa and the Middle East. After the regime was implicated in the bombing of a Berlin disco frequented by American military personnel in 1986, the US imposed economic sanctions were imposed on Libya (Libya's largest single customer for crude oil). Further UN sanctions were imposed in 1992-3 in retaliation for Libyan involvement in the Lockerbie bombing of 1988 and other events, condemning the country to many years of political and economic isolation.

In 1987, reacting to the state of Libya's domestic affairs, some political and economic reforms were instituted. These included a limitation of the authority of the Revolutionary Committees, the lifting of travel restrictions and the reinstating of private enterprises nationalised in 1979. However, by the early 1990s many were abandoned, partly in reaction to the imposition of UN sanctions. Reforms were cautiously reinstated in 1999.

From 2003 onwards, as a result of renouncing its moves to develop weapons of mass destruction and other diplomatic gestures, sanctions began to be lifted and Libya and

33 "[Libya - Political background](#)". *Encyclopedia of Nations*, retrieved 19 October 2011.

34 "[COUNTRY PROFILE: LIBYA](#)". *Library of Congress - Federal Research Division*, April 2005.

its oil industry were gradually reintegrated into the international community.

Post-Sanctions Era

Following the normalization of relations with the US and EU in the early 2000s, interest from foreign investors increased notably, especially in the hydrocarbon, banking and infrastructure sectors. Nevertheless, the economy remained heavily dependent on hydrocarbon resources and largely state controlled. According to the Bertelsmann Foundation, by 2012 oil production was expected to double compared to 2010 levels to reach around 3 million barrels per day (bpd), on the condition that the advanced exploration and extraction techniques of international oil companies (IOCs) were utilized. However, the worldwide recession and tumultuous events of 2011 clearly put these goals at risk.

In 2005 Muammar Gaddafi's son Seif al-Islam, the Libyan figure often viewed as the 'acceptable, Western-friendly face of Libya'³⁵, set out proposals for economic reform in the country. The reforms were designed to divest the state's hold on the economy, streamline government, speed up privatization and liberalize the media sector in a bid to begin a transition from an authoritarian regime to a more liberal and regionally competitive economy. One of the first projects was to involve a study of up to two years by the UK-based Adam Smith Institute on how to proceed with government reforms.³⁶ However, such reforms were reportedly stymied by opposition from inside the ruling elite and in 2010 the independent newspaper he helped to found was forced to mute its criticism of the authorities.

In 2009 Gaddafi courted controversy after he suggested during a video conference with students from Georgetown university that Libya could nationalise its oil and gas sector. Industry experts did not dismiss the possibility, however they saw the threat as a tactical move aimed at leveraging the expected renegotiation of existing contracts with IOCs and prompting them to contribute to the US-Libyan claims compensation fund, among other reasons.³⁷

In 2010, Shukri Ghanem (then Chairman of Libya's state-owned [NOC](#)) stated that he believed that the NOC and an international oil company might merge within the next five to ten years.

Libya's Membership of OPEC

Libya's price policy has largely been determined in meetings of OPEC, which it joined in 1962.³⁸ Libya generally defended higher prices and lower output during Muammar

35 "[Rebels: Gadhafi's son Saif al-Islam captured alive](#)". NBC News, 22 October 2011.

36 "[Qaddafi son sets out economic reforms: Libya plans to shed old and begin a new era](#)". *New York Times*, 28 January 2005.

37 "[AL-QADHAFI'S FEINT: LIBYAN OIL NATIONALIZATION UNLIKELY](#)". *The Telegraph*, 31 January 2011.

38 "[INDUSTRY](#)" *US Library of Congress* Retrieved 17 October 2011.

Gaddafi's 42-year rule,³⁹ but the government under both King Idris and, after 1969, Gaddafi, was committed to using OPEC as a vehicle to maximize its oil revenues, enacting policies that have led to often contentious relationships with Western governments and international oil companies operating within its borders.⁴⁰ In the 1970s, Libya's militancy was partially responsible for OPEC measures to raise oil prices, impose embargoes, and gain control of production.⁴¹

Admission to OPEC and Growth in 1960s

Libya joined the Organization of Petroleum Exporting Countries (OPEC) in 1962,⁴² two years after the organization's creation.⁴³ Libya produced only 67.1 million barrels of oil in 1962, but this figure rose quickly to 445.4 mb in 1965⁴⁴ and by 1970, Libya was the fourth-largest oil producer in the non-communist world, behind fellow OPEC members Saudi Arabia, Iran, and Venezuela.⁴⁵

Maximizing Profits, Controlling Prices

As Libya's production increased over the course of the decade and oil prices steadily declined, a newly assertive government under the leadership of Gaddafi,⁴⁶ who overthrew King Idris in 1969,⁴⁷ made a series of moves to capitalise on its favourable position in the oil market. It started by demanding an increase in royalties from oil companies in operating in Libya, most prominently Occidental Petroleum Corp in 1970.⁴⁸ Other OPEC countries recognized the strength of their position, and when OPEC began negotiations with oil companies to increase their share of the profits, Libya agreed with Algeria to coordinate their own demands separately from the main OPEC discussions.⁴⁹

Libya's negotiations effected a 20% increase in royalties, tax concessions and a 55-45 profit-sharing agreement with the oil companies operating within its borders.⁵⁰ Libya's hard bargaining between 1970 and 1972 showed other OPEC countries what could be obtained from the oil companies once adequate pressure was applied, and by the end of 1973 OPEC and its members had gained effective control of the pricing of their oil exports.⁵¹

39 "[Libya to seek larger OPEC quota in Dec.: official](#)" *Market Watch* 13 September 2011.

40 "[INDUSTRY](#)" *US Library of Congress* Retrieved 17 October 2011.

41 "[Politics of Oil](#)" *US Library of Congress* Retrieved 17 October 2011.

42 "[The Libyan Oil Industry](#)" by Frank C. Waddams Taylor & Francis, 1980 p. 298.

43 "[Brief History](#)" OPEC Retrieved 19 October 2011.

44 "[The Libyan Oil Industry](#)" by Frank C. Waddams Taylor & Francis, 1980 p. 117.

45 "[CHAPTER 13: OPEC AND CRUDE OIL](#)" *UC Davis* Retrieved 17 October 2011.

46 "[CHAPTER 13: OPEC AND CRUDE OIL](#)" *UC Davis* Retrieved 17 October 2011.

47 "[Sep 1, 1969: Qaddafi leads coup in Libya](#)" *History.com* Retrieved October 27 2011.

48 "[CHAPTER 13: OPEC AND CRUDE OIL](#)" *UC Davis* Retrieved 17 October 2011.

49 "[The Libyan Oil Industry](#)" by Frank C. Waddams Taylor & Francis, 1980 p. 301.

50 "[History of OPEC](#)" *College of Natural Resources and Environment, Virginia Tech* 22 August 2001.

51 "[The Libyan Oil Industry](#)" by Frank C. Waddams Taylor & Francis, 1980 p. 248.

An OPEC Divided and Nationalisation

After Gadhafi came to power in 1969, Libya began to leverage its "oil weapon" against the West.⁵² There was a split between Libya and Algeria, who wanted to use oil to pressure the United States and deter its continued support for Israel, and the more moderate Saudi Arabia, which maintained that OPEC's basic purpose was to keep oil issues separate from politics.⁵³

In the early 1970s Algeria, followed by Libya, led the way among OPEC governments to control posted prices, partially through the nationalisation of oil concessions.⁵⁴ At a July 1971 OPEC conference in Vienna, member governments' participation share in oil concessions was a central topic of discussion. Members were sharply divided on the percentage they sought, with Libya and Algeria demanding a minimum of 51% and Saudi Arabia and other Gulf states preferring a 20% share. The gap was too wide to come to an agreement in Vienna, but OPEC was not ready to reduce the pressure on oil companies operating in its member countries.⁵⁵

Algeria had already nationalised 51% of French oil concessions in February 1971, and Libya followed the Vienna conference by nationalising BP in December 1971.⁵⁶ Then in 1973 Libya announced that it would take a controlling stake in the concessions of all other oil companies operating within its borders.⁵⁷ Libya's success in nationalising its companies prompted OPEC members, led by Saudi Arabia, to seek a higher participation share in their respective oil industries.⁵⁸ A wave of nationalisations between 1971 and 1973 also saw Iraq, Kuwait, Qatar, Abu Dhabi, Saudi Arabia and Iran take ownership of foreign oil concessions and give OPEC unprecedented price-setting power.⁵⁹

Saudi Arabia, which had had a 25% share in its biggest oil company, Aramco, since 1971, by 1974 had acquired 60% participation,⁶⁰ while Libya had control over 60% of its domestic oil production by early 1974, a figure which subsequently rose to 70%.⁶¹

Pricing Strategies and Imposition of the Quota

In the early 1970s, Libya sought to maximize its revenues in a period of increasing demand by placing strict limits on the amount of oil it produced. This policy led Libya to

52 "[Oil and Unrest](#)" *Foreign Affairs* 8 March 2011.

53 "[Middle East Oil: Issues and Problems](#)" by Benjamin Shwadran Transaction Publishers, 1977 p. 25.

54 "[The Libyan Oil Industry](#)" by Frank C. Waddams Taylor & Francis, 1980 p. 301.

55 "[Middle East Oil: Issues and Problems](#)" by Benjamin Shwadran Transaction Publishers, 1977 p. 21-22.

56 "[Oil](#)" by Vacliv Smil OneWorld, 2008 p. 28

57 "[Politics of Oil](#)" *US Library of Congress* Retrieved 17 October 2011.

58 "[Middle East Oil: Issues and Problems](#)" by Benjamin Shwadran Transaction Publishers, 1977 p. 22-23.

59 "[Oil](#)" by Vacliv Smil OneWorld, 2008 p. 28

60 "[Middle East Oil: Issues and Problems](#)" by Benjamin Shwadran Transaction Publishers, 1977 p. 66-67.

61 "[Politics of Oil](#)" *US Library of Congress* Retrieved 17 October 2011.

cut oil production by half between 1970 and 1974, and the resulting increase in oil prices quadrupled Libya's revenues in the same period.⁶² A series of price hikes caused the total revenues of OPEC's member states to triple between 1973 and 1978. The oil crisis in the late 70s and early 80s - triggered by the Iranian revolution in 1979 and the subsequent invasion of Iran by Iraq - led to even higher oil prices. But as prices rose, the global economy lagged, and demand for oil plummeted.⁶³ As prices then slid from 1982 to 1985, OPEC attempted to set oil production allocations low enough to stabilize the market. Libya accepted its quota of 1.1 million bpd in March 1983, and since then has generally adhered to the production quotas OPEC has set.⁶⁴

Libya is expected to seek a higher production quota at a December 2011 OPEC meeting. Top oil industry officials have indicated that the National Transitional Council (NTC), representing Libya at OPEC for the first time, wants oil prices no higher than \$100 a barrel in the long term to ensure the stability of the oil market.⁶⁵

Embargos on the United States

Libya was one of OPEC's Arab members to proclaim an embargo on oil shipments to the United States in the wake of the 1973 war between Israel and Arab states Syria and Egypt. This embargo lasted for six months and caused oil prices to more than triple. Libya pushed for another embargo in 1986, after a US air strike on Tripoli killed one of Gaddhafi's sons, but the move was rejected by a majority of OPEC member states in the face of declining global oil prices.⁶⁶ In 2002, when Libya-US relations had begun to improve, Libya rejected a request made by Iraq to OPEC to suspend oil exports for 30 days.⁶⁷

Sanctions Against Libya

US Sanctions in 1980s

A general souring of relations during the 1970s between Gaddhafi's Libya and the US resulted in a series of sanctions imposed through the 1980s. In 1981 the State Department invalidated the use of US passports for travel to Libya. In 1982 they went on to ban imports of Libyan oil and a number of other exports to Libya. These measures were implemented principally in reaction to Libya's alleged support for terrorist activities. The Arab-Israeli conflict was another pointed source of tension, and Gaddhafi's security services were accused of providing support, training and safe harbour for

62 " [Politics of Oil](#) " *US Library of Congress* Retrieved 17 October 2011.

63 " [Oil](#) " by Vacliv Smil *OneWorld*, 2008 p. 31

64 " [INDUSTRY](#) " *US Library of Congress* Retrieved 17 October 2011.

65 " [Libya to seek larger OPEC quota in Dec.: official](#) " *Market Watch* 13 September 2011.

66 " [Opec Rejects Oil Embargo Of U.S.](#) " *Chicago Tribune* 16 April 1986.

67 " [Iran and Libya will not join Iraqi oil embargo: OPEC](#) " *Free Republic* 10 April 2002.

Palestinian terrorist groups.⁶⁸

In 1986 the scope of the sanctions were broadened to include a total ban on direct import and export trade, commercial contracts and travel-related activities with Libya.⁶⁹ This followed the bombing of a Berlin disco that killed two US servicemen and a Turkish woman and wounded 229 people, including 79 Americans. The US held the Libyan regime accountable for these attacks.⁷⁰

Under the original sanctions, all Americans and American companies were to cease commercial dealings with Libya by 1 February 1986 and all American citizens, except journalists and those with special humanitarian permission to remain, were ordered to leave Libya. However, several American oil companies operating in Libya (including [Occidental](#), [Hess](#) and [ConocoPhillips](#)) voiced concerns to the US administration that new regulations would imply turning over equipment and assets to the Libyans valued at over \$1 billion, as well as an annual income of more than \$150 million. This led to considerations of granting licenses to some US oil companies to permit them to continue to receive income from Libya despite sanctions, in order to avoid a "substantial economic windfall to Libya."⁷¹ Nevertheless, it was later announced that these exemptions would not be extended beyond 30 June 1986.⁷²

UN Sanctions 1992-3

On December 21 1988 a bomb exploded on Pan Am flight 103 en route from London to New York, killing all 244 passengers and 15 crew on board, as well as a further 11 people in the town of Lockerbie, Scotland. In 1991, the US and Scotland indicted two Libyan intelligence agents for their alleged roles in the bombing: Abd al Baset Ali al-Megrahi and Al Amin Khalifah Fhimah. Under a UN-negotiated agreement, Fhimah and Al Megrahi were tried on murder charges under Scottish law in The Hague, beginning in 1999. Fhimah was acquitted but al-Megrahi was convicted and was sentenced to serve a life sentence in a Scottish prison.⁷³

As a consequence of the Libyan regime's involvement in such terrorist attacks, the UN imposed a set of sanctions against Libya in 1992 under Resolutions 731 and 748, which expressed deep concern over the suppression of acts of international terrorism and the subsequent threats to international peace and security.⁷⁴ These were reaffirmed in 1993 by UN Resolution 883, addressing Libya's failure to respond fully to the previous resolutions. Under Resolution 883, all countries were required to freeze Libyan funds or other financial resource in the territory, though noted that 'this would not apply to funds or other financial resources derived from the sale or supply of petroleum and

68 "[Libya: Background and U.S. Relations](#)". *Congressional Research Service*, 18 February 2011.

69 "[Timeline: Libya sanctions](#)". *BBC News*, 15 October 2004.

70 "[U.S. to lift final sanctions against Libya](#)". *CNN World*, 17 September 2004.

71 "[Oil Firms May Get Exemption On Libya](#)". *Chicago Tribune*, 13 January 1986.

72 "[Case Studies in Sanctions and Terrorism](#)". *Peterson Institute for International Economics*, retrieved 14 October 2011.

73 "[Libya: Background and U.S. Relations](#)". *Congressional Research Service*, 18 February 2011.

74 "[UN Resolution 731](#)". *Official Documents System of the United Nations*, retrieved 14 October 2011.

petroleum products, natural gas and gas products, and agricultural products.¹⁷⁵ Despite the sanctions, Libyan oil production grew to 1.4m barrels per day (bpd), compared to 1.16m bpd in 1989.⁷⁶ and remained at that level until the the turn of the century.⁷⁷

In 1995, in a renewed effort to toughen sanctions, Madeleine Albright (Chief US delegate to the UN) urged other nations to join in an embargo on Libyan oil exports.⁷⁸

Economic Impact of Sanctions

There are conflicting assessments as to the economic impact of the UN sanctions and the US embargo. Prior to the 1982 sanctions, US oil imports from Libya were approximately 150,000 barrels per day (bpd), down from 700,000 bpd in 1981, due to the economic environment at the time. In 1981 US oil company assets in Libya were valued at \$500m and US companies accounted for 1/3 of Libyan production.

When American international oil companies (IOCs) suspended operations in Libya following the 1986 sanctions, oil production in Libya was reportedly maintained by European oil companies. According to the Peterson Institute for International Economics, the effect of the UN resolution on exporting oil appeared to be minimal. It banned the sale to Libya of pumps and other equipment used to load crude oil for shipments abroad, an obstacle they deem not difficult to overcome. They see the sanctions as 'a nuisance to both government and population', and report that they delayed some investment in the oil industry and contributed to a rise in inflation due to the increased cost of imports. However Colonel Gaddafi's economic policies and the fall in oil prices led to much of the deterioration in economic life.

In 1999 Libyan state estimates put the cost of the sanctions at some \$33 billion, however the World Bank estimated that sanctions had cost Libya around \$18 billion in lost revenue, mostly as a result of underinvestment in oil.⁷⁹

Lifting of Sanctions

Following the imposition of UN and US sanctions, Libya entered a period of increasing international isolation.⁸⁰ The compounded effects of a loss of oil revenue, restrictions on the travel of senior officials, an international air travel ban, and an arms embargo brought significant pressure on Gadhafi and his government. Signs of change began to emerge in 1999 when Libya agreed to pay compensation to the victims of terrorist attacks. The UN's sanctions were suspended in 1999 when Libya handed over two sus-

75 "[UN Resolution 883](#)". *Official Documents System of the United Nations*, retrieved 14 October 2011.

76 "[Statistical Review of World Energy 2011](#)". *BP*, retrieved 25 October 2011.

77 "[Everything You Need To Know About The Libyan Oil Industry](#)". *Business Insider*, 22 February 2011.

78 "[Security Council Extends Libya Sanctions](#)". *New York Times*, 31 March 1995.

79 "[Case Studies in Sanctions and Terrorism: Economic Impact](#)". *Peterson Institute for International Economics*, retrieved 14 October 2011.

80 "[Libya: Background and U.S. Relations](#)". *CSR Report for Congress*, 13 June 2006.

pects for trial in The Hague⁸¹, under Scottish law.⁸²

Reintegration into the International Community

Lifting of Sanctions

The [UN sanctions imposed in 1988](#) following the Lockerbie bombing, banning air traffic and arms sales, were suspended in 1999 when Libya handed over two suspects for trial in The Hague.⁸³ Compensation was one of the UN's conditions for dropping sanctions altogether, plus a renunciation of terrorism and Libya's acceptance of responsibility for the Lockerbie attack. By the end of 2003, the remaining UN requirements had been fulfilled and in 2004, the UN lifted all sanctions against Libya.⁸⁴ In 2003, Washington stated that it would not oppose the lifting of UN sanctions, but maintained its own.⁸⁵

Libyan-US rapprochement unfolded gradually from 2003 onwards, when the Libyan government announced its decision to eliminate its weapons of mass destruction and long range missile programs. In response, US sanctions were gradually removed. On the 31 May 2006 full diplomatic relations were restored between the two countries and in June Libya was removed from the list of state sponsors of terrorism.⁸⁶

Under the new agreements, the Libyans agreed to pay \$2.7b, or \$10m per family, in compensation to the families of the 270 victims killed in Lockerbie in 1988. Each of the families were to receive the first sum of \$4m when the UN lifted sanctions, an additional \$4m when the US lifted trade sanctions and another \$4m when Libya was removed from the State Department's list of State Sponsors of Terrorism.⁸⁷ In November 2008, the families of the victims announced that compensation had been paid in full by the Libyan government.⁸⁸

US Oil Companies Return to Libya

In 2005, US oil companies began to flood back to Libya and resume oil and gas operations following a 19-year absence. Among them were [ConocoPhillips](#), [Marathon Oil](#)

81 "[Blood money](#)". *The Economist*, 30 May 2002.

82 "[Lockerbie bomber 'appears on Libyan state television'](#)". *The Telegraph*, 26 July 2011.

83 "[Blood Money](#)". *The Economist*, 30 May 2002.

84 "[Everything You Need To Know About The Libyan Oil Industry](#)". *Business Insider*, 22 February 2011.

85 "[Timeline: Libya sanctions](#)". *BBC News*, 15 October 2004.

86 "[Libya: Background and U.S. Relations](#)". *Congressional Research Service*, 18 February 2011.

87 "[U.S. to lift final sanctions against Libya](#)". *CNN World*, 17 September 2004.

88 "[Families of Lockerbie bombing victims receive compensation from Libya](#)". *The Guardian*, 21 November 2008.

and [Amerada Hess](#) (collectively making up the Oasis Group consortium), who had their exploration contracts suspended in the late 1980s following the imposition of unilateral sanctions. The Oasis Group paid \$1.3b to resume operations and the terms of their 25-year deal were similar to those in force before contracts were suspended. In February 2005, the US Department of Energy announced that Libya was ready to become a major oil exporter again, especially to Europe.⁸⁹

US companies returning adopted a number of strategies, from buying back old concessions ([Marathon](#) and [ConocoPhillips](#)), to winning bids for new blocs (Chevron and [ExxonMobil](#)), or a combination of both ([Amerada Hess](#) and [Oxy](#)). Libyan oil production saw a steady increase following the lifting of sanctions, however with this inflow of capital and the return of the international oil companies (IOCs) there were reports of growing evidence of Libyan resource nationalism. Evidence included the renegotiation of contract terms by Libya's National Oil Corporation (NOC) and the adoption of Libyan names for IOCs with local subsidiaries.⁹⁰ In early September 2008, US Secretary of State Condoleezza Rice made an official visit to Libya, a visit which was seen as symbolic of the country's full reintegration into the international community.⁹¹

However, a further obstacle to US-Libya was encountered when in 2009 the Libyan NOC convoked the IOCs in Libya to present a new law establishing a fund for charitable contributions. While the stated purpose of the law was to gather contributions for charitable programs, NOC officials conceded to US Embassy officials that the new law was the government's latest attempt to prompt IOCs to make 'voluntary' contributions to the fund established under the US-Libya Comprehensive Claims Compensation Agreement, which exists to compensate victims of terrorism and their families. Citing concerns about potential violations of the Foreign Corrupt Practices Act, IOC heads were reluctant to make contributions.⁹²

The al-Megrahi Question

One question which continued to haunt relations between Gaddafi's Libya and Western countries concerned the release of release from a British prison of Abdelbaset al-Megrahi, the only person convicted of the bombing of Pan Am flight 103 in Lockerbie. In 2001 al-Megrahi was sentenced to life imprisonment in Scottish courts, yet in 2009 was released on 'compassionate grounds' by the Scottish government, as he was thought to be close to death from cancer (although he remained alive in Libya in 2011). Accusations were made that British oil major [BP](#) had played a role in securing the Libyan's release, however BP denies any lobbying that linked Libyan prisoners to commercial contracts.⁹³

Following the events of 2011, the National Transitional Council (NTC) in Libya assured

89 “[More US oil firms return to Libya](#)”. *BBC News*, 30 December 2005.

90 “[Growth Of Resource Nationalism In Libya](#)”. *Wikileaks*, 15 November 2007.

91 “[Everything You Need To Know About The Libyan Oil Industry](#)”. *Business Insider*, 22 February 2011.

92 “[Lipstick On A Pig: Libya Renames Claims Compensation Fund](#)”. *Wikileaks*, 21 May 2009.

93 “[A black cloud on the horizon for Anglo-American relations?](#)”. *The Economist*, 21 July 2010.

that it would provide any assistance requested for investigations into the Lockerbie case. However, the interim Minister of Justice later stated that he considers this case 'closed'.⁹⁴ The matter remained unresolved as of October 2011.

Fresh Sanctions in 2011

The progress of Libyan international reintegration came to a halt with the civil unrest which broke out in the country in spring 2011, leading to the eventual overthrow of Muammar Gaddafi. Following the uprising, the international community moved to impose a new round of sanctions on the regime. After reports from Tripoli that anti-government protests had come under heavy gunfire, US President Obama signed an executive order freezing the assets of Colonel Gaddafi and members of his immediate family, a move aimed at pressuring Libya to stop violently repressing the popular protests.⁹⁵ The sanctions covered Libyan state-owned oil companies including the [Arabian Gulf Oil Company](#), Harouge Oil Operations, [Sirte Oil Company](#), Zuetina Oil Company and [Waha Oil Company](#).⁹⁶ International oil companies such as [ExxonMobil](#) and banking company JP Morgan reported compliance with US and UN sanctions imposed on Libya.⁹⁷

On 16 September, the UN Security Council dropped sanctions on two Libyan oil companies (Zuetina and the [National Oil Corporation](#)) and eased restrictions on four banks in a move to boost the nation's recovery from the war that toppled the dictator. This paved the way for IOCs such as [Eni](#) and [Total](#) to begin resumption of some spheres of operations in the country.⁹⁸

Corruption

Libya was ranked 146 out of 178 countries on the Corruption Perceptions list compiled by Transparency International in 2010⁹⁹ and 173 out of 179 countries on the Heritage Foundation's Economic Freedom Ranking in 2011.¹⁰⁰

Systematic Corruption

Regulations in Libya were opaque and arbitrary¹⁰¹ and corruption was widespread under Colonel Muammar Gaddafi, who was intimately involved in the regime's most critical and sensitive portfolios, according to a US diplomatic cable from 2009. As de

94 "[Scots prosecutors ask Libya for Lockerbie evidence](#)". *BBC News*, 26 September 2011.

95 "[Libya: Barack Obama announces Gaddafi sanctions](#)". *BBC News*, 26 February 2011.

96 "[US extends Libya sanctions to more oil companies](#)". *TownHall*, 22 March 2011.

97 "[Oil companies abiding by Libyan sanctions](#)". *UPI*, 8 March 2011.

98 "[Oil Companies Resume Production In Libya](#)". *RFE/RL*, 26 September.

99 "[Corruption Perception Index 2010 Results](#)" *Transparency International* Retrieved 20 October 2011.

100 "[2011 Index of Economic Freedom](#)" *Heritage Foundation* Retrieved 20 October 2011.

101 "[2011 Index of Economic Freedom - Libya](#)" *Heritage Foundation* Retrieved 20 October 2011.

facto head of state, Gaddafi was subject to few formal decisionmaking structures and Libya was effectively a kleptocracy in which the Gaddafi family or its close political allies had a direct stake in anything worth buying, selling or owning. Gaddafi personally reviewed any transactions worth \$200 million or more and was involved in many contracts of lesser value,¹⁰² and he and his loyalists often sought to extract millions of dollars from contracts with international companies operating in the Libyan market, according to the New York Times.¹⁰³ By February 2011, Gaddafi had accumulated a multi-billion dollar fortune that he had hidden in financial safe havens across the globe.¹⁰⁴

Beyond Gaddafi himself, Libya's bureaucratic inefficiency and low salaries for government employees combined to create an environment in which rent-seeking and payoffs were common and even viewed as necessary to ensure the best service and pricing. Personal connections and insider knowledge played a significant role in business dealings with operators in Libya.

Libya was a signatory of the UN Convention Against Corruption,¹⁰⁵ which came into effect in 2005,¹⁰⁶ but there were no international, regional or NGO "watchdog" organisations present in Libya to help facilitate regulatory transparency as of early 2010, according to US diplomatic cables, and opposition websites critical of government corruption were operated by groups situated outside of the country.

Overtures to Reform

As of early 2010 there had been some movement on the part of the government to curb corruption. It established the "Administration and Oversight Board" as an agency to prevent corruption and oversee government activities, and in a series of speeches in late 2006, Muammar Gaddafi had called for all senior government officials to declare their complete assets and earnings within four months. Out of 4,600 files of senior government officials that were eventually reviewed, 150 were singled out for corruption, according to US diplomatic cables, and of those 20 were referred to the courts for judicial action. It was unclear, however, if these actions were directly related to Gaddafi's ultimatum.

According to Shukri Ghanem, former Prime Minister and then-Chairman of Libya's [National Oil Corporation](#) (NOC) and Ibrahim el-Meyet, a prominent Tripoli-based attorney and business consultant, Gaddafi was willing to accept superficial economic reforms mainly to reintegrate with the West, but substantial economic and political reform could not occur as long as Gaddafi was alive.¹⁰⁷

102 " [Al-qadhafi: The Philosopher-king Keeps His Hand In](#)" *Wikileaks* 29 January 2009.

103 " [Shady Dealings Helped Qaddafi Build Fortune and Regime](#)" *The New York Times* 24 March 2011.

104 " [Gadhafi's stolen billions stashed in London](#)" *Montreal Gazette* 25 February 2011.

105 " [Libya: Investment Climate Statement](#)" *Wikileaks* 14 January 2010.

106 " [Background of the United Nations Convention against Corruption](#)" *United Nations Office on Drugs and Crime* Retrieved 20 October 2011.

107 " [National Oil Corporation Chairman Shukri Ghanem May Seek To Resign Soon](#)" *Wikileaks* 13 July 2008.

Gaddhafi Family Economic Ties

Gaddhafi had appointed his sons to run various sectors of Libya's economy. Cables from diplomats at the US embassy in Tripoli describe how Muhammad, the oldest son, dominated the telecommunications sector and Muatassim Gaddhafi was National Security Adviser.¹⁰⁸ Hannibal was influential in maritime [shipping](#),¹⁰⁹ and Khamis commanded a top military unit. Saadi was involved in setting up an Export Free Trade Zone in western Libya, and another son, Saif al-Islam, also benefited from government financing and political backing in his business endeavors.

In 2009 Shukri Ghanem, then-Chairman of Libya's NOC, resigned from the post he had held since 2005, according to a US-Libyan dual-national business contact with close ties to the Libyan government, to avoid corruption charges he stood nothing to gain in resisting. According to the source, Ghanem had previously forced his predecessor's resignation using the same tactic. A US diplomatic cable from July 2008 states that according to el-Meyet, who was a close friend of Ghanem, he was already considering resigning that year, partially because of pressure he faced to provide \$1.2 billion in cash or oil shipments to Muatassim Gaddhafi, Muammar Gaddhafi's son. According to the cable, Muatassim intended to use the funds to establish a military/security unit and make unspecified security upgrades in his capacity as National Security Advisor. Added to his reported fear of retaliation from Muatassim if the funds were not delivered, Ghanem considered resigning also because he saw few prospects for meaningful political reform while Muammar Gaddhafi was in power.

Compensation Fund Controversy

In 2009, according to US diplomatic cables, NOC brought together major international oil companies (IOCs) operating in Libya and presented a new law pressuring them into contributing to a charitable fund to support social and humanitarian aid programs. NOC officials, including then-Chair Shukhri Ghanem, admitted that the law was a thinly veiled attempt to make the IOCs contribute to a fund established under the U.S.-Libya Comprehensive Claims Compensation Agreement, which existed to compensate the victims of terrorism and their families. According to NOC officials chairing the meeting, if the companies declined to contribute to the fund, it was suggested they could be fined for environmental violations or have their employees stopped by police for alleged traffic violations.

The issue reached the highest levels of the Libyan regime and went beyond the NOC, according to Ghanem, and senior British Gas executives with close ties to Ghanem said he was under pressure from Gaddhafi himself and Prime Minister al-Baghdad al-Mahmoudi.¹¹⁰ According to the New York Times, while some companies resisted contributing to the \$1.5 billion fund, others appeared willing to make the payments in order to

108 " [Wikileaks exposes corruption of Gaddafi off-spring](#)" *Scotsman.com* Retrieved 23 February 2011.

109 " [Hannibal Goes To Sea: Insights Into Another Al-qadhafi Family Business](#)" *Wikileaks* 12 August 2008.

110 " [Lipstick On A Pig: Libya Renames Claims Compensation Fund](#)" *Wikileaks* 21 May 2009.

continue doing business in Libya.

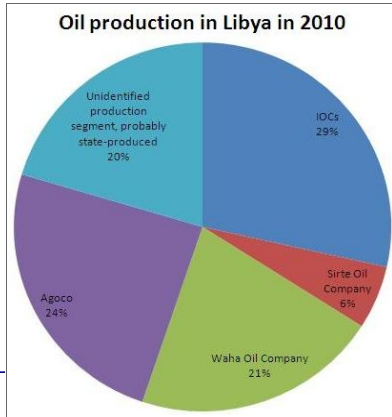
Libyan Energy Governance

Overview of Libyan Regulation

Oil Industry Regulation Today

Libya's oil industry is run by the state-owned National Oil Corporation (NOC), which is the body responsible for implementing the Exploration and Production Sharing Agreements (EPSAs) with international oil companies (IOCs). The NOC is also responsible for field development and improvements as well as downstream activities.

IOC participation in Libya's oil concessions was initially as high as 49%. However, changes to the production sharing agreements under the [EPSA IV Licensing Round](#) in 2005 limited IOC production shares. The Libyan government has since required that IOCs already operating in the country rewrite existing contracts to comply with the new framework.¹¹¹



Petroleum Law 1955

The Petroleum Law No. 25 was enacted in 1955, which provided a legal basis for the oil industry and precipitated a period of rapid growth in exploration activity. The first concessions were awarded in 1955 and by 1968, 137 concession agreements had been awarded to 42 different companies.¹¹²

Previously, the Minerals Law of 1953 had been in force, which enabled surveying to be carried out, however the Petroleum Law was the first to allow drilling operations. The Petroleum Commission was soon established as the autonomous public agency responsible for implementation of the Law, but was abolished in 1963 and powers transferred to the newly established Ministry of Petroleum Affairs.

The law divided the country into four zones in the provinces of Tripolitania, Cyrenaica and Fezzan and intended to create an 'open door' policy. The stated intention was to

111 "[Libya Oil and Gas Profile](#)". *A Barrel Full*, retrieved 21 October 2011.

112 "[Libya - local content in law](#)". *Menas Local Content Online*, retrieved 21 October 2011.

'induce the largest number of oil companies to come to Libya to carry out oil operations herein' and to thereby create competition. This stood in contrast to the rest of the Middle East at the time, where large concessions were often granted to one oil major or a joint subsidiary of two. In the Libyan law, there was also no most-favoured-nation clause, as existed in Iran, Iraq and Saudi Arabia.¹¹³

The 1955 Petroleum Law, as amended by the successive versions of the EPSAs, continues to apply today. Libya began a review of its petroleum law in 1998, but as of 2011 had not yet enacted a new law.¹¹⁴

The 1970s and Beyond

In 1972, with the aim of nationalising Libya's oil industry, the [NOC](#) introduced participation agreements to replace the former concession agreements. The participation agreements transferred 51% of all concessions to NOC. Most of the IOCs accepted the new terms voluntarily, but others had their interests nationalised in whole or part. The assets of [British Petroleum](#) (BP) were the first to be nationalised.

In 1974 the Libyan Government introduced the first Exploration and Production Sharing Agreement (EPSA). Ten EPSA I contracts were signed in the 1974-1979 period. The government introduced EPSA II in 1979 to reduce concerns over reserve replacement ratios.¹¹⁵ Nevertheless, during the 1980s the NOC's makeshift gesture of admitting East European companies to explore oil coupled with the more appealing conditions of the EPSA II agreements failed to solve the country's basic problem of insufficient exploration. Aside from Eastern European companies, Libya proved unable to attract many new companies despite the known existence of acreage.

Faced with the collapse of oil prices in the mid-1980s, low internal production, the effect of the [economic sanctions](#) and financial difficulties linked to considerable expenditures on the Great Man-made river project and Misrata steelworks, the government introduced the [EPSA III](#) framework in 1988 with improved terms in order to attract investors. A particular attraction for the IOCs were the terms relating to cost recovery.¹¹⁶ Between 1988 and 2001 Libya awarded 47 blocks on [EPSA III](#) terms.¹¹⁷

The current model for exploration and production in 2011 was the [EPSA IV](#), which was introduced for the first time in conjunction with Libya's first post-sanctions licensing round in January 2005.¹¹⁸

113 "Waddams, F. [The Libyan Oil Industry](#)". Taylor & Francis, 1980.

114 "[Libya - local content in law](#)". Menas Local Content Online, retrieved 21 October 2011.

115 "[Libya - local content in law](#)". Menas Local Content Online, retrieved 21 October 2011.

116 Vandewalle, Dirk J. "A History of Modern Libya". p159-60, Cambridge University Press, 2006.

117 "[Libya - local content in law](#)". Menas Local Content Online, retrieved 21 October 2011.

118 "[Libya - local content in law](#)". Menas Local Content Online, retrieved 21 October 2011.

EPSA III

Overview

EPSA III refers to the third version of the contractual framework used by Libya's [National Oil Corporation](#) (NOC), introduced in 1988 to succeed the preceding EPSA II system and used through the 1990s, to determine new Exploration and Production Sharing Agreements with international oil companies (IOCs) operating in the country.¹¹⁹

History

With the aim of encouraging investment, improved terms were offered under the EPSA III framework and between 1988-2011 Libya awarded 47 blocks under EPSA III.¹²⁰

The terms of the EPSA II were amended for the EPSA III in order to entice investors. Dirk Vandewalle, author of various publications on Libya, considers that the strategy partly paid off, as by the end of 1995 there were two dozen foreign oil companies operating once again in Libya. However he highlights that many of these companies were newcomers and had neither the experience nor the capital required for large-scale exploration investments. Therefore, the EPSA III framework suffered as Libya's NOC was forced to diversify its partners for exploration and production due to the country's confrontation with the West.¹²¹

The EPSA III framework featured significantly higher production shares for IOCs, compared to the later [EPSA IV](#) framework introduced, which entailed higher Libyan government shares.¹²² Drilling activity over the period of the EPSA III framework stagnated, with [US sanctions from 1986](#) restricting the involvement of international companies, and stiffening contract terms. The number of active wells over the period fluctuated between roughly 40-50, having peaked at over 250 in the late 1960s.¹²³

EPSA IV Licensing Round

Overview

EPSA IV is the most recent contractual model used by the [National Oil Corporation](#) (NOC) to govern contracts with international oil companies (IOCs) operating in Libya. The principal difference with its predecessor, the [EPSA III](#) framework, was that win-

119 "[Outside View: Libya's oil prospects](#)" *Ali and Partners*, 09 July 2009

120 "[Libya - local content in law](#)" *Menas Local Content Online*, retrieved 18 October 2011

121 Vandewalle, Dirk J. "[A History of Modern Libya](#)". p160-61, *Cambridge University Press*, 2006.

122 "[German Oil Firm Rwe Makes Two More Discoveries In Libya](#)" *WikiLeaks*, 22 September 2008

123 "[Libya Upstream:Past Performance and Future Potential](#)" *PFC Energy*, 30 November 2004

ners were now determined largely based on how high a share of production a company was willing to offer the NOC. In other words, whichever companies offered the NOC the greatest share of profits would most likely win the bid under the EPSA IV.¹²⁴ A leaked US diplomatic cable from 2008 reports that Assam Ali Elmessallati, who at that time bore the title Committee Member for Investment and Joint Venture Follow-Up, was the architect of the new process.¹²⁵

Exploration work under the new model was to be funded entirely by the private sector operator or consortium, and the foreign oil companies initially bore 100% of costs for a minimum of 5 years, while the NOC retained exclusive ownership.¹²⁶ The management of the joint venture company was assigned to a committee comprising of two NOC representatives and one from the outside investor, and voting is unanimous. Other features of EPSA IV include: open competitive bidding and transparency; joint development and marketing of non-associated natural gas discoveries; standardized terms for exploration and production; and non-recoverable bonuses. For example, US major [Occidental](#) was reported as paying a \$1 billion signature bonus as part of its 2007 deal. EPSA IV builds on the previous models under which significant components were left to negotiations.

EPSA IV Terms

According to a US State Department cable from 2008, under previous EPSA agreements the IOCs had enjoyed deals based on a fixed margin, thereby insulating them from fluctuations in the market price of oil by receiving a fixed price for every barrel produced. However, under the new deals the foreign companies could reap higher profits per barrel when oil prices are high. The NOC would also cover the costs for all taxes, royalties and fees under the new terms.

An additional element of the new terms is that the ties between the IOCs and their local Libyan operating partners are less direct in two distinct ways. Firstly, development plans for existing fields would no longer be run through the Libyan operators but negotiated directly with the NOC which owns them. It was believed by the representative from the US Embassy in Tripoli that this would lead to the sweeping aside of traditional resistance to new investment and technologies on the part of Libyan national companies, and to a boost in production levels.

The new EPSA framework included a substantial new anti-corruption measure that would prevent the individual state-run operating companies from being involved in the tendering process, as deals would be agreed directly with the NOC. This new arrangement created 'Joint Project Teams', ostensibly allowing for a more streamlined decision-making process. Finally, the new EPSA agreements incorporated extensive IOC-provided training programs for Libyan nationals, which aimed to help ensure the

124 “[Outside View: Libya's oil prospects](#)”. *Ali & Partners*, retrieved 19 October 2011.

125 “[Oxy's 30-year Extension In Libya And What Lies Ahead For Other Iocs](#)”. *WikiLeaks*, 13 July 2008.

126 “International Energy Agency [World energy outlook 2005: Middle East and North Africa insights](#)”. *OECD Publishing*, 2005.

creation of Libya's next generation of energy sector experts.

The US Embassy representative saw a shortcoming of the new contracts in the fact that the foreign companies could no longer 'book reserves' to the same degree in the past, which carried the benefit of guaranteeing access to proven quantities of oil and gas to shareholders. Analysts have observed that this means that stock values would be evaluated differently in an environment where reserves are harder to replace. Non-Western IOCs in particular (Indian, Japanese, Chinese and others) are thought by the author of the cable to be driven by a desire to book reserves in order to assure supply in their domestic market.

Post-Sanctions Licensing Rounds

The first licensing round held following the [lifting of US and UN sanctions against Libya](#) took place in January 2005. 15 areas were on offer, 163 companies registered and 13 were approved to bid. 9 onshore and 6 offshore permits were awarded. In this instance, the US firms dominated and were awarded 11 out of the 15 permits, with [Occidental](#) alone taking nine. European companies were not awarded any blocks in this round. Low production shares and large signature bonuses were characteristic of the winning bids.

The second round of EPSA bids were awarded in October 2005, with 26 areas on offer. 48 companies submitted bids, with a wider range of new entrants including [Statoil](#), Nippon and Japex. Almost all of the blocks on this occasion were awarded to European and Asian companies.

During the third round in December 2006, there were 14 areas on offer, onshore and offshore across all main basins. 47 companies qualified to bid, 10 contracts were awarded and winning companies included [Gazprom](#), [PetroCanada](#), [Wintershall](#) and [ExxonMobil](#).

At the fourth round of bidding in December 2007, the focus was entirely on gas with 12 areas on offer. 54 companies pre-qualified to bid, 34 as operators, with the bid opening seeing 13 bidders. Five of the six companies awarded licenses ([Shell](#), Sonatrach, [Occidental](#) and RWE) were already engaged in Libya, and there was a 50% award rate, in contrast to the previous 3 rounds when a success rate of 87% had been seen.¹²⁷

The winning bids during this round featured low production sharing percentages for the IOCs, but in a departure from past rounds only Shell offered a signing bonus as part of its winning bid. The [NOC](#) publicly claimed that the results had been positive for Libya, but leaked diplomatic cables revealed that they had privately conceded some disappointment that more companies did not choose to bid. Some IOC representatives considered that the limited number of bids signalled dissatisfaction with increasingly stringent terms and operating conditions, while others maintained the terms for winners were consistent with previous rounds and that IOCs remained willing to absorb thin production sharing margins and often pay substantial signing bonuses in order to

¹²⁷ “[Doing Business in Libya](#)”. Deloitte, 26 June 2008.

secure access and book reserves.¹²⁸

Contract renegotiations 2008 onwards

From 2008 onwards several international oil companies, beginning with [Occidental](#) and their partner [OMV](#) in June 2008, renegotiated their contracts with the [NOC](#) to bring them in line with the EPSA-IV framework. Substantial up-front signing bonuses were typical, with Oxy paying a \$1 billion signature bonus and committing to a \$2.5 billion investment plan.

On 17 July 2008, the Libyans continued their policy of redefining contracts in line with the new rubric by renegotiating the contract for an international consortium operated by Spain's [Repsol](#), in partnership with France's [Total](#), Austria's [OMV](#), and Norway's Saga Petroleum.¹²⁹

In 2009, the then NOC Chairman Ghanem said that he would continue to pursue the goal of converting all IOC contracts to EPSA-type agreements.¹³⁰ However, as of early 2011 there were no reports of successful contract negotiations between the NOC and the Waha Group, consisting of US oil majors [Marathon](#), [ConocoPhillips](#) and [Hess](#).

128 “[Libyan Epsa Gas Bidding Round: International Majors' Interest Is Tempered](#)”. *WikiLeaks*, 13 December 2007.

129 “[European Oil Companies Extend Contracts In Libya](#)”. *WikiLeaks*, 23 July 2008.

130 “[Shokri Ghanem Outlines Plans For Libya's National Oil Corporation](#)”. *WikiLeaks*, 11 February 2010.

Current State of Oil and Gas Sector

Libyan Hydrocarbon Reserves

Oil Reserves

The official estimate for Libyan reserves of crude oil has risen to 46.4 billion barrels (bbl) as of the end of 2010, from 20.3 bbl in 1980. These proven Libyan reserves constitute 3.4% of global reserves. Official reserve estimates for Libya jumped in 1995 from 22.8bbl to 29.5bbl, where they stayed until 2000 when exploration activity began to ramp up, causing the reserve estimates to increase more consistently into the 21st Century.¹³¹

According to Wood Mackenzie Consultants, Libya in 2008 was said to be 'highly unexplored', but with 'excellent' potential for more oil discoveries. The under-exploration of Libya is said to be largely due largely to sanctions, the absence of modern technology and to stringent fiscal terms imposed by Libya on foreign oil companies.¹³²

Most of the [agreements signed by international oil companies from 2004 onwards](#), once sanctions were lifted, called for increasing production, yet significant effort was also put into finding new oil reserves. However, there have been reports that the promise of vast new discoveries did not live up to the expectations of some, especially when compared to the case of Iraq. Jim Burkhard of IHS Cambridge Energy Research Associates, claimed that "we didn't see the types of discoveries that would lead to very strong growth over the next decade."

Exploration activities were halted when war broke out in early 2011, however as of October the same year international players were beginning to return to the region. Ross Cassidy, an analyst of Libyan oil at Wood Mackenzie, has commented that "The oil is underground. It's a question of having the right conditions above the ground that will allow investment."¹³³

Gas Reserves

The official estimate for proven Libyan natural gas reserves stood at 1.5 trillion cubic metres (tcm) at the end of 2010, representing 0.8% of global reserves. In 1980 the figure stood at 1.2 tcm, but began to rise through the 1990s and jumped to 1.5tcm in 2003,

131 "[BP Statistical Review of World Energy June 2011](#)". BP, June 2011.

132 "[Energy Profile of Libya](#)". BP, 25 August 2008.

133 "[Libyan Peace Could Bring Oil Bonanza](#)". CNNMoney, 25 August 2011.

before dipping again briefly to 1.3-1.4tcm in 2005-6.¹³⁴

Since the [lifting of the international sanctions against Libya](#) from 2003 onwards, [international oil companies](#) have stepped up investments in hydrocarbon exploration, accounting for the rise in estimates of proven reserves seen in this period. The Libyan government was said in 2011 to be planning to further develop its natural gas sector in the medium-term as the country continues to recover from over a decade of US and international sanctions. New discoveries and investments in natural gas exploration reported at the beginning of 2011 are expected to raise the current estimates in the near-term.¹³⁵

Oil Sector

Production

With 46.4 billion barrels¹³⁶ of total proven oil reserves as of January 2011, Libya produced approximately 1.65 million barrels of crude per day (bpd) in 2010, about 150,000 bpd below capacity but still above the production quota set by the Organization of Petroleum Exporting Countries (OPEC), which was 1.47 million bpd.¹³⁷ Energy analysts Wood Mackenzie estimated Libya has the potential to produce up to 3 million bpd of oil,¹³⁸ which was its approximate peak production in the late 1960s.

About two-thirds of Libyan oil production comes from the Sirte Basin, while about 25 percent comes from the Murzuq basin and most of the remainder from the offshore Pelagian Shelf Basin near Tripoli. As of February 2011, Libya planned to increase oil reserve estimates with incentives for additional exploration, though uncertainties resulting from OPEC quotas, infrastructure constraints and contract renegotiations had slowed recent increases in foreign investment.

The state-owned [National Oil Corporation](#) (NOC) runs Libya's oil industry, and is responsible for implementing the Exploration and Production Sharing Agreements (EPSA) with international oil companies (IOCs). IOCs operating in Libya work in exploration, production, transportation and refining, and include the companies [Eni](#), [Total S.A.](#), [Repsol](#), [Statoil](#), [Occidental](#), [OMV](#), [ConocoPhillips](#), [Hess](#), [Marathon](#), [Shell](#), [BP](#) and [ExxonMobil](#), among others. Major refineries in Libya include [Ras Lanuf](#) (220,000 bpd), [Zawia](#) (120,000 bpd), [Tobruk](#) (20,000 bpd), [Sarir](#) (10,000 bpd) and [Brega](#) (8,000 bpd).

134 " [BP Statistical Review of World Energy June 2011](#)". BP, June 2011.

135 " [Libya Country Analysis](#)". US Energy Information Administration, retrieved 25 October 2011.

136 " [Libya: NATO dismisses government allegations of air attack on oil fields](#)" *Oil and Gas Journal* 7 April 2011.

137 " [Libya - Country Analysis Brief](#)" Energy Information Administration Retrieved 21 October 2011.

138 " [Press Releases: Energy](#)" Wood Mackenzie 12 September 2011.

Restoring Production post-revolution

Libya's oil output dropped to less than 100,000 bpd by August 2011 as a result of the revolution,¹³⁹ but production was up to approximately 430,000 bpd as of 21 October, according to the NOC. It was expected to require up to \$4 billion to restore Libya's oil production to the levels it maintained before the start of the revolution.¹⁴⁰ The head of the NOC said on 2 October 2011 that he expects Libya's pre-war output of 1.6 million bpd to be reached within 14 months,¹⁴¹ while former Libyan oil minister Shokri Ghanem said on 11 October full output was not expected for another 18 months due to looting and missing parts at oil installations.¹⁴² Energy consultancy Wood Mackenzie, meanwhile, said on 12 September 2011 that it expects Libya to require about 36 months to resume its pre-war production levels.

Exports

Libya's economy relies heavily on its hydrocarbon exports. Net oil exports amounted to 1.53 million bpd in 2010, according to Energy Information Administration (EIA) estimates, generating \$41.87 billion, or 90.4 percent of the value of its total exports, according to OPEC's 2010/2011 Annual Statistical Bulletin.¹⁴³

About 85 percent of its crude exports went to Europe in 2010 and approximately 13 percent to Asia.¹⁴⁴ Italy received the highest percentage of Libya's exported oil (28%), while France (15%), China (11%), Germany (10%) and Spain (10%) were also major importers, among other countries. The lighter (high API gravity), sweeter (low sulphur content) grades of oil were typically sold to Europe, while the heavier crude oils were often exported to Asian markets.

Major oil export terminals in Libya include Es Sider, Marsa el Brega, Tobruk, Ras Lanuf, Zawia and Zuetina.

Libya had stopped exporting oil altogether by August 2011 due to the revolution,¹⁴⁵ but exports were nearing 400,000 bpd as of 21 October, according to the NOC.

Domestic Consumption

Prior to the 2011 revolution, the energy market in Libya had been small relative to the size of its petroleum exports,¹⁴⁶ with domestic oil consumption in 2010 estimated at

139 " [Factbox: Libyan oil output - how quickly can it restart?](#)" *Reuters* 22 August 2011.

140 " [After Qadhafi, the new test: uniting Libya](#)" *Petroleum Economist* 21 October 2011.

141 " [EXCLUSIVE: Libya oil exports at 400,000 b/d 'within two months'](#)" *Petroleum Economist* 3 October 2011.

142 " [Opec's El-Badri sees swift Libyan oil return](#)" *Petroleum Economist* 11 October 2011.

143 " [Annual Statistical Bulletin 2010/2011 Edition](#)" *Organization of the Petroleum Exporting Countries* Retrieved 21 October 2011.

144 " [Factbox: Libyan oil production, exports, customers](#)" *Reuters* 22 February 2011.

145 " [Factbox: Libyan oil output - how quickly can it restart?](#)" *Reuters* 22 August 2011.

146 " [The Libyan Energy Base](#)" *APS Review Downstream Trends* 4 July 2011.

about 270,000 bpd. In 2010, the NOC said that Libya's energy consumption was rising at the average rate of 7 percent per year. Oil met approximately 72% of Libya's energy demand in 2009, with natural gas filling the remaining 28%.

Gas Sector

Production

Libya had natural gas reserves of an estimated 1.55 trillion cubic meters (tcm) as of January 2011, at which point recent new discoveries and investments in natural gas exploration were expected to raise estimates of these reserves. Libya produced about 29.3 billion cubic meters (bcm) of gross natural gas in 2009, of which 15.9 bcm was marketed dry natural gas, while the remainder was vented, flared or re-injected to enhance oil recovery.

Libya saw a significant boost to its natural gas production in 2003, the same year United Nations sanctions were lifted. As of February 2011, the government planned a major expansion in natural gas production to increase its use in the power sector, and to free up more oil for export. These objectives were expected to be met both by expanding development and reducing the volume of natural gas flares, estimated at 3.54 bcm in 2009. In a September 2010 forecast, risk analysis agency Business Monitor International predicted that Libyan gas production would reach 21 bcm in 2014 and 27 bcm by 2019.¹⁴⁷

Libya's natural gas industry is mostly state-run by the NOC, but several international companies are involved in the exploration, production, and transportation of natural gas, such as [Eni](#), [BP](#), [Shell](#) and [ExxonMobil](#), among others. Major producing gas fields in Libya include Attahadi, Defa-Waha, Hatiba, Zelten, Sahl, Assumud,¹⁴⁸ Wafa and Bahr Essalam¹⁴⁹

Exports

Libya exported 9.97 bcm of natural gas in 2010.¹⁵⁰ and the majority of Libya's exported natural gas flows through pipelines, rather than being exported as liquefied natural gas (LNG). The Greenstream pipeline, a main feature of the [Western Libya Gas Project](#) with a capacity of 11 bcm,¹⁵¹ significantly added to Libya's natural gas export capabilities when it came on stream in 2004. Previously, Spain was the only purchaser of Libyan natural gas,¹⁵² while in 2010 the Greenstream pipeline delivered approximately 8.75

147 "[Libya Oil and Gas Report Q4 2010](#)" *Business Monitor International* 30 September 2010.

148 "[Energy: Oil - Gas - Electrical](#)" *Libyan Consulting* Retrieved 21 October 2011.

149 "[UPDATE 3-Eni starts tests on Libya Greenstream pipeline](#)" *Reuters* 13 October 2011.

150 "[Annual Statistical Bulletin 2010/2011 Edition](#)" *Organization of the Petroleum Exporting Countries* Retrieved 21 October 2011.

151 "[Interim Consolidated Report](#)" *Eni* 30 June 2010.

152 "[Energy Profile of Libya](#)" *The Encyclopedia of Earth* Retrieved 7 October 2011.

bcm to Italy,¹⁵³ where it was then sent to the rest of Europe.

Libya became the second country in the world to export LNG in 1971,¹⁵⁴ but its LNG exports have remained low since then, mainly due to technical limitations. In 2009, Libya exported nearly 691 million cubic meters of LNG, all to Spain.

Supplies through the Greenstream pipeline were suspended in February 2011 as a result of civil unrest,¹⁵⁵ and resumed preliminary flows of 3 million cubic meters through the pipeline in mid-October, with official amounts to be determined between the end of November and mid-December 2011.¹⁵⁶

Domestic Consumption

Libya consumed just over 6 bcm of natural gas in 2009, meeting approximately 28% of its total energy demand. Despite plans to increase natural gas use for electricity generation, natural gas consumption has remained relatively stable over the past decade, despite substantial increases in production, due to project delays and infrastructure limitations.

About 40% of Libya's generated electricity was produced using natural gas as of February 2011, and with electricity demand on the rise, the government planned to expand natural gas use to meet domestic electricity generation needs.

153 "[Annual Report 2010](#)" *Eni* Retrieved 15 October 2011.

154 "[Arab Fund for Economic and Social Development Handbook](#)" *International Business Publications, USA* 2007.

155 "[Libyan gas cut tests Italian LNG nerves](#)" *Petroleum Economist* 23 February 2011.

156 "[Libya, Eni resume Greenstream gas pipeline throughput](#)" *Oil and Gas Journal* 13 October 2011.

Oil and Gas Fields

Geology Overview

Libya is the fourth-largest country in Africa by land area¹⁵⁷ and is bounded by the Mediterranean Sea in the north, bordered by Tunisia and Algeria to the west, Niger and Chad to the south, Sudan to the southeast and Egypt to the east. More than 90 percent of Libya is desert or semi-desert,¹⁵⁸ and until oil was struck in the 1950s it had very low economic and strategic promise¹⁵⁹ other than that offered by its 1,770 km coastline on the Mediterranean Sea.

The country's most prominent natural features are the Mediterranean coast and the Sahara desert, and though Libya has several highlands it has no true mountain ranges, except in the southern desert near the Chadian border. The most productive arable land lies in a narrow lowland strip along the Mediterranean coast, and in highland steppes immediately to the south. The coastal agricultural zones are divided by the Gulf of Sidra, south of which extend about 800 km of desert wasteland.

Historically, the country was divided into three primary geographical zones: Tripolitania in the northwest (covering 16 percent of the total land area), Fezzan in the southwest (33 percent), and Cyrenaica in the east (51 percent). In 1969 the revolutionary government officially changed the designation of the region Tripolitania to Western Libya, of Cyrenaica to Eastern Libya, and of Fezzan to Southern Libya, but during the 1970s the historical terms continued to be used frequently.

Libya's northwest is characterised by coastal oases alternating with sandy areas and lagoons, while the inland area features the Jifarah Plain, which terminates about 120 km southward and rises to form the the Jabal Nafusah plateau, which reaches about 1,000 meters.

The northeast has fewer coastal oases and smaller lowlands than the northwest, and is rather characterised by a limestone plateau reaching about 900 meters known as Jabal al Akhdar. Southward from here, a barren grazing belt leads to the Sahara desert, which extends southward over the border with Chad.

The southwest of the country is almost entirely desert, and is home to Libya's only true mountain range, which features Libya's highest peak, the Tibesti Massif which rises to over 2,200 meters.

The country struggles with desertification and very limited fresh water resources. Less than two percent of the country receives enough rainfall for settled agriculture, with

157 " [Libya - Geography](#)" *Mongabay.com* Retrieved 15 October 2011.

158 " [Libya: Geography](#)" *CIA World Factbook* Retrieved 6 October 2011.

159 " [The History of Exploration of the Petroleum Geology of Libya](#)" *Society for Sedimentary Geology*.

the Jabal al Akhdar region in the northeast receiving the heaviest precipitation, about 400-600 mm annually. Droughts are common throughout the country, and may extend to over two seasons. Low rainfall contributes to a lack of permanent rivers and streams, though Libya does have numerous springs, including large subterranean aquifers in the southeast and southwest.

There is no natural boundary with Tunisia to the west and Egypt to the east, and these borders have been crossed by countless legal and illegal migrants. By contrast, Libya's southern borders with Algeria, Niger, and Chad are characterised by a desolate desert landscape through which crossings are more seldom.

Geological Structure and Oil Producing Basins

Libya has five major sedimentary basins,¹⁶⁰ referring to low areas in the earth's crust where sediments accumulate¹⁶¹ and economically viable oil reserves are sometimes found.¹⁶² Four of these are major producers of oil. In order of importance, these are: Sirte, Ghadamis, Murzuq, and the Tripolitanian Offshore Basin. Libya has two additional non-productive basins, Al Kufra and the Cyrenaica Platform, respectively in the southeast and northeast of the country.

Sirte

The Sirte Basin, in the center-east of the country, is the youngest and most important in Libya and contains 16 giant oil fields,¹⁶³ defined as fields containing more than 500 million barrels of recoverable oil, while a giant gas field contains at least 3 trillion cubic feet of gas.¹⁶⁴ The Sirte Basin contains some 45 billion barrels of oil and 33 trillion cubic feet of gas, or about 117 billion barrels of oil equivalent. With 89% of all petroleum reserves discovered in Libya, Sirte is ranked 13th among the world's petroleum basins and is considered the most prolific in north Africa. Sirte produces very light, sweet crude with a gravity ranging between 44 and 32 API and a low sulfur content between 0.15 and 0.66%. The Sirte Basin's [Sarir](#) field has a capacity of 200,000 barrels per day (bpd) of oil as of 2011.¹⁶⁵

Ghadamis

The Ghadamis Basin, in the northwest of Libya, covers about 390,000 square km and encompasses portions of southern Tunisia and eastern Algeria. Ghadamis is a productive area with total recoverable reserves of over 3.5 billion barrels of oil equivalent

160 " [The Petroleum Geology of Libya](#)" *Society for Sedimentary Geology* 2009.

161 " [Sedimentary Basins - Introduction](#)" MIT 2007.

162 " [Basin Modelling](#)" *Science24.org*.

163 " [Sirt Basin Stratigraphy and Hydrocarbon Potential](#)" *Society for Sedimentary Geology* 2009.

164 " [Giant Oil and Gas Fields of the Decade 1990-2000: An Introduction](#)" *Michel T. Halbouty Energy Company, Houston, TX* 2001.

165 " [Libyan rebels may resume oil output in 3 weeks](#)" *Reuters* 19 August 2011.

(boe), with a production of about 950 million boe as of 2009.¹⁶⁶ The Ghadamis Basin is the site of the Wafa field, a key supplier of gas for the [Western Libya Gas Project](#).¹⁶⁷

Murzuq

Situated in the southwest of Libya, the Murzuq Basin straddles the boundaries of Algeria, Niger and Chad. Murzuq has reservoirs with over 5 billion barrels of oil equivalent.¹⁶⁸ The [Shararah](#) field in the Murzuq basin had a production capacity of about 400,000 bpd as of September 2011,¹⁶⁹ while another field, [Elephant](#), produced 125,700 bpd in 2010.¹⁷⁰

Tripolitanian Offshore Basin

Situated off Libya's northwest coast, the Tripolitanian Offshore Basin is the site of the [El Bouri](#) field, with 2 billion barrels of proven oil reserves the largest discovered in the Mediterranean to date.¹⁷¹ El Bouri produced about 44,500 bpd as of 2009.¹⁷²

Overview of Biggest Producing Fields

Libya has the largest proven oil reserves in Africa, but most experts agree that the country remains underexplored,¹⁷³ As of 2005, only about 25 percent of Libya's area was covered by agreements with oil companies. The underexploration of Libya is due to the combined effect of sanctions, a lack of modern technology, and stringent fiscal terms imposed by Libya on foreign oil companies.¹⁷⁴

Sarir Oil Field

Situated about 500 km east of Tripoli in the Sirte Basin¹⁷⁵ and containing some 12 billion barrels of oil,¹⁷⁶ Sarir is a supergiant oil field¹⁷⁷ considered to be the largest in

166 "[Ghadames Basin Stratigraphy and Hydrocarbon Potential](#)" *Society for Sedimentary Geology* 2009.

167 "[Eni: the Western Libya Gas Project gets underway](#)" *Gulf Oil and Gas* 10 July 2004.

168 "[Muzurq Basin Stratigraphy and Hydrocarbon Potential](#)" *Society for Sedimentary Geology* 2009.

169 "[EXCLUSIVE - Libya's Sharara field ready for exports 'within two weeks'](#)" *Petroleum Economist* 27 September 2011.

170 "[Libya - Activities](#)" *Eni website* Retrieved 25 October 2011.

171 "[Tripolitanian Basin Stratigraphy and Hydrocarbon Potential](#)" *Society for Sedimentary Geology* 2009.

172 "[Sustainability Report 2009](#)" *Eni* Retrieved: 20 October 2011.

173 "[EIA Country Analysis Briefs](#)" *Energy Information Administration* February 2011.

174 "[Energy Profile of Libya](#)" *Encyclopedia of Earth* 25 August 2008.

175 "[Libya Commercial Round-up For October 2008](#)" *Wikileaks* 25 November 2008.

176 "[Libyan rebel oil-export prospects limited](#)" *Petroleum Economist* 13 April 2011.

177 "[LIBYA - Arabian Gulf Oil Co.](#)" *All Business* 9 July 2001.

Libya.¹⁷⁸ Sarir was discovered by BP in 1961 at a depth of approximately 2,700 meters and has a capacity of 200,000 barrels per day (bpd) of oil as of 2011,¹⁷⁹ compared to 250,000 in 1992. Oil produced at Sarir is very waxy, with 37.2 degree API gravity, and is pumped through a 400-km pipeline to the Marsa El Hariga terminal.

Sarir is operated by [National Oil Corporation](#) (NOC) subsidiary [Arabian Gulf Oil Company](#) (Agoco).¹⁸⁰ BP and Hunt each had a 50% stake in the field until Libya nationalised BP's assets in September 1971, after which NOC acquired the remaining 50% from Hunt in July 1973.

Sharara Oil Field

The Sharara giant oil field,¹⁸¹ situated in Block NC 115¹⁸² of the Murzuq basin approximately 800km south of Tripoli,¹⁸³ was discovered by Petrom,¹⁸⁴ a Romanian oil and gas company,¹⁸⁵ in the 1980s, began production in December 1996 and produced about 200,000 barrels a day (bpd) of high quality crude oil as of 2006, a figure which rose to 400,000 bpd by 2011.¹⁸⁶

As of October 2011, Spain's [Repsol](#) holds a 10% stake in the Sharara field in partnership with the NOC (75%), France's [Total](#) (7.5%) and Austria's [OMV](#) (7.5%).¹⁸⁷

Since mid-1998, the light and sweet crude produced at Sharara has been exported by pipeline through the [Zawia](#) terminal west of Tripoli, as of July 2007.¹⁸⁸

Elephant Oil Field

The giant Elephant oil field, also known as El Feel,¹⁸⁹ contains more than 1.2 billion barrels of reserves, and as of 2007 is the biggest oil field in the Murzuq Basin.¹⁹⁰

It was discovered in 1997 by a consortium led by British company Lasmo, along with Italy's [Eni](#) and five South Korean companies at the NC-174 Block in the Murzuq Basin,

178 "[Libya's Agoco raises Sarir field output to 160000 bpd](#)" *Gulf Oil & Gas* 13 September 2011.

179 "[Libyan rebels may resume oil output in 3 weeks](#)" *Reuters* 19 August 2011.

180 "[EXCLUSIVE - Libya's Sharara field ready for exports 'within two weeks'](#)" *Petroleum Economist* 27 September 2011.

181 "[LIBYA - Geology](#)" *APS Review Gas Market Trends* 4 July 2005.

182 "[Repsol YPF Libya - Q4 2011](#)" *Lexis Nexis* 1 October 2011.

183 "[High Frequency Imaging in an Exploitation Production Environment - The Murzuq Basin, Case History](#)" *European Association of Geoscientists & Engineers 68th Conference & Exhibition* June 2006.

184 "[The Road to Success](#)" *Schlumberger Limited* Retrieved: 20 October 2011.

185 "[Important information at one click](#)" *Petrom website* Retrieved: 25 October 2011.

186 "[EXCLUSIVE - Libya's Sharara field ready for exports 'within two weeks'](#)" *Petroleum Economist* 27 September 2011.

187 "[Repsol YPF Libya - Q4 2011](#)" *Lexis Nexis* 1 October 2011.

188 "[LIBYA - The Foreign Oil Producers](#)" *APS Review Gas Market Trends* 9 July 2007.

189 "[Libya - Activities](#)" *Eni website* Retrieved 25 October 2011.

190 "[PETROLEUM GEOLOGY OF SOUTHERN LIBYA](#)" *Seven Continents Science Productions* 2007.

some 750 km south of Tripoli. Elephant began production in 2004 at around 10,000 bpd,¹⁹¹ a figure that rose to 125,700 bpd in 2010.¹⁹²

Elephant is operated by Lasmo,¹⁹³ which has been a part of Italy's [Eni](#) energy group since Eni acquired the company in December 2000.¹⁹⁴

Waha Oil Fields

Located in the central/southern part of the Sirte Basin in the center-east of Libya,¹⁹⁵ the Waha oil fields are the oldest producing fields in Libya, dating back to the 1950s. They had a capacity of around 350,000 barrels of oil equivalent per day as of 2009,¹⁹⁶ a decrease from about 1 million bpd in 1969 and 400,000 bpd in 1986.

Owned by NOC subsidiary [Waha Oil Company](#), the Waha oil fields are operated by [ConocoPhillips](#), which has a 16.33 percent share in the project, while NOC has the largest share at 59.17 percent. Other partners include [Marathon](#) (16.33) and [Amerada Hess](#) (8.17). [ConocoPhillips](#) and its co-venturers reached an agreement with NOC in 2005 to extend the Waha concession by 25 years.

The Waha fields supply crude oil to the marine terminal at Es Sider, on the Gulf of Sidra,¹⁹⁷ via a 430 km pipeline. The pipeline begins in Gialo field, is routed through Waha and Samah then continues north to Dahra before arriving at Es Sider, where tankers berthed just offshore are loaded.¹⁹⁸

El Bouri Oil and Gas Field

Located in the Tripolitanian Basin about 130 km northwest of Tripoli,¹⁹⁹ El Bouri is Libya's first offshore field with a large gas cap.²⁰⁰ It is the largest producing oil field in the Mediterranean Sea with production at 44,500 bpd as of 2009.²⁰¹

Containing an estimated 70.8 billion cubic meters of gas and some 4 to 5 billion barrels of oil, El Bouri was discovered in 1976 in Block NC 41-B in the Libyan sector of the Gulf of Gabes. It lies at a depth of 2,650 meters and covers an area of 32 by 5 km.

El Bouri came on stream in August 1988 at a rate of 12,000 bpd. By the end of 1988 production had risen to 20,000 bpd and in 1989 it rose to 60,000 bpd, after the 23 new wells were hooked up. Capacity was again raised to 70,000 bpd by mid-1991 after another 27

191 " [EIA Country Analysis Briefs](#)" *Energy Information Administration* July 2007.

192 " [Libya - Activities](#)" *Eni website* Retrieved 25 October 2011.

193 " [Libya - The Operators & Fields](#)" *APS Review Gas Market Trends* 11 July 2011.

194 " [Eni swoops on Lasmo](#)" *BBC News* 21 December 2000.

195 " [Libya - Part 2 - Profiles Of The Oil & Gas Fields](#)" *APS Review Oil Market Trends* 11 August 1997.

196 " [Libya - Waha Concession](#)" *ConocoPhillips* Retrieved: 20 October 2011.

197 " [Oil Fields Facilities](#)" *Waha Oil Company* Retrieved 20 October 2011.

198 " [Oil Fields Facilities](#)" *Waha Oil Company* Retrieved 20 October 2011.

199 " [Sustainability Report 2009](#)" *Eni* Retrieved: 20 October 2011.

200 " [LIBYA - Agip North Africa & Middle East](#)" *APS Review Gas Market Trends* 11 July 2005.

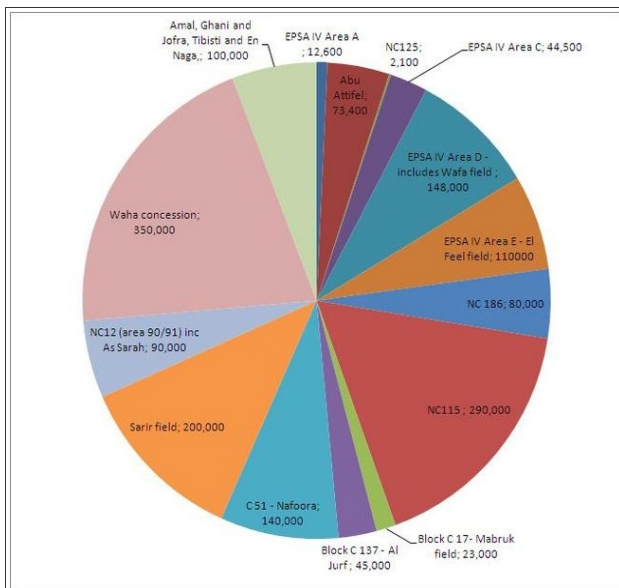
201 " [Sustainability Report 2009](#)" *Eni* Retrieved: 20 October 2011.

wells were drilled, with drilling, processing and service units for the platforms provided by Saipem and Hyundai under a \$155m contract. A second-phase capacity expansion to 150,000 bpd was reached in 1995, requiring the drilling of 55 new wells from three new platforms, but the field's output fell subsequently because it required enhanced oil recovery (EOR) facilities and by 1998 was averaging production of about 60,000 bpd.

The gas/oil ratio, which refers to the relative amounts of natural gas and petroleum that are simultaneously removed from the ground,²⁰² of El Bouri's output has been about 22.7-25.5 cubic meters per barrel, limiting its recovery rate. Because associated natural gas tends to escape the gas-oil solution upon extraction and can continue at each stage of transportation and processing, thereby reducing the volume of oil, wells that have a high gas-oil ratio are generally considered economically undesirable.²⁰³ As of 2005, there were plans in place to lower the gas-oil ratio at El Bouri to about 17 cubic meters per barrel, through the drilling of 15 horizontal wells.

El Bouri is operated by Agip North Africa Middle East (NAME), a part of Eni group.

Libyan Oil Production (bpd) by field



202 " [What Is Gas/Oil Ratio?](#)" WiseGeek Retrieved 25 October 2011.

203 " [What Is Gas/Oil Ratio?](#)" WiseGeek Retrieved 25 October 2011.

List of Others

Major oil and gas fields in addition to [Sarir](#), [Shararah](#), [Elephant](#), [Waha](#) and [El Bourj](#).²⁰⁴

- Al Jurf
- Amal
- Beda
- Abu Attefel
- Ghani
- Gialo
- Hofra
- Intisar
- Kabir
- Mabruk
- Murzuq
- Nafoora
- Nasser
- Bahr Essalam
- NC-186 fields
- Omar
- Sarah
- Wafa
- Zella
- Zenad
- Zueitina

204 "[Sustainability Report 2009](#)" ENI North Africa 2009.

Key Infrastructure

Western Libya Gas Project

The Western Libya Gas Project (WLGP) is a large-scale integration of upstream, processing and export facilities²⁰⁵ that is the first major initiative to export Libyan gas to Europe.²⁰⁶ Libya became the second country in the world to export Liquefied Natural Gas (LNG) in 1971,²⁰⁷ but until the establishment of the WLGP in 2004, the only customer for Libya's natural gas was Spain's Enagas.²⁰⁸ Through the WLGP Libya now exports compressed gas to Italy²⁰⁹ and the broader European market, in addition to supplying the domestic Libyan market with gas for feedstock or power generation.²¹⁰

Capacity

The WLGP involves piping gas from two fields, Bahr Essalam 110 km off the Libyan coast and Wafa 500 km inland near the Algerian border, to a treatment plant and compressor station at Mellitah, about 80 km west of Tripoli. The gas and crude with condensates from Wafa is conveyed to Mellitah via two 530 km pipelines (with diameters of 32 and 16 inches), while two subsea pipelines (36 and 10 inches) bring in gas from Bar Essalam.²¹¹ From Mellitah the gas is sent to Sicily via the Greenstream underwater pipeline, which lies at a maximum depth of 1,127 meters,²¹² has a diameter of 32 inches and at 520 kilometers is the longest pipeline in the Mediterranean.²¹³ In 2009 GreenStream BV, the company owning and managing the gas pipeline, upgraded it by 3 billion cubic meters per year (bcm/y), bringing its total capacity to 11 bcm/y.²¹⁴

In 2010 the WLGP produced approximately 10.25 bcm, of which 8.75 bcm were delivered via the Greenstream pipeline to Italy while 1.5 bcm were sold on the Libyan market.²¹⁵ Of the gas sent to Europe, Italy's Edison Gas takes about half (4 bcm) and uses it for power generation in Italy. The remaining gas is taken and traded by other European companies, mainly Italy's Energia Gas and Gaz de France (around 2 bcm

205 "[CALM Buoy for the The Western Libyan Gas Project Wafa Plant](#)" *Bluewater* Retrieved 7 October 2011.

206 "[Western Libya Gas Project](#)" *Eni official website* Retrieved 7 October 2011.

207 "[Arab Fund for Economic and Social Development Handbook](#)" *International Business Publications, USA* 2007.

208 "[Energy Profile of Libya](#)" *The Encyclopedia of Earth* Retrieved 8 October 2011.

209 "[Western Libya Gas Project](#)" *Eni official website* Retrieved 7 October 2011.

210 "[Energy Profile of Libya](#)" *The Encyclopedia of Earth* Retrieved 8 October 2011.

211 "[Eni: the Western Libya Gas Project gets underway](#)" *Gulf Oil and Gas* 10 July 2004.

212 "[Western Libya Gas Project](#)" *Eni official website* Retrieved 7 October 2011.

213 "[Greenstream](#)" *Eni official website* Retrieved 7 October 2011.

214 "[Interim Consolidated Report](#)" *Eni* 30 June 2010.

215 "[Annual Report 2010](#)" *Eni* Retrieved 7 October 2011.

each).²¹⁶

Development

The project was launched in 1999 and completed in 2004 at a cost of 8.7 billion euro. Eni is the operator and, alongside Libya's [National Oil Corporation](#) (NOC), holds a 50-50 stake in the WLGP's development. The project has solidified Eni's position as a major player in the Libyan hydrocarbon market, with the company's average daily operated production in Libya increasing from 230,000 barrels of oil equivalent per day (boe/d) in 2004²¹⁷ to 273,000 boe/d in 2010.²¹⁸

In October 2007, Eni reached a new agreement on its oil and gas contracts with the NOC, extending its gas concessions by 25 years to 2047.²¹⁹ Then in 2009, Mellitah Oil and Gas BV began constructing a new LNG facility at Mellitah designed to produce 5 bcm of natural gas per year for export worldwide.²²⁰ The new facility and the deal with Eni have paved the way for a potential doubling of Libya's gas exporting capacity to 16 bcm per year.

Eni's contract extension included a \$14 billion investment from Eni on infrastructure (matched by the NOC for a total of \$28 billion) and an \$800 million investment for exploration. While the deal reaffirmed Eni's central role in the Libyan gas sector, it was also viewed as a boon for the NOC, which extracted favorable terms that have Eni covering taxes and royalties as well as costs of exploration and development, including well-drilling.

The NOC's position was further strengthened in April 2010, when Eni sold to it a 25 percent stake of GreenStream BV, the company owning and managing the gas pipeline. This divestment brought Eni 93 million euro but also decreased its share in the company to 50 percent, meaning Eni no longer controls the company and has been excluded from the consolidation area as of May 2010.²²¹

The hard bargaining the NOC employed in its negotiations with Eni have raised concerns among other major IOCs about the desirability of signing exploration and production sharing (EPSAs) agreements with the NOC, which could lead to the participation of smaller operators in Libya's gas sector in the future.

Effect of 2011 Revolution

The pipeline was shut down at the start of the Libya conflict in February 2011, but it resumed preliminary flows of 3 million cubic meters through the pipeline in mid-October 2011, with official amounts to be sent to be determined by the end of November

216 "[Energy Profile of Libya](#)" *The Encyclopedia of Earth* Retrieved 7 October 2011.

217 "[Libya: Gas export project inaugurated](#)" *Petroleum Economist* 01 November 2004.

218 "[Annual Report 2010](#)" *Eni* Retrieved 7 October 2011.

219 "[A Success?: Eni's Deal with Libya's National Oil Corporation](#)" *Wikileaks* 26 June 2007.

220 "[National Oil Corporation Business Continues Amid Chairman's Resignation](#)" *Wikileaks* 27 September 2009.

221 "[Interim Consolidated Report](#)" *Eni* 30 June 2010.

or mid-December 2011, said NOC Chairman Nuri Berruien on 13 October 2011.²²²

Ras Lanuf Refinery

Located on the Gulf of Sidra²²³ about 370 kilometres west of Benghazi,²²⁴ Libya's largest oil refinery came on stream in 1985²²⁵ and is part of a larger complex that includes [petrochemical](#) facilities. Its products are sold both locally and exported to the United States and Europe. The complex also includes the Ras Lanuf harbor²²⁶ and is one of Libya's six oil terminals.²²⁷

Capacity

Ras Lanuf has a production capacity of 220,000 barrels of oil per day²²⁸ and is the site of three crude oil pipelines: Messla-Ras Lanuf, Amal-Ras Lanuf, and Defa-Ras Lanuf.²²⁹ The refinery processes crude oils from [Sarir](#) and Messla, among other fields. A large portion of its output is supplied to power plants on the Mediterranean coast, while another part is supplied as feedstock to petrochemical plants nearby.²³⁰

Development

In March 2009 the refinery's operator, Libya's [National Oil Corporation](#) (NOC), agreed to a joint venture with a unit of Dubai's Al Ghurair Group to invest \$2 billion to upgrade Ras Lanuf.²³¹ Each side took half ownership of a new company called the Libyan Emirati Refining Company²³² (Lerco), which owns the refinery and manages its operations.²³³ Construction for the upgrade, which will increase the refinery's output and allow it to refine more expensive products, is expected to be complete by 2013 at the earliest, according to Sultan Al Ghurair, the director of business development at Al Ghurair Energy.²³⁴

222 "[Libya, Eni resume Greenstream gas pipeline throughput](#)" *Oil and Gas Journal* 13 October 2011.

223 "[Energy Profile of Libya](#)" *The Encyclopedia of Earth* 25 August 2008.

224 "[Gaddafi's forces recapture Ras Lanuf; rebels call for arms](#)" *RediffNews* 30 March 2008.

225 "[LIBYA - The Local Refineries](#)" *APS Review Downstream Trends* 09 July 2001.

226 "[Ras Lanuf Refinery](#)" *Downstream Today* 10 September 2008.

227 "[Energy Profile of Libya](#)" *The Encyclopedia of Earth* 25 August 2008.

228 "[Ras Lanuf Refinery](#)" *Downstream Today* 10 September 2008.

229 "[North Africa Pipelines map - Crude Oil \(petroleum\) pipelines - Natural Gas pipelines - Products pipelines](#)" *The World Factbook*.

230 "[LIBYA - The Local Refineries](#)" *APS Review Downstream Trends* 09 July 2001.

231 "[Dubai's Al-Ghurair to Upgrade Libyan Oil Refinery \(Update1\)](#)" *Bloomberg* 10 March 2009.

232 "[Dubai firm to restart Libya oil flow](#)" *The National* 04 October 2011.

233 "[Ashurst advises NOC on another major joint venture](#)" *Ashurst* 16 March 2009.

234 "[Dubai firm to restart Libya oil flow](#)" *The National* 04 October 2011.

Effect of 2011 Revolution

Lerco was forced to shut down the refinery's operations in February 2011. Ras Lanuf was taken over by anti-Gaddhafi forces in August 2011; an attack on the refinery in September killed 17 people and damaged several small storage tanks, but the infrastructure was otherwise left intact. As of early October 2011 no crude was flowing into the refinery, but work was underway to return it to full operation.²³⁵

Zawia Refinery

Located 50 km west of Tripoli²³⁶ and completed in 1974, Zawia is Libya's second-biggest refinery.²³⁷

Capacity

Zawia came on stream in 1974 with a crude processing capacity of 60,000 barrels per day (bpd). Capacity expanded to 108,000 bpd by 1977²³⁸ and as of May 2011 the refinery had a capacity of 120,000 bpd. It is a basic refinery with no conversion units, limiting its use for gasoline production. Zawia has an output yielding roughly 25 percent fuel oil, 40 percent [middle distillates](#) and 35 percent [light distillates](#) when running on good quality crude.²³⁹ The plant has a unit to produce 30,000 tons per year of lubricants for the local market, meeting most of the demand in Tripoli and nearby areas. Part of its production of jet fuel, gasoil and naphtha is for export. It processes heavy Syrian crude oil as well as light/sweet crude from the [Shararah](#) field in the Murzuk Basin.²⁴⁰

Development

Zawia refinery is in need of upgrading because most of its products are of low quality, according to APS Review Downstream Trends, but the NOC's attempts at finding a partner to upgrade the refinery have stalled repeatedly. Most recently in March 2005, a \$280 million engineering, procurement and construction contract due to be signed with Uhde,²⁴¹ a German engineering firm and unit of ThyssenKrupp,²⁴² was delayed.²⁴³ As of April 2010, NOC was still looking to sell a 50% stake in the Zawia refinery to upgrade and expand it to help meet rising domestic product demand. NOC chairman

235 "[Dubai firm to restart Libya oil flow](#)" *The National* 04 October 2011.

236 "[BBC Video: Rebels capture key Zawia oil refinery](#)" *The Libyan Youth Movement* 18 August 2011.

237 "[EIA Country Analysis Briefs](#)" *Energy Information Administration* February 2011.

238 "[LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

239 "[Libya at the crossroads](#)" *Petroleum Economist* 26 May 2011.

240 "[LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

241 "[LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

242 "[Company](#)" *ThyssenKrupp Uhde website* Retrieved 26 October 2011.

243 "[LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

Shukri Ghanem said NOC was in discussions with American and European companies, but did not provide further details on the interested firms.²⁴⁴

Effect of 2011 Revolution

During the 2011 revolution, Zawia was the last functioning refinery until rebels captured it in mid-August. The flow of crude oil to the refinery had largely stopped since mid-summer, and Zawia was running at about one-third of its capacity, drawing mainly from crude oil in its storage tanks, when the rebels seized it.²⁴⁵ Zawia resumed operations in early October 2011,²⁴⁶ processing crude shipped from Tobruk.²⁴⁷

Tobruk Refinery

The refinery at Tobruk, located on the coast in northeastern Libya²⁴⁸ about 160 kilometres west of the Egyptian border,²⁴⁹ came on stream in 1985.²⁵⁰

Capacity

The refinery has a crude capacity of 20,000 barrels per day²⁵¹ and is part of a complex that includes one of Libya's smaller oil export terminals.²⁵²

Development

The refinery is operated by the [Arabian Gulf Oil Company](#) (Agoco),²⁵³ a subsidiary of the [National Oil Corporation](#) (NOC).²⁵⁴ It has undergone several upgrades, most recently in the early 2000s for facilities involving naphtha hydrotreatment, light paraffin isomerisation, de-isohexanizer recycling, and a catalytic reforming benzene elimination unit.²⁵⁵

244 "[Libya Seeks JV Partner for Refinery Revamp](#)" *Downstream Today* 15 April 2010.

245 "[Libya War: Rebels Battle For Zawiya Refinery](#)" *Huffington Post* 17 August 2011.

246 "[Libya's Oil Output Rising; Second Largest Refinery Restarts](#)" *San Francisco Chronicle* 04 October 2011.

247 "[Exclusive: Libya oil exports at 400,000 b/d 'within two weeks'](#)" *Petroleum Economist* 03 October 2011.

248 "[Libyan oil official sees exports in 10 days](#)" *Wall Street Journal* 15 September 2011.

249 "[Dispatch from 'Free Libya': The Right to Laugh at Gaddafi](#)" *Time* 23 February 2011.

250 "[LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

251 "[Libyan oil official sees exports in 10 days](#)" *Wall Street Journal* 15 September 2011.

252 "[Agoco Exports Some 10 Days Away As Libyan Oil Restart Progresses](#)" *Downstream Today* 15 September 2011.

253 "[LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

254 "[No Oil from Libya's Agoco in Near Future](#)" *Petroleum Africa* 18 July 2011.

255 "[LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

Effect of 2011 Revolution

The Tobruk refinery restarted operations in mid-September 2011, processing crude piped from the [Sarir](#) oil field.²⁵⁶

Brega Refinery and Natural Gas Plant

Brega, located on the Gulf of Sidra about 200 km west of Benghazi,²⁵⁷ contains Libya's second-largest hydrocarbon complex²⁵⁸ and consists of the oldest oil refinery in Libya (on stream since 1970),²⁵⁹ a gas plant producing liquefied natural gas (LNG) and a [petrochemical](#) complex. Brega provides gasoline to communities in the region reaching as far as Benghazi.²⁶⁰

Capacity

The oil refinery is a topping and reforming facility with a nominal capacity of 8,400 barrels per day (bpd).²⁶¹ The LNG plant at Brega, built in 1970, is the world's second ever to come on stream. No substantial upgrades have been made to the plant since it came on stream and, according to economics organisation IHS Global Insight, it was as of October 2010 in need of modernisation and repair. With its use of outdated facilities, Brega's gas is incompatible with global standards and can be exported to only one re-gasification train in Spain.²⁶² Brega once produced up to 3.6 billion cubic metres (bcm) per year, but as of October 2008 had not been capable of producing more than 800 million cubic metres per year for decades.²⁶³ In 2005, [Shell](#) signed a deal with [Sirte Oil Company](#), a subsidiary of [National Oil Corporation](#) (NOC), to rejuvenate and expand the LNG plant to restore it to its original nameplate production for a total of \$643 million, but the project has experienced numerous delays as a result of organisational problems within NOC and its subsidiaries.²⁶⁴

Brega is also the starting point of the 670-kilometer Marsa Al Brega-Khoms Intisar gas pipeline, which provides gas for two electricity generating plants situated in Az Zuwaytina and Ajdabya with a capacity of 750 megawatts.²⁶⁵

256 " [Agoco Exports Some 10 Days Away As Libyan Oil Restart Progresses](#)" *Downstream Today* 15 September 2011.

257 " [NATO says hit military targets in Libya's Brega](#)" *Reuters* 25 June 2011.

258 " [Libyan rebels: Eastern oil terminal Brega taken](#)" *The Guardian* 20 August 2011.

259 " [LIBYA - The Local Refineries](#)" *APS Review Downstream Trends* 9 July 2001.

260 " [Oil workers saved key parts of Libya's lifeblood](#)" *The Seattle Times* 24 September 2011.

261 " [Sirte Oil Co - Simple Oil Refinery in Brega, Libya](#)" *MBendi Information Services*.

262 " [Shell Hopes for Near-Term Progress at Libya's Marsa el-Brega LNG](#)" *Information Handling Services (IHS)* 14 October 2010.

263 " [Gas - and Gazprom](#)" *Petroleum Economist* 01 October 2008.

264 " [Shell Hopes for Near-Term Progress at Libya's Marsa el-Brega LNG](#)" *Information Handling Services (IHS)* 14 October 2010.

265 " [Site Visit to Ajdabiya, Libya](#)" *Inter-Agency Mission Report* 07 June 2011.

Development

The complex is owned and operated by Sirte Oil Company. It was built in the 1960s and was run in partnership with Esso Oil in the 1960s and 70s, and Sirte Oil Company has had control of the Brega facilities since the early 1980s.²⁶⁶

Effect of 2011 Revolution

Brega repeatedly changed hands between Gaddhafi and rebel forces in the 2011 war,²⁶⁷ and the complex was badly damaged. Gaddhafi forces destroyed at least four oil storage tanks, while NATO bombed the complex clubhouse, a communications tower and other facilities after learning that they were being used to store weapons. Upon fleeing the complex after the fall of Tripoli in late August, Gaddhafi loyalists reportedly also left behind 40,000 anti-personnel and anti-tank mines around the town of Brega and 6,000 mines on a nearby beach.²⁶⁸ Brega's operations were interrupted by the revolution in February 2011, partially because many of the 600 foreign workers were evacuated following rumours that Gaddhafi planned to bomb the complex.²⁶⁹

Sarir Topping Facility

Sarir is a topping facility 400 km south of Brega²⁷⁰ that came on stream in 1986. The facility is operated by [Arabian Gulf Oil Company](#) (Agoco)²⁷¹ and has a refining capacity of 10,000 barrels per day.²⁷² The refinery was operating at full capacity as of September 2011.²⁷³

Petrochemicals

Libya has a total of eight petrochemical manufacturing facilities.²⁷⁴ The petrochemicals industry in Libya expanded in the 1980s, but later experienced halting progress²⁷⁵ as expansions planned at the two biggest complexes, Ras Lanuf and Brega, stalled as a

266 " [Port Marsa El Brega: Port Detail](#)" *World Port Source*.

267 " [Libyan rebels: Eastern oil terminal Brega seized](#)" *Yahoo! News* 19 August 2011.

268 " [Oil workers saved key parts of Libya's lifeblood](#)" *The Seattle Times* 24 September 2011.

269 " [At Libya's Brega oil facility, employees are few and production has been slashed](#)" *1310 News* 26 February 2011.

270 " [Libya - The Local Refineries](#)" *APS Review Downstream Trends* 11 July 2011.

271 " [Libya - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 14 July 2003.

272 " [EIA Country Analysis Briefs](#)" *Energy Information Administration* February 2011.

273 " [BP Buys Diesel Cargoes in Europe; Gasoline Falls; Oil Products](#)" *Bloomberg* 19 September 2011.

274 " [Petrochemical Manufacturing in Libya - Overview](#)" *MBendi Information Services*.

275 " [The Report: Libya 2010](#)" *Oxford Business Group* 2010.

result of financial constraints, a slump in the global petrochemical business in the 1990s, and a volatile political climate.²⁷⁶ Libya's petrochemical sector received a boost in the late 2000s from European, US and Gulf investment. An agreement in 2009 between the Libyan Investment Authority and Norwegian fertiliser producer Yara is set to upgrade facilities at Brega, while a venture including Dow Chemicals of the US to upgrade the Ras Lanuf petrochemical facilities²⁷⁷ has been on hold since 2008.²⁷⁸

Ras Lanuf

The petrochemical plant at Ras Lanuf, located on the Mediterranean Coast and operated by the [National Oil Corporation](#) (NOC),²⁷⁹ is Libya's biggest. Since coming on stream in April 1987,²⁸⁰ the petrochemical facilities at Ras Lanuf have been a key supplier of olefins,²⁸¹ organic compounds that are used as building block chemicals for making other petrochemicals and polymers,²⁸² to consumers in the Mediterranean basin.²⁸³ The complex has a nameplate capacity of 330,000 tonnes per year (t/y) of ethylene, 80,000 t/y of high density polyethylene, 80,000 t/y of linear low density polyethylene, 170,000 t/y of propylene and 585,000 t/y of butadiene.²⁸⁴ These plastics are used in the manufacture of a variety of products, from packaging materials and plastic bottles to automobile interiors.²⁸⁵ Ras Lanuf also produces 300,000 t/y of pyrolysis gasoline.²⁸⁶

In April 2007 NOC announced it was taking a 50:50 venture with US firm Dow Chemical to upgrade, expand and operate the petrochemical complex at Ras Lanuf, but the project has been on hold since the financial crisis of 2008-2009.²⁸⁷

Brega

The petrochemical plant at Marsa al-Brega came on stream in 1978 and produces primarily methanol and fertilisers. It underwent second- and third-phase expansions in 1985 and 1991, respectively. The complex has two methanol units with a capacity of approximately 720,000 t/y,²⁸⁸ as well as urea production facility with a capacity of about 900,000 t/y and an ammonia facility with a capacity of about 700,000 t/y,²⁸⁹ but

276 " [LIBYA - Oil Refining & Petrochemical Sectors](#)" *APS Review Downstream Trends* 11 July 2005.

277 " [The Report: Libya 2010](#)" *Oxford Business Group* 2010.

278 " [US Dow Chemical quit Libya before civil war - spokeswoman](#)" *AllBusiness* 26 August 2011.

279 " [Dow, Libya's NOC Team Up](#)" *Downstream Today* 18 April 2007.

280 " [LIBYA - Ras Lanuf](#)" *APS Review Downstream Trends* 9 July 2001.

281 " [RASCO ramps up Ras Lanuf, Libya cracker](#)" *ICIS* 2 June 2010.

282 " [Olefins & Olefin Chemicals Information from ICIS](#)" *ICIS* Retrieved 26 October 2011.

283 " [RASCO ramps up Ras Lanuf, Libya cracker](#)" *ICIS* 2 June 2010.

284 " [US Dow Chemical quit Libya before civil war - spokeswoman](#)" *AllBusiness* 26 August 2011.

285 " [Dow, Libya's NOC Team Up](#)" *Downstream Today* 18 April 2007.

286 " [LIBYA - Ras Lanuf](#)" *APS Review Downstream Trends* 9 July 2001.

287 " [US Dow Chemical quit Libya before civil war - spokeswoman](#)" *AllBusiness* 26 August 2011.

288 " [LIBYA - Marsa El Brega](#)" *APS Review Downstream Trends* 14 July 2003.

289 " [The Report: Libya 2010](#)" *Oxford Business Group* 2010.

the facilities at Brega were functioning at less than 60% capacity in 1992²⁹⁰ and around 35% capacity in the early 2000s.²⁹¹ In 2009, the [National Oil Corporation](#) (NOC) and the Libyan Investment Authority (LIA) struck a \$225 million deal with Norwegian fertiliser producer Yara to create a joint venture fertiliser company and upgrade facilities at Brega. The joint venture, called the Libyan Norwegian Fertiliser Company (Lifeco), involves Yara taking 50% ownership in a urea and ammonia production complex, with the NOC and LIA both retaining 25% ownership.²⁹²

Abu Kammash

The Abu Kammash petrochemical complex came on stream in the 1970s and comprises three units to produce 104,000 t/y of ethylene dichloride, 60,000 t/y of vinyl chloride monomer (VCM), 60,000 t/y of polyvinyl chloride (PVC),²⁹³ 50,000 t/y of caustic soda, and 45,000 t/y of chlorine.²⁹⁴ A large portion of Abu Kammash's output is exported.²⁹⁵

Shipping

Libya's total shipping capacity as of March 2009 is 11.8 million barrels.²⁹⁶ Libya had \$34 billion in net oil export revenues (nominal) and \$31 billion (real) in 2009.²⁹⁷ and its total petroleum exports were valued at \$41.87 billion in 2010.²⁹⁸

Oil Terminals

Libya has six major oil terminals and storage facilities on the Mediterranean coast, comprising five in the west of the country - Es Sidra, Zueitina, Ras Lanuf, Marsa El Brega and Marsa El Hariga (Tobruk) - and Es Zawiya in the West. In January 2011, before the outbreak of the revolution, these six terminals combined to load 1.157 million barrels per day (bpd). Several smaller oil terminals loaded a combined 333,000 bpd, bringing Libya's total loading volume before the 2011 war to 1.491 million bpd.²⁹⁹

Es Sidra

Es Sidra, an offshore oil terminal located in the Gulf of Sidra, is frequented by about

290 "[LIBYA - Marsa El Brega](#)" *APS Review Downstream Trends* 14 July 2003.

291 "[Libya - Industry](#)" *Encyclopedia of the Nations*.

292 "[The Report: Libya 2010](#)" *Oxford Business Group* 2010.

293 "[LIBYA - Abu Kammash](#)" *APS Review Downstream Trends* 11 July 2005.

294 "[ISIS Libya Chemical Plant listing](#)" *ISIS*.

295 "[LIBYA - Abu Kammash](#)" *APS Review Downstream Trends* 11 July 2005.

296 "[Libya Commercial Round-up For February 2009](#)" *Wikileaks* 14 March 2009.

297 "[OPEC Revenues Fact Sheet](#)" *US Energy Information Administration*.

298 "[Libya facts and figures](#)" *OPEC* Retrieved 8 October 2011.

299 "[Rebuilding the poor oil-rich country of Libya](#)" *msnbc.com* 24 August 2011.

200 ships per year³⁰⁰ and is Libya's largest terminal in terms of loading volume, which was 447,000 bpd in January 2011. Es Sidra has four crude oil loading berths, two conventional buoy berths and two single buoy mooring points (SBMs) to load tankers of up to 250,000 dead weight tonnage (dwt) at a maximum rate of 6,600 tons/hour.³⁰¹

Zuetina

Zueitina is located 130 km south of Benghazi city and handles about 270 vessels per year. It has a loading volume of 214,000 bpd and five offshore crude oil loading berths serving tankers of up to 270,000 dwt, loading them at a maximum rate of 6,500 tons per hour.

Es Zawiya

Es Zawiya is located about 50 km west of Tripoli and, operating 24 hours a day, handles about 480 vessels per year. Es Zawiya has a loading volume of 199,000 bpd with five offshore berths serving tankers of up to 140,000 dwt for both crudes and oil products. Crude oil can be loaded at a maximum rate of 4,500 tons/hour; refined products at 500 tons/hour.

Ras Lanuf

The export terminal at Ras Lanuf, located 600 km east of Tripoli on the Gulf of Sidra, receives approximately 300 vessels a year and has a loading volume of 195,000 bpd. Ras Lanuf consists of two conventional buoy berths and two SBMs with the ability to serve tankers of up to 250,000 dwt and load them with crudes or products at a maximum rate of 7,000 tons/hour.

Marsa El Brega

The terminal at Marsa El Brega is located in the Gulf of Sidra about 270 km west of Benghazi city. It has a loading volume of 51,000 bpd through three crude oil berths for tankers of up to 300,000 dwt. Brega includes a dock for tankers to load or discharge refined products, one berth each for LNG and LPG tankers, along with three jetties to load ammonia, methanol, caustic soda and urea.

Marsa El Hariga

Marsa El Hariga, situated about 2 km west of Tobruk, has two jetty berths and a loading volume of 51,000 bpd, or 8,000 tons per hour for tankers of up to 120,000 dwt. The terminal includes oil products storage tanks with a capacity of 116,500 cubic meters and two 10-inch, 25 km pipelines for oil products from the refinery at Tobruk.

300 " [List of Libyan Ports](#) " *Temehu* Retrieved 8 October 2011.

301 " [LIBYA - The Oil Terminals](#) " *APS Review Oil Market Trends* 16 July 2001.

Shipping Companies

There is a close integration of public and private interests in Libya's shipping industry and until the 2011 war the Gaddhafi family held a near-monopoly on this sector. According to sources cited in US State Department cables, Hannibal al-Gaddhafi, the fourth son of deposed leader Muammar Gaddhafi, owns and controls the nominally private shipping company Mariner for Maritime Transportation, Ltd. Those sources reported that Hannibal also has a controlling stake in the state-owned General National Maritime Transport Company (GNMTC). Hannibal's exact role in GNMTC is unclear, with some sources describing him as a consultant and others indicating that he plays a key management role in the company.

Mariner, established in 2000, has three primary areas of operation: shipping management, offshore oil/gas platform support, and refined oil product transportation from Libya to foreign ports. As of August 2008, Mariner had virtually no competition within Libya, providing up to 75% of NOC's requirements for transporting "clean" (refined) products to foreign markets, mainly Europe. Mariner does face competition in the area of offshore support from French and Italian companies, while Greek and Greek-Cypriot companies compete in the sector of oil transportation. With its political connections, Mariner has enjoyed high-level government support, having received financial support from NOC at least as recently as late 2006, according to a source at the National Engineering and Supply Services Company (NESSCO).³⁰²

The GNMTC has as of March 2009 a fleet of 18 total tankers, of which 13 are crude carriers, three are oil products carriers and two are LPG carriers. Seven of these are managed by GNMTC and a further three by outside ship managers. The remaining eight are run by UK-based ship management firm V.Ships.³⁰³ The decision by GNMTC to halt all oil shipments to Switzerland immediately after Hannibal's arrest there in 2008 sheds light on the extent of Hannibal's influence in the company. According to US State Department cables, opposition websites also document instances in which Hannibal has used his influence over the GNMTC to broker the purchase of new vessels, through which he has gained millions in personal profit.

Effect of 2011 Revolution

EU sanctions and NATO activity in the Mediterranean severely disrupted GNMTC's ability to ply its normal trading routes. In mid-2011, there was media speculation that Hannibal Gaddhafi was trying to sell off a fleet of GNMTC oil tankers, first to companies based in Hong Kong and Singapore in July, then to Russian investors in August, in an effort to settle debts and increase cash flow for the regime's war effort. There were no sanctions placed on GNMTC, but because Hannibal himself was blacklisted, any transaction resulting in economic benefit to the Gaddhafi regime would have broken the terms of the sanctions.³⁰⁴

302 "[Hannibal Goes To Sea: Insights Into Another Al-qadhafi Family Business](#)" *Wikileaks* 12 August 2008.

303 "[Libya Lays Up Oil Tankers, Gaddafi Feels Trade Heat](#)" *This Day Live* 7 July 2011.

304 "[Exclusive: Qadhafi talks oil-tanker sales with Russians](#)" *Petroleum Economist* 8 August 2011.

Fully State-Owned Entities

National Oil Corporation

Term	NOC Chairmen
1970-?	Salem Mohammed Amesh
? - 1980	Omar Muntasir
1990 - 2000	Abdulla Salem El-Badri
2002-2006?	Abd-al-Hafi Mahmud al-Zulaytini
2006-2011	Shukri Ghanem
2011 -	Dr Nuri Berruien (interim)

Profile

The [NOC](#) of Libya is a state-owned company that controls Libya's oil and gas production through a number of fully owned subsidiaries. In combination with its subsidiaries, it accounts for around half of the country's oil output.³⁰⁵ Established in 1970, the parent company counted around 700 employees as of 2008.³⁰⁶ The Corporation oversees all petroleum activities in Libya including oil and gas exploration, drilling and production; refineries operation; petrochemical production; marketing and distribution of petroleum products and petrochemicals. The NOC has a total production capacity of 2 million barrels of oil per day (bpd).³⁰⁷

In 2010, the Energy Intelligence Group included the NOC at number 25 in their ranking of the Top 100 World Oil Companies³⁰⁸ and in 2008 the Corporation publicly stated that is aspired to increase oil production from 1.7 million bpd to some 3 million bpd by 2012. The consequences of the conflict in 2011, however, is due to set back progress on such targets.

Creation in 1970

The NOC was created on the 5 March 1970, replacing the older Libyan General Petroleum Corporation (Lipetco, created by royal decree in 1968³⁰⁹). Its mandate was to 'en-

305 “[Libya: Research Profile](#)”. *Oil and Gas Directory Middle East*, retrieve 18 October 2011.

306 “[A Rare Peek Inside Libya's National Oil Corporation](#)”. *Wikileaks*, 1 December 2008.

307 “[Libya: Research Profile](#)”. *Oil and Gas Directory Middle East*, retrieve 18 October 2011.

308 “[The Energy Intelligence Ranks NOC 25 Among the World's Top 100 Companies](#)”. *National Oil Corporation*, retrieved 17 October 2011.

309 “[National Oil Corporation-Lipetco in the 1960s](#)”. *International Directory of Company Histories*,

deavour to promote the Libyan economy by undertaking development, management and exploitation of oil resources' and to participate in the 'planning and executing the general oil policy of the state'. Created as part of Colonel Gaddafi's vision for Libya following the overthrow of the monarchy in 1969, it was similar to its predecessor in that it would function under the supervision and control of the Minister of Petroleum. Its first chairman appointed was Salem Mohammed Amesh.

The law under which the NOC had been established restricted new ventures with foreign firms to those in which the latter took on all the risks of the pre-commercial exploitation period. The NOC played a major part in the Libyan government's new strategy of higher oil prices and the moves toward a norm of production-sharing arrangements and phasing out the previous system of concessions.³¹⁰

Nationalisation in the 1970s

The 1970s were a decade which saw further consolidation of the NOC's power. Nationalisations, the seizing of company assets, and buying out company shares were among the Corporation's activities. In 1971, the NOC took over production operations at the [Sarir](#) field following the nationalization of BP's Libyan concession and by 1974, Production Sharing Agreements (PSAs) had been reached with [Exxon](#), Mobil, Compagnie Francaise des Petroles, [Elf Aquitaine](#) and [Agip](#), all on a 85/15 basis onshore and an 81/19 basis offshore. Those international oil companies (IOCs) who did not voluntarily surrender concessions as part of the new policies were forced to relinquish these in full to the government and the NOC.

Political Conflict in 1980s

The 1980s was a decade overshadowed by an increasingly problematic US-Libya relations following allegations of Libyan support for terrorist activities, resulting in [unilateral US sanctions being imposed in 1986](#). These sanctions covered all trade, import and export activity and resulted in American IOCs abandoning operations in the country. As a result of the sanctions, the holding and entitlements of US companies such as [Marathon](#), [Conoco](#) and [Amerada Hess](#) were held in suspension and their operations handled by the NOC. Much of the latter part of the 1980s was spent negotiating over NOC treatment of US equity holdings in the country.

However, the decade was also one of joint venture projects. In order to offset the US sanctions and to offer incentives to other foreign companies, changes were made to the NOC's regulations regarding joint ventures. The year 1980 also saw the establishment of the Libyan [Arabian Gulf Oil Company](#) (Agoco) and by 1989 Agoco's production was 400,000 bpd, making it the largest individual oil producer in the country. Downstream, the NOC was one of the shareholders in OilInvest, a Libyan holding company established in 1988 for investment purposes and integration down the industry value chain into marketing and distribution of petroleum products.

retrieved 25 October 2011.

310 "[National Oil Corporation](#)". *Funding Universe*, retrieved 17 October 2011.

Turning to Europe in the 1990s

During the 1990s Libya only became more isolated after the [imposition of UN sanctions in 1992](#) banning sales of equipment for refining and transporting oil (albeit excluded oil production equipment). On top of the UN and unilateral US sanctions, in 1996 the US Congress passed the Iran-Libya Sanctions Act, which also significantly impeded the NOC's ability to do business around the world.

As the UN sanctions were less comprehensive than the US sanctions, which prevented US majors from operating in the country, the NOC maintained close relationships with some European companies. The largest foreign operator in Libya during the 1990s was Italian firm Agip and in the mid-1990s Agip and the NOC embarked on the joint development of the Bouri gas field and started work on a 1,040 km pipeline to Italy. The NOC also did business with Elf Aquitaine and [Total](#) of France, Spain's [Repsol](#) and Austrian [OMV](#), among others.

International Reintegration in the 2000s

UN sanctions against Libya were suspended in 1999 following diplomatic moves by the Libyan Government (see [Reintegration into the International Community](#)), and Libya began to revise its petroleum regulations over the years to follow. In 2003, when UN sanctions were emphatically lifted, Libya's foreign minister revealed that the country's goal was to increase oil production from 1.2 million to 3 million bpd over the next 15 years, in order to achieve which the NOC's contacts with foreign companies would be extended. To this end, in 2003 the NOC signed new onshore and offshore exploration agreements with Austria's [OMV](#) and Spanish [Repsol](#). Libya had to wait until 2004 and further diplomatic manoeuvring before US unilateral sanctions were also lifted, after which the NOC opened leasing to US-based IOCs.

In 2006, US-educated former Libyan Prime Minister Shukri Ghanem became NOC Chairman.³¹¹ In the same year, the National Energy Council (NEC) was formed, composed of Ministers of Industry, Planning, Economy,

Finance and Labour, as well as Ghanem and PM-equivalent Al-Mahmoudi. The entity was intended as a consultative body, nevertheless concerns were raised about the potential resulting politicization of the energy sector.³¹² In 2008, rumours emerged that Ghanem was seeking to tender his resignation as NOC boss, following a request for \$1.2 billion in cash or oil shipments by Muatassim Gaddhafi, a son of Muammar Gaddafi who had recently been appointed National Security Advisor.³¹³ When his continuation in the role was confirmed, there was reportedly relief among foreign investors at the return of a Western-friendly face at the helm of the NOC.³¹⁴

311 "[Libya's top oil official has defected: TV reports](#)". *Reuters*, 17 May 2011.

312 "[Libyan Noc Chairman Ghanem's Views On Petroleum Issues](#)". *WikiLeaks*, 19 October 2006.

313 "[NATIONAL OIL CORPORATION CHAIRMAN SHUKRI GHANEM MAY SEEK TO RESIGN SOON](#)". *The Telegraph*, 31 January 2011.

314 "[FACTBOX-Who is Libyan oil chief Shokri Ghanem?](#)". *Reuters*, 1 June 2011.

Leaked cables written by the US State Department in 2008, one the other hand, suggested widespread disaffection within the NOC with Ghanem's autocratic style and lack of technical proficiency compared to his predecessor Al-Badri. This in turn caused tensions among international operators and governments over the human capacity limitations at the Corporation as an operating partner. However, Ghanem remained in his post until civil unrest broke out in early 2011, when he announced his defection in June to join the rebels.³¹⁵

Post-Sanctions Licensing Rounds

Since the US sanctions were eased, the NOC has held 4 international licensing rounds held in Libya. The first was held in 2005, in which [Occidental Petroleum](#) was the most successful bidder and contracts resulted in advantageous terms for the NOC as well as \$133m in signing bonuses. Later in 2005, the Second Licensing Round was also considered a success and attracted a wider array of new entrants³¹⁶, with 23 of the 26 areas on offer awarded and a further \$103m of signing bonuses secured for the NOC.³¹⁷

In the third offering, and the first under the leadership of Ghanem, 10 contracts were awarded in December 2006. In December 2007, the fourth licensing round focused solely on gas. There were 12 areas on offer and in contrast to previous rounds there was only a 50% award rate, compared to 87% previously.³¹⁸ The NOC publicly touted the results as being positive for Libya, but privately conceded disappointment that more companies had not chosen to bid.³¹⁹

Over the course of 2008, a number of IOCs had the terms of their Exploration and Production contracts with the NOC renegotiated outside of the bidding rounds, to bring them into line with the new [EPSA IV](#) framework introduced in 2004 for the awarding of Exploration and Production contracts. The contract extensions contained considerable benefits, including higher profits, anti-corruption measures and less state company obstructionism; however, they also contained lower production shares and reduced bookable service levels, and mandated a heavy reliance on the thinly-stretch NOC. Large signature bonuses were also paid of up to \$1 billion. The negotiations also involved more direct discussion between the NOC and the IOCs, rather than development plans for existing fields being run through Libyan operating partners such as Zuetina.³²⁰

The Future of the NOC

There was much debate over the form the NOC would take following the overthrow of

315 "[FACTBOX-Who is Libyan oil chief Shokri Ghanem?](#)". *Reuters*, 1 June 2011.

316 "[Doing Business In Libya](#)". *Deloitte*, retrieved 17 October 2011.

317 "[Libya: strong start to third bid round, says NOC chief](#)". *Petroleum Economist*, 01 October 2006.

318 "[Doing Business In Libya](#)". *Deloitte*, retrieved 17 October 2011.

319 "[Libyan Epsa Gas Bidding Round: International Majors' Interest Is Tempered](#)". *WikiLeaks*, 13 December 2007.

320 "[Oxy's 30-year Extension In Libya And What Lies Ahead For Other Iocs](#)". *WikiLeaks*, 13 July 2008.

Gaddafi's regime in 2011. Reports in September 2011 claimed that a regional power struggle was emerging as Tripoli and Benghazi competed to host the Corporation. However as of October 2011, the NOC remained headquartered in Tripoli.³²¹

Mustafa El Huni, an NTC member who oversees energy policy, commented that one idea under preliminary consideration was to split the NOC into as many as three companies: one focusing on upstream operations (exploration and production); another on downstream activities (refining); and a third focusing on natural gas. The companies would be distributed across different cities. Javier Blas of the Financial Times comments that the NTC is thought likely to create a Ministry of Oil that would take away some of the NOC's power.³²²

Sirte Oil Company

Profile

The Sirte Oil Company (SOC) is a fully-owned subsidiary of the [National Oil Corporation](#) (NOC), headquartered in Brega. SOC's operations include exploration, production and manufacturing.³²³ It is considered by the US State Department to be one of the most important of the NOC's subsidiaries.³²⁴

History

The SOC was formed as a subsidiary of the [NOC](#) in 1982, when Esso Sirte companies (Esso's Libyan subsidiaries) relinquished 50% of their shares to the NOC and [Exxon's](#) share in Esso Sirte (Exxon being the parent company of both Esso and ExxonMobil³²⁵) was purchased by the NOC and formed into the Sirte Oil Company.³²⁶ In 1986 the SOC took over the assets of Grace Petroleum, one of the five US companies forced by US unilateral sanctions to leave Libya.³²⁷ The SOC was formerly headed by UK-educated Ali Sugheir, who briefly became interim head of the NOC itself in 2009, replacing Shukri Ghanem temporarily.³²⁸

In 2000, the SOC reportedly made a 13 billion cubic metre-per-year natural gas discovery in the Sirte Basin.³²⁹ In 2008 the company announced that they had made a new oil

321 "[Shell execs in Tripoli discuss Libya return](#)". *Reuters*, 5 October 2011.

322 "[A Libya in Power Struggle Over Oil Group](#)". *Financial Times*, 12 September 2011.

323 "[Sirte Oil Co.](#)". *National Oil Corporation*, retrieved 18 October 2011.

324 "[LIBYA NAMES ALI SUGHEIR NEW CHAIRMAN OF NATIONAL OIL COMPANY](#)". *The Telegraph*, 31 January 2011.

325 "[Esso Extras](#)". *Esso*, retrieved 26 October 2011.

326 "[National Oil Corporation](#)". *Funding Universe*, retrieved 18 October 2011.

327 "[Energy Profile of Libya](#)". *Encyclopedia of Earth*, 25 August 2008.

328 "[LIBYA NAMES ALI SUGHEIR NEW CHAIRMAN OF NATIONAL OIL COMPANY](#)". *The Telegraph*, 31 January 2011.

329 "[The Mineral Industry of Libya](#)". *US Geological Survey Minerals Yearbook*, retrieved 18 October

discovery at a new wildcat well in the Ghadames Basin, located approximately 310 km south west of Tripoli.³³⁰ In 2009, the NOC commented in a US State Department cable that the SOC was playing a role in the government's long-term vision of transforming Libya into a hub for gas exports, to Europe and across the region. To this end, the SOC was extracting gas from the Marsa el Brega field for transport to Benghazi, 480km eastward, and further eastward along the coast to the city of al-Khums.³³¹

Current Activities

The SOC operates the Raguba field in the central part of the Sirte Basin. The field is connected by pipeline to the main line between the Nasser field, one of the largest in Libya, and Marsa el-Brega. Besides Nasser, SOC is in charge of two other gas fields – Attahadi and Assumud – plus the [Marsa el-Brega liquefied natural gas \(LNG\) plant](#).³³²

In September 2011 following the civil unrest in the country, a Libyan official reported that the Sirte Oil Company had restarted natural gas production at the Attahaddy and Hateiba fields in Eastern Libya, which were to be used for local power generation. They are among the largest fields in Libya, with Attahaddy producing 270 million cubic feet a day, in addition to 35,000 barrels per day (bpd) of condensate. It was unclear how much Hateiba was producing.³³³

Arabian Gulf Oil Company

Profile

The Arabian Gulf Oil Company (Agoco) is a fully owned subsidiary of the [National Oil Corporation](#) (NOC), was established in 1980³³⁴ and is Libya's second-largest state-owned oil company.³³⁵ Agoco was formed following the [nationalisation of assets](#) belonging to [BP](#), Chevron and Texaco.³³⁶ The company is engaged in crude oil and natural gas, production and refining activities and is headquartered in Benghazi.³³⁷

During the 2011 civil unrest, Agoco broke from the Gaddhafi-controlled NOC and announced plans to use oil sales to fund the opposition rebel forces.³³⁸

2011.

330 “[Sirte Oil Company Announces New Discovery in Libya](#)”. *Oil Voice*, 08 October 2011.

331 “[Sirte Oil National Oil Corporation Business Continues Amid Chairman's Resignation](#)”. *WikiLeaks*, 27 September 2009.

332 “[Energy Profile of Libya](#)”. *Encyclopedia of Earth*, 25 August 2008.

333 “[Libya's Sirte Oil Restarted Natural Gas Fields -Oil Official](#)”. *Fox Business*, 14 September 2011.

334 “[National Oil Corporation](#)”. *Funding Universe*, retrieved 18 October 2011.

335 “[Libya crisis: no 'happy ending' for Colonel Gaddafi](#)”. *BBC News*, 13 March 2011.

336 “[Agoco Joins Rebels As Oil Industry Splits Down The Middle](#)”. *Penn Energy*, 1 April 2011.

337 “[Arabian Gulf Oil Company](#)”. *National Oil Corporation*, retrieved 18 October 2011.

338 “[Libya crisis: no 'happy ending' for Colonel Gaddafi](#)”. *BBC News*, 13 March 2011.

History

In 1980, the Libyan Arabian Gulf Oil Company was established by the NOC when the Arabian Gulf Exploration Company and the Umm-al-Jawabi Oil Company were amalgamated. By 1989, Agoco's production was 400,000 barrels per day (bpd), making it the largest individual oil producer in the country. Agoco was implicated in the broader oil policy of the government, which was to initiate and invest in new projects while maintaining control.³³⁹

Activities

Agoco operates 5 major oil fields: [Sarir](#), Messla, Naffora, Beda and Hammada. The company also operates refineries in [Tobruk](#) and [Sarir](#).

Agoco's main business is the production of oil from its fields in the desert and pumping the crude oil through hundreds of kilometres of pipelines to the coast.³⁴⁰ Before the popular protests began in the spring of 2011, Agoco was a key part of the industry driving Gadhafi's regime and was producing 440,000 barrels of oil per day out of its fields in the south-west of the country, perhaps one barrel in every 100 traded on markets around the world every day.³⁴¹ This production represented roughly 40% of total Libyan crude oil production.³⁴²

Reports in September 2011 claimed that Agoco's production had reached 160,000 bpd following the civil unrest in the country, ahead of their projected schedule.³⁴³

Refining and Marketing Companies

The following are fully owned subsidiaries of the [National Oil Corporation](#) (NOC) responsible for refining and marketing activities in Libya.

Ras Lanuf Oil and Gas Processing Company

The Ras Lanuf Oil and Gas Processing Company operates the [Ras Lanuf Refinery](#) and carries out production of petrochemicals, plastics and ethylene.³⁴⁴

339 "[National Oil Corporation](#)". *Funding Universe*, retrieved 18 October 2011.

340 "[Connecting Green Ideas](#)". *SAF*, retrieved 18 October 2011.

341 "[Karamal Chapter 17: Of Oil, Revolution and Complicity](#)". *Johnny West*, retrieved 18 October 2011.

342 "[Connecting Green Ideas](#)". *SAF*, retrieved 18 October 2011.

343 "[Libya's Sirte Oil Restarted Natural Gas Fields -Oil Official](#)". *Fox Business*, 14 September 2011.

344 "[Ras Lanuf Oil and Gas Processing Company](#)". *National Oil Corporation*, retrieved 18 October 2011.

Zawia Oil Refining Company

The Zawia Oil Refining Company is the [NOC](#) subsidiary which operates the [Zawia Refinery](#).

Brega Petroleum Marketing Company

Established in 1971 and based in Tripoli, the Brega Petroleum Marketing Company deals with marketing and distributing petroleum products as well as related commodities all over the country. Its activities include: establishing and maintaining storage tanks and gas stations; renting and operating petroleum tankers and ships and constructing pipeline networks.³⁴⁵ It was created to be the monopoly marketer and distributor of petroleum products of the Libyan state's share of oil and gas production in the country, although in recent years some small private distribution companies have been allowed inside Libya³⁴⁶.

National Oil Wells, Drilling and Workover Company

Based in Tripoli, this fully-owned subsidiary of the [National Oil Corporation](#) (NOC) provides technical support, carries out all land and marine drilling services (including drilling of water wells), carries out maintenance of oil wells for operator companies and all other works associated with drilling operations.³⁴⁷

Jowef Oil Technology

Based in Benghazi, Jowef Oil Company supplies oil companies with drilling mud and all drilling and safety equipment.³⁴⁸

345 "[Brega Petroleum Marketing Co.](#)". *PetrolPlaza*, retrieved 18 October 2011.

346 "[Ghanem announces third private distribution company](#)". *Wikileaks*, retrieved 26 October 2011.

347 "[National Oil Wells, Drilling and Workover Company](#)". *National Oil Corporation*, retrieved 18 October 2011.

348 "[Jowef Oil Technology](#)". *National Oil Corporation*, retrieved 18 October 2011.

Joint Venture Companies

Waha Oil Company

Headquarters	Tripoli
Founded	1986
Key People	Dr. Bashir Mohamed Elshahab (Chairman) ³⁴⁹
International Partners	ConocoPhillips , Hess , Marathon
% held by NOC	59.16% (2011) ³⁵⁰
% held by IOCs	ConocoPhillips (16.33%), Marathon (16.33%), Hess (8.16%)
Production output	350,000 bpd (2011) ³⁵¹
Website	www.wahaoil.net

Profile

Tripoli-based Waha Oil Company (WOC) is owned by a joint venture along with US international oil companies [Hess](#), [ConocoPhillips](#) and [Marathon](#).³⁵² Of all of the [National Oil Corporation](#) (NOC) subsidiaries, Waha is the largest oil producer and is the second biggest oil producer in Libya.³⁵³ As of early 2011, the company employed 3,200 staff and the position of Chairman was occupied by Dr. Bashir Elshahab.³⁵⁴

History

The company which would become the WOC was established in 1955 and began operations on Libyan soil in 1956 as the Oasis Oil Company.³⁵⁵ However in 1986 the Waha Oil Company was established when it took over from the Oasis Oil Company.

The WOC was one of the companies most adversely affected by the US embargo imposed in 1986, as its oil fields were equipped mainly using US equipment, for which the WOC could not acquired spare parts. As a result, production at the company's giant

349 "[Organization Chart](#)". *Waha Oil Company*, retrieved 07 November 2011.

350 "[EU confirms NOC, 5 other Libyan firms added to sanctions list](#)". *Platts*, 24 March 2011.

351 "[Waha Oil Company](#)". *Oil Voice*, retrieved 18 October 2009.

352 "[Waha Oil Company](#)". *National Oil Corporation*, retrieved 18 October 2011.

353 "[Waha Oil Company](#)". *Oil Voice*, retrieved 18 October 2011.

354 "[Libya's Waha Oil Nears End of Workers' Strike](#)". *The Wall Street Journal*, 14 October 2011.

355 "[Waha Oil Company](#)". *National Oil Corporation*, retrieved 26 October 2011.

Waha field fell sharply from around 1 million barrels of oil per day (bpd) at its peak in the late 1960s, to to around 350,000-370,000 bpd in 2008.³⁵⁶

In December 2005 however, the old Oasis Group ([Amerada Hess](#), [ConocoPhillips](#), and [Marathon](#)) reached an agreement with Libya on a return to the country for the first time since 1986 and agreed to pay Libya \$1.8 billion to return to its acreage in the Sirte basin. The state holding company NOC now holds a 59.16% stake, leaving ConocoPhillips and Marathon with 16.33% each, and [Amerada Hess](#) with 8.16%.

While from 2008 onwards many international companies operating in Libya were forced to renegotiate their contracts with the NOC, there are no reports that the Waha Group had renegotiated terms and aligned with the new [EPSA IV](#) framework by the time that conflict broke out in 2011.³⁵⁷

Activities

Prior to the Libyan revolution in 2011, Waha Oil produced more than 350,000 bpd. In addition to operating the oil fields under its control, the WOC also handles large quantities of oil for a number of companies through its production lines running from the Sirte Basin to the Sidra terminal.³⁵⁸

Following the overthrow of Muammar Gaddafi in 2011, the WOC has been plagued by protests embarked on by workers who were demanding the dismissal of Chairman Elshahab, who was allegedly close to the Gaddafi regime.

In October 2011, Waha was still facing the challenge of restarting production at its fields, where damage had reportedly been suffered to workers' accommodation, compounded by fears that mines could have been planted there during the recent conflict. In addition, activities had not yet been resumed at the Sidra terminal, from which Waha's oil normally flows to global markets. The oil port suffered damage during the war, when its metering system was broken.³⁵⁹

Mellitah Oil and Gas

Headquarters	Tripoli
Founded	2008
Key People	Mr. Mohamed M. Oun (2008 onwards) ³⁶⁰
International Partners	Eni

356 “[Energy profile of Libya](#)”. *The Encyclopedia of Earth*, 25 August 2008.

357 “[Libyan National Oil Company Chair Confirms Acting Status, Pledges Continuity](#)”. *WikiLeaks*, 18 October 2009.

358 “[Waha Oil Company](#)”. *Oil Voice*, retrieved 18 October 2009.

359 “[Libya's Waha Oil Nears End of Workers' Strike](#)”. *The Wall Street Journal*, 14 October 2011.

360 “[Handover of Mellitah Oil & Gas B.V.](#)”. *Mellitah Oil and Gas*, 12 November 2008.

% held by NOC	50%
% held by IOCs	Eni (50%)
Production output	323,000 bpd (2006)
Website	http://www.mellitahog.ly/index.php

Profile

Mellitah Oil and Gas is a joint venture in which the Libyan [National Oil Corporation](#) (NOC) and Italian oil company [Eni](#) are equal partners (NOC 50%, Eni 50%).³⁶¹

History

Mellitah Oil and Gas B.V. Libyan Branch was established in 2008 by the General People's Committee Resolution No. 253, in agreement with the [National Oil Corporation](#) (NOC) and [Eni](#) North Africa.³⁶²

Activities

According to Mellitah's official website, in 2006 the venture was producing 323,000 barrels of oil equivalent (boe) per day of oil equivalent (boe) per day, which constituted a record production rate. Products include crude oil, natural gas and condensates.

The venture operates the Sabratha platform, located offshore 110km North West of Tripoli, and produces gas from the Bahr Essalam field, one of the largest in Libya. It is also an important source of gas supply for the [Greenstream pipeline](#) and for local gas consumption in Libya.

Following the Libyan revolution of 2011, reports suggested that Mellitah Oil and gas, the NOC and [Eni](#) were working together to restart production, both at the offshore platform of Sabratha located 110km off the Libyan coast and at the associated treatment and processing facilities at the Mellitah complex.³⁶³

Zuetina Oil Company

Headquarters	Tripoli
Founded	1986

361 "[Mellitah Oil & Gas restarts gas production from the offshore platform of Sabratha in Libya](#)" *Eni* 2 November 2011.

362 "[Company Profile](#)" *Mellitah Oil and Gas B.V.* 2 November 2011.

363 "[Greenstream restarts](#)" *Pipelines International* 26 October 2011.

International Partners	Occidental , OMV
Production output	60,000 bpd (2011) ³⁶⁴
Website	www.zuetina.com.ly

Profile

The Zuetina Oil Company is a joint venture in which the Libyan [National Oil Corporation](#) (NOC) and international oil companies [Occidental](#) and [OMV](#). In 2009, Zuetina employed 2474 employees, 2264 of whom were local employees.³⁶⁵

History

When the assets of [Occidental](#) were frozen in 1986, Zuetina Oil Company was incorporated as a Libyan owned company with a mandate to carry out a range of oil operations with concession contracts subject to the Production Sharing Agreements made between the NOC and the international oil companies (IOCs) [Occidental](#) and [OMV](#).

Once assets were unfrozen and American IOCs returned to Libya, agreements were signed under the [EPSA IV](#) agreements in June 2008.

Activities

Following the signing of the Production Sharing Agreement (PSA) in 2008, the NOC had an 88% share in Zuetina's operational budget and the international partners Occidental and OMV had a 12% share.

As of early 2011, the Zuetina Joint Venture was producing 60,000 barrels per day (bpd) from its fields³⁶⁶. The crude oil produced has been known on the international market as 'Zuetina Blend' since the late 1960s and is exported via the Zuetina terminal.

Harouge Oil Operations

Headquarters	Tripoli/Benghazi
Founded	1987
Key People	Mr. Abdulwahab R. En-Neamy (Chairman)
International Partners	PetroCanada
% held by NOC	51% ³⁶⁷

364 [Libya's Zueitina Oil Co Restarts Production - NOC Head](#)" *Fox Business* 18 October 2011.

365 "[Zuetina Oil Company](#)" *Zuetina* retrieved 1 November 2011.

366 [Libya's Zueitina Oil Co Restarts Production - NOC Head](#)" *Fox Business* 18 October 2011.

% held by IOCs	49% (PetroCanada) ³⁶⁸
Production output	100,000 bpd (2011) ³⁶⁹
Website	http://www.vebalibya.com

Profile

Harouge Oil Operations, formerly known as 'Veba Oil Operations' is a joint venture between the Libyan [National Oil Corporation](#) (NOC) and Canadian oil company [PetroCanada](#).

History

In 1987 Veba Oil Operations was established by the NOC and Veba Oil Libya to explore, develop and exploit eight concessions, mainly located in central Libya's Sirte basin. In 2002, Veba Oil Libya's rights and obligations in these concessions were acquired by [PetroCanada](#) and in 2004 Veba Oil Libya was renamed 'Petro-Canada Oil Libya'. In 2008, the NOC and PetroCanada signed six new Exploration and Production Sharing Agreements (EPSAs) for eight former concessions, and agreed that Harouge Oil Operations should continue to develop oil fields in these concessions on behalf of the owners. The exploration activities within the new contract areas were assigned to be under PetroCanada's responsibility.³⁷⁰

Activities

In 2009, Harouge Oil Operations was developing and producing petroleum from five contract areas with more than 20 fields. The crude oil is pumped from the various fields via export pipelines to the [Ras Lanuf terminal](#), where it is stored in 13 tanks and loaded onto tankers for export.

Harouge is also responsible for the shipping of crude oil from fields operated by other operators from Ras Lanuf.

Harouge Oil Operations employed over 2,000 employees in 2009, in their offices in Tripoli and Benghazi, as well as in self-sufficient field camps at the oil fields in Amal, Ghani, Jofra, Tibisti and En Naga, and at the terminal in Ras Lanuf.

367 "[Libya](#)" *Suncor* retrieved 3 November 2011.

368 "[East Libya oil offices abandoned, vehicles looted](#)" *Reuters* 5 March 2011.

369 [Harouge Oil to Begin Pumping Oil from Libyan Field](#)" *BEDigest* 26 September 2011.

370 "[About Harouge Oil Operations](#)" *Harouge Oil Operations* Retrieved 3 November 2011.

Akakoss Petroleum Operations

Headquarters	Tripoli
Founded	1996
Key People	Abdulmajid Shah (Chairman) ³⁷¹
International Partners	Repsol , OMV , Total
Production output	340,000 bpd (2011)
Website	www.akakusoil.com

Profile

Akakoss (formerly Repsol Oil Operations) is a joint venture shared between the Libyan [National Oil Corporation](#) (NOC), Spain's [Repsol](#), Austria's [OMV](#) and France's [Total](#).³⁷² The venture has its headquarters in Tripoli.³⁷³

History

Akakoss began producing in 1996, at a level of 50,000 barrels per day (bpd). In December 1997 activities in block NC-115 were commissioned, and in October 1998 a storage terminal and 720km of transmission pipeline were put into operation. Early production began at the NC-186 block in 2004.³⁷⁴

In April 2007 all joint ventures (JVs) involving foreign firms producing oil and gas in Libya had to change their names to new ones to better reflect Libyan history and geography. The JV operated by [Repsol](#) at this stage became Akakoss Petroleum Operations (APO), a reference to the Akakoss mountains in the south of the country.³⁷⁵

Activities

Akakoss operates two concessions in the Sahara desert. The first is the NC-115 concession area approximately 680km south of Tripoli, where in 2010, 230,000 barrels of oil per day (bpd) were being produced. The second is the nearby NC-186, where in 2010 production was at 130,000bpd. At the NC-186 field, the [NOC](#) holds an 88% stake and

371 "[Repsol Libya JV May Return To Prewar Output Next Month](#)" *Wall Street Journal* 6 November 2011.

372 "[LIBYA COMMERCIAL ROUND-UP FOR FEBRUARY 2009](#)" *The Telegraph* 31 January 2011.

373 "[Clients](#)" *Petrolcomet Services Co.* retrieved 4 November 2011.

374 "[AKAKUS OIL OPERATIONS- LIBYA](#)" *Muscat Regional Forum 2010* 10 May 2010.

375 "[LIBYA - The Foreign Oil Producers](#)" *High Beam Research* 9 July 2007.

[Repsol](#) the remaining 12%.³⁷⁶

Oil is piped from oil fields in these areas to the [Zawia Terminal](#) on the Mediterranean coast.

Mabruk Oil

Headquarters	Tripoli
Key People	Mr. A. Aboulsayen (Chairman) ³⁷⁷
International Partners	Total
Website	www.mabruk-oil.com

Profile

Mabruk Oil Operations is a joint venture operating in Libya between the Libyan [National Oil Corporation](#) (NOC) and international oil companies (IOCs). The venture's core business activities are the development and production of oil and gas fields.

The venture operates two main sites, the onshore Mabruk field and the offshore Al Jurf field. As of 2011, at the onshore Mabruk field the NOC enjoyed a 73% share, [Total](#) a 20.25% share and [StatoilHydro](#) 6.75%. At the offshore Al Jurf field, the NOC also had a 73% share, with Total taking 30% and German Wintershall 10%.

In 2008 Mabruk Oil Operations employed around 379 employees, of which 59 were expatriates and 320 were locals. Staff are distributed across three main operational sites, with the main office being located at the Dhat El Imad Complex in Tripoli.³⁷⁸

History

In December 1992, a Development and Production and Sharing Agreements (DPSA) for Concession C17 at the Mabruk field was executed with the NOC as first party to the agreement. Mabruk oil operations was second party to the agreement, in which TEP Libya ([Total](#)) held a 75% stake and SAGA Petroleum a 25% stake.³⁷⁹

At the Al Jurf field, the license originates from a first contract awarded to [Aquitaine Libya](#) in 1968. In 1997 an Exploration and Production Sharing Agreement (EPSA) was ratified by the Libyan authorities, valid until 2017, in which the NOC held a 50% interest, Total 37.5% and Wintershall 12.5%.³⁸⁰

376 US Department of the Interior "[Minerals Yearbook, 2008, V. 3, Area Reports, International, Africa and the Middle East](#)" p25.6 Government Printing Office 2010.

377 "[OC Visit to Farwah](#)" *Mabruk Oil Operations* 2 November 2011.

378 "[Company Profile](#)" *Mabruk Oil Operations* retrieved 3 November 2011.

379 "[Mabruk Overview of C17](#)" *Mabruk Oil Operations* retrieved 3 November 2011.

380 "[Al Jurf Overview of C317](#)" *Mabruk Oil Operations* retrieved 3 November 2011.

In March 2007, the NOC announced that the Mabruk joint venture, alongside others such as [Akakoss](#) and [Harouge](#), would change its name to Mabruk Oil Operations in order to better reflect the history and geography of Libya.³⁸¹

According to US State Department cables, in June 2009 the terms of the joint venture's contract were renegotiated, which necessitated the IOCs [Total](#) and [StatoilHydro](#) accepting a lower production share. Under the new agreement, the Total-Statoil and Total-Wintershall consortia paid a signing bonus of \$500 million to the NOC, \$200 million on signing and the remaining \$300 million when the viability of gas exploitation at the Al Jurf field was confirmed. The contract's expiration date was extended from 2027 to 2032 at the Mabruk field, and from 2017 to 2032 at the Al Jurf field.³⁸²

Activities

Mabruk Oil Operations operates two main oil fields. One of these is the onshore Mabruk field, located around 170km south of the town of Sirte. The development of the field began in 1994³⁸³ and average production in 2009 was around 20,000 barrels per day (bpd).

The Al Jurf field, situated close to the Tunisian border and 100km off the coast and 150km from Tripoli, is also operated by Mabruk. In 2009 the field was producing 45,000 bpd (cable link). The Zarzis Marine Base was prior to 2009 an onshore logistical support base for the Al Jurf field, located across the border in Tunisia. The base contained of Mabruk's storage space, facilities, material and equipment and supports the drilling, construction and production operations. However in July 2009, the base was moved to operate out of the port of Tripoli.

381 "[Geography Influences Operators' Name Changes in Libya](#)" *Mabruk Oil Operations* retrieved 3 November 2011.

382 "[French Total-led Consortiums Accept Lower Production Shares In Libya](#)" *Wikileaks* 4 June 2009.

383 "[Successfully moved 'Mabruk Oil Operations' equipment to Tripoli Base](#)" *GPS Oillogistics* retrieved 3 November 2011.

Libyan Overseas Investments

Libyan Sovereign Wealth Fund

Profile

The Libyan Investment Authority (LIA) is the country's sovereign-wealth fund, which is tasked with investing Libya's savings abroad. The LIA is thought to manage some \$50-70 billion of assets and owns several stakes in big European firms, including 3% of UniCredit, Italy's biggest bank, and 3% of Pearson, a media group headquartered in London. The funds held by the LIA in 2011 were said to amount to \$10,000 for every Libyan.³⁸⁴

The source of the sovereign wealth fund is primarily surplus oil revenues from Libyan oil reserves, and as a government entity, the fund ultimately answers to the Libyan Prime Minister. The LIA is governed by a Board of Trustees consisting of a mix of government officials and Libyan banking experts.³⁸⁵ As of October 2011, Mohammed Layas held the position of Chairman and Rafik al-Nayed had been appointed as interim Chief Executive.³⁸⁶

About \$25 billion of the fund's assets fall under LIA subsidiaries and operating companies, such as the Long Term Investment Portfolio and Libyan Arab Foreign Investment Company (Lafico). According to the International Monetary Fund (IMF), the LIA invests mostly abroad although some of its investments are channeled to the domestic Libyan oil sector and to the Libyan Development and Investment Fund (which had holdings of approximately \$13 billion as of 2010).³⁸⁷ In addition, the LIA is in charge of the assets of OilInvest (also known as the [Tamoil](#) Group).³⁸⁸

History

The LIA was set up in 2006 by Saif al-Islam, one of Muammar Gaddafi's sons³⁸⁹, taking over ownership of a number of other previously started state investment companies,

384 “[From Tripoli to Mayfair. Tracking down Libya's mysterious sovereign-wealth fund](#)”. *The Economist*, 10 March 2011.

385 “[Libyan Investment Authority](#)”. *Investopedia*, retrieved 19 October 2011.

386 “[After Gaddafi: A Spent Force](#)”. *Financial Times*, 8 September 2011.

387 “[Libya: Investment Climate Statement](#)”. *WikiLeaks*, 14 January 2010.

388 “[LIA](#)”. *Libyan Investment Authority*, retrieved 19 October 2011.

389 “[Libyan sovereign wealth fund 'missing \\$2.9bn'](#)”. *BBC News*, 26 August 2011.

notably the Libyan Foreign Investment Company (Lafico), founded in 1981.³⁹⁰ It quickly became a high profile vehicle for the Libyan regime's efforts to re-engage with the global economy. Mohammed Layas, who had held senior positions at the Libyan Foreign Bank and Bahrain-based Arab Banking Corporation (ABC), joined as Chairman and Mustafa Zarti was appointed as deputy head.

Despite claims to the contrary by LIA executives, there have been numerous reports of alleged cases of mismanagement, accusing the LIA of becoming a complex network of investments run by a tight-knit circle, including a close friend of Saif al-Islam himself. An audit by professional services firm KPMG in May 2010 was said to depict an institution in disarray and unable to manage its ambitious investment strategy. Many of the deals made were said to be politically motivated, especially in LIA dealings with Italy following the signing of a treaty of friendship with Tripoli in 2008.

The UK's Financial Times also claims that some deals involved links with the Libyan elite, such as a \$300 million investment in Palladyne International Asset Management of the Netherlands, one of whose directors was the son-in-law of Shokri Ghanem, former chairman of Libya's [National Oil Corporation](#). According to reports in the newspaper, as business ties grew, close-knit personal relationships also flourished in the LIA's dealings. In another example, the LIA would often use ABC as its bank when investing overseas. Mahmoud Zewam, head of portfolio management at ABC, also sat on the Board of the LIA, and Layas was chairman of ABC as well as of the Libyan sovereign wealth fund. In the later years of the Gaddhafi regime, the LIA began to invest in Libya's upstream oil industry, although that had previously been the prerogative of the [National Oil Corporation](#).

In 2007 [British Petroleum](#) (BP) signed a major bilateral exploration deal to re-enter Libya during a visit by British Prime Minister Tony Blair to Gaddhafi. The British oil major partnered with the LIA, splitting the portions 85% (BP) to 15% (LIA). According to press reports, the deal was likely to involve an investment of \$2 billion to explore offshore in the Sirte Basin and onshore in the Western Ghadames Basin.³⁹¹ Since leaving his post, press reports have made links between Blair's commercial lobbying activities and his influence on those figures managing the LIA.³⁹²

Sami Rais was appointed LIA Chief Executive in October 2009. He reportedly attempted to impose stricter corporate governance but met stiff resistance from loyalists to Saif al-Islam Gaddhafi. In 2010, the LIA purchased the oil and exploration company Verenex, previously Canadian owned.³⁹³ In addition, it was reported in 2010 that NOC Chairman Ghanem had recommended that the LIA buy a stake in troubled oil giant [BP](#).³⁹⁴ However, there have been no reports of this recommendation being followed through.

390 "[Libyan Investment Authority](#)". *SWF Institute*, retrieved 26 October 2011.

391 "[BP Snares Huge Libyan Gas Fields](#)". *Red Orbit*, 31 May 2007.

392 "[Tony Blair 'visited Libya to lobby for JP Morgan'](#)". *The Telegraph*, 18 September 2011.

393 "[Shokri Ghanem Outlines Plans For Libya's National Oil Corporation](#)". *WikiLeaks*, 11 February 2010.

394 "[BP 'good value' says leading Libyan oil executive](#)". *BBC News*, 6 July 2010.

Civil Unrest 2011

Reports in August of 2011 claimed that some \$2.9 billion were missing from the accounts of the Libyan Sovereign Wealth Fund, and that those investigating the body had found 'misappropriation, misuse and misconduct of funds'. Mahmoud Badi, a former civil servant in the Gaddafi regime was understood to have been appointed by Ali Tarhouni, the member of the National Transitional Council (NTC) responsible for oil and finance, on an interim basis in order to carry out investigations.

According to the reports in the Financial Times, it was thought that the LIA will be required to play a leading role in funding post-conflict reconstruction in Libya. Following the overthrow of Gaddafi's regime, Rafik al-Nayed was appointed interim head of the LIA by the NTC. Al-Nayed stated in August that his first priority was to raise emergency funds for the provisional government by using frozen overseas assets to generate loans. Of the LIA's \$19 billion in cash, \$17 billion was said to be held by the central bank, whose assets were also frozen at the time. Al-Nayed also announced his intention to bring greater transparency to the wealth fund by creating an independent task force to probe irregular transactions. The LIA was to report to the NTC until the provisional government formed a new board of directors and trustees.³⁹⁵

As of October 2011, there was not yet a clear, public picture of where the LIA's funds were located, however the bulk of the fund's assets were said to sit in cash and liquid assets, which could prove more difficult for Western governments to identify.

Tamoil

Profile

The Tamoil Group is a downstream oil company formerly controlled by its Libyan-owned holding company Oilinvest, until the latter was wound up in March 2011 following the uprising in Libya, theoretically leaving the company without an ultimate owner.³⁹⁶

The Group is present in several European countries and in all parts of the downstream oil industry, including: the supply and trading of crude oil and refined products; shipping; refining of crude oil; storage and distribution; marketing and retailing; lubricants; and bunkering. They operate refineries in Italy (Cremona), and Switzerland (Colombey).³⁹⁷ In 2007, Tamoil owned more than 3000 service stations in Europe, mainly located in Italy, as well as oil refineries in Italy, Switzerland, Spain and Germany.³⁹⁸

395 “[Libya Fund Seeks to Free Asset Loans](#)”. *Financial Times*, 31 August 2011.

396 “[Tamoil Faces Sanctions As Holding Company Wound Up](#)”. *PennEnergy*, 01 April 2011.

397 “[Tamoil's Activities in Europe](#)”. *Tamoil*, retrieved 18 October 2011.

398 “[Libya's Tamoil bought by US firm](#)”. *BBC News*, 06 June 2007.

History

Historically, Libya's international downstream operations have been carried out via two sister companies, known as Tamoil Europe and Tamoil Africa. The ultimate holding entity for Tamoil Europe was Oilinvest (Holdings), registered in the Dutch Caribbean territory of Curaçao. Oilinvest (Netherlands) controls 8 direct subsidiaries registered in Italy, Switzerland, Cyprus, Britain, Germany and Monaco. A number of additional companies are held through an indirect Dutch subsidiary, Tamoil Beheer.

Libya's acquisition of the Tamoil brand in 1988 formed part of a pattern of national oil companies buying refining and marketing assets in developed markets to serve as an outlet for their crude oil production. Oilinvest originally functioned as a front for the Libyan government, with the [National Oil Corporation](#) (NOC) holding a 70% stake alongside the Libyan Arab External Bank (15%) and the [Libyan Investment Authority](#) (LIA), with 15%.³⁹⁹

In 2007 Tamoil was on the verge of being bought out by US private equity firm Colony Capital in a deal valued at \$5.4b. The Libyan government would have maintained a 35% stake in the company.⁴⁰⁰ However, in March 2008 the head of the LIA Mohammed Layas announced that the deal had been cancelled and that the Libyan government had signed a deal transferring ownership of Tamoil holding company Oilinvest to the recently founded [LIA](#).⁴⁰¹

Impact of International Sanctions 2011

In the wake of civil unrest in Libya in 2011, the Tamoil Group was told it was not covered by EU [sanctions imposed against the Libyan nation](#) and could operate independently despite the measures, due to its complex ownership structure.⁴⁰²

However, despite exemption from official sanctions, many partners such as [Shell](#) and [BP](#) halted supplies of fuel to Tamoil service stations, resulting in the Group bringing forward closure at its Swiss refinery for planned maintenance. In addition, Tamoil did not succeed in escaping the effect of sanctions in Africa, where Uganda announced in March that it would freeze Tamoil East Africa's \$375m of assets in the country.

Significantly, in late March the holding company Oilinvest was wound up, severing connections between the [LIA](#) and Tamoil. It therefore became unclear the influence the Libyan government now held over the company.⁴⁰³

A further setback came in September 2011, when the contract for the construction of the African Eldoret Kampala pipeline was cancelled. The Kenyan and Ugandan governments cited that they had lost confidence in the firm's ability to carry out operations

399 "[Tamoil Faces Sanctions As Holding Company Wound Up](#)". *PennEnergy*, 01 April 2011.

400 "[Libya's Tamoil bought by US firm](#)". *BBC News*, 06 June 2007.

401 "[Libya cancels sale of Tamoil to US firm](#)". *High Beam Research*, 04 March 2008.

402 "[Libya's Tamoil Says It's Not Under EU Sanctions](#)". *Wall Street Journal*, 24 March 2011.

403 "[Tamoil Faces Sanctions As Holding Company Wound Up](#)". *PennEnergy*, 01 April 2011.

after the fall of Gadhafi's regime, which had pledged to finance over 70% of the costs.⁴⁰⁴ The exact nature of the ownership of Tamoil remained unresolved as of October 2011.

404 “[Tamoil Oil Pipeline Contract Cancelled](#)”. *AllAfrica*, 06 September 2011.

International Entities

Overview of International Entities

Since 1973, petroleum rights have been granted under a [series of Production Sharing Agreements \(PSAs\)](#) and from 1979 the [National Oil Corporation](#) (NOC) was allowed to enter into agreements with foreign companies.⁴⁰⁵

Foreign oil producers in Libya now operate through Joint Ventures with the [NOC](#). From 2003 onwards, the NOC began to transfer all contracts signed with international oil companies (IOCs) to the more stringent [EPSA IV model](#), which reduced IOC profit shares in return for extending the period of their licenses. However, by the time fighting broke out which led to the revolution in 2011, not all contracts had yet been transferred to the new framework.

In 2007 Joint Ventures (JVs) involving foreign firms producing oil and gas in Libya were forced to change their names to better reflect the country's history and geography. For example, the JV operated by Spain's [Repsol](#) became Akakoss Petroleum Operations (APO), a reference to the Akakoss mountains in the south of the country. Similarly, Italian [Eni](#) opted for Mellita Gas, named after the region where it operates west of Tripoli. [Total](#)'s operation became 'Mabruk Oil', the word 'mabruk' meaning 'congratulations' in Arabic.⁴⁰⁶

As of 2008, the top operator in Libya, by acreage, was the NOC. They were followed by [Occidental](#), [Repsol](#), [BP](#), RWE, [OMV](#), [ExxonMobil](#), Woodside, [Eni](#) and [StatoilHydro](#).⁴⁰⁷

IOCs Producing

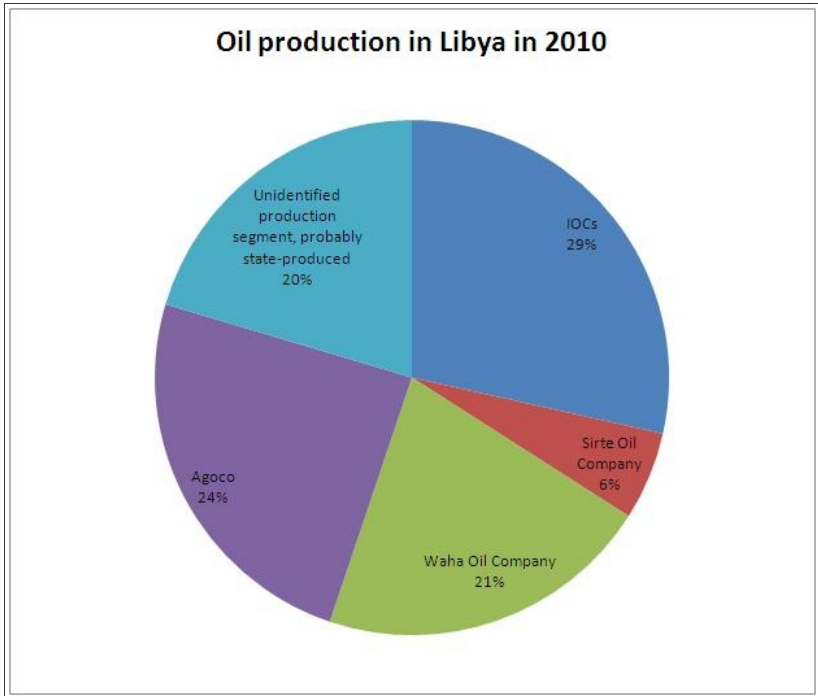
The following is a list of the International Oil Companies (IOCs) currently producing oil in Libya.

- ConocoPhillips
- Eni
- Gazprom
- Hess
- Marathon
- Occidental
- OMV
- [PetroCanada/Sunc](#)
[or](#)
- Repsol
- Statoil
- Total S.A.
- Wintershall

405 “[Oil and Gas in Libya - Overview](#)”. *Mbendi*, retrieved 21 October 2011.

406 “[Libya - The Operators & Fields - The Foreign Oil Producers](#)”. *The Free Library*, retrieved 21 October 2011.

407 “[Doing Business in Libya](#)”. *Deloitte*, retrieved 21 October 2011.



IOCs Exploring

The following are details of those companies who currently hold exploration licenses in Libya. The following is a list of those international oil companies exploring in Libya as of 2011:⁴⁰⁸

- Alepco (Libya/Algeria)
- British Gas (UK)
- [BP](#) (UK)
- Chevron (US)
- [CNPC](#) (China)
- CPC Corporation Taiwan (Taiwan)
- [ExxonMobil](#) (US)
- INPEX Corporation (Japan)
- JAPEX (Japan)
- Nippon Oil Corporation (Japan)
- Oil India (India)
- ONGC (India)
- Pertamina (Indonesia)

⁴⁰⁸ [“Oil Concessions Map”](#). National Oil Corporation, retrieved 21 October 2011.

- Petrobras (Brazil)
- PGNiG (Poland)
- RWE Dea AG (Germany)
- [Shell](#)(UK)
- Sonatrach (Algeria)
- TPOC (Turkey)
- Tatneft (Russia)
- Verenex (Canada)
- Woodside Petroleum Limited (Australia)

BP

Type	Public Limited Company
Traded as	LSE:BP
Founded	1909 (as Anglo-Persian Oil), 1954 (as British Petroleum)
Headquarters	London, UK
Key people	Carl-Henric Svanberg (Chairman), Bob Dudley (CEO)
Products	Petroleum products and derived products, service stations.
Revenue	US \$308.9 billion (2010) ⁴⁰⁹
Operating income	US -\$3.7 billion (2010)
Net income	US -\$3.3 billion (2010)
Total assets	US \$272.2 billion (end 2010)
Total equity	US \$94.98 billion (end 2010)
Employees	79,700 (end 2010) ⁴¹⁰
Website	www.bp.com

Global Snapshot

Current Global Profile

BP is a British global energy company, ranked in 2010 by Platts as the second largest energy company in the world based on financial performance, trailing [ExxonMobil](#). It improved its position from fourth in the rankings in 2008.⁴¹¹

409 “[Annual Report and Form 20-F 2010](#)” *BP*

410 “[Annual Report 2010](#)” *Eni*

411 “[Platts Top 250 Global Energy Company Rankings](#)” *Platts Energy*, retrieved 25 October 2011.

BP began business as Anglo-Persian Oil in 1909,⁴¹² which exported its first cargo of oil in March 1912 from Abadan in Iran. From 1914 until the 1980s, the British government were the company's principal stockholder and since then BP have acquired the Standard Oil Company in 1987, merged with US company Amoco in 1998 and acquired Atlantic Richfield and Burmah Castroland in 2000.⁴¹³

However, BP has since 2010 been dealing with the aftermath of the Macondo oil spill in the Gulf of Mexico in April 2010, the US's largest ever oil disaster. The Deepwater Horizon oil well explosion killed 11 workers and is estimated to have affected around 1,000 miles of shoreline, 200 miles of which were thought to be 'heavily oiled'. However, the exact extent of the spill has been disputed by different parties.⁴¹⁴ The company made the decision to sell non-core assets in order to pay for the clean-up operation and to compensate victims. In October 2011, BP finally received authorization to resume drilling at the site.⁴¹⁵

Company Report Highlights

BP's Annual Report released for 2010 acknowledges the difficult nature of the year passed, given the explosion at the Deepwater Horizon rig, admitting that this grew into a corporate crisis which "threatened the very existence of the company". The document reports a loss in 2010 of \$3,324 million, compared to 2009 annual profits of \$16.76 billion.⁴¹⁶

However, in October 2011 BP announced a big rise in third-quarter profits to £3.2 billion (\$5.4 billion), a near tripling of the \$1.85 billion replacement cost profit it made in the same period the previous year. The CEO claimed that the company had reached a 'turning point' for its oil and gas operations and production.⁴¹⁷

Operations In Libya

History

In May 2007, BP agreed a major Exploration and Production deal with Libya, announced as 'BP's single biggest exploration commitment', along with its Libyan partner the Libyan Investment Corporation (LIC). The initial exploration commitment was set at a minimum of \$900million, with significant additional appraisal and development expenditures upon exploration success.

Under the agreement, BP was to explore around 54,000km² of the onshore Ghadames and offshore frontier Sirte basins, equivalent to more than ten of BP's operated deep-

412 "[Business: The Company File From Anglo-Persian Oil to BP Amoco](#)" *BBC News*, 11 August 1998.

413 "[BP PLC](#)" *History.com*, retrieved 25 October 2011.

414 "[Deepwater Horizon and the Gulf oil spill - the key questions answered](#)" *The Guardian*, 20 April 2011.

415 "[Oil giant BP reaches 'turning point'](#)" *BBC News*, 25 October 2011.

416 "[Annual Reporting](#)" *BP*, retrieved 25 October 2011.

417 "[Oil giant BP reaches 'turning point'](#)" *BBC News*, 25 October 2011.

water blocks in Angola. It was thought that successful exploration could lead to the drilling of around 20 appraisal wells. During the exploration and appraisal phase, BP planned to acquire 5,500km of 2D seismic and 30,000km² of 3D seismic, and to drill 17 exploration wells.

BP also committed to spend \$50 million on education and training projects for Libyan professionals during the exploration and appraisal period, and, upon success, a further \$50 million from commencement of production. The education and training programmes were intended to be designed and managed in partnership with the NOC.⁴¹⁸

Civil Unrest 2011

In 2011, BP was not carrying out any production activities in Libya, but the company had started an exploratory drilling programme in the west of the country. All of the company's activities in Libya were suspended following the uprising against Muammar Gaddafi in early 2011.

In March 2011, a BP spokesman announced that the situation was being monitored and that they understood that their exploration contract would be honoured by the new regime.⁴¹⁹

CSR Activities

According to BP's official website⁴²⁰, the following comments were made about the previous year's corporate social responsibility activities:

- BP took responsible for the clean up after the Macondo spill immediately. The effort at its peak involved 48,000 people, 6,500 vessels and 125 aircraft. The company set up the \$20 billion Deepwater Horizon Oil Spill Trust for claims and certain other costs, and has provided hundreds of millions of dollars for economic, health and environmental programmes. They suspended dividend payments for three quarters and initiated \$30 billion of asset sales to pay for the effort.
- A new safety and operational risk function has been set up with specialist personnel and the company is co-operating with a series of investigations.
- Over 2010 BP suffered three fatalities outside the Deepwater Horizon accident.
- BP are building their business in natural gas, providing a lower-carbon alternative to coal. They are also including a carbon price in new project development plans to encourage efficiency and continue to invest in low-carbon renewable energies.
- Since 2005, BP has invested more than \$5 billion in its alternative energy businesses and expected to invest a further \$1 billion in 2011.

418 "[BP Agrees Major Exploration and Production Deal with Libya](#)" BP, 29 May 2007.

419 "[BP's contracts in Libya 'still valid' despite turmoil](#)" *The Telegraph*, 17 March 2011.

420 "[Group chief executive's letter](#)" BP, retrieved 29 October 2011.

Transparency

EITI Supporter Status

BP is a supporter company of EITI.

UN Global Compact

BP has been a member of the UN Global Compact since 2000.

ConocoPhillips

Type	Public Limited Company
Founded	1875 (Conoco Inc.) 2002 (merger with Phillips Petroleum)
Headquarters	Houston, Texas
Key people	James Mulva (Chairman and CEO)
Products	Oil, natural gas, petroleum, lubricant, petrochemicals.
Revenue	US \$195.5 billion (2010) ⁴²¹
Operating income	US \$19.75 billion (2010)
Net income	US \$11.4 billion (2010)
Total assets	US \$156.314 billion (end 2010)
Total equity	US \$69.109 billion (end 2010)
Employees	29,800 (end 2010)
Website	http://www.conocophillips.com

Global Snapshot

Current Global Profile

Despite being formed following a merger with Phillips Petroleum company in 2002, Conoco can trace its beginnings back to 1875 in Utah when it was founded as the Continental Oil Company. Phillips Petroleum was founded

421 “[2010 Annual Report](#)”. *ConocoPhillips*, retrieved 12 October 2011.

30 years later. When the two companies joined forces in 2002, they created the third largest energy company in the US.⁴²² In 2011, ConocoPhillips was ranked fourth in the Fortune 500 list of highest-ranking US companies by revenue.⁴²³

ConocoPhillips is the seventh-largest holder of proved reserves, with 8.3 billion barrels of oil equivalent (boe) at the end of 2010. It is also the fourth largest refiner worldwide, among non government-controlled companies.⁴²⁴ The company has four core activities: petroleum exploration and production; natural gas gathering, processing and marketing (including a 50% interest in DCP Midstream); petroleum refining, marketing supply and transportation; and chemicals and plastics production and distribution (through a 50% interest in Chevron Phillips Chemicals Co).⁴²⁵ At year-end 2010, ConocoPhillips had exploration activities in 17 countries and produced hydrocarbons in 14 countries. Within the Exploration and Production (E&P) portfolio for 2010, 25% of production came from the US, 20% from Europe, 16% from Canada, 14% from Alaska, 16% from Asia Pacific/Middle East, 6% from Africa and a further 3% from Russia.⁴²⁶

During 2011, the US oil major attracted significant press criticism when it suffered an offshore spill at China's Bohai Bay, and in August found itself apologizing for not dealing adequately with the event, alongside state-owned operating partner CNOOC. The spill polluted an area of 840 square kilometres.⁴²⁷

In July 2011, ConocoPhillips announced that in 2012 it would separate its profitable upstream business from their lower margin downstream activities of refining and marketing. CEO Mulva claimed that 'the integrated structure is no longer creating the value it had done in the past' and argued that this would help to bring a sharper focus to managing both businesses.⁴²⁸ By splitting in two, ConocoPhillips will become the US' largest pure Exploration and Production (E&P) firm, and will be more than twice the size of its nearest competitor, [Occidental Petroleum](#).⁴²⁹

Company Report Highlights

According to ConocoPhillips's Annual Report for 2010⁴³⁰, as part of a multi-year plan to take decisive actions to create value, the company made the following progress:

The company realized \$15.4 billion in proceeds from asset divestments and continued to increase emphasis on Exploration and Production, to which 86% of capital program was dedicated, with 89% planned for 2011. The company also retired \$5.1 billion in debt over the year, leaving cash free for share repurchases and small, selective asset acquisitions.

422 "[Company History](#)". *ConocoPhillips*, retrieved 12 October 2011.

423 "[Fortune 500: ConocoPhillips](#)". *CNN Money*, retrieved 12 October 2011.

424 "[Worldwide Operations](#)". *ConocoPhillips*, retrieved 12 October 2011.

425 "[Who We Are](#)". *ConocoPhillips*, retrieved 12 October 2011.

426 "[WEExploration and Production](#)". *ConocoPhillips*, retrieved 12 October 2011.

427 "[The Two Faces of ConocoPhillips](#)". *Petroleum Economist*, 17 August 2011.

428 "[Should BP split?](#)". *The Economist*, 30 July 2011.

429 "[The Two Faces of ConocoPhillips](#)". *Petroleum Economist*, 17 August 2011.

430 "[2010 Annual Report](#)". *ConocoPhillips*, retrieved 12 October 2011.

To expand opportunities in North America, they added acreage in shale drilling, also expanded activities in Canadian oil sands and broadened their presence in the global liquefied natural gas (LNG) market through the startup of the Qatargas 3 project in 2010.

The financial results reported for the Second Quarter of 2011 revealed a fall in production of 5.5% to 1.64 million bpd, a result which was attributed to the halt in production caused by the war in Libya and to asset sales.⁴³¹

Operations In Libya

History

ConocoPhillips operates in Libya as a member of the Waha (Oasis Group) consortium in the hydrocarbon-rich Sirte basin. The Waha Concession is operated by the [Waha Oil Company](#), a wholly owned subsidiary of the Libyan [National Oil Corporation](#) (NOC). ConocoPhillips holds a 16.3% stake in the venture, Marathon Oil Company another 16.3% and Hess 8.2%. The Waha concession produced approximately 340 million boe per day in 2010 and encompasses nearly 13 million gross acres in the basin. Three major growth projects under development by the co-venturers include Faregh II, North Gialo and NC-98.⁴³²

US oil firms had their contracts suspended in the 1980s after the [US imposed sanctions on Libya](#), however in 2005 ConocoPhillips and several other firms such as [ExxonMobil](#) resumed their operations in the country after a 19 year absence. ConocoPhillips, in a partnership with [Marathon](#) and [Hess](#), together forming the Oasis Group, paid \$1.3 billion to resume activities.⁴³³

The majority of international oil companies (IOCs) had the terms of their contracts with the NOC renegotiated in 2008, sparking widely held expectations that the Oasis Group would also be moved to the new agreements, under the new Exploration and Production Service Agreement system [EPSA IV](#). However, there have been no reports that the contract with the Group was in fact re-negotiated before the revolution of 2011.⁴³⁴

Civil Unrest 2011

In March of 2011, ConocoPhillips announced that it had temporarily closed its offices in Libya and evacuated expatriate employees and their dependents. The company assured that it was in compliance with sanctions and was not exporting oil from Libya.⁴³⁵

431 “[The Two Faces of ConocoPhillips](#)”. *Petroleum Economist*, 17 August 2011.

432 “[Libya](#)”. *ConocoPhillips*, retrieved 12 October 2011.

433 “[ConocoPhillips, Marathon return to Libya](#)”. *Houston Business Journal*, 29 December 2005.

434 “[Shokri Ghanem Outlines Plans For Libya's National Oil Corporation](#)”. *WikiLeaks*, 11 February 2010.

435 “[Libya](#)”. *ConocoPhillips*, retrieved 12 October 2011.

As of October 2011, no reports had been encountered of a resumption of production by the consortium in which the company participates in Libya following the upheavals. Damage assessment was said to be 'in progress', but there was extensive damage to the Sidra terminal as well as protests stemming from demand for a change of management. The Waha Group fields had a pre-war capacity of 400,000 bpd.⁴³⁶

The Libyan National Transitional Council (NTC) stated in September 2011 that it will honour the current contracts signed with big oil companies, including deals with ConocoPhillips.⁴³⁷

CSR Activities

ConocoPhillips' 2010 Annual Report and the official company website⁴³⁸ highlight the following activities on the Corporate Social Responsibility front over recent years:

- Following the Gulf of Mexico oil spill in 2010, ConocoPhillips assisted in response efforts. In order to enhance the industry's ability to meet the highest standards, they joined with three other major energy companies to form the Marine Well Containment Company, which is designing and building equipment to supplement emergency response capabilities.
- During 2010 the company broadened their matching gift program, inspiring increased contributions and greater volunteerism by ConocoPhillips employees and retirees.
- At the Humber Refinery, a 120-acre woodland called Mayflower Wood was created, the largest project of its kind in the country. Since 2005, more than 67,000 trees and shrubs from a variety of native species were planted.
- ConocoPhillips sponsors the St Andrews Prize for the Environment, an annual competition conducted in conjunction with the University of St Andrews in Scotland.
- On an annual basis, employees are required to certify their personal compliance with the Company Ethics code. As a condition of employment, employees are also responsible for reporting suspected violations of ConocoPhillips policies or the law to the company.

Transparency

EITI Supporter Status

ConocoPhillips is a supporter company of the EITI.

436 “[Libya Oil Output to Double by November](#)”. *Petroleum Economist*, 10 October 2011.

437 “[Libya's Oil Industry: Don't Expect a Quick Comeback](#)”. *Time World*, 06 September 2011.

438 “[Sustainable Development](#)”. *ConocoPhillips*, retrieved 12 October 2011.

UN Global Compact

ConocoPhillips is not a participant in the UN Global Compact.

Eni

Type	Public Limited Company
Founded	1953
Headquarters	Rome, Italy
Key people	Roberto Poli (Chairman), Paolo Scaroni (CEO)
Products	Oil and natural gas exploration, production, refining and marketing, electricity generation, oil and gas engineering and construction.
Revenue	€99.48 billion: 2010 (approx. US \$136.83 billion)
Operating income	€16.11 billion: 2010 (approx. US \$22.16 billion)
Net income	€6.318 billion: 2010 (approx. US \$8.72b)
Total assets	€131.86 billion: end 2010 (approx. US \$181.97 billion)
Total equity	€55.73 billion: end 2010 (approx. US \$76.92 billion)
Employees	79,940 (end 2010)
Website	www.eni.it

Global Snapshot

Current Global Profile

Eni is one of Italy's largest companies. It operates in the oil and natural gas, petrochemicals, and oil field services industries, and has expanded into power generation. The Italian government holds a share of more than 30% in the company⁴³⁹, which currently operates in more than 70 countries.⁴⁴⁰

In 2009, the European Commission announced that it had lodged formal antitrust charges against Eni after suspicions were raised that the Italian energy group conspired to keep competitors from using its gas pipelines, following initial antitrust pro-

439 "[Eni SpA Company Profile](#)". *Yahoo Finance*, retrieved 04 October 2011.

440 "[ENI SPA](#)". *Bloomberg Business Week*, retrieved 04 October 2011.

ceedings initiated in 2007.⁴⁴¹

Company Report Highlights

In 2010 Eni reported a net profit of €6.32 billion. Adjusted net profit saw a rise of 32% from a year ago, due to a recovery in the oil price environment. Production grew by 1.1% for the full year, thanks to delivery of 12 start-ups, particularly the Zubair field in Iraq, which contributed 40 kilo barrels of oil equivalent (kboe)/day of new production.

Highlights of recent exploration activities include a joint venture to develop the giant Junin 5 oilfield and the discovery in 2009 of the giant Perla discovery in Venezuela. Eni is leading the consortium in charge of redeveloping the Zubair field in Iraq over a 20 years period and holds a 32.8% share. 2010 also saw Eni divest its subsidiary Societa Padana Energia in Italy and sign a preliminary agreement with an affiliate of Petrobras for the divestment of its 100% interest in Gas Brasileiro Distribuidora.

In Eni's Financial Highlights for the Second Quarter of 2011 it was announced that net profit had fallen 31% to €1.25 billion in the quarter, and that adjusted operating profit had fallen by 3% to € 4 billion in the quarter. CEO Scaroni highlighted that the main feature impacting Eni's results in the first half of 2011 was the disruption in supply of oil and gas from Libya, which affected all business activities.⁴⁴²

Operations In Libya

History

Eni has been active in Libya since 1959 and is the largest foreign player in terms of hydrocarbon production⁴⁴³ In 1997 a significant discovery led to the launch of production in the [Elephant](#) oil field in January 2004.

Between 1996-1999 Eni concluded several further agreements with the [National Oil Corporation](#) (NOC) over a joint development venture in the Wafa field and in the Bahr Essalam field, located offshore 110km north of Tripoli. In 2008 Eni, along with other international oil companies (IOCs), renegotiated the terms of their production contracts with the NOC, committing them to paying substantial upfront bonus payments to the Corporation.⁴⁴⁴ 2010 saw Eni divest to the NOC a 25% stake in Greenstream BV, the company owning and managing the [gas pipeline](#) for exporting natural gas produced in Libya to Italy.⁴⁴⁵

441 “[EU hits Italian energy group ENI with antitrust charges](#)” *EUbusiness*, 20 March 2009.

442 “[Eni Announces Results for Second Quarter and First Half of 2011](#)”. *Eni*, retrieved 04 October 2011.

443 “[Activities in Libya](#)” *Eni*, retrieved 04 October 2011

444 “[French Total-led Consortiums Accept Lower Production Shares In Libya](#)” *WikiLeaks*, 4 June 2009

445 “[History of Eni's presence in Libya](#)” *Eni*, retrieved 04 October 2011

Civil Unrest 2011

Eni was the largest foreign oil producer in Libya before the 2011 revolution and relies on the country for around 13-14% of its total production. However, the majority of operations were suspended from February 2011 onwards due to the upheavals. Eni's total production during the conflict fell from about 280,000 barrels per day (bpd) before war broke out to 50,000 bpd in July.

In late September 2011 Eni resumed oil production in Libya, with the hope of having a large part of its output restored by the end of the year. Once production restarted, the company was pumping around 32,000 bpd from 15 wells at Abu-Attifel, 300km south of Benghazi.⁴⁴⁶ In the same period, Eni began retaking possession of two platforms in the Mediterranean that feed gas into the Greenstream pipeline, which halted operations in February 2011. Experts were predicting that it would take at least a year before anything close to those levels are reached again.⁴⁴⁷ However, leaked documents from the NOC in October 2011 reported that the Abu Attifel field, in which Eni is an operating partner, was producing 65,650 bpd from 25 wells and suggested that output was recovering more quickly than predicted.⁴⁴⁸

CSR Activities

According to official company publications, Eni's corporate social responsibility policies and achievements include:⁴⁴⁹

- In 2009, Eni was awarded "Best in Class" for the "Code of Conduct/Compliance" area within the Dow Jones World Sustainability Index.
- Eni joined the Extractive Industries Transparency Initiative in 2005, with the aim of progressively integrating the concept of transparency into its management system.
- Eni is committed to protecting and promoting human rights in all its areas of operations in compliance with the Guidelines adopted in 2007.
- As part of a Human Rights Compliance Assessment project in 2008, two pilot projects were completed in Nigeria and in Kazakhstan; in 2009 three self-assessments were carried out in Algeria, Egypt and in the DRC.
- The year 2007 saw the introduction of the Guidelines for the Protection and Promotion of Human Rights, where Eni set out its commitment to implementing the principles outlined in its own Code of Ethics and respecting key international standards, above all the United Nations' Universal Declaration of Human Rights.
- Eni defines and constantly updates a single management system model which includes cyclical application of HSE integrated audits.

446 "[Eni Restarts Production from Libya Wells](#)" *Financial Times*, 26 September 2011

447 "[Libya: Italian oil firm Eni resumes Abu Attifel pumping](#)" *BBC Africa*, 26 September 2011

448 "[Libya Oil Output to Double By November](#)" *Petroleum Economist*, 10 October 2011

449 "[Sustainability Report](#)" *Eni*, retrieved 04 October 2011

- When planning and constructing infrastructure for transporting energy, the route is chosen on the basis of its environmental impact.
- Eni is committed to the environmental remediation of contaminated areas by adopting state-of-the-art technology such as bioventing and phytoremediation.

Transparency

EITI Supporter Status

Eni is a supporter company of the [EITI](#).

UN Global Compact

Eni has been a participant in the UN Global Compact since 2001, and has submitted 7 reports since 2004 with their next communication on progress due in December 2011.⁴⁵⁰

ExxonMobil

Type	Public Limited Company
Traded as	NYSE:XOM
Founded	1999
Headquarters	Texas, USA
Key people	Rex Tillerson (Chairman and CEO)
Products	Fuels, lubricants, petrochemicals
Revenue	US \$383.221 billion (2010) ⁴⁵¹
Operating income	US \$52.96 billion (2010)[
Net income	US\$ 30.46 billion (2010)
Total assets	US\$ 349 billion (2010)
Total equity	US\$ 146.839 billion (2010)
Employees	83,600 (end 2010)
Website	www.ExxonMobil.com

450 “[Participant Information](#)” *UN Global Compact*, retrieved 04 October 2011.

451 “[FORM 10-K/A: ExxonMobil Corporation](#)” *United States Security and Exchanges Commission*

Global Snapshot

Current Global Profile

US-based firm ExxonMobil is currently ranked second on the Fortune 500 list of the largest American corporations, ranked by revenue.⁴⁵² It began life as the Standard Oil Company in 1882 and became ExxonMobil in 1999 as an alliance of two of the direct descendants of John D. Rockefeller's Standard Oil Company, Exxon and Mobil.⁴⁵³ The company has several divisions and hundreds of affiliates with names including Exxon-Mobil, Exxon, Esso or Mobil.⁴⁵⁴

In 2008, on the back of soaring global oil prices, ExxonMobil became the world's most valuable firm when shares soared by over 40% in a year.⁴⁵⁵ In 2010 they acquired XTO Energy, a leading developer of unconventional resources including shale oil and gas which requires advanced drilling techniques.⁴⁵⁶ In August of 2011, Exxon secured a \$3.2 billion joint venture with Rosneft on high risk deep-sea exploration in the Arctic and Russian Black Sea.⁴⁵⁷

Over 2010, Exxon's total net production of liquids and natural gas was 4.4 million barrels of oil equivalent (boe) per day. Over 25% of their upstream production came from the US and roughly the same proportions from Africa and Asia.⁴⁵⁸

Exxon is said to be considering the potential, currently being developed by Shell, of using revolutionary Floating Liquefied Natural Gas (FLNG) in order to build a fleet of ships that could be utilized for offshore gas discoveries.⁴⁵⁹

Company Report Highlights

ExxonMobil's Annual Report for 2010⁴⁶⁰ shows that capital and exploration expenditures for the year were a record \$32.2 billion, and that the company planned to invest more than \$165 billion over the following five years.

The company's market valuation had increased 12.9% to \$364 billion in 2010 on the back of rising oil prices, after a significant dip in 2009. Net income also rose by 58% from 2009 levels to \$30.46 billion, but remains some way off 2008 levels of \$45.2 billion. These figures include record Chemical earnings.

In 2010, Exxon also started up three major Upstream projects and finalized an agreement with the Iraq Ministry of Oil to redevelop and expand the West Qurna oil field, in

452 " [Fortune 500: ExxonMobil](#)" *CNNMoney*, retrieved 07 October 2011.

453 " [Our History](#)" *ExxonMobil*, retrieved 07 October 2011.

454 " [ExxonMobil Corp Profile](#)" *Reuters*, retrieved 07 October 2011.

455 " [The age of oil](#)" *The Economist*, 24 February 2005.

456 " [Exxon Mobil to buy XTO Energy in big U.S. gas bet](#)" *Reuters*, 14 December 2009.

457 " [Exxon Mobil clinches Arctic oil deal with Rosneft](#)" *BBC News*, 30 August 2011.

458 " [Annual Report 2010](#)" *ExxonMobil*, Retrieved 07 October 2011.

459 " [Oil Majors Seek FLNG Support to Build \\$5 Billion Ships](#)" *Oil and Gas Eurasia*, October 2008.

460 " [Annual Report 2010](#)" *ExxonMobil*, Retrieved 07 October 2011.

which they hold a 60% interest. The company's takeover of XTO Energy allowed them to become the largest natural gas producer in the US and their percentage of proven reserves replacement increased from 100% in 2009 to 211%.

Results released for the Second Quarter of 2011 show that earnings were up 41% on the same period of 2010, reflecting higher crude and natural gas realizations, improved downstream results and continued strength in Chemicals.⁴⁶¹

Operations In Libya

History

In 2005, ExxonMobil returned to Libya following the [lifting of US sanctions](#), following an absence of almost 25 years. Previous incarnations Exxon and Mobil both once had significant business interests in Libya, producing the country's first oil field and shipping oil to market. However, the companies pulled out of Libya in the early 1980s after US-Libyan relations deteriorated.⁴⁶²

Geologists for Jersey Standard (which became known by its trade name Esso) in fact first surveyed Libya in 1947. In 1965, Esso Libya began building the [Marsa el Brega LNG plant](#), one of the first LNG plants in the world, and operated it until 1981.⁴⁶³

In 2009, ExxonMobil Libya Ltd, the company's affiliate in the country, started drilling the first deepwater exploration well in Libya in collaboration with the Libyan [National Oil Corporation](#) (NOC) offshore in the Sirte Basin, north-east of the city of Misrata.⁴⁶⁴ However, reports by Exxon executives in 2010 suggested that the well was commercially unviable and 'ultimately proved to be unsuccessful'.⁴⁶⁵

Civil Unrest 2011

In March 2011, spokesmen for Exxon claimed that the company had evacuated all expatriate employees from the country, but claimed that their operations were relatively unaffected.⁴⁶⁶

CSR Activities

- Since 2005, Exxon has invested \$1.6 billion in activities that improve energy efficiency and reduced greenhouse gas emissions (GHG). They have also invested \$5 billion in projects to reduce natural gas flaring, as a result of which they have re-

461 "[EXXON MOBIL CORPORATION ANNOUNCES ESTIMATED SECOND QUARTER 2011 RESULTS](#)" ExxonMobil press release, July 28 2011.

462 "[Oil giant Exxon returns to Libya](#)" BBC News, 6 December 2005.

463 "[Early milestones](#)" ExxonMobil Middle East and North Africa, retrieve 07 October 2011.

464 "[ExxonMobil Commences Drilling Libya's First Deepwater Well](#)" ExxonMobil Media, 16 July 2009.

465 "[Exxon offshore Libya well not a success-exec](#)" Reuters, 16 September 2010.

466 "[Exxon offshore Libya well not a success-exec](#)" Reuters, 16 September 2010.

duced their GHG emissions by 11 million tonnes in 2010 compared to 2005.⁴⁶⁷

Transparency

EITI Supporter Status

ExxonMobil has been a supporter company of the EITI since its creation in 2002. CEO Rex Tillerson co-authored the foreword to the EITI Business Guide.⁴⁶⁸

In addition to their contributions to EIE in the international arena, they have pushed to enhance revenue transparency in countries where they have significant investments, including Chad, Azerbaijan, Nigeria and Equatorial Guinea.⁴⁶⁹

UN Global Compact

On their official website, ExxonMobil state that while they are not a signatory of the UN Global Compact, its values regarding human rights, labour standards, the environment and anti-corruption are embedded in their own Corporate Standards.⁴⁷⁰

Gazprom

Type	Public Limited Company
Founded	1989
Headquarters	Moscow, Russia
Key people	Victor Zubkov (Chairman), Alexei Miller (Vice-Chairman and CEO)
Products	Natural gas, petroleum, gas pipeline transport.
Revenue	US \$117.2 billion (2010)
Net income	US \$31.9 billion (2010)
Employees	376,300 (end 2010)
Website	www.gazprom.com

467 " [Annual Report 2010](#)" *ExxonMobil*, Retrieved 07 October 2011.

468 " [REITI Business Guide: Extractive industries can be part of the solution](#)" *EITI*, 12 May 2008.

469 "[1.pdf R. M. Kruger Remarks]" *Extractive Industries Transparency Initiative (EITI) Global Conference*, 18 February 2009.

470 " [Safety in our operations](#)" *ExxonMobil*, retrieved 07 October 2011.

Global Snapshot

Current Global Profile

Moscow-based Gazprom, along with its subsidiaries, is primarily engaged in the operation of gas pipeline systems and gas supply to European countries. It is also involved in oil production and refining activities, as well as energy generation. Via its subsidiaries and affiliates, the company has operations established in the UK, Serbia, Uzbekistan, Kyrgyzstan, Tajikistan, Vietnam, India, Iraq, Algeria, Libya, Equatorial Guinea, Bolivia and Venezuela, among others.⁴⁷¹

Gazprom is a global leader in natural gas reserves and production, accounting for 18% of the world's gas reserves, 70% of Russian gas reserves and 15% of global gas production. The company operates 6,806 gas-producing wells in Russia and 5,941 oil-producing wells in Russia. In addition, Gazprom presides over 161.7 thousand km of gas pipelines, the largest gas transportation system in the world. From a marketing perspective, Gazprom enjoys more than a 70% share in the Russian gas market and a 23% share in the European gas market.⁴⁷²

Russia's significant share of the world's gas makes it the country's most important asset. The Economist magazine suggests that this makes Gazprom arguably its most important company.⁴⁷³ Founded in 1989, Gazprom grew out of the USSR's Gas Industry Ministry and was part-privatized from 1993 with the much-criticized sale of state assets in post-Soviet Russia. The Russian Government holds a controlling stake of just over 50%. President Dmitri Medvedev previously occupied the post of Gazprom Board Chairman and several of the company's top executives have links to Prime Minister Vladimir Putin. The press has extensively criticized the company for its close ties to the Russian political leadership.⁴⁷⁴

In 2001 Gazprom controversially took over NTV, a television station whose founder was an 'oligarch' who the press claimed had fallen out with President Putin. Furthermore, Gazprom's gas export monopoly over former Soviet countries is seen by many as the Kremlin's most powerful foreign-policy tool and best hope of regaining control over what it perceives as a key sphere of influence.⁴⁷⁵

In 2009 Gazprom sparked a Europe-wide energy crisis when it cut off gas supplies to the Ukraine on New Year's Day, following the collapse of price negotiations between the two countries. Gazprom was demanding market rates rather than the subsidized rates which the Ukraine had previously enjoyed, as well as \$1.6 billion in backdated bills and another \$450 million in fines for late payments from Ukrainian state company Naftogaz. Gas supplies were cut off completely on the 7 January, when Russia accused the Ukraine of siphoning off gas destined for Europe. A similar row had taken

471 "[Gazprom OAO](#)" *Reuters*, retrieved 10 October 2011

472 "[Annual Report 2010](#)" *Gazprom*, retrieved 10 October 2011

473 "[Russia's energetic enigma](#)" *The Economist*, 06 October 2005

474 "[Gazprom reports quarterly profits of \\$16bn](#)" *The Guardian*, 30 August 2011

475 "[Russia's energetic enigma](#)" *The Economist*, 06 October 2005

place in 2006 when Gazprom shut down pipelines across the Ukraine.⁴⁷⁶ A deal was eventually reached, the terms of which implied a move from subsidized to market rates for the Ukraine. However, press reported that Brussels believes this move by Gazprom to be an attempt to force the EU to refocus its attention, and funding, on the Baltic Nord Stream pipeline terminating in Germany.⁴⁷⁷

Company Report Highlights

Gazprom's Annual Report for 2010 showed a rise of 17.4% in sales between 2009-10, reaching 3,661.7 billion (Russian Rubles). Net profit also rose by 22.36% in the same period to 775.9 billion RR. Crude oil production increased by 1.3% during the period and gas production by 10.2%.

In natural gas production, the Yamal Peninsula in North West Siberia remained the focus of efforts to implement advanced technology in 2010. However, efforts were also made to develop conventional projects on the continental shelf such as the Kirinskoye field, as part of the Sakhalin-3 project. The launch of the construction of the Portovaya compressor station in 2010 is hoped to ensure gas transportation through the Nord Stream gas pipeline, the first line of which has been laid. On the international front, Gazprom made discoveries in Algeria (Berkine Basin), drilled a second exploration well at the Dzhel are in Uzbekistan and signed an agreement with France's [Total](#) to re-sign shares for a project at the Ipati and Aquio blocks in Bolivia.

In August 2011, the Gazprom Group posted earning of \$16 billion in the First Quarter, one of the biggest quarterly profits in corporate history and a sharp 44% increase on the same period in 2010. This was on the back of a sharp increase in prices charged to their customers. The value of sales to former Soviet countries saw the most impressive gain, with an advance of nearly 120%. Average prices charged by Gazprom for gas pumped to Europe and non-ex-Soviet customers increased by 14% over the period.⁴⁷⁸

Operations In Libya

History

In Libya, Gazprom operates through a special subsidiary company set up to represent the company's interests in the country, Gazprom Libya B.V.⁴⁷⁹ Over recent years Gazprom has been undertaking an aggressive exploration campaign in Libya.⁴⁸⁰

Gazprom's activities in North Africa in recent years have been of some political significance. Of particular concern for gas importing European nations have been reports of the spectre of a so-called 'gas OPEC' or 'gas cartel', following Russian courting of Al-

476 "[Q&A: Russia-Ukraine gas row](#)" *BBC News*, 20 January 2009

477 "[EU Announces Breakthrough In Russia-Ukraine Gas Crisis](#)" *Radio Free Europe*, 09 January 2009

478 "[Gazprom reports quarterly profits of \\$16bn](#)" *The Guardian*, 30 August 2011

479 "[Libya](#)" *Gazprom*, retrieved 10 October 2011

480 "[Russian NOCs abroad](#)." *Oil & Gas Eurasia*, September 2009

geria, Iran, and more recently Libya, as a means of gaining leverage over European states. However, this prospect is deemed unlikely by experts due to the regional nature of the gas markets and consumption, compared to the global nature of oil markets.⁴⁸¹ This came on the back of talks between Gazprom CEO Miller and Muammar Gaddafi regarding Russian purchase of a significant portion of Libya's oil and gas exports.

Evidence of the significance of Libyan gas to Russia and Gazprom can be found in the reports of the Russian Government writing off \$4.5 billion of Libyan debt in 2008, ostensibly in exchange for new contracts with Russian state-held firms.⁴⁸²

Following tender procedures in Libya during 2006-7 and an Exploration and Production Sharing Agreement (EPSA) signed with the [National Oil Corporation](#) (NOC), Gazprom obtained the right to explore and develop hydrocarbons in the licensed blocks No. 19 (Mediterranean Sea offshore) and No. 64 (300km south of Tripoli). As of the beginning of 2011, seismic surveys had been completed and preparations for exploratory drilling had been completed for both projects.⁴⁸³ As a result of the the 4th EPSA bidding round (the first to focus on natural gas), Gazprom were one of the International Oil Companies (IOCs) to be awarded a lucrative contract for a block in the southern Ghadames basin, beating off competition from Gaz de France after agreeing to take a significantly smaller percentage of eventual production (9.8%).⁴⁸⁴

Civil Unrest 2011

In February 2011, due to the political unrest in Libya, Gazprom made the decision to halt all operations and evacuate foreign personnel from the country. The hostilities in Libya also caused the suspension of Gazprom's entry into the project at the [Elephant](#) oil field. Under the Farm-out agreement for the Elephant Production Sharing Agreement (PSA), Gazprom was to acquire 50% of [Eni](#)'s stake in the consortium at the oil field, equating to 33.3% of the international consortium as a whole. Gazprom reported that the parties will resume negotiations once circumstance are more settled in Libya.⁴⁸⁵

No reports had yet been encountered as of early October 2011 of Gazprom resuming production in Libya post-revolution. However, sources suggested at the time that the Elephant field could be back on-stream within a matter of weeks.⁴⁸⁶

CSR Activities

According to Gazprom's Annual Report 2010⁴⁸⁷, the following are the key achievements

481 "[A gas OPEC](#)" *The Economist*, 5 February 2007

482 "[Gazprom, Libya, and the Gas OPEC](#)" *RobertAmsterdam.com*, 22 April 2008

483 "[International Projects](#)" *Gazprom*, retrieved 10 October 2011

484 "[Libyan Epsa Gas Bidding Round: International Majors' Interest Is Tempered](#)" *RobertAmsterdam.com*, 13 December 2007

485 "[International Projects](#)" *Gazprom*, retrieved 10 October 2011

486 "[Libya Oil Output to Double by November](#)" *Petroleum Economist*, 10 October 2011

487 "[Annual Report 2010](#)" *Gazprom*, retrieved 10 October 2011

regarding Social Responsibility:

- A 5.4 % reduction in methane emissions into the atmosphere and an 83 % decrease in payment for impacts in excess of limits.
- Since 1992, Gazprom has been carrying out work related to the problem of major greenhouse gas emissions (carbon dioxide and methane) in the natural gas industry. The priorities here include creating a corporate system of controlling, stock-taking, and accounting for greenhouse gas emissions including methane emissions from all organized and non-organized sources as a whole and at its subsidiaries.
- The 'number of accidents and incidents at hazardous production facilities' fell from 156 in 2009 to just 115 in 2010.
- Implementation of energy savings programs resulted in fuel and resource savings of 29.8 million tce (trichloroethene) over the period from 2002 through 2010, including some 2.7 million tce in 2010.
- Social programs implemented include the Gazprom to Children program, aimed at developing youth sport activities and creative work, covering 69 Russian regions. Underway since 2006, the Group has invested 10.9 billion Russian rubles into the Program and constructed 659 sports facilities.

Transparency

EITI Supporter Status

Gazprom is not a supporter company of the EITI.

UN Global Compact

Gazprom is not a participant in the UN Global Compact.

Hess

Type	Public Limited Company
Founded	1933
Headquarters	New York, USA
Key people	John Hess (Chairman and CEO)
Products	Exploration, production and refining of crude oil and natural gas.
Revenue	\$33.86 billion (2010)

Net income	\$2.13 billion (2010)
Total assets	\$35.396 billion (end 2010)
Total equity	\$16.809 billion (end 2010)
Employees	11,610 (end 2010) ⁴⁸⁸
Website	www.hess.com

Global Snapshot

Current Global Profile

Hess Corporation was founded by Leon Hess in 1933, who went on to lead the company for six decades. In 1969 Hess Oil and Chemical Company merged with Amerada Petroleum Company to form Amerada Hess. However, in 2006 the company reverted to being known as the Hess Corporation.⁴⁸⁹

Today Hess is a global integrated energy company that operates in two segments: Exploration and Production (E&P) and Marketing and Refining (M&R). E&P activities currently cover Algeria, Australia, Azerbaijan, Brazil, Brunei, the Peoples' Republic of China, Colombia, Denmark, Egypt, Equatorial Guinea, France, Ghana, Indonesia, Libya, Malaysia, Norway, Peru, Russia, Thailand, the UK and the US. The M&R segment manufactures petroleum products and purchases, markets and trades refined petroleum products, natural gas and electricity.

In 2011, Hess was ranked 74th in the Fortune 500 ranking of global companies by revenue.⁴⁹⁰

Company Report Highlights

Hess' Annual Report reveals that in 2010, proven reserves increased by 7% to 1,537 million barrels of oil equivalent (boe). Net income for the year showed an impressive rise of 187% to \$2.1 billion, reflecting higher crude oil selling prices and increased retail and energy marketing earnings, which offset the impact of weaker refining results. Production of crude oil and natural gas liquids in the US in 2010 rose slightly, however production internationally saw a slight decline of 1.8% on 2009 figures to 218,000 barrels per day (bpd).

Significant progress was made in building Hess' position in unconventional resources over 2010. In addition to acquisitions in the Bakken shale assets in the US, 90,000 acres were secured at Eagle Ford in South Texas and internationally, and joint study agreements were signed with PetroChina and Sinopec in China. The company's capital and exploratory budget for 2011 was \$5.6 billion, with the majority targeted towards E&P

488 "[Fortune Global 500: Hess](#)". *CNN Money*, retrieved 29 October 2011.

489 "[History](#)". *Hess Corporation*, retrieved 13 October 2011.

490 "[Fortune 500:Hess](#)". *CNN Money*, retrieved 13 October 2011.

(\$3.1 billion for production, \$1.6 billion for developments and \$900 million for exploration).

Results released for the Second Quarter of 2011 show that net income was \$607 million, up 61.9% on figures for the same period in 2009. Oil and gas production saw a 10.4% decrease to 372,000 boe per day, primarily reflecting the suspension of production in Libya due to the revolution, as well as the sale of natural gas producing assets in the UK in February 2011.⁴⁹¹

Operations In Libya

History

Hess operates in Libya as a member of the Waha (Oasis Group) consortium in the hydrocarbon-rich Sirte basin. The Waha Concession is operated by the [Waha Oil Company](#), a wholly owned subsidiary of the Libyan [National Oil Corporation](#) (NOC). Hess holds a 8.2% stake in the venture, [Marathon Oil Company](#) another 16.3% and [ConocoPhillips](#) a further 16.3%. The Waha concession produced approximately 340 million barrels of oil equivalent (boe) per day in 2010 and encompasses nearly 13 million gross acres in the basin. Three major growth projects under development by the co-venturers include Faregh II, North Gialo and NC-98.⁴⁹²

In addition, Hess is carrying out exploratory activities at the offshore block Area 54, 38 miles off the coast of Libya in the Sirte basin. This area was acquired in mid-2005 and hydrocarbons were discovered in 2008.⁴⁹³

US oil firms had their contracts suspended in the 1980s after the [US imposed sanctions on Libya](#). However in 2005 Hess Corporation, along with other firms such as [Exxonmobil](#), resumed their operations in the country after a 19 year absence. Hess, in a partnership with [ConocoPhillips](#) and [Marathon](#) known as the Oasis Group, paid \$1.3 billion to resume activities.⁴⁹⁴

The majority of international oil companies (IOCs) had the terms of their contracts with the NOC renegotiated in 2008, sparking widely held expectations that the Oasis Group would also be moved to the new agreements, under the [new Exploration and Production Service Agreement \(EPSA\) system](#). However, there were no reports that the contract with the Group had in fact been re-negotiated as of early 2011.⁴⁹⁵

Civil Unrest 2011

In the wake of the political unrest in early 2011, Hess suspended all output in March.⁴⁹⁶

491 "[Hess Reports Estimated Results for the Second Quarter of 2011](#)". *Market Watch*, 27 July 2011.

492 "[Libya](#)". *ConocoPhillips*, retrieved 12 October 2011.

493 "[Operations](#)". *Hess*, retrieved 13 October 2011.

494 "[ConocoPhillips, Marathon return to Libya](#)". *Houston Business Journal*, 29 December 2005.

495 "[Shokri Ghanem Outlines Plans For Libya's National Oil Corporation](#)". *WikiLeaks*, 11 February 2010.

496 "[Occidental, Hess, Total Halt Crude Production in Libya](#)". *Bloomberg*, 2 June 2011.

CEO John Hess commented in September of 2011 that security still needs to improve before oil and gas companies can return to pre-crisis output levels and that his company as yet had no timeline for returning. He is said to take a more conservative stance than other oil companies, such as French Total and Italian Eni, who have announced moves to restart output.⁴⁹⁷

CSR Activities

Hess' Annual Report for 2010⁴⁹⁸ highlights the following achievements on the corporate responsibility front:

- Safety performance improved for the sixth consecutive year and their success in building a culture of safety was recognized by the US National Safety Council.
- In Equatorial Guinea, Hess completed the fourth year of a successful partnership with the government to help transform primary education through teacher training, the development of model schools and improving the education infrastructure. In 2010, nearly 1,000 primary school teachers graduated from a two-year certification course and 1,400 first grade teachers, trainers and school inspectors completed an intensive training course in active learning methodology.
- The company received recognition for their efforts to build a sustainable enterprise when their Corporate Sustainability Report earned an A+ under the Global Reporting Initiative.
- Hess were ranked first in the Carbon Disclosure Project's Global 500 Energy Sector and tenth among top corporate citizens by the Corporate Responsibility Officer magazine.
- In 2010 Hess announced a goal of a 20% reduction in Greenhouse Gas (GHG) emission intensity based on a 2008 baseline.
- The company continued to reduce flaring in Algeria and Equatorial Guinea while increasing overall production.

Transparency

EITI Supporter Status

Hess Corporation is a supporting company of the EITI.

UN Global Compact

Hess Corporation has been a participant in the UN Global Compact since 2002.⁴⁹⁹

497 "[Hess CEO: No Timeline For Restart Of Libyan Production](#)". *Fox Business*, 27 September 2011.

498 "[2010 Annual Report](#)". Hess, retrieved 13 October 2011.

499 "[Hess: Participant Information](#)". *UN Global Compact*, retrieved 13 October 2011.

Marathon

Type	Public Limited Company
Founded	1887
Headquarters	Houston, Texas
Key people	Thomas J. Usher (Chairman), Clarence P. Cazalot Jr (President and CEO)
Products	Petroleum and Natural Gas
Revenue	US \$72.321 billion (2010)
Net income	US \$2.568 billion (2010)
Total assets	US \$50.02 billion (end 2010)
Total equity	US \$23.771 billion (end 2010)
Employees	29,667 (end 2010)
Website	www.marathon.com

Global Snapshot

Current Global Profile

Marathon Oil Company is a Houston-based international energy company engaged in exploration and production, oil sands mining and integrated gas. Its worldwide production operations are currently focused in North America, Africa and Europe.⁵⁰⁰

The company's origins lie in the purchase of the Ohio Oil Company by John D. Rockefeller's Standard Oil Trust in 1889, but the company resumed independent production following its dissolution in 1911. The Ohio changed its name to the Marathon Oil Company in 1962 in honour of its brand name motor fuel. Having been bought out by United States Steel in 1982, the steel business was finally spun off in 2001.⁵⁰¹ In May of 2011, Marathon's Board approved the spin-off of its downstream business, Marathon Petroleum Corporation.⁵⁰²

Upstream, the company's major areas of liquid hydrocarbons production are offshore fields in Norway, gas liquids recovery in Equatorial Guinea, the US Gulf of Mexico, in Wyoming, Oklahoma and Texas and the Athabasca Oil Sands Project in Canada. Marathon is also developing strategic growth assets in US unconventional liquid-rich plays

500 “[About Us](#)”. *Marathon Oil Corporation*, retrieved 11 October 2011.

501 “[About Us: History](#)”. *Marathon Oil Corporation*, retrieved 11 October 2011.

502 “[Marathon's Board Approves Spin-Off of Marathon Petroleum Corporation](#)”. *OilVoice*, 25 May 2011.

and deepwater Angola. Production in these assets is expected to grow at a 25% annual growth rate through until 2015, with liquids accounting for around 70% of the mix.⁵⁰³

Company Report Highlights

Marathon's Annual Report for 2010 reveals that net income of \$2.6 billion was 76% higher than 2009 figures. In the Exploration and Production (E&P) segment, oil and natural gas sales were slightly down on 2009 results, partly due to disappointment at the Gulf of Mexico Droszky development. Net proven reserves for oil and gas producing activities fell slightly by 3.9% on 2009 levels to 1,638 million barrels of oil equivalent (boe).

Other highlights for the year included full operational capacity being reached at the expanded Garyville refinery in Louisiana and the launch of operations at the Athabasca Oil Sands Mining expansion. Over the course of 2010, Marathon also acquired four blocks in the Iraqi Kurdistan Region, where two exploration wells had been established. Largely because of low US natural gas prices, they reduced their current drilling for gas with a renewed focus on liquids.

At the beginning of August 2011, Marathon reported a Second Quarter net income of \$996 million, risen from the \$709 million reported for the same period in 2010.⁵⁰⁴

Operations In Libya

History

Marathon is a member of the Waha (Oasis) Group, which acquired exploration and production rights in Libya in the mid-1950s. Marathon and [ConocoPhillips](#) each hold a 16.33%t working interest in the Waha Concessions, [Hess Corporation](#) an 8.16% working interest and the Libyan [National Oil Corporation](#) (NOC) holds a 59.16% working interest. The Concessions encompass almost 13 million acres in the Sirte Basin.⁵⁰⁵ Waha is the largest of four desert locations supplying crude oil to the marine terminal at Sidra on the coast. Analysts estimated that in 2011, Libya contributed approximately 2% of Marathon's cash flow.⁵⁰⁶

US oil firms had their contracts suspended in the 1980s after the [US imposed sanctions on Libya](#). However in 2005 Marathon, along with other firms such as [ExxonMobil](#), resumed their operations in the country after a 19 year absence. The Oasis Group, paid the Libyan state \$1.3 billion to resume activities.⁵⁰⁷

In 2008 Gadhafi attempted to force the Oasis Group, along with other international

503 “[2010 Annual Review](#)”. *Marathon Oil Corporation*, retrieved 11 October 2011.

504 “[Marathon Oil Corporation Reports Second Quarter 2011 Results](#)”. *Marathon Oil Corporation*, retrieved 11 October 2011.

505 “[Our Business](#)”. *Waha Oil Company*, retrieved 11 October 2011.

506 “[Oil Stocks Most Exposed to Libya](#)”. *Barron's*, 24 February 2011.

507 “[More US oil firms return to Libya](#)”. *BBC News*, 30 December 2005.

oil companies (IOCs) to contribute to the US-Libya Claims Compensation agreement, to compensate victims of bombings involving the two countries. Leaked US State Department cables report that Libya presented the oil companies with an ultimatum, to contribute to the fund or 'suffer serious consequences'.⁵⁰⁸ According to the cables, Marathon's manager in Libya stated that the company was unwilling to simply hand out cash to a less-than-transparent charity fund.⁵⁰⁹

A further cable dating from 2009 suggested that Marathon may have benefited had the diplomatic row between Canada and Gaddhafi escalated, as it had been instructed to increase its own production to make up for the shortfall when [Petro-Canada](#) was asked to slash their production activities.⁵¹⁰

Civil Unrest 2011

In February 2011 Marathon successfully evacuated its expatriate employees from Libya following the political unrest and complied with all US sanctions related to Libya.⁵¹¹

As of October 2011, no reports had been encountered of a resumption of production by the consortium in which Marathon participates in Libya. Damage assessment was said to be 'in progress', but there was extensive damage reported to the Sidra terminal as well as protests stemming from demand for a change of management. The Waha Group fields had a pre-war capacity of 400,000 barrels of oil per day (bpd).⁵¹²

CSR Activities

Marathon's 2010 Social Responsibility Report⁵¹³ highlights the following achievements made over the year:

- Marathon's business is rooted in 'Living Our Values', a philosophy encompassing longstanding commitments to health and safety, environmental stewardship, honesty and integrity, corporate citizenship and a high performance team culture.
- Ethics training includes mandatory computer-based training (CBT) in the first 60 days of employment and biannual thereafter. Marathon achieved 100% participation in required ethics training in 2010, reaching more than 7,300 employees.
- Marathon's comprehensive annual anti-corruption compliance audit program covers operations and outside-operated interests in countries that are not in the Organisation for Economic Co-operation and Development (OECD).
- The company decreased greenhouse gas emissions intensity for the second con-

508 "[Gol Ratchets Up Pressure On Oil Companies To Contribute To U.s.-libya Claims Fund](#)". *WikiLeaks*, 4 February 2009.

509 "[Lipstick On A Pig: Libya Renames Claims Compensation Fund](#)". *WikiLeaks*, 21 May 2009.

510 "[Petrocanada Caught In Qadhafi's Cross-hairs](#)". *WikiLeaks*, 27 October 2009.

511 "[Libya](#)". *Marathon Oil Corporation*, retrieved 11 October 2011.

512 "[Libya Oil Output to Double by November](#)". *Petroleum Economist*, 10 October 2011.

513 "[Social Responsibility Report 2010](#)". *Marathon Oil Corporation*, retrieved 11 October 2011.

secutive year, with 2010 intensity 8% below 2008 levels.

- The overall number of spills increased approximately 14% in 2010, but the total volume decreased 58% compared to 2009. The company claims to investigate spills to identify their causes and take incident-specific corrective actions to prevent recurrence.
- Marathon's major strategic social responsibility project continued to be the Bioko Island Malaria Control Project in Equatorial Guinea.

Transparency

EITI Supporter Status

Marathon is a supporter company of the EITI.

UN Global Compact

Marathon does not participate in the UN Global Compact.

Occidental

Type	Public Limited Company
Founded	1920
Headquarters	Los Angeles, USA
Key people	Ray R. Irani (Executive Chairman), Stephen I. Chazen (President and CEO)
Products	Oil, natural gas, petrochemicals.
Revenue	\$19.16 billion (2010)
Net income	\$4.53 billion (2010)
Total assets	\$52.43 billion (end 2010)
Total equity	\$32.48 billion (2010)
Employees	11,000 (2010)
Website	www.oxy.com

Global Snapshot

Current Global Profile

Occidental Petroleum, often referred to as Oxy due to its abbreviation on the NYSE stock exchange, covers three main sectors; Oil and Gas, Chemical, and Midstream Marketing.⁵¹⁴ Occidental's oil and gas operations are consolidated in three core areas: the US, the Middle East and Latin America. In 2010, US operations provided 51% of Oxy's production and the US represented 66% of total proven reserves.⁵¹⁵

In 2005, Occidental numbered among the 53 organisations that donated the maximum \$250,000 towards George Bush's presidential inauguration.⁵¹⁶

Company Report Highlights

Occidental's Annual Report 2010 reports that net income in 2010 improved by 55% on 2009 figures, reaching \$4.5 billion, and that the company ended 2010 with stock at its highest year-end closing price in company history of \$98.10. This surpassed the year-end 2009 closing price by more than 20%. The encouraging financial results were attributed to high commodity prices and increased production volumes. 2010 operating cash flow from continuing operations (excluding Argentina, where operations have been discontinued) saw a 60% increase on the previous year's figures.

Sales of oil and natural gas climbed 3.9% between 2009-10 to 748 thousand barrels of oil equivalent (boe) per day. Proven reserve additions from all sources totaled 409 barrels of oil, 63% of which resulted from improved recovery techniques, 35% from acquisitions and the remainder from extensions and discoveries.

Operations In Libya

History

Occidental began operations in Libya in 1965, the company's only operation in North Africa, and in 1967 made the first of several giant discoveries.

They were the first US company to resume oil operations in Libya after [US sanctions were lifted in 2004](#), re-entering its original producing areas in 2005.⁵¹⁷ Oxy has seen significant growth in the Middle East and North Africa region over the past decade.⁵¹⁸

Following success in the January 2005 [EPSA bid round](#), winning acreage in 9 different areas), Oxy in 2007 held a total exploration and production acreage in Libya of approx.

514 "[Occidental Petroleum Corp Profile](#)". Reuters, retrieved 06 October 2011.

515 "[Annual Report 2010](#)". ROxy, retrieved 06 October 2011.

516 "[Financing the Inauguration](#)". USA Today, 16 January 2005.

517 "[Our Business in Libya](#)". Oxy, retrieved 06 October 2011.

518 "[Our Business in the Middle East](#)". Oxy, retrieved 06 October 2011.

130,000 square kilometres. In 2006 Oxy expended more than 70% of its worldwide exploration budget in Libya, making Libya a key market for the company.

In June 2008 Occidental was one of the first IOCs to renegotiate its contracts in Libya, signing a total of five Exploration and Production Sharing (EPSA) contracts with the [National Oil Corporation](#) (NOC) and extending the duration of the contract. The renegotiated contracts involved a \$1 billion signature bonus and Oxy's commitment to a \$2.5 billion investment plan, with the NOC matching an equal amount. Oxy intended to drill some 400 wells starting in 2011. Following the ratification of the contract extensions, US Embassy representatives saw [Eni](#), [PetroCanada](#) and Oxy as the leaders in the Libyan energy sector.⁵¹⁹ However, former CEO Ray Irani claimed in 2010 that Oxy's results since re-entering Libya in 2005 have been disappointing, and production stood at only 6,000 barrels per day (bpd) in 2010, down from 21,000 bpd two years earlier.⁵²⁰

In recent years, Occidental has been severely criticized for its role, alongside several other major oil companies, in the successful lobbying effort to exempt Gaddhafi's Libya from a bill allowing victims of terrorism to seize assets of those responsible. This came after threats from the Libyan leader that he may slash production in retaliation. Occidental hired law firm Hogan and Hartson to push for a waiver. In addition, following the release of a 2010 internal document of the [Libyan Investment Authority](#) (LIA), the US Securities and Exchange Commission (SEC) began to investigate Occidental and other firms over possible illegalities with the LIA.⁵²¹

Civil Unrest 2011

In February 2011, Oxy began to pull foreign workers out of Libya due to the political upheaval in the country, but production was continued for a period by local personnel.⁵²² Prior to the outbreak of fighting, Occidental was said to be producing 13,000 boe per day over the course of 2010.⁵²³

Reports in October 2011 claimed that the 70,000 bpd Nafoora field in Libya, where Occidental operates, had restarted production, making it the first US company to produce crude in the country since the overthrow of Gaddhafi.⁵²⁴

CSR Activities

Oxy's 2010 Social Responsibility Report *Growth With Responsibility* reports the following activities and achievements in corporate governance, labour, human rights and health, environment and safety:⁵²⁵

519 "[Oxy's 30-year Extension In Libya And What Lies Ahead For Other Iocs](#)". *Wikileaks*, 13 July 2008.

520 "[Occidental Petroleum's Path to Easy Oil](#)". *Forbes*, 11 March 2010.

521 "[Gaddafi's Quislings](#)". *Time Swampland*, 14 June 2011.

522 "[Occidental Petroleum: Libya Operations Continue, Run By Local Personnel](#)". *Fox Business*, 23 February 2011.

523 "[OXY: Libya Oilfields Are Producing, Amount Unknown](#)". *Rigzone*, 28 February 2011.

524 "[Occidental Libya production resumes](#)". *Upstream Online*, 06 October 2011.

525 "[OAnnual Report 2010: Social Responsibility](#)". Oxy, retrieve 06 October 2011.

- Employee Injury and Illness Incidence Rate (IIR) of 0.40 was approximately nine times better than the US industry average and the second lowest in Oxy's history.
- The company received an overall perfect 10 corporate governance ranking from Governance Metrics International (GMI).
- The company had seven programs recertified by the Wildlife Habitat Council (WHC) and one new program established in 2010.
- Oxy was included on Forbes' 2010 list of America's 20 Most Responsible Companies and on Corporate Responsibility Magazine's 12th Annual (2011) Best Corporate Citizens List.

Transparency

EITI Supporter Status

Occidental is not a supporter company of the EITI.

UN Global Compact

Occidental does not participate in the UN Global Compact.

OMV

Type	Public Limited Company
Founded	1956
Headquarters	Vienna, Austria
Key people	Gerhard Roiss (CEO), Peter Michaelis (Chairman of the Supervisory Board)
Products	Oil and gas exploration and production, natural gas trading and transportation, oil refining, electricity generation.
Revenue	€23.32 billion: 2010 (US \$31.31 billion)
Operating income	€2.334 billion: 2010 (US \$3.22 billion)
Net income	€920.6 million: 2010 (US\$1.27 billion)
Total assets	€26.40 billion: end 2010 (US \$36.46 billion)
Total equity	€11.31 billion: end 2010 (US \$15.62 billion)
Employees	31,400 (end 2010)

Website	www.omv.com
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Global Snapshot

Current Global Profile

OMV is one of Austria's largest listed industrial companies.⁵²⁶

Headquartered in Vienna, Austria, it operates in three segments:

Exploration and Production (E&P), Refining and Marketing (R&M), and Gas and Power (G&P). The E&P segment engages in the exploration, development and production of oil and gas resources primarily in Romania and Austria, North Africa, the Middle East and the Caspian region. The R&M segment operates the refineries that process oil and gas into petroleum products in Schwechat, Austria; Burghausen, Germany; and Petrobrazi and Arpechim, Romania.⁵²⁷

Among the acquisitions made by OMV during the 2000s were the acquisition of 25.1% of the Rompetrol Group in 2002 (sold in 2005), the acquisition of a 51% stake in the Romanian oil and gas group Petrom in 2004, an 100% stake in Borealis, and a 34% stake in Turkish oil and gas group Petrol Ofisi.⁵²⁸ In 2008, an attempted hostile takeover of Hungarian oil and gas company MOL by OMV was thwarted and the merger notification withdrawn after the European Commission said it would not accept conditions for the deal proposed by OMV.⁵²⁹ In 2009, OMV went on to sell its remaining stake in MOL to Russian oil producer Surgutneftegaz. This moved reportedly attracted criticism from some MOL representatives, due to suspicions that OMV had been little more than a front for the Russian group after the 21% stake was bought at twice MOL's trading price on the Budapest bourse on the previous Friday.⁵³⁰

During the course of 2010, OMV strengthened its position by increasing its stake in Turkish Petrol Ofisi to 97%. This acquisition is a step in OMV's growth strategy aimed as positioning Turkey as a third hub, besides Austria and Romania. From the company's perspective, Turkey is of strategic importance as it gives access to the resource-rich Caspian basin and Middle East.⁵³¹ Additionally, OMV are driving the Nabucco gas pipeline project, aimed to increase Europe's security of supply.⁵³²

In 2010, OMV's oil and gas production stood at 318,000 barrels of oil equivalent (boe) per day, with an oil/gas mix of roughly 50/50. Proven reserves were around 1.15 billion boe at year-end. A significant part of production comes from the core countries Romania (about 55%) and Austria (about 13%), with the remainder coming from the in-

526 "[Welcome to OMV, an integrated, international oil and gas company](#)". OMV, retrieved 10 October 2011.

527 "[OMV AG \(OMV:Vienna\)](#)". *Bloomberg Business Week*, retrieved 10 October 2011.

528 "[Milestones of the OMV success story](#)". OMV, retrieved 10 October 2011.

529 "[European Commission closes door on OMV-MOL merger plan](#)". *RealDeal*, 07 August 2008.

530 "[Hungary's MOL says OMV may have been Russian front](#)". *Reuters*, 01 April 2009.

531 "[OMV to fully control Turkish Petrol Ofisi](#)". *Trend*, 23 October 2010.

532 "[Annual Report 2010](#)". OMV, retrieved 10 October 2011.

ternational portfolio.⁵³³ Additionally, OMV are driving the Nabucco gas pipeline project, the new gas bridge from Asia to Europe, aimed to increase Europe's security of energy supply.⁵³⁴

Company Report Highlights

OMV's Annual report for 2010 reveals that net income in 2010 rose by 61% to €921 million compared to 2009 levels. The company's gearing ratio rose to 46% due to the acquisition of Petrol Ofisi. In Exploration and Production, OMV's proven reserves fell in 2010 by 2.9% to 1153 million boe.

Strategically, OMV claims it is playing an active role in shaping the energy industries of the European growth belt, and that one of their growth thrusts is a regional focus on the South East European and Turkish regions. A major initiative of 2010 was the connection of the Caspian Region and Middle East with Europe and the interlink of OMV markets with the Nabucco pipeline achievement.

OMV's interim financial statements for the Second Quarter of 2011 demonstrate that political turmoil in North Africa and the Middle East adversely impacted results. Clean CCS EBIT (Earnings Before Interest and Tax) decreased by 25% to €468 million, burdened by the loss of production in Libya and Yemen, high exploration expenses and lower refining margins.⁵³⁵

Operations In Libya

History

OMV has been present in Libya since 1975 and made a major expansion in 1985 when it acquired 25% of [Occidental Petroleum's](#) producing assets in the country when Occidental left the country following a [deterioration in US-Libyan relations](#). OMV is joint venture partner in 12 Production and Exploration blocks and the daily production rate in 2010 was around 33,000 barrels of oil per day (bpd). In Libya, OMV is the operator in only one block, in the [Sharara](#) field.⁵³⁶

Along with several other International Oil Companies (IOCs), OMV renegotiated the terms of their contracts with the Libyan [National Oil Corporation](#) (NOC) in 2008 under the new [EPSA IV](#) framework. The new terms significantly reduced production shares for the IOCs and included a \$1 billion signature bonus payable by the international companies. The new Exploration and Production Sharing Agreement (EPSA) covered two blocks, NC115 AND NC186 in the Murzuq Basin, and extended the duration of the contracts up until 2032.

Under the former agreement for Block NC115, the [NOC](#) held a 75% share and OMV

533 “[E&P Profile](#)”. OMV, retrieved 10 October 2011.

534 “[Annual Report 2010](#)”. OMV, retrieved 10 October 2011.

535 “[Report January-June and Q2 2011](#)”. OMV, 30 June 2011.

536 “[Libya](#)”. OMV, retrieved 10 October 2011.

7.5%, with [Repsol](#) holding 10% and [Total](#) 7.5%). The NOC share was increased on this occasion to 87%, with OMV's share reduced to 3.9%. [Repsol](#) retained 5.2% and [Total](#) 3.9%. Under the former agreement for Block NC186, the NOC held a 60% share and OMV 9.6%, with [Repsol](#) retaining 12.8%, [Total](#) 9.6% and Saga 8%. At this block, the NOC's share under the new agreement was increased to 88% and OMV's to just 2.88%. [Repsol](#) were left with 3.84%, [Total](#) 2.88% and Saga 2.4%.⁵³⁷

Civil Unrest 2011

OMV's Libyan production was at normal levels until 20 February 2011, when it was halted due to the anti-Gaddhafi revolt in the country.

On 3 October 2011, OMV announced that its first cargo of condensate from Libya since March had been delivered to the port of Trieste. OMV had bought 575,000 barrels of condensate two weeks earlier from Libya's [Arabian Gulf Oil Company](#) (AGOCO), to be used in their Schwechat refinery for fuel production.⁵³⁸

However, OMV stated in September 2011 that looted camps and poor logistics would make a return to production in Libya slow and arduous, and could take up to 18 months for production to normalize. OMV was reported to be working with its partner [Repsol](#) to restore facilities. Despite the uncertainties, CEO Roiss felt secure that contracts signed pre-war would be honoured.⁵³⁹

CSR Activities

OMV's Sustainability Review for 2010⁵⁴⁰ highlights the following achievements:

- The company was placed first among 27 international listed oil and gas companies in a rating of social and environmental responsibility.
- From 2010 onwards, a percentage of the non-result related variable compensation (bonuses) was to be awarded for achieving sustainability targets.
- Over 228,000 hours of Health, Safety, Security and Environment (HSSE) training were held (2009:188,000), more than two-thirds of them in Romania.
- In 2010, OMV faced one blowout of a well in Romania. There were no injuries and no risk to neighbours because of this incident.
- The Group recorded a total of eight significant hydrocarbon spills (>1,000 liters) and 2,239 minor releases during the year (2009: 21 and 2,650 respectively).
- The Group's carbon strategy, launched in 2008, aims at reducing greenhouse gas emissions and de-carbonizing of the product portfolio. According to the annual progress evaluation, OMV is well on track.

537 "[European Oil Companies Extend Contracts In Libya](#)". *Wikileaks*, 23 July 2008.

538 "[OMV's Libya cargo delivery arrives in Italy](#)". *Reuters*, 03 October 2011.

539 "[OMV eyes slow, difficult return to Libya](#)". *Reuters*, 22 September 2011.

540 "[Annual Report 2010](#)". OMV, retrieved 10 October 2011.

Transparency

EITI Supporter Status

OMV is not a supporter company of the [EITI](#). However, the company states on its website that in the interests of transparency they decide on a country by country basis as to whether they participate in the EITI, based on whether the host government is a member of EITI and fully supports the initiative; whether OMV behaviour is in compliance with national legislation; and whether this form of transparency applies to all active oil and gas companies in the country concerned.⁵⁴¹

UN Global Compact

OMV has been a participant in the UN Global Compact since 2003.⁵⁴²

PetroCanada/Suncor

Type	Public Limited Company
Founded	1919
Headquarters	Calgary, Alberta
Key people	John T. Ferguson (Chairman of the Board), Richard L. George (CEO)
Products	Oil sands development and upgrading, conventional and offshore oil and gas production, petroleum refining and marketing.
Revenue	CAD \$35.2 billion: 2010 (approx. US\$34.8 billion)
Operating income	CAD \$2.372 billion: 2010 (approx. US\$2.35 billion)
Net income	CAD \$3.571 billion: 2010 (approx. US\$3.53 billion)
Total assets	CAD \$70.169 billion: end 2010 (approx. US\$69.43)
Total equity	CAD \$36.721 billion: end 2010 (approx. US\$36.33)
Employees	12,076 (end 2010)
Website	www.suncor.com

541 “[OMV Sustainability Report 2007/8](#)”. OMV, retrieved 10 October 2011.

542 “[OMV Participant Information](#)”. UN Global Compact, retrieved 10 October 2011.

Global Snapshot

Current Global Profile

Suncor Energy became Canada's largest oil company and "flagship Canadian corporation", as described by Suncor's president and CEO Rick George, following a merger with Petro-Canada in 2009. As a result of the arrangement, Petro-Canada investors would receive a 40% share of the entity and Suncor shareholders would own the remaining 60% of the new firm. Management hoped that as a result of the move, the combination would become a more efficient player and would insulate both from potential foreign takeovers.⁵⁴³

Suncor has had a track record as an oil sands pioneer since the 1960s, when the Great Canadian Oil Sands project was established in Fort McMurray⁵⁴⁴. The company is one of Canada's largest oil sands producers, and Suncor was pumping out 228,000 barrels of oil per day (bpd) from properties in Alberta in 2009.⁵⁴⁵

Oil sands aside Suncor Energy, together with its subsidiaries, is involved in the acquisition, exploration, development, production and marketing of crude oil and natural gas in Canada and internationally; transportation and refining of crude oil; and marketing of petroleum and petrochemical products, primarily in Canada.

The company's international and offshore segment engages in the exploration and production of oil and gas in offshore Newfoundland and Labrador, in the North Sea, as well as in Libya and Syria. The Refining and Marketing segment operates at refineries across Canada and in Colorado, and the company also transports crude oil through pipelines in eastern and western Canada, as well as Wyoming and Colorado. In addition, this segment operates retail sites in Canada under the Petro-Canada brand.⁵⁴⁶

Company Report Highlights

Suncor Energy's Annual Report for 2010 reported that net income for 2010 had risen an impressive 211% on 2009 figures, reaching a level of \$3.571 billion CAD and surpassing results for the previous four years. Production figures for oil sands 2009-2010 remained steady, however the production level for Natural Gas/International and Offshore operations saw a rise of 98.86% to 296.9 thousand barrels of oil equivalent (boe) per day.

The year 2010 was pivotal for Suncor, in that the successful merger with Petro-Canada was implemented and the companies began to realize the resulting synergies and savings. The company also launched a new decade-long growth plan, expected to boost total production to more than 1 million boe per day by 2020.

543 "[Suncor, Petro-Canada announce merger](#)". *CBCNews*, 23 March 2009.

544 "[History](#)". *Suncor*, retrieved 11 October 2011.

545 "[Suncor, Petro-Canada announce merger](#)". *CBCNews*, 23 March 2009.

546 "[Suncor Energy Inc.](#)". *Yahoo Finance*, retrieved 11 October 2011.

The Second Quarter results released for 2011 revealed that the Exploration and Production business segment contributed 182,700 boe per day of production over this period, compared to 299,500 boe per day over the same period of 2010. This decrease primarily reflected the divestiture of non-core assets, the shut-in of production in Libya and operational issues at Terra Nova and Buzzard. This did not appear to impact significantly on the bottom line however, as Second Quarter net earnings were \$562 million CAD, compared to \$540 million CAD in the Second Quarter of 2010.⁵⁴⁷

Operations In Libya

History

Suncor is still known as Petro-Canada in Libya, and holds a 49% working interest in Harouge Oil Operations, which is a joint venture company with the [National Oil Corporation](#) (NOC) of Libya. Harouge was charged with developing and producing from existing fields, including Amal, Ghani, En Naga and Ed Dib.

Prior to the 2011 revolution, Suncor had significant onshore acreage holdings in Libya, which it had acquired through predecessor companies. The most recent Exploration and Production Sharing Agreements (EPSAs) were signed in 2008, providing access to production over the coming 25 years through the redevelopment of existing fields, as well as opportunities to explore in the hydrocarbon-rich Sirte basin. In addition to ongoing production through Harouge, Suncor was the EPSA exploration operator and has acquired over 15,000 sq km of new 3D seismic data in recent years. The company has also embarked on a project to drill 49 exploration/appraisal wells.⁵⁴⁸ As of 31 December 2010, Suncor's operations in Libya represented approximately 1% of the company's consolidated operating earnings, and 3% of assets.⁵⁴⁹

A leaked US State Department cable dated October 2009 reveals that the Libyan government had demanded that Petro-Canada cut its oil production by 50% due to a diplomatic row between Libya and Canada over Gadhafi's aborted trip to Canada in late September. Reportedly, PetroCanada were forced to conduct contingency planning to evacuate their staff and other Canadian citizens feared expulsion. US company [Marathon](#) may have benefited from the situation, as it was instructed to increase production to make up for Petro-Canada's shortfall.

In the same cable, Petro-Canada manager Duncan reported that the project to provide 50 members of Petro-Canada staff to work in Harouge in order to provide on-the-job training and share new technologies such as enhanced oil recovery (EOR) and improved oil recovery (IOR), had experience mixed results. Duncan appeared skeptical whether the Libyans wanted the advice, and commented that the Libyan middle-managers of NOC-owned companies projected the attitude that Libya had continued to produce oil during the embargo 'just fine' and if need be, could do so again.⁵⁵⁰

547 “[2011 Suncor Energy reports 2011 second quarter results](#)”. *Suncor Energy*, 28 July 2011.

548 “[Libya](#)”. *Suncor Energy*, retrieved 11 October 2011.

549 “[Suncor Energy reports 2011 second quarter results](#)”. *Suncor Energy*, 28 July 2011.

550 “[Petrocanada Caught In Qadhafi's Cross-hairs](#)”. *WikiLeaks*, 27 October 2009.

Civil Unrest 2011

On 25 February 2011, Suncor announced it had evacuated all of its expatriate staff in Libya and that field operations had shut down earlier in the week. The company had produced nearly 35,000 bpd of oil in the fourth quarter of 2010.⁵⁵¹ In June of the same year, CEO Richard George commented that Suncor would not return to Libya until Muammar Gaddafi had been removed from power. This was following statements from government officials that Canada would officially recognise the National Transitional Council (NTC) in Libya.⁵⁵²

In early September 2011, Canada announced the lifting of sanctions on Libya. Media coverage reported later that month that Harouge Operations was re-starting production in Libya. Suncor commented that they were cooperating with Harouge but had not yet finalized plans for a return, citing

a need to work though safety and security considerations, as well as considerations relating to the contractual/legal framework and availability of necessary services.⁵⁵³

CSR Activities

Suncor's Sustainability Report claims that the company continues to remain true to their long-standing vision of a 'triple bottom line' ie. the management of the business in ways that enhance social and economic benefits, while striving to minimize the environmental impacts associated with energy development. Suncor's Report on Sustainability 2011⁵⁵⁴ highlights the following milestones:

- The frequency of employee lost time injuries and recordable injuries continued to decline as employees and contractors embraced their Journey to Zero safety culture.
- Suncor continued to implement a new tailings management approach that is expected to dramatically accelerate the reclamation of tailings ponds and mined lands and reduce the need for future tailings ponds. They also became the first oil sands company to achieve surface reclamation of a decommissioned tailings pond.
- Suncor achieved a greenhouse gas (GHG) emissions intensity reduction at its Refining and Marketing operations. They also continued to actively participate in public policy and stakeholder discussions on energy and the environment, in particular advancing proposals for a national energy strategy for Canada.
- Suncor continued to invest in the regions where they operate by supporting community, educational and environmental programs as well as the charitable giving and volunteer efforts of employees and retirees. Many programs were aimed at ad-

551 "[Suncor shuts Libya operations, evacuates staff](#)". *Reuters*, 25 February 2011.

552 "[Arab Spring Looks Ominous for Canada's Suncor](#)". *Petroleum Economist*, 16 June 2011.

553 "[Harouge joint venture planning to resume production](#)". *Suncor Response*, 27 September 2011.

554 "[2011 Summary Report on Sustainability](#)". *Suncor Energy*, retrieved 11 October 2011.

vancing opportunities for aboriginal peoples through education, training and cultural awareness initiatives.

- As part of the Oil Sands Leadership Initiative (OSLI), Suncor worked closely with four like-minded companies to make tangible improvements to environmental, social and economic performance in the oil sands industry.
- In 2010, OSLI investigated new technologies to improve industry-wide reuse of tailings wastewater and to make oil recovery more energy-efficient.

Transparency

EITI Supporter Status

Suncor is not a supporter company of the EITI. The company commented, as part of a Sustainability Assessment, that 'Suncor supports public accountability by governments and the transparency of revenues as a means to promoting political and economic stability in the regions in which we operate. We acknowledge the work that the Extractive Industries Transparency Initiative does in this regard and, while we have not formally endorsed the initiative, if requested, we will support host countries seeking to implement greater transparency'.⁵⁵⁵

UN Global Compact

Suncor Energy has been a participant in the UN Global Compact since 2001.⁵⁵⁶

Repsol

Type	Public Limited Company
Founded	1986
Headquarters	Madrid, Spain
Key people	Antonio Brufau Niubó (Chairman and CEO)
Products	Oil and gas exploration and production, natural gas and LNG trading and transportation, oil refining, petrochemistry.
Revenue	€60.43 billion: 2010 (approx. US \$83.37 billion)
Operating income	€7.621 billion: 2010 (approx. US \$10.51 billion)

⁵⁵⁵ "[Suncore Energy Inc](#)". *SAM Research Corporate Sustainability Assessment Questionnaire*, retrieved 11 October 2011.

⁵⁵⁶ "[Participant Information: Suncore Energy Inc](#)". *UN Global Compact*, retrieved 11 October 2011.

Net income	€4.693 billion: 2010 (approx. US \$6.47 billion)
Total assets	€67.63 billion: end 2010 (approx. US \$93.31 billion)
Total equity	€25.99 billion: end 2010 (approx. US \$35.86 billion)
Employees	43,300 (end 2010)
Website	www.repsol.com

Global Snapshot

Current Global Profile

Repsol is a Spanish integrated oil and gas company, operating in over 35 countries in the field of exploration, production, refining and marketing. It was formed in 1986 following the merger of various state-owned oil companies.⁵⁵⁷ The majority of its assets are located in Spain and Argentina, as a result of its takeover of Argentinian firm YPF in 1999. However, the Spanish company has sold off 15% of YPF to the Petersen Group.

As of the 31 December 2010, Repsol's proven reserves (excluding YPF) totalled 1,100 million barrels of oil equivalent (boe). These reserves are mainly located in Trinidad and Tobago (36%), 46% lie in other South American countries (Venezuela, Peru, Brazil, Ecuador etc.), 12% are in North Africa (Algeria and Libya), 5% in the Gulf of Mexico and around 1% in Spain. The company portfolio is essentially exposed to Spain and Peru downstream, and South America and Africa upstream.

In 2010 Repsol moved forward with its strategy of divestment of non-strategic assets, including the sale of a 30% holding in a refinery in Brazil to Petrobras. In June 2011 Repsol and Alliance Oil Company executed a Memorandum of Understanding (MoU) for creating a joint venture which aimed to serve as a growth platform for both companies in the Russian Federation.⁵⁵⁸

2011 press reports suggested the appearance of an internal dispute between Repsol's largest shareholders (a Mexican oil company and Spanish construction group) and the management under CEO-Chairman Brufau. This dispute appeared to be provoked by dividend payouts and resulted in comments that the company may be at risk of a takeover.⁵⁵⁹

Company Report Highlights

Repsol's 2010 Annual Report revealed a 201% increase in Net Income compared to 2009, up to €4.69 billion. CEO Brufau attributes much of this success, achieved despite a

557 "[Repsol Broadens Its Horizons](#)" *Petroleum Economist*, 09 July 2009

558 "[Repsol 2010](#)" *Repsol*.

559 "[Repsol at War with Itself](#)" *Petroleum Economist*, 13 September 2011

challenging environment in 2010, to corporate transactions secured. The management saw the most significant of these as the alliance formed with Sinopec in Brazil. Recurring Net Income (relating to ongoing projects) saw a 55% rise on 2009 figures to €2.36 billion.

Further highlights of 2010 include the opening of the Pampa Melchorita Liquefied Natural Gas (LNG) plant in Peru and the investment in Repsol's Cartagena refinery, which aimed to double its capacity from 110,000-220,000 barrels per day (bpd) and become the largest industrial investment ever made in Spain. Repsol was involved in six new discoveries during 2010, which resulted from exploration activities in Venezuela (La Perla 2), Brazil, Sierra Leone and Colombia.

The financial results released for the Second Quarter of 2011 revealed a drop of 21.8% in reported earnings compared with the same period of 2010, and a 12.9% drop in upstream production. This was reportedly due to diminished production in Argentina following social unrest plus the suspension of production in Libya since 5 March.⁵⁶⁰

Operations In Libya

History

Repsol has had a presence in Libya since the 1970s and as of 2011 had rights over 10 blocks, nine of which are onshore and one in the offshore basin of Sirte. Eight of the blocks are exploratory and two are for production. Repsol's production in Libya represents around 3.8% of the company's global output.⁵⁶¹

In 2008 Repsol renegotiated their contracts with the Libyan [National Oil Corporation](#) (NOC), agreeing to significantly reduced terms for the right to continue work, including large up-front signing bonuses. The renegotiated deal extended Repsol's projects up until 2032.⁵⁶²

The I/R field, discovered in 2006, entered production in June 2008 and was forecast to reach a production level of 75,000 bpd once installations are completed 2012-13. Production at the "K" field was approved by the NOC in December 2008 and came on-stream in May 2010.⁵⁶³

In 2009, Repsol made its first offshore hydrocarbon discovery off the coast of Libya, at the NC202 block. Repsol was to lead the development and holds a 21% stake, with the NOC holding 65% and OMV 14%.⁵⁶⁴

Civil Unrest 2011

In February 2011, Repsol shut down production at Libya's [El-Sharara](#) oil field, which

560 [2Q11 Income Statement](#)" *Repsol*, 28 July 2011.

561 "[Repsol of Spain Says It Is Operating Normally in Libya](#)" *Bloomberg*, 21 February 2011.

562 "[Libya Commercial Round-up For July 2008](#)" *WikiLeaks*.

563 "[Upstream Operations by Country](#)" *Repsol 2010*, retrieved 06 October 2011

564 "[Repsol makes new oil discovery in Libya](#)" *Repsol*, 21 April 2009

was said to provide 13% of Libya's estimated 1.6 million bpd output. This was in reaction to increasing upheaval in the country, leading up to the overthrow of Gadhafi.⁵⁶⁵

The Chairman of Repsol's Libyan joint venture stated on the 4 October 2011 that the [El-Sharara](#) oil field should resume output by the end of the month. However it was estimated that it would take some time before pre-war output (more than 300,000bpd) is reached, particularly as the field's accommodation facilities suffered damage when occupied by Gadhafi loyalists during the conflict. Security also remained a concern in the Southwest desert area at the time.⁵⁶⁶

CSR Activities

According to official Repsol documents, the following are highlights of CSR achievement made over the course of 2010:⁵⁶⁷

- The Strategy, Investment and Corporate Responsibility Committee met three times to discuss issues of safety and the environment, among others.
- The initiatives chose as priorities by the above Committee make up Repsol's Sustainability Plan, whose current version has a 2012 horizon. The plan will be updated on an annual basis.
- Worked to develop Corporate Responsibility Committees in Spain, Argentina, Bolivia, Ecuador and Peru, which are due to hold their first meeting during 2011.
- Worked to identify high-priority investors who incorporate sustainability considerations in their investment policies and criteria.
- Gave a total of 186,982 training hours on Health and Safety in the Workplace, extending to 35% of the workforce.
- Reduced CO2 emissions by 385,556 tons (Repsol's total reduction between 2006-2010 amounted to 1,612,819 tons, 65% of the 2005-2013 strategic objective).
- Completed studies on carbon capture for five refineries in Spain, plus a feasibility study of the transport of CO2 in methane tankers.
- Held four workshops in Spain and Argentina to identify improvements in environmental management in sensitive areas.
- Worked to define minimum requirements of ethical and human rights conduct in selection criteria for security suppliers, to include human rights clauses in contracts signed after 2010 and to provide training in human rights.
- Carried out studies of interactions of operations with indigenous communities in Peru and Bolivia

565 "[Repsol, Eni suspend Libya oil output, ports disrupted](#)" *Reuters*, 22 February 2011

566 "[Repsol Libya Field To Resume Soon, But Ramp-Up Will "Take Time"](#)" *Fox Business*, 04 October 2011

567 "[Corporate Responsibility](#)" *Repsol Reports 2010*, retrieved 06 October 2011

Transparency

EITI Supporter Status

Repsol YPF has been committed to the EITI initiative as a supporter company since 2003.⁵⁶⁸ According to the Repsol's Annual Report 2010, the company also participates in the group working to support Peru becoming a compliant country.⁵⁶⁹

UN Global Compact

Repsol has been a participant in the UN Global Compact since 2002.⁵⁷⁰

Statoil

Type	Public Limited Company
Founded	1972
Headquarters	Stavanger, Norway
Key people	Helge Lund (CEO), Svein Rennemo (Chairman)
Products	Oil and natural gas exploration and production, petrochemicals.
Revenue	NOK 529.65 billion (approx. US \$90.95 billion), 2010.
Operating income	NOK 137.23 billion (approx. US \$23.56 billion), 2010.
Net income	NOK 37.65 billion (approx. US \$6.51 billion) 2010.
Total assets	NOK 643.01 billion (approx. US \$110.55 billion), 2010.
Total equity	NOK 226.40 billion (approx. US\$40.56 billion), 2010.
Employees	30,340 (end 2010).
Website	www.statoil.com

568 " [Repsol YPF profile](#)" *EITI*, retrieved 06 October 2011

569 " [Corporate Responsibility Report 2010](#)" *Repsol*, retrieved 06 October 2011

570 " [Repsol YPF Profile](#)" *UN Global Compact*, retrieved 06 October 2011

Global Snapshot

Current Global Profile

Statoil, formerly known as StatoilHydro, became the largest offshore operator in the world following its merger with Norsk Hydro in 2007. As Norway holds around half of Europe's remaining oil and natural gas

reserves, the company's exports are of strategic importance to Western Europe.⁵⁷¹ The Norwegian government is the largest shareholder in Statoil. In March 2009 the Government announced that the state's ownership interest had reached 67%.⁵⁷² Internationally, Statoil has operations in 34 countries, are listed on the New York and Oslo stock exchanges.⁵⁷³

In 2004, Statoil suffered damage to its reputation when it was found guilty of bribery and fined 20 million Norwegian Kroner (\$2.9 million), after it was found to have paid consultant Horton Investment to influence decision makers and secure contracts in Iran. Both the Chairman and CEO at the time resigned over the affair.⁵⁷⁴

Company Report Highlights

The company's Annual Report for 2010 states that Statoil was engaged in production in 11 countries: Canada, the US, Venezuela, Algeria, Angola, Libya, Nigeria, the UK, Azerbaijan, Russia and Iran.

Financially, Statoil's operating income in 2010 rose 12.8% from 2009 figures, reaching 137.2 billion NOK. Production volumes were higher during the first half of 2010, however during the second half specific operational issues in the Gulf of Mexico resulted in lower than expected volumes.

Over the course of 2010, Statoil was awarded shares in eight exploration licences in the Norwegian continental shelf, signed a development and production contract for West Qurna 2 field in Iraq with Lukoil, and signed a \$6 billion investment agreement to develop the Chirag Oil Project in Azerbaijan. In addition, in October 2010 Statoil acquired 67,000 net acres in the Eagle Ford shale gas formation in Southwest Texas in order to complete their existing onshore portfolio, having formed a 50/50 joint venture with Talisman.

The results released by Statoil for the Second Quarter of 2011 revealed that Net Operating Income had risen by a significant 129% compared to the same period in 2010, reaching 61 billion NOK. This was largely attributed to strong oil and gas prices throughout the period.⁵⁷⁵

571 "[Statoil to buy the natural gas and oil operations of Norsk Hydro for \\$28 billion](#)" *New York Times*, 18 December 2006

572 "[The Norwegian State](#)" *Statoil*, retrieved 07 October 2011

573 "[Statoil in Brief](#)" *Statoil*, retrieved 07 October 2011

574 "[Statoil fined over Iranian bribes](#)" *BBC News*, 29 June 2004

575 "[Statoil: Second quarter 2011 results](#)" *Reuters*, 28 July 2011

Operations In Libya

History

A Libyan office was established in Tripoli by Statoil in 2005, the same year in which the group was allocated licenses for two onshore operations. This marked the beginning of a five-year exploration programme. Statoil were to draw on their experience in neighbouring Algeria, where the group has had activities since 2003.⁵⁷⁶

Statoil participates in land-based oil production and exploration activities in the Mabruk field and in the Murzuk basin, and has been pursuing exploration opportunities in other parts of the country. At the end of 2010, Statoil employed 44 people in Libya and was producing 4400 barrels of oil per day (bpd). Prior to the civil unrest in spring 2011, the company had set high ambitions for a production increase to 2.2 million barrels per day by 2012.⁵⁷⁷

Statoil shares the operations at the Mabruk field, where it owns 5% equity, with French [Total](#). Production came onstream at this field in 1995, at the end of 2009 it counted 59 productive wells and the license is due to expire in 2008. Following the renegotiation of the Production Sharing Agreement (PSA) at this site by the Libyan [National Oil Corporation](#) (NOC) in 2008, Statoil's share was reduced from 25%-5%.

At the Murzuq field, Statoil owns 2.4% equity and operates alongside Spain's [Repsol](#). This field came onstream in 2003, counted 93 productive wells at the end of 2009 and the license is due to expire in 2038.⁵⁷⁸ The oil from the Murzuq fields was transported by pipeline to the Az Zawia terminal West of Tripoli for lifting by ship.⁵⁷⁹

Civil Unrest 2011

In February of 2011, Statoil closed its office in Tripoli and withdrew all non-Libyan personnel, in the wake of rising protest and violence across the country.⁵⁸⁰ In March the company defied calls by the head of the NOC for foreign companies to return staff and resume drilling.⁵⁸¹

As of later September 2011, there were no reports of Statoil resuming production at its Libyan oil fields.⁵⁸²

576 "[Libya office officially opened](#)" *Statoil*, 12 December 2006

577 "[Libya](#)" *Statoil*, retrieved 07 October 2011

578 "[International Production 2009](#)" *Statoil*, retrieved 07 October 2011

579 "[Libya](#)" *Statoil*, retrieved 19 October 2011

580 "[Statoil flees Libya but oil prices rise](#)" *Views and News from Norway*, 22 February 2011

581 "[Statoil defies Libya call to return](#)" *Upstream Online*, 21 March 2011

582 "[Total set to restart crude production offshore Libya](#)" *Platts Energy Weekly*, 21 September 2011

CSR Activities

Statoil's Annual Report for 2010 highlights the following CSR achievements over the year:⁵⁸³

- Fortune Magazine has ranked Statoil as the World's Most Admired Company within the category of sustainability.
- Increased from 57% to 80% the percentage of non-OECD countries with CSR plans.
- Increased from 2.5% to 4% their estimated expenditure on local non-OECD suppliers.
- Have made every effort to run their business in a way that respects human rights and labour standards, including The Universal Declaration of Human Rights.
- Human rights awareness training is integrated into Statoil's general training in corporate social responsibility, covering policies and commitments to human rights, core labour standards, awareness of CSR responsibilities.
- Statoil supports the World Economic Forum's Partnering Against Corruption Initiative (PACI), the Business Principles for Countering Bribery (BPCP), and the OECD Guidelines for Multinational Enterprises.
- Spending on social investments was approximately 202 million NOK. Investments were made largely in Angola, Canada, Azerbaijan, Russia, Ireland and Nigeria

Transparency

EITI Supporter Status

Statoil is a supporter country of the EITI and has been a Board member since 2009.

UN Global Compact

Statoil has participated in the UN Global Compact since 2000.

Total S.A.

Type	Public Limited Company
Founded	1924
Headquarters	Courbevoie, France

583 "[Annual Report 2010: Sustainability](#)" Statoil, retrieved 07 October 2011

Key people	Christophe De Margerie (CEO), Thierry Desmarest (Chairman), Patrick de la Chevardiere (CFO) Jean-Francoise Lassalle (VP for Public Affairs – France and NGOs).
Products	Oil and natural gas exploration, production, refining and marketing, electricity generation, oil and gas engineering and construction.
Revenue	€159.27 billion (approx. US \$220 billion), 2010.
Operating income	€10.62 billion (approx. US \$14.67 billion), 2010.
Net income	€10.81 billion (approx. US \$14.93 billion), 2010.
Total assets	€143.72 billion (approx. US \$198.46b), end 2010.
Total equity	€61.27 billion approx. US \$84.6b), end 2010.
Employees	92,855 (end 2010)
Website	www.total.com

Global Snapshot

Current Global Profile

In 2009, Total was the fifth largest publicly-traded integrated international oil and gas company in the world⁵⁸⁴ and currently operates in over 130 countries. Total engages in Upstream, LNG and Downstream operations, and also produces base chemicals.⁵⁸⁵

In 2010, Total was placed under formal investigation after an eight year investigation into bribery charges related to oil deliveries from Iraq under Saddam Hussein's rule. The case was based on claims that politicians received vouchers for oil in exchange for lobbying for sanctions to be loosened on Hussein's regime, and that employees of Total purchased the oil. Three years after CEO Christophe de Margerie was placed under investigation, the prosecutor's office recommended dismissing the case against employees. This included De Margerie, who occupied the post of Head of Middle East Operations in the 1990s, the period during which the Oil For Food program was set up. This program allowed Iraq to sell a certain amount of crude oil under the understanding that they use the proceeds for humanitarian goods.⁵⁸⁶

Company Report Highlights

Total's Registration Document 2010 reveals that adjusted net income for 2010 was

584 "[Our Businesses](#)". *Total*, retrieved 04 October 2011.

585 "[Total S.A.](#)". *Financial Times Market Data*, retrieved 04 October 2011.

586 "[Total under investigation over Iraq oil-for-food](#)". *Bloomberg Business Week*, 06 April 2010.

€10.3 billion, up 32% compared to 2009. This was claimed to reflect the 2010 oil market environment, which was marked by a 29% increase in average Brent price to \$79.5/barrel. Production in the upstream segment grew more than 4% compared to 2009 and Total has continued to add to its acreage with new exploration focused on pre-salt projects and unconventional gas.

In 2010 Total's production in Libya amounted to 55,000 barrels of oil equivalent (boe) per day, accounting for 2.3% of total production, down from 2.6% in 2009 and 3.2% in 2008. This fall was primarily due to OPEC quotas and new contractual provisions.

Total's Financial Results released for the Second Quarter of 2011 revealed a 12% drop on the First Quarter to €2.7 billion.⁵⁸⁷ Also affected by maintenance work reducing output at its oil rigs in the North Sea, this compares with a profit of €3.1 billion a year earlier.⁵⁸⁸

Operations In Libya

History

Total has been present in Libya for the past 50 years. Today Total is involved in a partnership with the Libyan [National Oil Corporation](#) (NOC) on a number of projects, including the development of the Mabruk field in the Sirte Basin, and the Al Jurf field near the Tunisian border.⁵⁸⁹

In 2009, the consortiums in which Total is involved renegotiated the terms of their production contracts with the NOC in line with Libya's [preferred EPSA rubric](#). The renegotiated terms included the payment of a \$500 million up-front signing bonus. Under the new contracts, each consortium would henceforth take 27% of oil production, down from 50% under the previous agreement. However, the production share agreed by Total was still greater than those recently negotiated by other international oil companies (IOCs).⁵⁹⁰

The development of the Mabruk oil field, a tight and complex field 170km South of Sirt, began in 1994. The field is jointly operated with [Statoil](#) and Total owns 37.5% of the field's operating company.⁵⁹¹ The Mabruk field was producing 30,000-50,000 barrels per day (bpd) of crude before operations were halted due to civil unrest in spring 2011.⁵⁹²

Total also operates the offshore Al Jurf platform jointly with a Libyan state oil com-

587 "[Second Quarter and First Half 2011 Results](#)". *Total*, 29 July 2011.

588 "[Total and Eni blame profit falls on conflict in Libya](#)". *BBC News*, 29 July 2011.

589 "[TOTAL Profile](#)". *Libyan National Oil Corporation*, retrieved 04 October 2011.

590 "[French Total-led Consortiums Accept Lower Production Shares In Libya](#)". *Wikileaks*, 04 June 2009.

591 "[Mabruk Oil Operations Company Profile](#)". *Libyan National Oil Corporation*, retrieved 04 October 2011.

592 "[Total to Progressively Stop Output at Libyan Mabruk Field](#)". *Bloomberg*, 02 March 2011.

pany and German producer [Wintershall](#).⁵⁹³ The NOC enjoys a 50% share of the venture, Total 37.5% and [Wintershall](#) the remaining 12.5%.⁵⁹⁴

Civil Unrest 2011

Total's production in Libya was halted in spring of 2011 amid rising turmoil in Libya, first at the Mabruk field and later at Al Jurf. However production was relaunched at the Al Jurf field in late September of the same year.

The French oil major expected to resume production at a rate of 40,000-50,000 bpd, however some technical issues relating to the safety fire pump were encountered on restarting production on 19 September. As of the end of September 2011, operations at the Mabruk field had not been resumed. CEO De Margerie commented that there is no damage to facilities which should prevent quick resumption of production⁵⁹⁵ and that Total hoped to expand their oil and gas business in Libya and their cooperation with the National Transitional Council (NTC).⁵⁹⁶

CSR Activities

Total's 2010 Society and Environment Report,⁵⁹⁷ 'In Other Words', which aimed to continue the dialogue with stakeholders initiated in the previous issue, outlined the three action plans the company had set itself to meet the challenge of partnering civil society and achieving environmental sustainability:

- Meeting energy needs while responding to Climate Change and Natural Resource Challenges (minimizing energy use; 15% target by 2015 for reduction of greenhouse gas emissions; Total Ecosolutions program; providing affordable, sustainable energy for low-income communities.
- Reducing Impact of Operations on People and the Environment (in accordance with their Health, Safety, Environment and Quality Charter; assessing environmental and health risks in advance; protecting biodiversity)
- Helping to Spur Local Social and Economic Development: Transparency of financial contributions in compliance with local legislation; education and training; socioeconomic programs.

593 “[Total restarts Al-Jurf production](#)”. *Upstream Online*, 23 September 2011.

594 “[TOTAL Profile](#)”. *Libyan National Oil Corporation*, retrieved 04 October 2011.

595 “[Total set to restart crude production offshore Libya](#)”. *Energy Week*, 21 September 2011.

596 “[Total SA Plans To Expand Oil and Gas Business In Libya-Report](#)”. *Fox Business*, 19 September 2011.

597 “[In Other Words: Ten Questions You Asked Us](#)”. *Total*, retrieved 06 October 2011.

Transparency

EITI Supporter Status

Total joined the EITI on its creation in 2002, was elected to the EITI Board as an alternate member in September 2007 and later elected a permanent member in February 2009 in recognition of their commitment to the initiative. Their representative on the 20-member Board is Jean-François Lassalle. As part of their commitment, Total publish detailed reports on a number of host countries, accounting for 59% of production in 2010.⁵⁹⁸

UN Global Compact

Total has been a member of the UN Global Compact since 2002.

Wintershall

Type	Public Limited Company
Founded	1894
Headquarters	Kassel, Germany
Key people	Rainer Seele (CEO)
Products	Exploration and production of oil and natural gas, transportation and storage of natural gas.
Operating income	€983 million (approx. US \$1.39 million), 2010.
Employees	2,164 (end 2010)
Website	www.wintershall.com

Global Snapshot

Current Global Profile

With an annual production of 130 million barrels oil equivalent (boe), Wintershall are Germany's largest crude oil and natural gas producer. The company is a wholly owned subsidiary of BASF, which specializes in energy. In Europe, the BASF subsidiary trades and sells natural gas. The company also markets storage capacities for oil and gas, transportation capacities for gas as well as optic fibre capacities.

Wintershall deliberately focuses on selected core regions where the company has re-

598 “[The Extractive Industries Transparency Initiative](#)”. *Total*, retrieved 06 October 2011.

gional and technological expertise: Europe, North Africa, South America, Russia and the Caspian Sea region. As of 2011, they also had growing exploration activities in the Middle East.⁵⁹⁹

Wintershall is an increasingly important part of BASF's business and analysts highlight its widening geographical presence as one of its main strengths, such as its success in securing exploration license in an offshore field in Qatar in 2008.⁶⁰⁰ Since 2000, crude oil and condensate production has declined year-on-year by 14% to 5.8 million tons in 2010, however natural gas production rose by 5% in 2010 to 14.3 billion cubic metres (bcm).⁶⁰¹

Wintershall has cooperated extensively over the years with Russian [Gazprom](#) and Wintershall's parent company BASF signed a Memorandum of Understanding (MoU) in 2011 that would expand their 2008 Amchigaz joint venture in Siberia, at the Urengoy gas field.⁶⁰² By 2010, Wintershall also became one of the largest license holders on the Norwegian continental shelf with over 40 licenses.⁶⁰³

In addition a consortium of companies, including Wintershall, are collaborating to build the Nord Stream natural gas pipeline under the Baltic Sea, scheduled to deliver the first gas to Europe from October 2011. In September 2011, Wintershall announced that it had also agreed with Russia's [Gazprom](#) to take a 15% stake in the project company in charge of developing the offshore section of South Stream, a 940km pipeline project which will run across the Black Sea and connect south-eastern Europe directly with Russia from 2015.⁶⁰⁴

Company Report Highlights

Wintershall's Annual Report for 2010 reported a slight 1.97% rise in operating profits from the 2009 figures, reaching €2.334 billion. Crude oil production was down 14% to 44.1 million barrels of oil equivalent (boe) per day, however gas production was up 4.9% to 89 million boe per day since 2009.

Wintershall also reported that in 2010 they continued to expand activities in core regions, especially in the North Sea and Russia. The report commented that they were involved in six of the twelve biggest oil discoveries made in Norway over the past five years. They were also planning to extend field development at the Amchigaz field in Siberia. Their expansion of natural gas storage facilities progressed well in 2010.⁶⁰⁵

On releasing Second Quarter Results for 2011, BASF predicted that operating profits from their Libyan oil production for the full year 2011 would be around \$1 billion lower than in 2010, but that overall net income had risen to €257 million for the

599 "[The world is our oyster: Wintershall's core regions.](#)". *Wintershall*, retrieved 10 October 2011.

600 "[Wintershall Delivers for BASF](#)". *Petroleum Economist*, 01 June 2009.

601 "[Company Profile](#)". *Wintershall*, retrieved 10 October 2011.

602 "[Wintershall banks on Russia for energy security](#)". *Petroleum Economist*, 23 May 2011.

603 "[Wintershall wins ten new licenses in Norway](#)". *Wintershall*, retrieved 19 October 2011.

604 "[Wintershall acquires a stake of South Stream](#)". *Wintershall*, retrieved 10 October 2011.

605 "[Annual Report 2010](#)". *Wintershall*, retrieved 19 October 2011.

quarter, rising from just €148 million during the same period in 2010.⁶⁰⁶

Operations In Libya

History

Wintershall has had a local exploration and production presence in Libya since 1958. As of 2011, they had invested more than \$2 billion and drilled over 150 wells to become one of the largest oil producers in the country. Prior to the 2011 revolution, Wintershall was producing around 100,000 barrels of oil per day (bpd) in Libya, at eight onshore oil fields in concessions 96 and 97 in the Libyan desert, about 1000km south-east of Tripoli. Wintershall also holds a stake in the offshore field Al Jurf in a consortium with the [National Oil Corporation](#) (NOC) and French [Total](#).

The largest deposit where Wintershall produces is the onshore oil field Sarah near the Jakhira oasis. A facility has also been set up there for treating the associated gas from oil production so that the gas and condensate can be transported to the coast for sale. In addition, in 2006 the BASF subsidiary was awarded the license for another exploration area covering more than 11,000 square kilometers in the south-east of Libya.⁶⁰⁷

At the offshore Al Jurf field, Wintershall holds a 6.7% interest in the consortium operating the facilities. The NOC holds 73% of the venture and French Total 20.25%. The development of the field Al Jurf consists of the production platform, its ten production wells and the link to the FPSO (Floating Production Storage Offloading vessel) known as Farwah. The FPSO has a storage capacity of more than 900,000 barrels.⁶⁰⁸

In 2008 the NOC renegotiated the terms of its production sharing agreements with the consortium operating the Al Jurf field, including Wintershall, which forced the international companies to accept smaller production shares. The new terms included a \$500 million signing bonus paid to the NOC. The contract was extended until 2032.⁶⁰⁹ According to a leaked US diplomatic cable from February 2010, the Chairman of the NOC Shukri Ghanem believed that Wintershall planned to leave Libya in 2016 when its current concession agreement ends.⁶¹⁰

Wintershall claims to be one of few firms that no longer flares the gas associated with crude oil production in Libya. Instead, the entire gas is collected via central processing plants and sent to power stations for electricity generation. This gas is used to produce electricity for the region and for Tripoli. At the Sarah field, Wintershall harnesses its specialist technological expertise by using a gas lift to strengthen oil production. A 142km pipeline network through the Libyan desert has also been built in recent years

606 “[Wintershall 2Q 2011 Results Presentation](#)”. *Derrick Petroleum Services*, retrieved 19 October 2011.

607 “[Wintershall in Libya](#)”. *Wintershall*, retrieved 10 October 2011.

608 “[Libya's Offshore Al Jurf Field in Block C 137 Starts Production](#)”. *Gulf Oil and Gas*, 09 May 2003.

609 “[French Total-led Consortia Accept Lower Production Shares In Libya](#)”. *WikiLeaks*, 04 June 2009.

610 “[Shukri Ghanem Outlines Plans For Libya's National Oil Corporation](#)”. *WikiLeaks*, 11 February 2010.

to enhance recovery from the oil fields. The pipeline is not for transporting oil, but sending water generated during production for water injection.⁶¹¹

Civil Unrest 2011

Wintershall reported in February of 2011 that they were temporarily suspending their operations and evacuating their 130 international personnel to Germany and elsewhere in Europe, in the face of escalating political unrest.⁶¹²

A report in early October suggested that Wintershall, along with other foreign companies, were beginning to return to the hydro-carbon rich basin near the Jakhira oasis. Wintershall had sent a small group of Libyan workers to a cluster of oil fields, where sites jointly operated by [Occidental Petroleum](#) and [Suncor Energy](#) were also in the process of restarting.⁶¹³

An official Wintershall document released in September 2011 stated that oil production at offshore platform Al Jurf was up and running again, under the management of national oil company Mabruk Oil. Wintershall was also preparing to recommence production on the Libyan mainland.⁶¹⁴

CSR Activities

Wintershall publishes an annual Health, Safety and the Environment Report. The 2010 edition⁶¹⁵ reports the following highlights:

- Wintershall achieved its target of zero accidents in all activities in 2010, however their contractors suffered three fatal accidents. As a result, they carried out an extensive review of requirements from contractors and developed a catalogue of measures to avoid such accidents in the future.
- In 2007 Wintershall committed themselves to discontinuing the flaring of associated gas, a goal they hope to achieve by 2012.
- Wintershall was able to cut greenhouse gas emissions in 2010 by 11% compared with 2009.
- The use and generation of energy are subject to continuous improvement regarding efficient energy use. Examples are the commissioning of a highly efficient combined heat and power generation (CHP) plant at their Emlichheim location in Germany and the installation of a system to enable use of exhaust heat at a gas turbine generator plant in Nakhla, Libya.
- Wintershall employees lent a helping hand in providing sports clothing and school

611 “[E&P in Brief, A Wintershall Fact Sheet](#)”. *Wintershall*, retrieved 10 October 2011.

612 “[EU, oil companies begin Libya evacuations](#)”. *The Guardian*, 21 February 2011.

613 “[Foreign firms quietly return to Libya's oil rich east](#)”. *Reuters*, 08 October 2011.

614 “[E&P in Brief, A Wintershall Fact Sheet](#)”. *Wintershall*, retrieved 10 October 2011.

615 “[Annual Report 2010: Health, Safety and the Environment](#)”. *Wintershall*, retrieved 10 October 2011.

uniforms for 30 students in the Cañadón-Asfalto Basin in Southern Patagonia, organizing computers and printers for a neighbouring hospital and supporting a public kitchen run by Caritas in Tierra del Fuego together with local partner Total.

- With the assistance of Wintershall's subsidiary WINGAS, a home for blind and visually impaired children in Russia was connected to the public gas network, electricity lines and water pipes were renovated and the buildings were expanded. Picture books and games specially designed for visually impaired and blind children were also donated.
- Wintershall in 2011 was supporting the International Red Cross(IRC) and Red Crescent in their work in Libya with 100,000 euros of immediate aid. The donations would be used specifically to help people in Libya and Tunisia. In addition, a fundraising campaign for employees was initiated and Wintershall doubled every euro donated.

Transparency

EITI Supporter Status

Wintershall is not a supporting company of the EITI.

UN Global Compact

Wintershall is not a participant in the UN Global Compact.

Resource Transparency Opportunities

Resource Curse

The "Resource Curse" is the idea that the presence of large amounts of natural resources, relative to other sources of income for a state or a society, actually leads to negative social, political and economic effects rather than positive ones. The Resource Curse is a direct result of dependency on oil revenues. As the resource transparency movement has gained ground much research has been carried out into the weak points in the chain of oil production at which corruption and abuses can occur.

History and Current Status of the Idea

The idea that natural resources resulted in poor outcomes has been in play since the 1950s, when it was hotly contested by the ideological camps of the Left and Right. Empirical data began to accumulate support the idea over time. In the 1970s, Gobind Nankani, a vice-president at the World Bank, showed that a group of mineral exporting countries grew on average by 1.5% per year during the period 1960 to 1976, about half the growth in a control group of non resource-rich countries.⁶¹⁶ In 1988, a study commissioned by the World Bank examined the windfalls accruing to six oil-rich countries during the boom of the 1970s and concluded that those states had performed less well than other, resource-poor countries.⁶¹⁷

Sachs Work in the 1990s

Jeffrey Sachs and Andrew Warner's *Natural Resource Abundance and Economic Growth* at the end of the 1990s examined 97 countries over a period of 18 years, 1971 to 1989, and found that states with a high abundance of natural resource exports had abnormally slow economic growth in general, relative to other countries. The study became the basis of a growing recognition of the need to address the problems that natural resource abundance can create in developing societies.

Opponents of the Term "Resource Curse"

Some economists have resisted the term "resource curse" because they say it sounds

616 "[Developmental Problems of Mineral Exporting Countries](#)" World Bank background paper for the 1980 World Development Report Retrieved 24 October 2011.

617 "[Oil Windfalls, Blessing or Curse?](#)" Alan Gelb and Associates Oxford University Press, New York, 1988.

fatalistic.⁶¹⁸ Oxford professor Paul Collier suggests that the term poses the problem the wrong way round, since he estimates there are more natural resources in developed countries than in developing ones. The dominance of natural resource industries in some developing country economies is simply, he states, due to the fact that they have had few other options for economic development, which in turn is due to a whole host of political and social factors.⁶¹⁹ Collier argues that for the world's "Bottom Billion" - the poorest billion people on the planet - a greater problem is rather that their natural resources have not been discovered or developed enough.

Survey of Major Institutions' Attitudes to the Idea of Resource Curse

International Institutions

The International Monetary Fund has published papers recently discussing how to address the resource curse in Nigeria⁶²⁰ and Botswana.⁶²¹ The World Bank uses the term "Resource Curse"^{622,623} while arguing that it is not inevitable and can be avoided by good governance. But some critics have challenged whether the policies the World Bank has pursued are effective, notably in the case of their support for an oil pipeline from Chad through Cameroon which was tied to poverty alleviation policies.⁶²⁴

Oil Companies

In recent years, energy companies have started to acknowledge the challenges that natural resource revenues can present to developing countries.

"The reality of the problems which have afflicted a number of different countries as a result of natural resource development is undeniable. I am convinced that there are things we can do to mitigate many of the problems but it would be quite wrong to start from a position of denial," said NJ Butler, then vice-president of British Petroleum, in a speech in 2004.⁶²⁵

618 "[Resource Curse, or Resource Trap?](#)" M. Lorenzo Warby Retrieved 24 October 2011.

619 "[The Plundered Planet Why We Must - and How We Can - Manage Nature for Global Prosperity](#)" Paul Collier Oxford University Press, 2009.

620 "[Addressing the Natural Resource Curse. An Illustration from Nigeria](#)" *IMF Working Paper* Retrieved 24 October 2011.

621 "[Escaping from the Resource Curse: Evidence from Botswana and the Rest of the World](#)" *IMF Staff Papers*, 2007 pp. 54, 663–699.

622 "[Property Rights and the Resource Curse](#)" *Leif Wenar* World Bank Research Paper, Retrieved 24 October 2011.

623 "['Contributing to development'?](#)" *Interview with Somit Varma, director of the World Bank's Oil, Gas, Mining and Chemicals Group, Critical Resource website* Retrieved 24 October 2011.

624 "[Can policy intervention beat the resource curse? Evidence from the Chad-Cameroon pipeline project](#)" Scott Pegg, *African Affairs* 105(418):1-25 (2006)

625 "[Escaping the Resource Curse: Managing Natural-Resource Revenues in Low-Income Countries](#)" *BP Website* Retrieved 24 October 2011.

Exxon Mobil has rejected use of the term Resource Curse but says it supports the EITI process because it acknowledges that good governance is necessary to deliver benefits from oil production, and that transparency is a part of that.⁶²⁶

Economic Causes

Dutch Disease

So-called Dutch disease is the effect on a country's economy when it earns a lot of revenues from exporting a natural resource. It was named after the Netherlands to explain a decline in manufacturing through the 1960s after a major natural gas field was discovered at the end of the 1950s.

The theory is that oil exports earn a lot of foreign currency which tends to lead to a rise in the exchange rate of the local currency. That makes exports from other sectors uncompetitive, and so the natural resource starts to dominate all exports. At the same time, the earning power of the oil sector draws in labour and capital, and therefore also adversely affects all other sectors of the economy, whether they are export-oriented or not.

Correlation Between Oil and Debt

Economists have long noted the link between oil revenues and higher fiscal spending. Venezuela during the 1970s oil boom is a famous case, where President Carlos Andres Perez increased public spending dramatically, leading the country into debt. The fact that all government spending, as well as liquidity in the economy as a whole, rises and falls unpredictably with the fluctuations in the price of oil and other commodities is a severe management problem.

A 2005 study by the Institute for Public Policy Reform analysed data from 101 countries for the period 1991 to 2002 and concluded there was a statistical correlation between increased oil production and exports, and public debt in the producing country.⁶²⁷

Political Causes

Weakening of the State

Many political scientists have outlined a Resource Curse which both makes rulers in a state unaccountable, and state institutions weak. They are unaccountable because resource revenues allow them not to have to raise taxes in order to provide welfare and public services (to a greater or lesser extent depending on the degree of their resource wealth). And they are weak because the institutions of the state never develop under

626 "[Transparency can promote better natural resource management](#)" Exxon Mobil website Retrieved 24 October 2011.

627 "[Drilling into Debt](#)" Institute of Public Policy Research, UK, 2005 Retrieved 24 October 2011.

real discipline, through meritocracy and against measured goals and results. The most notable exponent of this theory has been Professor Terry Lynn Karl, who studied Venezuela, Nigeria, Algeria and Iran.⁶²⁸

Conflicts

Analysts of the resource curse point to many cases where natural resource wealth creates or exacerbates conflicts, either between states or within them. Notable cases include:

- Southern Sudan, where the presence of oil is renewing tensions between the Khartoum government and southern separatists.
- The Cabinda region of Angola, which is oil-rich. A secessionist movement has flourished in the region since the discovery of oil.
- Nigeria, where the concentration of oil in the Niger Delta was a contributing factor to the Nigerian Civil War of 1966-70, and ever since has been a cause of constant unrest.

Resource Transparency Movement

Many organisations work in the resource transparency area, such as Transparency International, Global Witness and the Revenue Watch Institute.

History

What might be called a coherent movement for resource transparency really evolved in the 1990s on two different tracks.

First, NGOs like Transparency International (TI) and Global Witness were founded.⁶²⁹ TI was dedicated to changing the legal and regulatory environment which governs the way business in general is done, and Global Witness was set up to investigate and expose individual cases of corruption, especially those related to mining industries and oil and gas.

The issue of transparency around natural resources gained great public attention in Western countries with the exposure of the "Blood for Diamonds" scandal⁶³⁰ in which it became clear that wars in some African countries were being prolonged by the fact that both governments and rebel factions could finance themselves through selling precious stones onto world markets.

628 "[The Paradox of Plenty: Oil Booms and Petro States](#)" Terry Lynn Karl University of California Press, 1997.

629 "[Global Witness History](#)" and "[TI About Us](#)" *GW and TI websites, respectively* Retrieved 24 October 2011.

630 "[Blood Diamond](#)" *Wikipedia* Retrieved 24 October 2011.

In parallel to the projects of individual organisations, there were several large initiatives from multilateral international organisations.

In 1997, the OECD approved an anti-bribery convention, which urged member states to pass laws making it illegal for companies under their jurisdiction to use bribery anywhere in the world.⁶³¹

In 2003, the United Nations General Assembly passed the United Nations Convention Against Corruption. Since that time, over 130 countries have signed up to the convention, which obliges them to introduce a wide range of measures in their own laws to combat corruption.⁶³²

These two tracks, of civil society activism and international treaties and conventions, are mutually reinforcing.

EITI

EITI, itself founded in 2002, can be considered as inbetween the two tracks, since it is an international initiative which formally and specifically engages the civil society sector.

Natural Resource Charter

In 2009, a group of independent experts set up a website and loose organisation called the Natural Resource Charter which seeks to lay out guidelines for best practice right across the energy industry, embracing the EITI but extending beyond it.⁶³³

The charter is governed by an advisory board which includes the former president of Mexico, Ernesto Zedillo, and the African businessman Mo Ibrahim.⁶³⁴ The founder of the charter was economist Paul Collier, the leading world scholar on the link between natural resources and problems in development.⁶³⁵

Activities in Libya

Transparency International

Transparency International operates a system of national chapters around the world, and often writes reports on corruption in specific countries. It also produces the annual Corruption Perception Index, which has been published globally since 1995. In 2010,

631 "[OECD Anti-Bribery Convention](#)" *OECD official website* Retrieved 24 October 2011.

632 "[Introduction to UNCAC](#)" *Anti-Corruption Resource Centre (U4)* Retrieved 24 October 2011.

633 "[Natural Resource Charter](#)" *Natural Resource Charter official website* Retrieved 24 October 2011.

634 "[Charter: Advisory and Monitoring Board](#)" *Natural Resource Charter official website* Retrieved 24 October 2011.

635 "[The Plundered Planet: Why We Must - and How We Can - Manage Nature for Global Prosperity](#)" *Paul Collier Oxford University Press, 2009.*

Libya ranked 146th out of 178 countries surveyed.⁶³⁶

Revenue Watch Institute

The Revenue Watch Institute (RWI) has been active in Libya since the 2011 war. In September 2011, RWI held a workshop on oil revenue management in Beirut. Bringing together civil society leaders from seven Middle Eastern and North African countries — Libya, Algeria, Bahrain, Iraq, Kuwait, Morocco and Yemen — the workshop focused on how civil society could influence better management of oil revenue policies.⁶³⁷

During the 2011 war, RWI also published articles stressing the need for greater transparency in Libya's oil industry⁶³⁸ and arguing that the changes in Libya present a valuable opportunity to improve the management of its natural resource revenues.⁶³⁹

Global Witness

Global Witness advocated the expansion of United Nations (UN) sanctions on Libya in March 2011, having written an open letter to the UN Security Council proposing such a move, in cooperation with RWI and other groups.⁶⁴⁰ Additionally, it issued two press releases in August 2011 calling for the open and transparent managing of Libya's oil wealth,^{641 642} and produced a report detailing how this could be done.⁶⁴³ Global Witness also published an article in May 2011 detailing the involvement of Western banks, including HSBC and Goldman Sachs, in holding Libyan state oil money.⁶⁴⁴

EITI

EITI Compliance

Countries seeking to achieve EITI Candidate status must meet five sign-up requirements, and for a country to achieve EITI Compliance, it has two and a half years to be validated as a Compliant country. Once a country is Compliant, the country must undergo Validation at least every 5 years, or upon the request from the EITI International

636 "[2010 Corruption Perceptions Index](#)" *Transparency International* Retrieved 25 October 2011.

637 "[A New Season in Revenue Management?](#)" *RWI Blog* 20 September 2011.

638 "[Libya Needs Oil Transparency](#)" *Revenue Watch Institute* 25 August 2011.

639 "[Libya - Transparency Snapshot](#)" *Revenue Watch Institute* Retrieved 25 October 2011.

640 "[Open Letter to the Security Council on the Need for Expanded Sanctions on Libya](#)" *Global Witness* 17 March 2011.

641 "[Libya's oil must now be used to drive development and foster peace](#)" *Global Witness* 24 August 2011.

642 "[Oil transparency must underpin negotiations over Libya's future – Global Witness](#)" *Global Witness* 31 August 2011.

643 "[Libya's oil must now be used to drive development and foster peace](#)" *Global Witness* Retrieved 25 October 2011.

644 "[HSBC and Goldman Sachs held \\$335m of Libyan state oil money](#)" *Global Witness* 26 May 2011.

al Board.⁶⁴⁵

As of October 2011 12 countries were EITI compliant, namely: Azerbaijan, Mongolia, Central African Republic, Niger, Ghana, Nigeria, Kyrgyz Republic, Norway, Liberia, Timor-Leste, Mali and Yemen,⁶⁴⁶ although Yemen was temporarily suspended in June 2011 due to concerns that it did not satisfy the full and active participation of civil society and other actors in implementing the EITI.⁶⁴⁷ There were 23 EITI Candidate countries, and an additional two - the United States and the Philippines - had signaled their intent to implement the EITI.⁶⁴⁸

Validation Requirements

Sign-Up

Countries should meet five criteria in order to become EITI candidates. The country's government is required to: issue a public statement of its intention to implement the EITI; commit to work with civil society and companies; appoint a senior individual to lead the implementation; and establish a multi-stakeholder group to oversee the implementation. The multi-stakeholder group, in consultation with key EITI stakeholders, should then agree and publish a fully costed work plan, containing measurable targets and a timetable for implementation and incorporating an assessment of capacity constraints. Finally, the government is required to ensure that civil society is fully, independently, actively and effectively engaged in the process.

Preparation

The government is required to: ensure the engagement of civil society in the process; engage companies; and remove legal and regulatory obstacles to the implementation of the EITI. The multi-stakeholder group is required to agree a definition of materiality and the reporting templates, which define what revenue streams are included in company and government disclosures.

The organisation appointed to produce the EITI reconciliation report must be perceived as credible, trustworthy and technically competent. The government is then required to ensure that all relevant companies and government entities report and that both company and government reports are based on accounts audited to international standards.

Disclosure

Companies must comprehensively disclose all material payments in accordance with the agreed reporting templates, and government agencies must comprehensively disclose all material revenues. The multi-stakeholder group must also be content that the

645 " [EITI Implementation](#)" *EITI website* Retrieved 27 October 2011.

646 " [EITI Countries](#)" *EITI website* Retrieved 27 October 2011.

647 " [EITI Yemen](#)" *EITI website* Retrieved 27 October 2011.

648 " [EITI Countries](#)" *EITI website* Retrieved 27 October 2011.

organisation contracted to reconcile the company and government figures did so satisfactorily, and the reconciler must ensure that the EITI Report is comprehensive, identifies all discrepancies, where possible explains those discrepancies, and where necessary makes recommendations for remedial actions to be taken.

Dissemination

The government and multi-stakeholder group must ensure that the EITI Report is comprehensible and publicly accessible to encourage that its findings contribute to public debate.

Review and Validation

Oil, gas and mining companies must support EITI implementation, and the government and multi-stakeholder group is encouraged to take steps to act on lessons learned, address discrepancies and ensure that EITI implementation is sustainable. Implementing countries are required to submit Validation reports in accordance with the deadlines established by the Board.

Retaining Compliant Status

Compliant countries must maintain adherence to all the requirements listed above in order to retain Compliant status.

EITI Criteria

- 1. Publication:** Regular publication of all material oil, gas and mining payments by companies to governments (“payments”) and all material revenues received by governments from oil, gas and mining companies (“revenues”) to a wide audience in a publicly accessible, comprehensive and comprehensible manner.
- 2. Audit:** Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
- 3. Reconciliation:** Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator’s opinion regarding that reconciliation including discrepancies, should any be identified.
- 4. Scope:** This approach is extended to all companies including state-owned enterprises.
- 5. Civil Society:** Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
- 6. Work Plan:** A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementa-

tion, and an assessment of potential capacity constraints.⁶⁴⁹

Natural Resource Charter

The Natural Resource Charter is described as an international convention in the making, an attempt to spread best practice and governance issues across the energy and extractive industries worldwide. As such it is the latest development in the resource transparency movement.

Foundation of Charter

The charter was conceived by economist Paul Collier, as he worked on his book the *Plundered Planet*. Recognising the precedent set by the EITI, the charter is an attempt to extend the principles of good governance across every area of natural resource management. A draft of the charter was announced in February 2009.⁶⁵⁰ As well as Collier, the charter was sponsored by a number of distinguished academics and the Revenue Watch Institute.

Collier's idea is that natural resources are key to the development of many countries, particularly in Africa. But the reason so many countries have suffered from the Resource Curse is a series of breaks in a crucial chain of decisions required to ensure effective exploitation of resources: the lack of sufficient investment in the discovery process, failure to impose adequate taxation, shortage of domestic investment of revenue, and the need to 'invest in investments' by building civil service capacity to manage investment portfolios.

Precepts

The charter is made up of a number of precepts, or basic principles. These are thought to be universally applicable to all natural resource producing countries, in the same way as the Universal Declaration of Human Rights. Each of the principles has a detailed explanation and an accompanying document on ways to achieve it on the charter's website.⁶⁵¹

Overarching Issues

- Precept 1: The development of natural resources should be designed to secure maximum benefit for the citizens of the host country.
- Precept 2: Extractive resources are public assets and decisions around their exploitation should be transparent and subject to informed public oversight.

649 " [EITI Rules](#) " *EITI website* Retrieved 27 October 2011.

650 " [New Charter to help oil-rich poor countries - launched today](#) " *Charter website* Retrieved 24 October 2011.

651 " [Natural Resource Charter - Precepts](#) " *Charter website* Retrieved 24 October 2011.

Upstream Issues

- Precept 3: Competition is a critical mechanism to secure value and integrity.
- Precept 4: Fiscal terms must be robust to changing circumstances and ensure the country gets the full value from its resources.
- Precept 5: National resource companies should be competitive and commercial operations. They should avoid conducting regulatory functions or other activities.
- Precept 6: Resource projects may have serious environmental and social effects which must be accounted for and mitigated at all stages of the project cycle.
- Precept 7: Resource revenues should be used primarily to promote sustained economic growth through enabling and maintaining high levels of domestic investment.

Downstream Issues

- Precept 8: Effective utilization of resource revenues requires that domestic expenditure be built up gradually smoothed to take account of revenue volatility.
- Precept 9: Government should use resource wealth as an opportunity to secure effective public expenditure and to increase the efficiency of public spending.
- Precept 10: Government policy should facilitate private sector investments in response to new opportunities and structural changes associated with resource wealth.

Global Responsibility

- Precept 11: The home governments of extractive companies and international capital centers should require and enforce best practice.
- Precept 12: All extraction companies should follow best practice in contracting, operations and payments.

Institution

The charter is at present a draft put together by a group of leading international scholars. In March 2010, the charter announced that it had an advisory board which includes former president of Mexico Ernest Zedillo, and African businessman Mo Ibrahim.

Transparency of Global Oil Companies (TI Report)

In March 2011, Transparency International (TI) issued a report on the transparency of information provided by 42 major oil and gas companies around the world.⁶⁵²

Findings

The report summarised its analysis into several main findings:

- Oil and gas companies are increasingly adopting and making publicly available anti-corruption programmes, but there are many companies that still do not publish their anti-corruption codes, policies or measures.
- Public disclosure of partnerships and subsidiaries, including their countries of incorporation, are key elements of organisational disclosure and the average results in this section were relatively high. Many national oil companies have a good level of disclosure. However, disclosure of equity or field partners in upstream operations remains infrequent, despite the fact that equity minority partnerships often present corruption risks.
- Country-level disclosure on international operations has improved since the 2008 PRT report, and reporting on production levels has become a broadly accepted standard and there are examples of good disclosure for financial data and reserves. But country-level disclosure on international operations remains weak; many companies do not disclose any financial data on a disaggregated country-level. The host country environment itself cannot be exclusively blamed for poor disclosure. In the same host countries, often described as 'difficult environments', some companies disclose extensive information, while the others disclose little or none at all.

Key Policy Recommendations

For Companies

- Detailed anti-corruption programmes should be publicly available
- Companies should undertake voluntary independent assurance of anti-corruption programmes
- Companies should publish details of their subsidiaries and fields of operations
- Oil and gas companies should increase their reporting on a country-by-country

652 "[Promoting Revenue Transparency: 2011 Report on Oil and Gas Companies](#)" Transparency International website Retrieved 25 October 2011.

basis

- Companies should join the Extractive Industries Transparency Initiative
- Companies should create and maintain up-to-date corporate websites

For National Oil Companies (NOCs)

- All NOCs should introduce internationally or generally accepted accounting standards, as well as publish independently audited accounts
- The relationships between home governments and NOCs should be clear and publicly disclosed

For Public Bodies

- The European Union should amend relevant legislation to require EU-registered companies to report on their operations on a country-by-country basis
- All governments that are home to oil and gas producers should require companies to report on their operations on a country-by-country basis
- Stock exchanges should enforce regulations providing for country-level reporting

For the Investor Community

- International rating agencies and risk analysts should include anti-corruption measures in their risk evaluation models where relevant
- The International Accounting Standards Board should require companies to report key information on a country-by-country basis
- Corporate responsibility indices should include reporting on anti-corruption programmes, organisational disclosure and country-level disclosure

Grades of Companies Operating in Libya

Companies in the TI report were graded on three criteria: their implementation and promotion of sound anti-corruption programmes to prevent individuals from misappropriating revenues; their disclosure of the financial relationships they have with their partners and their operating subsidiaries; and their publishing of precise information about how much revenue goes to state budgets and how much is retained by companies.

Aggregating the results of these criteria compiled by Transparency International, with 100% representing the highest level of transparency and 41% representing the aggregate mean, international oil companies operating in Libya placed as follows.

Above average performance transparency:

- Statoil: 75%
- Woodside: 68%
- BP: 64%
- Repsol: 64%
- Marathon: 63%
- Eni: 62%
- Shell: 58%
- OMV: 58%
- Hess: 56%
- ConocoPhillips: 55%
- ExxonMobil: 54%
- Chevron: 52%
- Petrobras 50%
- ONGC: 48%
- Total: 47%
- Wintershall: 47%

Below average performance transparency:

- Inpex: 28%
- Gazprom: 27%
- Sonatrach: 15%
- CNPC: 12%

Two companies operating in Libya, Occidental and PetroCanada, were not included in the report.

Global Witness

Global Witness describes itself as exposing "the corrupt exploitation of natural resources and international trade systems, to drive campaigns that end impunity, resource-linked conflict, and human rights and environmental abuses".⁶⁵³

Founded in 1993, Global Witness has been a key player in many of the major international mechanisms and initiatives that have been established to address these issues; including the Kimberley Process governing production of diamonds and precious stones, and the Extractive Industries Transparency Initiative.

Investigations which have driven policy changes

Global Witness' hard-hitting investigations have had direct and major impacts, such as the IMF withdrawal from Cambodia in 1996 over corruption in the logging industry,⁶⁵⁴ the imposition of timber sanctions on Charles Taylor's Liberia in 2003,⁶⁵⁵ and the precedent-setting arrest of timber baron Gus Kouwenhoven, in the Netherlands in 2005.⁶⁵⁶

653 "[Global Witness, About Us](#)" *Global Witness website* Retrieved 24 October 2010.

654 "[Our History](#)" *Global Witness website* Retrieved 24 October 2010.

655 "[Liberia breaches UN Sanctions - whilst its logging industry funds arms imports and RUF rebels](#)" *Global Witness website* 6 September 2001.

656 "[Arms dealer and timber trader Guus Kouwenhoven found guilty of breaking a UN arms](#)

Oil and Gas

Global Witness started producing reports on the oil and gas industry in 2004 when its report *Time for Transparency* detailed abuse of natural resources in Kazakhstan, Congo Brazzaville, Angola, Equatorial Guinea and Nauru.⁶⁵⁷

Reports on Russia's gas trade with the countries of Eastern Europe and the EU followed.⁶⁵⁸

In September 2009, Global Witness produced a report which provided details of the lack of transparency in the way Sudan distributes oil revenues between the government in Khartoum and the autonomous government of South Sudan.⁶⁵⁹

Revenue Watch Institute

First launched in 2002 as the Revenue Watch Program of the Open Society Institute, and spun off into an independent organization in June 2006, the Revenue Watch Institute (RWI) is the only organization dedicated exclusively to addressing the special problems of oil, gas and mining-dependent countries—countries where poverty, conflict and corruption too often converge.⁶⁶⁰

Activities

RWI characterises its work as mainly with civil society, helping them oversee mining industries across the entire value chain, from wellhead to international markets. The organisation also makes many small grants to partner institutions in developing countries.

EITI

RWI was a key founding member of the EITI in 2002 and has sat on its International Advisory Board. The institute defines its projects as supporting the EITI process in many countries around the world.

As of 2010, recent RWI support for EITI implementation included visits and ongoing outreach in Ecuador, Bolivia, Peru, Trinidad and Tobago, Indonesia, Malaysia, Iraq, Yemen, Sierra Leone and South Africa, among other countries.⁶⁶¹

[embargo](#)" *Global Witness website* 7 June 2006.

657 "[Time for Transparency](#)" *Global Witness website* Retrieved 26 October 2011.

658 "[It's a gas - funny business in the Turkmen-Ukraine oil trade](#)" *Global Witness website* Retrieved 26 October 2011.

659 "[Fuelling mistrust - The need for transparency in Sudan's oil industry](#)" *Global Witness website* Retrieved 26 October 2011.

660 "[Revenue Watch, About Us](#)" *Revenue Watch website* Retrieved 24 October 2010.

661 "[RWI and the EITI](#)" *Revenue Watch website* Retrieved 24 October 2010.

Transparency International

Transparency International (TI) is the world's largest civil society organisation working on issues of corruption and transparency. It was founded in 1993 by Peter Eigen, a former regional director in Africa from the World Bank.

Eigen explained that in his 25 years at the World Bank, terrible projects often got funded because they had the support of leading officials, backed by corruption. The purpose of TI was to put the issue of corruption on the agenda of the World Bank, large donor countries, and the development process.⁶⁶²

Major Programs

The project for which TI is most famous is the Corruption Perceptions Index, an annual report issued since 1995. In it, business people are asked for their perceptions of the influence of corruption in their country. Libya has recently ranked almost always near the bottom of the index.⁶⁶³

As well as the index, TI also publishes a range of reports and position papers on various issues related to transparency.

Middle East Presence

TI works through a series of national chapters - some 100 worldwide. In the Middle East region, there are national chapters in Palestine, Lebanon, Bahrain, Kuwait and Morocco.

TI is also carried out a three-year project in four Arab countries (Egypt, Morocco, Lebanon and Palestine) called **Promoting Transparency and Enhancing Integrity in the Arab region**,⁶⁶⁴ with the results of the studies on Lebanon, Morocco and Palestine being launched in late 2009 and the report on Egypt launched in March 2010.⁶⁶⁵

The Oil and Gas Industries

In March 2011, TI issued a report about the status of transparency among global oil companies. It follows a 2008 report that was built on a 2005 study by the charity Save the Children into the same issue, but adapted the methodology.⁶⁶⁶

662 "[TI's greatest success](#)" Wikipedia Retrieved 25 October 2011.

663 "[2010 Corruption Perceptions Index](#)" *Transparency International* Retrieved 25 October 2011.

664 "[Promoting Transparency and Enhancing Integrity in the Arab Region](#)" *Transparency International website* Retrieved 25 October 2011.

665 "[Promoting Transparency and Enhancing Integrity in the Arab Region](#)" *Transparency International website* Retrieved 25 October 2011.

666 "[Promoting Revenue Transparency: 2011 Report on Oil and Gas Companies](#)" *Transparency International website* Retrieved 25 October 2011.

Appendix

Libyan Draft Constitutional Charter for the Transitional Stage

**Draft Constitutional Charter
for the Transitional Stage**

In the Name of God, the Merciful, the Compassionate

In the Name of the People

In view of our belief in the Revolution of the 7th February, 2011 AD which has been led by the Libyan people in different districts of their country and due to our faithfulness to the martyrs of this blessed Revolution who sacrificed their lives for the sake of freedom, living with dignity on the land of home as well as retrieving all the spoiled rights.

Based on the legitimacy of this Revolution, and in response to the desire of the Libyan people and their hopes to achieve democracy, establish the political multitude and the estate of institutions, to create a society wherein all of us can live in stability, tranquility and justice; a society that can raise by science, culture, welfare and health, and that can bring up the new generations according to the Islamic spirit and love of home.

In the hope of seeking a society of citizenship, justice, equality, booming, progress and prosperity wherein there is no place for injustice, tyranny, despotism, exploitation and dictatorship. Therefore, this Revolution requires issuing these presents in order to be the basis of rule in the transitional stage until a permanent constitution is issued.

NOW, THEREFORE, based on the statute of the interim Transitional National Council issued on March 12th, 2011 and the resolution No. (...) in the year of ...concerning naming the local councils, the following Charter has been promulgated:

Part One

General Provisions

Article (1)

Libya is an independent Democratic State wherein the people are the source of authorities. The city of Tripoli shall be the capital of the State. Islam is the Religion of the State and the principal source of legislation is Islamic Jurisprudence (Sharia). Arabic is its official language while preserving the linguistic and cultural rights of all components of the Libyan society. The State shall guarantee for non-Moslems the freedom of practising religious rights and shall guarantee respect for their systems of personal status.

Article (2)

The law shall prescribe the emblem and anthem of the State.

Article (3)

The national flag shall have the following shape and dimensions:

Its length shall be double its width, it shall be divided into three parallel coloured stripes, the uppermost being red, the centre black and the lowest green, the black stripe shall be equal in area to the two other stripes together and shall bear in its centre a white crescent, between the two extremities of which there shall be a five-pointed white star.

Article (4)

The State shall seek to establish a political democratic regime to be based upon the political multitude and multi party system in a view of achieving peaceful and democratic circulation of power.

Article (5)

The family is the basis of society and shall be entitled to protection by the State. The State shall also protect and encourage marriage. The State shall guarantee the protection of motherhood, childhood and the elderly. The State shall take care of children, youth and the handicapped.

Article (6)

Libyans are brothers and their official relationship shall be based on law rather than tribal, proud or personal loyalty. Libyans shall be equal before the law. They shall enjoy equal civil and political rights, shall have the same opportunities, and be subject to the same public duties and obligations, without discrimination due to religion, belief, race, language, wealth, kinship or political opinions or social status. The State shall guarantee for woman all opportunities which shall allow her to participate entirely and actively in political, economic and social spheres.

Part Two

Rights and Public Freedoms

Article (7)

Human rights and his basic freedoms shall be respected. The state shall endeavor to join

the international and regional declarations and charters which protect such rights and freedoms.

Article (8)

The State shall guarantee for every citizen equal opportunities and shall provide an appropriate standard of living. The State shall also guarantee the right of work, education, medical care, and social security, the right of intellectual and private property. The State shall further guarantee the fair distribution of national wealth among citizens, and among the different cities and districts thereof.

Article (9)

Defence of the motherland, safeguarding national unity, keeping the civil, constitutional and democratic system, abiding by civil values, combating tribal bias and caring for the public funds shall be duty of each and every citizen.

Article (10)

The extradition of political refugees shall be prohibited. The State shall guarantee the right of asylum.

Article (11)

There shall be no crime or penalty except by virtue of the law. Any defendant is innocent until he is proved guilty before a fair court, in which he is granted the guarantees necessary to defend himself. Each and every citizen shall have the right to recourse to the Courts in accordance with the provisions of the law.

Article (11 bis)

Homes shall have their sanctity and they may not be entered or inspected except in cases prescribed by the law and according to the manner set forth therein.

Article (12)

The law shall protect the inviolability of the private life of citizens.

Article (12 bis)

Correspondence, telephone calls and other means of communication shall have their own sanctity and their secrecy shall be guaranteed. They may not be confiscated or monitored

except by a causal judicial warrant and for a definite period and according to the provisions of the law.

Article (13)

Freedom of opinion for individuals and groups, freedom of scientific research, freedom of communication, liberty of the press, printing, publication and mass media, freedom of movement, freedom of assembly, freedom of demonstration and freedom of peaceful strike shall be guaranteed by the State.

Article (14)

The State shall guarantee the freedom of forming political parties, societies and other civil societies, and a law shall be promulgated to regulate same. The establishment of clandestine or armed societies, or societies in violation of public system or of public morals and others which may be detriment to the State or the unity of the State shall be prohibited.

Article (15)

Property shall be inviolable. No owner may be prevented from disposing of his property except within the limits of the law.

Part Three

Form of State Governance during the Transitional Stage

Article (16)

During the transitional stage, the Transitional National Council, the supreme authority in the State of Libya shall undertake the works of the supreme sovereignty including legislation and laying down the general policy of the State. The Transitional National Council shall be deemed as the sole legitimate representative of the Libyan people and it shall derive its legitimacy from the Revolution of February 17. The Transitional National Council shall be entrusted to guarantee the national unity, the safety of the national territory, to embody and circulate values and morals, to ensure the safety of citizens and expatriates, and to establish the bases of the civil constitutional democratic state.

Article (17)

- The Transitional National Council shall consist of representatives for the Local Councils. It must be taken into consideration in determining the representatives of each Local Council the population density and the geographical standard of the

city or the area which it represents. The Council shall have the right to add ten (10) members for the sake of national interest.

- The Transitional National Council shall elect a president, first and second vices thereof. If the post of the President or of his vice becomes vacant, a successor shall be elected by the Council. The term of the new president or his vice shall extend until the end of the term of his predecessor. In all cases, election shall be effected by relative majority of those present. In case more than one nominee equaled in obtaining the majority votes, the oldest member shall be elected.

Article (18)

The members of the Transitional National Council shall take in a private meeting to be held for this purpose within a week from the date of re-establishing the Council the following oath: "I swear by Almighty God to carry out the duties of my job honestly and truthfully, to remain faithful to the goals and principles of the Interim Transitional National Council in Libya, to respect the constitutional charter and internal statutes thereof, to look after the interests of the Libyan people in full and to safeguard the independence, security and unity and territorial integrity of the motherland."

Article (19)

The Transitional National Council shall have its own statutes which shall regulate the method of work therein and the manner to exercise the duties and functions thereof.

Article (20)

It shall be impermissible for any member of the National Council to assume any other public office. It shall also be impermissible to combine the membership of the National Council with the membership of the Local Council. A member may neither be appointed in a Board of Directors of any company nor may he contribute to obligations made by the government or made by one of the public institutions. Further, during the term of his membership, the member, his wife or his relatives even the fourth degree may not buy or rent any State property or lease or sell to or barter with the State any of his own property, or conclude a contract with the State in his capacity as obligator, supplier or contractor.

Article (21)

No membership in the National Council shall be revoked except on the grounds of loss of confidence or status or loss of one of the conditions of membership or the violation of his obligations as a member. The membership shall be deemed invalid on the grounds of a decision taken by two-thirds of the Council members.

The membership shall end in cases of death, acceptance of resignation by the National Council, losing of legal competence or disability to perform duty.

In case of revoking or expiration of the membership, the National Council shall elect the new member in replacement of the member whose membership was revoked or expired.

Article (21 bis)

The seat of the Transitional National Council shall be in the city of Tripoli and it may establish an interim seat in the city of Benghazi. However, the Council may, meet in another place upon the request of the majority of its members.

Article (22)

- The Transitional National Council shall have an Executive Office consisting of a chairman and sufficient number of members in order to manage the different sectors of the State. The Transitional National Council shall have the right to dismiss the Chairman of the Executive Office or any member thereof provided that such resolution shall be issued and adopted by the majority of two thirds of the members of the Council.
- The Chairman of the executive office and the members thereof shall be jointly liable before the Transitional National Council for carrying out the general policy of the State in accordance with the instructions and directions of Transitional National. Each and every member shall further be responsible for the works of the sector presided by him before the Transitional National.

Article (23)

The Chairman of the Executive Office and the members thereof shall take oath in the formula prescribed by Article (18) prior to carrying on their duties before the Transitional National Council.

Article (24)

The Executive Office shall carry out the general policy of the State in accordance with the instructions and directions of Transitional National Council. The executive office shall as well undertake the issuance of the executive regulations of the issued laws. It shall also submit the draft laws to the National Council in order to review same and to take as it may deem appropriate in respect thereof.

Article (25)

The general budget of the State shall be issued by law.

Article (26)

The Transitional National Council shall establish an Accounting Department which shall undertake financial control over all revenues, expenses, all movable and immovable property belonging to the State. The said department shall verify the optimum use of such

funds and preserve same. It shall also submit an annual report on that to the National Council and the Executive Office.

Article (27)

The National Council shall appoint diplomatic representatives of the State abroad upon the nomination of the Foreign Affairs. It shall also have the right to remove them or to accept their resignations. It shall further accept the credentials of the heads of foreign diplomatic missions. The Council shall as well delegate its President in accepting the credentials of the heads of foreign diplomatic missions.

Article (28)

- Prior to liberation, the Transitional National Council shall be completed according to the number designated for each approved Local Council. It shall remain the Council which represents the supreme authority in the State of Libya; it shall be liable for managing the State until the elected legislative and executive authorities manage the affairs of the State.
- After the announcement of liberation, the Transitional National Council shall move to Tripoli. The President thereof shall form an interim national government in the first meeting thereof.
- After the lapse of one month of liberation, the members of the Constitutional Authority shall be appointed by secret balloting outside the members of the Transitional National Council.
- The Constitutional Authority shall supervise laying down the Constitution of the State within three months after its first meeting wherein it shall approve the proposal of constitution in its final form. Then it shall refer the Constitution to the People for a plebiscite.
- The Constitution shall be referred to the people for a plebiscite with (Yes) or (No) within one month from the date of its preparation. If and when the Libyan people approve the Constitution by absolute majority, the Constitutional Authority shall then approve the Constitution as being the Constitution approved for the State. The Transitional National Council shall also approve the Constitution. In case of disapproval of the Libyan people, the Constitutional Authority shall then be assigned to reformulate the Constitution and the constitution shall be re-referred to the people for a plebiscite within a period not exceeding one month.
- Legal committees affiliated to the Transitional National Council shall lay down the laws of the legislative and presidential elections in accordance with the Constitution within sixty (60) days from the date of approving same.
- The date of the process of the legislative and presidential elections shall be announced and made known provided that it shall not exceed the period of six months from the date of issuing the laws regulating same. The National Council

and the government shall supervise the preparation of all the requirements for instituting the electoral process in a transparent and democratic manner.

- Both the legislative and presidential elections shall be conducted under the supervision of the United Nations.
- The Transitional National Council shall approve and announce the results of the elections, and shall convoke the Parliament for meeting within a period not exceeding one month. In the first session thereof, the Transitional National Council shall be dissolved and the Parliament shall fulfill its legislative task.
- The permanent government shall be appointed in accordance with the Constitution and the interim government shall submit its resignation.

Article (29)

The members of the Transitional National Council, of the interim government and of the Local Councils may not nominate for or assume the position of the President of the state, the membership of the legislative councils and ministerial portfolios.

Part Four

Judicial Guarantees

Article (30)

- There shall be no crime or penalty except by virtue of the law.
- Any defendant shall be innocent until he is proved guilty by a court ruling and he shall be granted the guarantees necessary to defend himself. Imprisoning the defendant in the bar during the trial shall be prohibited. No physical or psychological harm is to be inflicted upon him.

Article (31)

- The Judiciary Authority shall be independent. It shall be exercised by courts of justice of different sorts and competences. They shall issue their judgments in accordance with the law. Judges shall be independent, subject to no other authority but the law and conscience.
- Establishing Exceptional Courts shall be prohibited.

Article (32)

- Right of resorting to judiciary shall be preserved and guaranteed for all people. Each and every citizen shall have the right to resort to his natural judge. The State shall guarantee to bring the judiciary authorities near the litigants and shall guarantee the swift determination on lawsuits.
- Laws shall not provide for the prohibition of judiciary authority to control any

administrative decree.

Part Five

Conclusive Provisions

Article (33) [This Article is repeated under Article 29]

The members of the Transitional National Council, of the interim government and of the Local Councils may not nominate for or assume the position of the President of the state, the membership of the legislative councils and ministerial portfolios.

Article(34)

The constitutional documents and laws which were applicable before applying these presents shall be repealed.

Article(35)

All the provisions prescribed in the existing legislations shall continue to be effective in so far as they are not inconsistent with the provisions hereof until they are amended or repealed. Each reference in these legislations to the "People's Congresses", the "General People's Congress", the "General People's Committee" or the "People's Committees" shall be deemed as a reference to the Executive Office, to the members of the Executive Office, to the interim government or to the interim Local Councils each within its respective area of jurisdiction. Each reference to (Great Socialist People's Libyan Arab Jamahiriya) shall be deemed as a reference to (Libya).

Article(36)

No cancellation or amendment shall be made to any provision contained herein save with another provision issued by the Transitional National Council and by the majority of two thirds of the members of the Council.

Article(37)

These presents shall be published in different media and shall take effect from the date they are approved and published in media.

The Transitional National Council
Benghazi on / / 2011 AD
Names and signatures

Libya 1955 Petroleum Law

The Petroleum Law (25/55) (As amended)

Article 1

Petroleum Property of State

- 1) All petroleum in Libya in its natural state in strata is the property of the Libyan State.
- 2) No person shall explore or prospect for, mine or produce, petroleum in any part of Libya, unless authorized by a permit or concession issued under this Law.

Article 2

High Council of Petroleum Secretariat

The Secretary of Petroleum shall submit matters set forth in paragraphs (a) and (b) below to the General People's Committee for study and the issuance of a final decision in that connection.

- (a) The granting of reconnaissance permits and the complete surrender of concession areas.
- (b) Granting or cancellation of concession agreements and the acceptance or refusal of assignment of them and the decision to resort to arbitration and the fixing of the dates for opening of concession applications.

Article 3

Petroleum Zones

For the implementation of this Law the Libyan territory will be divided into four petroleum Zones:

The First Zone includes the regions of Tripoli, the Western Mountains, Zawia, Homs and Misurata.

The Second Zone includes the regions of Benghazi, Green Mountain and Derna, which are north of latitude 28.

The Third Zone includes the regions of Benghazi, Green Mountain and Derna, which are south of latitude 28.

The Fourth Zone includes the regions of Sebha and Ubari.

Article 4

Boundaries

(1) This Law shall extend to the seabed and subsoil, which lie beneath the territorial waters and the high seas contiguous thereto under the control and jurisdiction of the Socialist People's Libyan Arab Jamahiriya. Any such seabed and subsoil adjacent to any Zone shall for the purpose of this Law be deemed to be part of that Zone.

(2) If there is doubt as to the boundary of any Zone the Secretariat of Petroleum shall determine the boundary of such Zone for the purposes of this Law only; and if by reason of such determination it becomes necessary for the applicant to amend his application, or to make a new application, he shall be allowed one month to do so after receipt of a request to do so, without loss of priority.

(3) If a subsequent determination of the boundaries leads to an adjustment of the boundaries as determined by the Secretariat of Petroleum, such adjustment shall not affect the validity or extent of permits or concessions granted within the area or areas affected by the adjustment.

Article 5

Eligible Applicants

(1) The Secretariat of Petroleum shall consider applications for permits or concessions submitted by eligible applicants only, and in determining the eligibility of any applicants the Secretariat of Petroleum shall have regard to the following:

- (a) The furtherance of the public interest.
- (b) i) The applicant's compliance with relevant Laws and Regulations.
ii) His previous activities in the Petroleum Industry.
iii) His previous experience in the conduct of similar operations
iv) His financial and technical capacity to conduct the contemplated operations.

(2) In determining the eligibility of an applicant who is a subsidiary of a

company or a member of a group of companies, there shall be taken into consideration the possession of the aforesaid qualifications by the parent company or group of companies of which he is a member and the extent of the availability to the applicant of such qualifications.

Article 6

Permits

(1) Applications for permits shall be submitted in triplicate to the Secretariat of Petroleum, which shall forward a copy to the Secretary. Separate applications shall be submitted in respect of each petroleum Zone.

(2) The applications shall show the area the applicant desires to work, and contain short particulars in respect of the matters referred to in Article 5 of this Law. The applicant shall, at the Secretariat of Petroleum's request, furnish any further relevant information. All information submitted under this paragraph shall be treated as confidential.

(3) The Secretariat of Petroleum may grant a permit in the form set out in the First Schedule to this Law and not otherwise, provided that the permit may contain such minor nondiscriminatory variations as may be required to meet circumstances of any particular case.

(4) Such a permit may be granted in respect of any area and shall entitle the holder thereof to carry out the operations permitted therein within the specified area and in accordance with the terms of the permit; provided however, that nothing in this paragraph shall entitle the holder of the permit to impede in any way the work of any Concession Holder, or to enter into prospecting and development sites without the express permission of the Concession Holder.

(5) The grant of a permit does not of itself entitle the holder thereof to a concession in respect of any area.

(6) A permit shall be granted on payment of the fee specified in the First Schedule hereto.

(7) A permit may be granted for a period of one year and may be renewed on payment of the specified fee.

Article 7

Applications for Concessions

(1) The Secretariat of Petroleum shall announce from time to time by notice published in the local and world press the areas in respect of which concessions may be applied for.

(2) The Secretariat of Petroleum shall by notice published in the local and world press invite those who wish to apply for concessions in the areas mentioned in paragraph (1) of this Article to submit their applications in triplicate in a sealed envelope delivered to the Main Offices of the Secretariat of Petroleum. The Secretariat of Petroleum shall fix a closing time and date for the delivery of the applications and shall not consider any application, which is delivered after such time and date.

(3) The Secretariat will invite by registered mail every applicant for concessions to send a representative to the Secretariat's Offices on a fixed hour and day to attend the opening of the application for concessions. If the representative of the applicant fails to attend at the fixed hour and day this shall be considered as a refusal to the invitation. Applications will be opened by those entrusted by the Secretary to do so in the presence of the representatives of the applicants who accepted the invitation. The first copy of each application will be signed by those entrusted to open them and by the representatives of the applicants who accepted the invitation.

(4) It shall not be permissible to amend or vary an application after it has been opened and signed as mentioned in paragraph (3) hereof.

(5) The Secretariat of Petroleum shall send a copy of each application to the Secretary.

(6) Each application shall contain short particulars in respect of the matters referred to in Article 5 of this Law. The applicant shall, at the Secretariat of Petroleum's request, furnish any further relevant information which may be required by the Secretariat of Petroleum and which relates to his application. All information supplied under this paragraph shall be treated as confidential.

(7) The applicant may include in his application particulars of any economic and financial benefits and advantages and other things, which he is willing and able to offer in addition to those stated in this Law and the Second Schedule hereto.

Article 8

Conflicting Applications

In the event of more than one application being submitted for a concession over the same area the Secretariat of Petroleum shall have absolute discretion as to which application to accept. In making its decision the Secretariat of Petroleum shall take into account such additional economic and financial benefits and advantages and other things mentioned in paragraph (7) of Article 7 of this Law as are offered in the applications.

Article 9

Grant of Concessions

(1) The Secretariat of Petroleum shall grant concessions in the form set out in the Second Schedule to this Law provided that they may contain any additional benefits and advantages which are offered by the applicant under paragraph (7) of Article 7 of this Law and accepted by the Secretariat of Petroleum and provided that those additions shall not contain conditions or terms that reduce any of the rights, benefits or privileges to which the Secretariat of Petroleum is entitled under the terms of this Law and the Second Schedule hereto.

(2) Before the grant of a concession, the Secretariat of Petroleum may require the applicant to furnish a written undertaking to abstain from all political activities in Libya.

(3) An applicant may be required before the grant of a concession to deliver to the Secretariat of Petroleum a guarantee by way of bond or banker's guarantee in a sufficient sum not exceeding Fifty thousand Libyan Dinars (LD 50,000) to secure the due performance of his obligations under all concessions held by him in Libya. Such bond or banker's guarantee shall be maintained as a constant figure throughout the life of the concession, and such bond or banker's guarantee shall be accepted by the Director of Customs in lieu of any bond he may require under the Customs Law.

(4) Concessions shall be granted for the period of time requested by the applicant provided that such period shall not exceed fifty (50) years. A concession may be renewed for any period so that the total of the two periods does not exceed sixty (60) years.

(5) No concession may be granted in respect of any area included in any existing concession granted hereunder.

(6) The Secretariat of Petroleum may however grant concessions covering adjoining areas lying in two or more Zones.

(7) The boundaries of every concession granted hereunder shall conform as far as possible to the grid lines of the official map of the Secretariat of petroleum.

(8) The maximum number of concessions and the total areas, which may be held at one time by any person, are as follows:

(a) Three concessions in each of the First and Second Zones and four concessions in each of the Third and Fourth Zones provided that:

i) The Secretariat of Petroleum may grant concessions in excess of the maximum number permitted hereunder and shall give reasonable con-

sideration to applications submitted for that purpose.

ii) No concession in which there is an oil or gas well, shall be included in computing the number of concessions held by a Concession Holder.

(b) 30,000 square kilometers in each of the First and Second Zones and 80,000 square kilometers in each of the Third and Fourth Zones.

(9) (Repealed by 3rd July 1961 Amendment).

(10) The concession holder shall have the right to enter and occupy free of charge for the purpose of his operations under any concession granted under this Law any land within the concession area other than private land, provided it is not then in the lawful occupation of some person.

(11) If the Concession Holder fails to agree with a private landowner or lawful occupier of other than private land as to the terms on which he may enter and occupy the land in question, the Concession Holder shall immediately notify the Director. If the occupation is to be of a temporary nature, not exceeding one year, the Director shall authorize such temporary occupation upon deposit by the Concession Holder with the Secretariat of Petroleum of a sum by way of reasonable compensation to such landowner and/or lawful occupier for loss of use of and damage to the interest in the land as the Director shall determine. If the occupation is to be for a longer period than one year the Secretariat of Petroleum shall authorize occupation by the concession holder of the land in question upon deposit by the Concession Holder with the Secretariat of Petroleum of such sum by way of reasonable compensation as the Secretariat of Petroleum shall determine and the Secretariat of Petroleum shall direct appropriate proceedings to be taken to put the Concession Holder into possession of the land under the law from time to time in force, as if the Concession Holder's operations were in all respects a work of public utility. In the event of any dispute as to the nature and extent of the interest of claimants to the land or the amount of compensation payable by the Concession Holder, the Secretariat of Petroleum shall refer the dispute for determination by appropriate court of Law and the Secretariat of Petroleum shall pay to the respective claimants such sum by way of compensation as may have been determined by the court. The Secretariat of Petroleum shall pay to or obtain from the Concession Holder (as the case may be) the amount by which the sum deposited by the Concession Holder exceeds or falls short of the total compensation payable to the claimants.

(12) The concession shall not confer upon the Concession Holder the right to do any work within the precincts of cemeteries, places used for religious worship and places of antiquity as defined in the Antiquity Laws from time to time in force. Any works of art or antiquity discovered by the Concession Holder shall be subject to the law from time to time in force.

(13) No drilling or any dangerous operations shall be conducted within 50 meters of any public works or permanent buildings without the previous consent of the Director, and subject to such conditions as he may impose.

Article 11

Working Obligations

(1) The holder of any concession granted under this Law shall within eight months of the grant of such concession, commence operations to explore for petroleum within the concession area. He shall diligently prosecute all his operations under the concession in a workmanlike manner in accordance with oil industry practice based on appropriate scientific methods. In furtherance thereof he shall spend in Libya, or elsewhere, not less than the following sums or their equivalent, or in connection with, the said operations including general organizational, overhead and administrative expenses connected therewith: -

(a) In respect of all concessions in the First and Second Zones;

During the first five years at the average rate, over the period and over the total area held in the Zone, of one and a half Libyan Dinars (LD 1½) per square kilometer per annum;

During the next three years at the average rate, over the period and over the total area held in the Zone of three and a half Libyan Dinars (LD 3½) per square kilometer per annum;

and thereafter during each successive five year period at the average rate over such period of six Libyan Dinars (LD 6) per square kilometer per annum.

(b) In respect of all concessions in the Third and Fourth Zones;

During the first eight years at the average rate, over the period and over the total area held in the Zone, of one and a half Libyan Dinars (LD 1½) per square kilometer per annum;

During the next four years at the average rate, over the period and over the total area held in the Zone, of three and a half Libyan Dinars (LD 3½) per square kilometers per annum;

and thereafter during each successive five year period at the average rate over such period of six Libyan Dinars (LD 6) per square kilometer per annum.

(2) Any sum spent during any of the working periods specified above in excess of the minimum sum prescribed for that period shall be carried forward as a credit to the Company against the expenditure requirements for the following period or periods.

(3) If at the expiration of one half of any of the working periods specified in sub-paragraphs (a) and (b) above it appears to the Secretariat of Petroleum that a Concession Holder has seriously neglected his obligations in respect of any Zone, the Secretariat of Petroleum may require such Concession Holder to deliver to it a guarantee in the form of a bond or banker's guarantee in a sum which shall not exceed the total outstanding expenditure obligations remaining unfulfilled in that Zone. Such guarantee may at the end of the said period be forfeited to the Secretariat of Petroleum to the extent that the Concession Holder may have failed to fulfill his expenditure obligations.

Article 12

Pipeline Facilities

Any Concession Holder having pipeline capacity surplus to his own requirements shall make such surplus available for the transport of Petroleum of any other Concession Holder desiring to use the said surplus on terms agreed between them and approved by the Secretariat of Petroleum.

If they fail to agree or if the Secretariat of Petroleum does not approve the terms agreed upon, the Secretariat of Petroleum shall propose terms of user.

If any of the Concession Holders do not accept the terms proposed by the Secretariat of Petroleum, the Secretariat of Petroleum shall within two months from such non-acceptance submit the matter to a Committee of three persons, one to be nominated by the Concession Holder having the surplus capacity, another by the Secretariat of Petroleum and the third by the President of the Supreme Court of Libya. This Committee shall settle the terms of user and its decision or that of a majority of its members shall bind the respective concession holders and the Secretariat of Petroleum. This decision shall be published in the Official Gazette.

Pending agreement on the terms of user or decision of the Committee in accordance with the provisions of this Article, the Concession Holder desiring to use the surplus capacity shall be entitled to do so in accordance with the terms proposed by the Secretariat of Petroleum. Upon the terms being agreed upon or decided by the said Committee, as the case may be, they shall have retrospective effect to the commencement of such user.

Article 13

Fees, Rents and Royalties

(1) The Concession Holder shall in respect of each concession granted hereunder pay the following fees, rents and royalties: -

(a) An initial fee of 100 Libyan Dinars per 100 square kilometers or pro-rata for part thereof of the Concession Area upon the grant of the concession.

(b) An annual surface rent per 100 square kilometers or pro-rata for part thereof of the Concession Area held as follows:

i.) For concessions located within the First and Second Zones, ten Libyan Dinars for each of the first eight years, twenty Libyan Dinars for each of the next seven years, provided that if at any time during this period of fifteen years Petroleum is found in commercial quantities the annual rent shall immediately increase to 2500 Libyan Dinars for the remainder of the said period and a pro-rata proportion of this increased rent shall be payable in respect of the year in which the find occurs.

ii) For concessions located within the Third and Fourth Zones, five Libyan Dinars for each of the first eight years, ten Libyan Dinars, for each of the next seven years provided that if at any time during this period of fifteen years petroleum is found in commercial quantities, the annual rent shall immediately increase to 2500 Libyan Dinars for the remainder of the said period and a pro-rata proportion of this increased rent shall be payable in respect of the year in which the find occurs.

iii) 3500 Libyan Dinars for each of the five years from the expiry of the fifteenth year from the granting of the concession.

iv) 5000 Libyan Dinars for each year thereafter.

(c) A royalty of 12.5% of the value of the total field production of all natural gasoline recovered by the Concession Holder from the concession area and of all petroleum (excluding natural gas) won and saved into field storage freed of water and foreign substances after deduction of the quantities of any petroleum, petroleum products and natural gasoline used in Libya by the Concession Holder in the course of his operations hereunder.

The value of crude oil for royalty purposes shall be calculated on the basis of the posted price as defined in Article 14 (5) hereof.

The value of natural gasoline and of petroleum other than crude oil for royalty purposes shall be calculated in a manner to be agreed upon from time to time between the Secretariat of Petroleum and the Concession Holder.

(d) A royalty of 12.5% of the sale price less any cost of transport from the Wellhead paid by the concession holder and not recovered from the purchaser in respect of all natural gas derived from the concession area and sold by the Concession Holder for delivery in Libya.

(e) A royalty of 12.5% of the value of all natural gas derived from the concession area and exported by the Concession Holder, the value of the natural gas for this purpose being the sale price after deducting any handling charges, duties and imposts and the cost of transport from the Wellhead paid by the Concession Holder and not recovered from the purchaser.

(2) The Secretariat of Petroleum shall be entitled by notice in writing to the Concession Holder of not less than three months to take in kind the whole or part of the royalty stipulated in this Article and due in any complete year. Any petroleum, or natural gasoline to which the Secretariat of Petroleum becomes entitled by virtue of the exercise of this right shall be delivered by the Concession Holder f.o.b. Seaboard Terminal in Libya.

(3) Sums payable by way of royalty in respect of any year from a concession area shall be reduced by the amounts paid as surface rent in respect of that year, provided that in no case shall the amounts of rent paid be less than LD 2500 per 100 square kilometers or pro-rata for part thereof.

Article 14

Taxation and Division of Profits

(1) The Concession Holder shall pay such income tax and other taxes and imports as are payable under the Laws of Libya, but shall not be subject to any form of taxation whether Government or Municipal or other exaction of such nature as to render him liable to taxation or other dues not payable by persons in general operating in Libya other than fees, royalties and surface rents made payable under this law: -

Provided however that:

(a) If in respect of any complete year from and after the effective date as hereinafter defined the total amount of the fees, rents and royalties except 16.67% of the value of crude oil exported as herein defined, payable under this Law and income tax and other direct taxes for which a Concession Holder is liable in respect of his operations and income there from under all petroleum concessions held by him in Libya falls short of 65% of his profits^[1] as hereinafter defined for that complete year the Concession Holder shall pay to the Secretariat of Petroleum such sum by way of surtax as will make the total of his payments equal to 65% of the profits aforesaid.

(b) If in respect of any complete year from and after the effective data the total amount of fees, rents and royalties except 16.67% of the value if crude oil exported, as herein defined, payable by the Concession Holder under this Law and income tax and other direct taxes for which the Concession Holder is liable as aforesaid exceeds 65% of the said profits of the Concession Holder during that complete year, he shall be entitled to deduct such excess from the income tax, surtax and other direct taxes payable in that year or following years.

(c) For purposes of paragraphs (1), (2) and (9) of this Article, "16.67% of the value of crude oil exported" shall mean: 16.67% of the value calculated on the basis of the applicable posted prices of crude oil exported by the Concession Holder in any such complete year and on which royalty is payable by the Concession Holder in that year.

(d) For purposes of this Law crude oil sold by the Concession Holder for export from Libya (which term "for export" as used herein includes export before or after sale) shall be deemed to be crude oil exported by the Concession Holder. With respect to crude oil taken in kind by the Libyan Government under this Law, being in payment by the Concession Holder in whole or in part of the royalty stipulated in this Law, such crude oil shall be deemed to be crude oil exported by the concession holder if such crude oil

is delivered to the Libyan Government by the Concession Holder for export.

(2) In applying this Article: -

“Complete year” means the financial year of the Concession Holder. The first year, however, shall include the period from the effective date to the end of the financial year of the Concession Holder and the last year shall include the period from the beginning of the financial year of the Concession Holder to the termination of the concession.

“Effective date” means the date on which the Concession Holder first commences regular exports in commercial quantities or regular sales in commercial quantities of petroleum derived from any of his concessions in Libya.

“Profits” for the purposes of paragraph (1) (a) and (1) (b) mean in respect of any complete year after the effective date the income resulting to the Concession Holder from his operations in Libya after deducting the following items (a) and (b) in so far as they are fairly, properly and necessarily attributable to the operations of the Concession Holder in Libya, and item (c);

(a) Operating expenses and overheads the details of which defined in Regulations excluding the fees, rents, royalties and income tax and other direct taxes referred to in (1) (a) and (1) (b) above.

(b) Depreciation of all physical assets in Libya at the rate of 33⅓% per annum and amortisation of all other capital expenditure in Libya at the rate of 5% per annum until such assets and expenditure are fully written off. The unamortised balance of the cost of physical assets permanently put out of use may be deducted in the year when such assets are scrapped or sold.

(c) 16.67% of the value of the crude oil exported, as defined in paragraph (1) (c) above.

(3) Exploration and prospecting expenses, intangible drilling costs, as defined by Regulations but only to the extent that such expenses and costs are not incidental to the procurement or installation of physical assets, and the costs of drilling wells not productive of petroleum in commercial quantities may in respect of expenditure incurred after the effective date, be deducted in the year in which the expenditure is incurred under paragraph (2) (a) of this Article or may be capitalised and amortised as provided in paragraphs (2) (b) of this Article. The Concession Holder may either deduct or capitalize each such classification of expenditure. The election once made is final and binding for all time unless the Secretariat of Petroleum in special cases agrees otherwise. Expenditure capitalised under this paragraph and attributable to areas surrendered under paragraph (1) of Article 10 of this Law may be deducted in the year of surrender in so far as not already amortized.

(4) Nothing in this Article shall be taken as permitting the deduction under paragraph (2) (a) or (b) of this Article of the following items of expense in determining the profits for the purpose of paragraphs (1) (a) and (1) (b).

- i) Penalties paid under Article 22 of this Law or any sum forfeited to the Secretariat of Petroleum under Article 11 (3) of this Law.
- ii) Foreign taxation paid on income determined from sources within Libya.
- iii) Interest or other consideration paid or suffered by the Concession Holder in respect of the financing of his operations in Libya.
- iv) Expenditure incurred in relation to the organizing and initiation of petroleum operations in Libya.

(5) In applying this Article: -

“Income resulting from the operations of the Concession Holder in Libya means:

- (a) In relation to crude oil exported by the Concession Holder from Libya; Total gross receipts realized by the Concession Holder from such export.
- (b) In relation to other operations of the Concession Holder in Libya the income to be ascertained in a manner to be agreed between the Concession Holder and the Secretariat of Petroleum.

The value of petroleum and natural gasoline taken in kind under Article 13 hereof shall be deemed to form part of such income.

“Posted price” means the price f.o.b. Seaboard Terminal for Libyan crude oil of the gravity and quality concerned arrived at by reference to free market prices for individual commercial sales of full cargoes and in accordance with the procedure to be agreed between the Concession Holder and the Secretariat of Petroleum or if there is no free market for commercial sales of full cargoes of Libyan crude oil then posted price shall mean a fair price fixed by agreement between the Concession Holder the Secretariat of Petroleum or in default of agreement by arbitration having regard to the posted prices of crude oil of similar quality and gravity in other free markets with necessary adjustments for freight and insurance.

The Secretary of Petroleum may, in case of change in the circumstances or basis of fixing prices of crude oil or its products in the market, fix the prices of crude oil or its products by a decision from him in which he takes into account market conditions of Libyan crude oil advantages. The Government may, in case the Concession Holder ‘s income coming from the exported crude oil or its products be calculated on the basis of the prices fixed in the

decision of the Secretary of Petroleum^[2].

(6) Where in respect of any complete year after the effective date the total of the deductions allowed under paragraph (2) of this Article for the determination of profits exceeds the income in respect of that year before taking the said deductions, the resulting excess shall be carried forward and as far as may be deducted from the profits of subsequent complete years up to a maximum of 10 years.

(7) A permit or Concession Holder who participates in joint operations in connection with such permit or concession may, in respect of such operations, report his ratable proportion of income there from and his permitted expenses therein and make all permitted elections independently of the other person or persons participating in the joint operations, provided that one or more of the persons in the joint operations is carrying out the other independent operations in Libya under this Law. Income and permitted expenses so reported may be consolidated with those in respect of other operations being carried out by him in Libya under this Law.

(8) In computing profits as herein defined sound and consistent accounting practices usual in the petroleum industry shall be employed. Where more than one such accounting practice prevails, the Secretariat of Petroleum shall decide which practice is to be applied by the Concession Holder.

(9) As soon as practicable after the end of each complete year referred to above and in any event not later than four months after the end of each complete year the Concession Holder shall submit to the Secretariat of Petroleum accounts showing that year's profits as defined in this Article. Simultaneously with the submission of the accounts the concession holder shall pay to the Secretariat of Petroleum a sum which together with any fees, rents, royalties except 16.67% of the value of crude oil exported, as herein defined, and direct taxes already paid for the year equals 65% of the profits shown by the said accounts. This payment shall be treated by the Secretariat of Petroleum as a payment on account of income tax and surtax.

If when the actual amounts of income tax and surtax payable have been finally determined the payment on account is less than the total of the income tax and surtax payable, the Concession Holder shall pay the balance forthwith. If when the actual amount of income tax and surtax payable has been finally determined the payment on account is more than the total of the income tax and surtax payable, the balance shall be carried forward and treated as a payment on account of future income tax and surtax.

Article 15

To Whom Fees, Rents, Royalties, Surtaxes And Income Taxes are Payable

All fees, surface rents, royalties and surtax imposed by the implementation of this Law and the income tax shall be paid to the Public Treasury through the Secretariat of Petroleum.

The total income to the Secretariat of Petroleum and other Libyan Government, Municipal and other authorities whether central or local in respect of the production, manufacture, dealings in oil or rights thereto, transport, sale, export, shipments and profits and distribution therefore of crude oil produced in Libya by the concession holder and/or sold by the concession holder for export from Libya shall be equal in respect of such year calculated in accordance with the Concession Holder's concession agreements, as amended in accordance with this amendment to the Petroleum Law referred above. In the event any difference or dispute arises

concerning this paragraph, such difference or dispute shall be referred to arbitration in accordance with the Concession Holder's concession agreements.

Article 16

Exemption from Certain Import and Export Duties

(1) A permit or concession holder or any contractor employed by him may import free of duty: -

- (a) Plant, tools, machinery, equipment, supplies and materials; and
- (b) Such other goods as may be specified from time to time by Regulations issued under the Customs Law.

Provided that all the goods mentioned in paragraph (a) or (b) above are used for petroleum exploration, prospecting, mining, transporting, refining operations and activities connected therewith. Provided however, that such exemption shall not apply to any goods included in this paragraph which are available in Libya of suitable type and reasonably comparable quality and at no higher price provided that in comparing price to the price of imported goods shall be added customs duties and other expenses incurred up to the time the imported goods reach Libya.

(2) Other goods, which are dutiable under the Customs Law, shall be subject to the payment of the appropriate duty.

(3) Any person intending to sell or transfer any goods which have been imported free of duty under paragraph (1) hereof shall before such sale or transfer make a declaration to the Customs Department and shall, unless such goods are sold or transferred to another permit or concession holder or contractor entitled

to the same exemptions, pay on demand such import duty as may be assessed by the Director General of Customs in accordance with the Customs Law.

(4) Petroleum or any of its derivatives produced in Libya and any goods imported free of duty under paragraph (1) hereof may be exported free of Customs duty and without an export license subject to the policy of the Government regarding exports in general and to such restrictions as the State may impose by Law on Production and exports during a state of war or emergency.

Article 17

Assignment of Permits and Concessions

Permits and concessions shall not be assigned except with the written consent of the Secretariat of Petroleum, which may impose any conditions, which it may deem appropriate in the Public Interest.

Article 18

Revocation of Permits and Concessions

A permit or concession granted under this Law may be revoked only in the circumstances and in the manner set out in the permit or concession.

Article 19

Publications

Notice of the grant, renewal, assignment, revocation, termination or surrender of the whole or any part of any permit or concession shall be published in the Official Gazette.

Article 20

Arbitration and Force Majeure

(1) Any disputes between the Secretariat of Petroleum and the Concession Holder arising from any concession granted under this Law shall be settled by arbitration in the manner set out in the Second Schedule hereto.

(2) In the event of Force Majeure, the rights and obligations of the parties to a concession granted hereunder should be those specified in the Second Schedule hereto.

Article 21

Refining

(1) A concession holder who discovers petroleum in Libya and who desires to

refine it in the country shall have the right to construct, maintain and operate a refinery for this purpose in accordance with any legislation governing the refining of petroleum.

(2) Should refineries be established in Libya the Secretariat of Petroleum may require a Concession Holder to make available at field storage to such refineries, pro-rata with other Concession Holders and at field storage price, sufficient quantities of crude oil from his production in all concessions in Libya to meet the domestic consumption requirements of Libya in respect of petroleum products; provided however that the Concession Holder shall not be required to furnish or build additional handling or transportation facilities for this purpose.

Article 22

Penalties

(1) Any person found guilty of exploring for, or prospecting for petroleum in any part of Libya without the authority of a permit or concession issued under this Law shall be liable to a fine not exceeding five hundred Libyan Dinars (LD. 500). If petroleum has been mined, he shall on conviction be liable to the penalty provided by law for larceny and to a fine of five hundred Libyan Dinars (LD. 500) or treble the value of any petroleum produced, whichever is the greater, and any petroleum mined or produced shall be forfeited to the Government of Libya.

(2) Any person entitled under paragraph (1) of Article 16 to import free of duty the goods referred to therein who intentionally uses such goods for purposes other than those specified therein, or transfers such goods to any person not entitled to exemption contrary to Article 16 paragraph (3), or fails to make the declaration to the Customs Department before the transfer of any such goods as required by the said paragraph thereof, shall be liable on conviction to the penalty provided in Article 95 of the Customs Law of 1954.

(3) Any public official or employee who has been entrusted with or who has come to know of any confidential information by virtue of this Law and who divulges such information shall be liable to the penalties provided for in Article 236 of the Penal Code.

(4) In the implementation of this Law, the regulations and decisions made hereunder, the officials appointed by decision of the Secretary of Petroleum shall have the capacity of investigating officials.

(5) The persons mentioned in the previous paragraph shall have the right to enter the premises of the concession holder and inspect his work, books, registers and papers to ensure the proper implementation by the concession holder of the provisions of this Law, the Regulations and decisions made hereunder

and the provisions of the Permit or Concession.

Article 23

Definitions

In this Law:

“Secretary” means the appropriate Secretary;

“permit” means a preliminary reconnaissance permit issued under this Law;

“concession” means a petroleum prospecting, mining and production concession issued under this Law;

“person” includes anybody corporate or other juridical person;

“oil or gas well” means a well capable of producing oil and/or gas in quantities susceptible of measurement;

“petroleum” means all natural hydrocarbons, liquid or gaseous, produced or producible from the ground and all asphalt and other solid hydrocarbons suitable for the production of liquid petroleum or gas. Petroleum does not include coal.

“Direct control” means the control of any company exercised by any other company or companies holding shares carrying a majority of votes in the general assemblies of the first mentioned company;

“Indirect control” means the control of any company (hereinafter in this sub-paragraph called ‘the particular company’) exercised by any other company or companies (hereinafter in this sub-paragraph called the “parent company or companies”) where a series of companies can be specified, beginning with the parent company or companies and ending with the particular company, in which each company of the series, except the parent company or companies, is directly controlled by one or more of the companies in the series;

“Year” means a calendar year according to the Gregorian calendar;

“Barrel” means forty two (42) gallons U.S. or 158.984 liters of liquid petroleum;

“Processing” means any operation connected with the treatment of petroleum with the exception of fractional distillation.

Article 24

Regulations

The Secretary may issue the following regulations and any other regulations necessary for the implementation of this Law;

(a) Administrative and financial regulations.

(b) Petroleum regulations for safety precautions and the conservation of the petroleum resources in Libya, provided that said regulations or any amendment thereof shall not be contrary to the provisions of this Law or adversely affect the contractual rights expressly granted under any permit or concession and in existence at the time the regulation is made or amended.

Article 25

Title and Coming into Force

(1) This Law may be cited as the Petroleum Law for the year 1955 and shall come into force thirty days after publication in the Official Gazette with the exception of Articles 2 and 24, which shall come into force on publication.

(2) As from the date on which this Law comes into force the provisions of the Minerals Law 1953 shall cease to apply in so far as they relate to petroleum, except that any permit issued under the Minerals Law 1953 shall continue in force until the normal expiry date.

[1] Amended by Law No. 30 of 1971, published in the Official Gazette No. 34 for 1971 and Law No. 76 for 1974, Official Gazette 5/1975 and Law No. 2 for 1975, Official Gazette 19/1975.

[2] Added by Law No.82/1973, First Published in the Official Gazette No. 46/1973

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