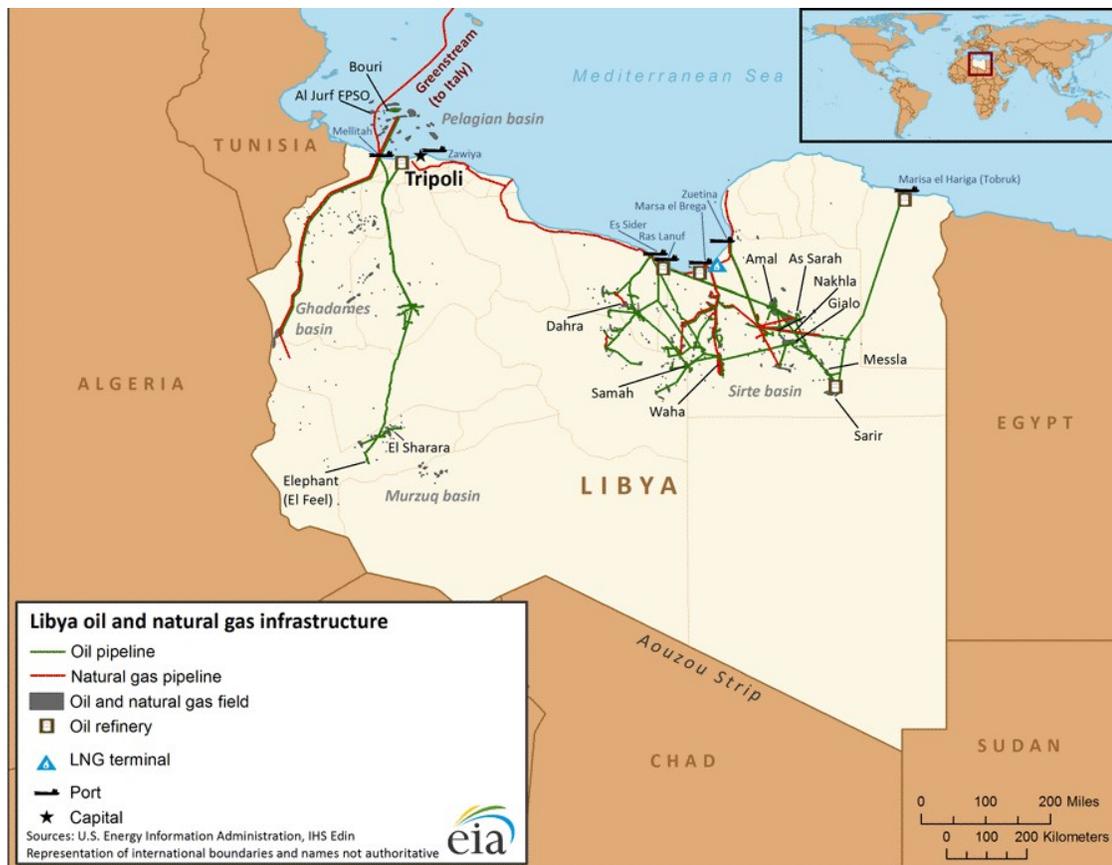


May 02, 2019

## Battle for Libya Will Reduce Oil Flows

On April 4, General Khalifa Haftar and his Libyan National Army (LNA) marched on Tripoli in an attempt to overthrow the internationally-recognized Government of National Accord. General Haftar appeared to plan on a swift power-grab that gave him control of key ministries and institutions such as the Central Bank and National Oil Company. Control of key ministries would effectively render the internationally-recognized government obsolete and cement his control over Libya. However, what was expected to be a swift offense has devolved into prolonged, violent fighting on the southern edge of the city which continues today.

Below is a map of major cities and oil installations in Libya from the US Energy Information Administration ([Source](#)).



### Political context

After the overthrow of Muammar Gaddafi, Libya effectively separated into two ruling governments. The House of Representatives based in Tobruk in eastern Libya and (as of 2015) the internationally-recognized Government of National Accord based in the historic capital, Tripoli. Since then, the United Nations has been working to find a political solution for a united, democratic Libya while avoiding the kind of instability and regional strife that could give ISIS a further foothold.

On December 17, 2015 Skhirat agreements were signed in Morocco between the representatives of the national general congress and those of the chamber of the representatives. The National Union Government then appointed Fayeze al-Sarraj as Prime Minister, but the House of Representatives based in Tobruk did not accept the agreement and refused to recognize the prime minister under the pressure of General Haftar.

### **Who is General Haftar?**

General Haftar was a participant in Muammar Gaddafi's 1969 coup to overthrow King Idris al-Sanusi. After the coup, Haftar was a commanding officer in Gaddafi's own forces before attempting his own unsuccessful coup against Gaddafi and being forced to flee to the United States. Haftar returned to Libya in 2011, shortly before Muammar Gaddafi was overthrown.

Since returning to Libya, General Haftar has bolstered his legitimacy with several military victories. First, his forces defeated the Islamist militias in Benghazi in 2013. Three years later, in September 2016, he seized the Ras Lanuf and Al-Sidra oil terminals and surrounding territories, commonly called the Libyan Petroleum Crescent. This area had previously been held by the "Guard of Petroleum Installations" (GPI), led by Ibrahim Jadhraan, who had defied the various Libyan governments by blocking oil exports for two years. Despite his loyalty to the eastern government, Haftar allowed the western National Oil Company to handle exports and sales of oil from the region to avoid international blockades.

The Government of National Accord of Fayez al-Sarraj, recognized by the international community, controls only the three cities of Tripoli, Misrata and Sirte. While Haftar has political legitimacy only through the Chamber of Representatives, he is also strongly supported by Egypt and UAE. Many in Libya and beyond are wary of General Haftar, and fear the concentration of power in the hands of a soldier who is regularly accused of wanting to revert to an authoritarian regime.

### **Consequences for Libya's Oil**

The National Oil Company claimed on Monday that fighting has taken place on the largest oil field in Libya, but did not specify the identities of the attackers. The NOC "strongly condemns the fighting in the night" from Sunday to Monday "and the attack against Station 186 of the oil field of el-Sharara using RPG rockets".

The el-Sharara field is managed by Akakus, a joint venture company between the NOC, Repsol, Total, OMV and Statoil. The field is a frequent target of attacks or blockades that shut-in production. It is located in the Ubari region (about 900 km south of Tripoli) and produces 315 mb/d, out of a total Libyan production of approximately 1.1 mmb/d, according to the Libyan national company.

NOC has repeatedly expressed concern over the conflict in the country. "The recent outbreak of hostilities is a serious threat to our operations, our production and the national economy," said NOC CEO Mustafa Sanalla. "The company is very concerned about the threat to national energy infrastructure and attempts to use the NOC facilities and equipment for military purposes," he said in a statement.

Sirte Oil, an affiliate of NOC, located in eastern Libya expressed support for the Tripoli offensive on its website a few days after the LNA sent a warship in the port of Ras Lanuf, 600 km from the front lines. The battle of Tripoli is likely to take longer than expected, and oil exports are more likely to be threatened by political pressure than by military clashes. Haftar could try to force Tripoli to reach an agreement by blocking oil exports, which would end government funding, or could even consider trying to sell oil from the east again. Haftar has previously tried to sell oil from territory that his forces control, but was thwarted by international intervention. For example, in 2014, the US Navy intercepted a tanker smuggling oil from eastern Libya, at the request of the Tripoli-based government.

Without international intervention, it seems the fighting in Tripoli could drag on interminably. While Haftar's troops nominally control the oil fields, only the western government can export the oil, leading to a catch-22 for both sides. It is quite likely that General Haftar will attempt to block oil flows, but by blocking the sale and thus distribution of oil revenues, he is in fact hurting his own eastern forces as well. Oil flows from Libya are likely to decline this month in light of the violence, adding upside support to international prices already dealing with several geopolitically driven outages.

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