

UN's tough Libya no-fly zone/sanctions package saves Benghazi

On the evening of Tuesday 16 March, the citizens of Benghazi were coming to terms with the fact that the strategic town of Ajdabiya had fallen to Colonel Muammar Qadhafi's forces, leaving their volunteer army and the undefended eastern capital itself at the mercy of a better equipped and trained army – known for its ruthlessness. CbI's Jon Marks was among the majority of foreigners who pulled out of Benghazi that night, heading for Tobruk and then the Egyptian border. So grave was the situation that on 17 March the *International Committee of the Red Cross* withdrew from Benghazi, amid awful apprehension at what was to come.

After weeks of prevarication, the *National Libyan Council (NLC)* in Benghazi had given up on concrete international action – thus the stunned relief at the *United Nations Security Council (UNSC)*'s 18 March vote to authorise military action. This includes air strikes against Qadhafi's tanks and heavy artillery (which had turned the tide of a conflict that in late February seemed set to overturn the old tyrant) and a No-Fly Zone (NFZ) – but no 'boots on the ground' of the sort that so undermined the West's credibility in Arab eyes in Iraq and Afghanistan. The UNSC's language was strong: it authorised member states to take "all necessary measures"

to protect civilians. After all the political horse-trading, the resolution passed with ten votes, including key player the **United States**, and **France** and the **United Kingdom**, who had pushed harder than most for an NFZ (France having officially recognised the NLC government in Benghazi). **Russia**, **China**, **Germany**, **Brazil** and **India** all abstained, but eventually no UNSC member dared to veto.

The western powers have been keen to assert that this is not a *NATO* operation. A *League of Arab States* resolution earlier in the week helped drive home the message that this is not another Iraq. There may be token forces and significant financing for the move from several Arab states, including the **United Arab Emirates**, **Qatar** (whose leadership was formerly close to Saif Al-Islam El Qadhafi) and maybe even **Saudi Arabia** (whose King Abdullah Bin Abdelaziz was believed to be the target of a past assassination plot ordered by Muammar Qadhafi).

The resolution has saved Benghazi even before a single French or British fighter has taken to the skies of the Southern Mediterranean. Qadhafi has called off his planned assault on the city to which he had threatened to "show no mercy" and the

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NFZ may shift control of oil

The *United Nations* approval of military involvement in Libya, and its imposition of sanctions on *National Oil Corporation (NOC)* and other institutions, substantially changes the balance of Libya's internal conflict. Colonel Muammar Qadhafi has publicly and brutally re-acquired the pariah status that he earned throughout much of the 1980s and 1990s.

The 18 March resolution will not have an immediate impact on the oil sector as no oil was being exported from Libya anyway, but it entirely changes

the future dynamic. On 15 March, the *International Energy Agency* said that production had halted and predicted that it might be months rather than weeks before it restarted. However, as restrictions on Qadhafi's ability to wage war on his people are enforced, the fates of eastern and western Libya will diverge. Benghazi-based *Arabian Gulf Oil Company (Agoco)* is now effectively independent from NOC and has the chance to develop its own operations to support the interim administration.

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Sanctions regime tightens

The international community has imposed several layers of sanctions on Libya which now affect 31 individuals and 18 entities, including companies and investment funds (*see table*). Colonel Muammar Qadhafi and his entire family top the lists, which also include cousins, in-laws and known regime stalwarts.

The difficulty for western governments attempting to restrict the regime's access to financial resources is working out how to squeeze the Qadhafis and their militias without punishing the population. Unfortunately for the confused officials in charge of implementation, the difference

between national and regime resources in the Jamahiriya ("state of the masses") does not really exist. The military force sanctioned by the United Nations is therefore an important addition to asset freezes and travel bans.

The first level of sanctions imposed by the UN at the outset of the crisis covered immediate members of Qadhafi's family and a handful of key entities directly or indirectly controlled by them. There are, of course a number of organisations over which his children have official control.

Mohamed Al-Qadhafi is formally in charge of the entire telecommunications sector,

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- Political and diplomatic unpredictability complicate opportunities
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- Al-Megrahi's return protects vital interests
African Energy – Issue 169, 4 September 2009
- Libya's Energy Future 2010/11– special report, Published 20 July 2010.
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Balance of conflict changes

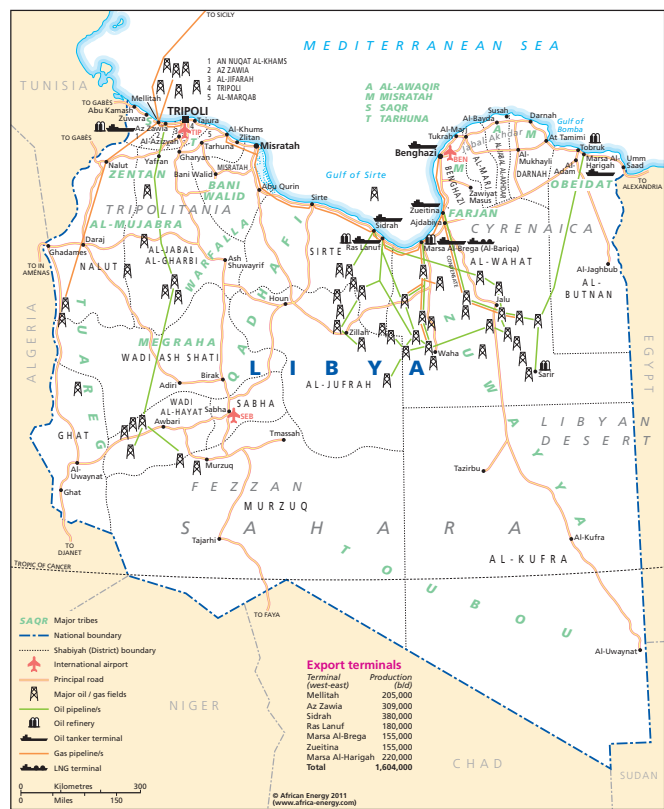
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regime has moderated its rhetoric. On the morning after the resolution was passed Foreign Minister Mousa Koussa announced that “Libya has decided an immediate cease-fire and the stoppage of all military operations,” to protect its citizens. However, with the deployment of ground forces ruled out, and Tripoli's population cowed by Qadhafi's militias, a *de facto* partition of the country may beckon.

The resolution does not immediately solve the problem of how to shake Qadhafi's control over his strongholds in Tripoli and Sirte, but it does pile the pressure back on his regime, after a couple of weeks when it has been able to exert itself and act with impunity. The resolution underlines the message that Qadhafi's authority over his country is over, even if his reign of terror over the cities he controls drags on painfully for the next weeks or months.

The abstention of Russia, China and India amongst others is proof that Qadhafi has no international allies to turn to. The inclusion of sanctions against the *Central Bank of Libya*, *The Libyan Investment Authority* and the *National Oil Corporation* means that the financial noose will now be tightened further around the regime. EU and US sanctions had already started this process. An unconfirmed rumour has already emerged that Qadhafi may be running out of fuel in Tripoli.

Libya social forces and physical infrastructure



Sanctions regime tightens

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Hannibal Al-Qadhafi runs the **General National Maritime Transportation Company (GNMTC)** which operates a fleet of oil tankers. But in the same way that Colonel Qadhafi – the “Leader of the Revolution” is not head of state and so officially has no role within the governance of the country, he also plays no visible role in any institution. Conversely, his “indirect” control is all-pervasive and all-powerful meaning that even these broad sanctions on Qadhafi might have been equivalent to sanctions on the whole country.

The United States Treasury Department has imposed two lots of sanctions. The first included Qadhafi, his immediate family and a

handful of regime stalwarts. A second 16-entity list published in mid-March included national flag carrier **Afriqiyah Airlines**, **National Oil Corporation**, the **Libyan Investment Authority** and three of its subsidiaries, the **Economic and Social Development Fund** and nine banks. It also placed sanctions on foreign minister and former external security chief **Mousa Kousa**.

On 11 March, the **EU** imposed sanctions on the LIA, a pair of its subsidiaries, **Central Bank of Libya** and **Libyan Foreign Bank** through which it owns stakes in dozens of banks around the world, and also the Housing and Infrastructure Board. An earlier set of sanctions named 20 individuals including Qadhafi and close family members.

Businesses with interests in the country, particularly those waiting for payments on contracts, must wait and hope.

Sanctions on Libyan Individuals and Entities

Name	Description	Imposed by
Muammar Mohammed Abu Minyar Qadhafi	Leader of the Revolution, Supreme Commander of Armed Forces	UN, EU, US
Mohammed Muammar Qadhafi	Qadhafi's son. Runs the whole state telecommunications sector	UN, EU, US
Saif Al-Islam Qadhafi	Qadhafi's son. Qadhafi International Development Foundation director. Leading role in oppression of demonstrations.	UN, EU, US
Saadi Qadhafi	Qadhafi's son. Commander of special forces used to repress demonstrations.	UN, EU, US
Mutassim Qadhafi	Qadhafi's son. National Security Adviser.	UN, EU, US
Aisha Muammar Qadhafi	Qadhafi's daughter.	UN, EU, US
Hannibal Muammar Qadhafi	Qadhafi's son. Head of General National Maritime Transport Company	UN, EU, US
Khamis Muammar Qadhafi	Qadhafi's son. Commands the 32nd reinforced deterrent battalion, active against opposition demonstrators.	UN, EU, US
Saif Al-Arab Qadhafi	Son of Qadhafi.	UN, EU, US
Safia Farkash Al-Barrasi	Qadhafi's wife.	EU, US
Colonel Abdullah Al-Senussi	Qadhafi's brother-in-law. Military Intelligence director. Alleged involvement in Abu Selim prison massacre. Convicted in absentia for bombing of UTA flight.	UN, EU, US
Abu Zayd Umar Dorda	Director, External Security Organisation.	UN, EU, US
Major General Abu Bakr Yunis Jabir	Defence Minister.	UN, EU, US
Abdulqader Yusef Dibri	Head of Qadhafi's personal security. Responsibility for regime security. History of directing violence against dissidents.	UN, EU
Mousa Kousa	Foreign Minister, former head of External Security Organisation.	US
Matouq Mohammed Matouq	Secretary for Utilities, Revolutionary Committees involvement.	UN, EU
Dr Abdulqader Mohammed Al-Baghdadi	Prime Minister.	UN, EU
Quren Salih Quren al-Qadhafi	Libyan Ambassador to Chad. Has left Chad for Sabha. Involved directly in recruiting and co-ordinating mercenaries for the regime.	UN
Colonel Amid Husain al-Kuni	Governor of Ghat (South Libya). Directly involved in recruiting mercenaries.	UN
Sayyid Mohammed Qadhaf Al-Dam	Qadhafi's cousin, involved in the 1980s dissident assassination campaign and allegedly responsible for several deaths in Europe. He is also thought to have been involved in arms procurement.	UN, EU
Colonel Mas'ud Abdulhafiz	3rd in command of Armed Forces. Military intelligence role.	EU
Abdussalam Mohammed Abdussalam	External Security Organisation Head of Counter-Terrorism.	EU
Abu Shaariya	Qadhafi's brother-in-law External Security Organisation Deputy Head.	EU
Al-Barrani Ashkal	Military Intelligence Deputy Director.	EU
Omar Ashkal	Revolutionary Committees Movement head.	EU
Ahmed Mohammed Qadhaf Al-Dam	Qadhafi's cousin. Command of an elite army battalion in charge of Qadhafi's personal security and and key role in External Security Organisation.	EU

Name	Description	Imposed by
Bachir Saleh	Qadhafi's former chef de cabinet and former secretary of LAIP.	EU
General, Khaled Tohami	Internal Security Office director.	EU
Mohammed Boucharaya Farkash	External Security Organisation director of intelligence.	EU
Mustafa Zarti	Deputy director of LIA	EU
Company	Description	Imposed by
Central Bank of Libya (CBL)	The national central bank with foreign assets of approximately \$90bn	UN, EU, US
Libyan Foreign Bank	A subsidiary of the CBL. It owns stakes in at least two dozen financial institutions world-wide	UN, EU, US
Economic and Social Development Fund (ESDF)	A key national fund with stakes in almost every part of the non-oil economy. A key joint venture partner for many international companies.	US
Gomhouria Bank	The largest purely state-owned commercial bank	US
Al Wafa Bank		US
Agricultural Bank		US
National Commercial Bank		US
National Banking Corporation		US
Sahara Bank	State bank now partly owned by BNP Paribas	US
Savings and Real Estate Investment Bank		US
First Gulf Libyan Bank	A branch of Abu Dhabi's First Gulf Bank	US
Libyan Investment Authority	The sovereign wealth fund, which controls about \$65bn in foreign assets and is also the umbrella organisation for a large number of other funds	UN, EU, US
Libyan Africa Investment Portfolio (LAIP)	Africa-focused subsidiary-fund of the LIA with large energy and telecommunications assets across the continent. Parent company of Libya Oil Holdings	UN, EU, US
Libyan African Investment Company (Laaico)	Africa-focused subsidiary of the LIA focused mainly on hotel, tourism and agricultural investments	US
Libyan Arab Foreign Investment Company (Lafico)	Long-established fund now part of the LIA with large real estate and other private equity holdings in Europe	EU, US
National Oil Corporation (NOC)	Carries out the function of energy ministry, sector regulator and national operating company. Joint ventures with several international companies.	UN, US
Afriqiyah Airways	The main national carrier alongside Libyan Airlines	US
Housing and Infrastructure Board	A large fund responsible for building residential and other infrastructure.	EU

Source: UN, EU, US Treasury Department

NFZ may shift control of oil

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Meanwhile, oil sector activity in the west is out of the question thanks to the military and financial restrictions on Qadhafi, although some limited domestic supply may continue.

Eastern oil fields protected

The *National Libyan Council (NLC)* in Benghazi should now be able to keep control of the easternmost oil installations. It may also be able to re-exert authority over the Ras Lanuf and Marsa Al-Brega terminals which have been the subject of intense fighting in the past fortnight. The No-Fly Zone (NFZ) means that Qadhafi will not easily be able to threaten oil facilities being operated by the opposition, in particular, the

Sarir and Mesla fields located the desert far to the south of Benghazi and the extremely vulnerable pipeline to Tobruk. An Agoco executive recently told *CBI* in Benghazi that it had workers in place to assure production of about 100,000 b/d of oil. This is less than half the 220,000 b/d which the Tobruk terminal exported in times of peace.

Agoco is also looking for buyers said its executive. A precedent was set in early March when a tanker loaded 600,000 b/d for an **Italian** buyer who reportedly paid \$80 million in bags of hard cash. Payment for an earlier shipment on a **Chinese** tanker is said to have been made to NOC. The cash paid for the Italian oil shipment was earmarked for the rebel **NLC**, however there is no information about exactly how this has been arranged. More formal arrangements will doubtlessly be set up soon.

In mid-March the head of the NLC, former justice minister **Mustafa Abdel Jalil** threatened companies from those countries supporting Qadhafi that they would lose out when oil contracts came to be renegotiated after the fall of the Qadhafi regime. Oil policies will be modified “according to the positions countries are taking towards Libya in these difficult times,” he said. This was taken to be a threat directed mostly at **Russia** and **China**, which had initially opposed the introduction of a No-Fly Zone at the United Nations. In the end **Russia**, **China**, **Brazil**, **India** and **Germany** abstained allowing the action to take place.

The west will stay shut

The immediate outlook for western Libya is bleak. Qadhafi’s security militias are enforcing a reign of terror on the streets of Tripoli where CBI sources say that thousands of opponents are being rounded up. Az-Zawia has been crushed and bitter fighting continues in Misrata. Large numbers of weapons are now in circulation amongst the tribes increasing the danger and instability.

The sanctions – which have been imposed on the *Central Bank of Libya* and the *Libyan Investment Authority* sovereign wealth fund as well as on NOC – will make most business with Qadhafi’s Libya impossible, or nearly so. In recent days, Tripoli tried to make out that IOCs from countries that took a more emollient stance towards the regime would be favoured in future, while those from unfriendly countries would be penalised. The official news agency *JANA* reported on 13 March that Qadhafi met with the ambassadors of China, Russia and India and invited oil companies from their countries to invest in Libya. Deputy foreign minister **Khaled Kaim** told *Reuters* on 17 March that there would be no change to existing oil contracts, but that the positions taken by countries towards the regime would affect future deals. “What happened in the last four weeks will be reflected in the future co-operation with other countries,” he said.

This combination of threats and blandishments has ultimately proved of little use. It did not persuade Russia and China to veto the UN resolution approving the use of force against the Qadhafi regime. IOCs from all over the world, including from Europe and the US may have been keeping the lines open to NOC in Tripoli, and most will still be hoping to eventually return to their old contracts. But the fact that they will not have to deal with the Qadhafi regime any longer can only come as a relief.

Eni opposed NOC sanctions

Italian Prime Minister **Silvio Berlusconi** and *Eni* CEO **Paolo Scaroni** both argued strongly that putting sanctions on NOC would be counter-productive. *Eni* operates in Libya via the *Mellitah Oil and Gas* joint venture. It has continued domestic gas production in order to ensure that the Libyan population is supplied with electricity. Scaroni told journalists at briefing

on the company’s five-year strategy held in London on 10 March that it had been consulting with the EU and the Italian government over the question of how it should approach this particular activity. He said that “to stop the production today would create a problem for the domestic population,” adding that the electricity produced by the gas “is not for Mr Qadhafi it is for the the Libyan people.”

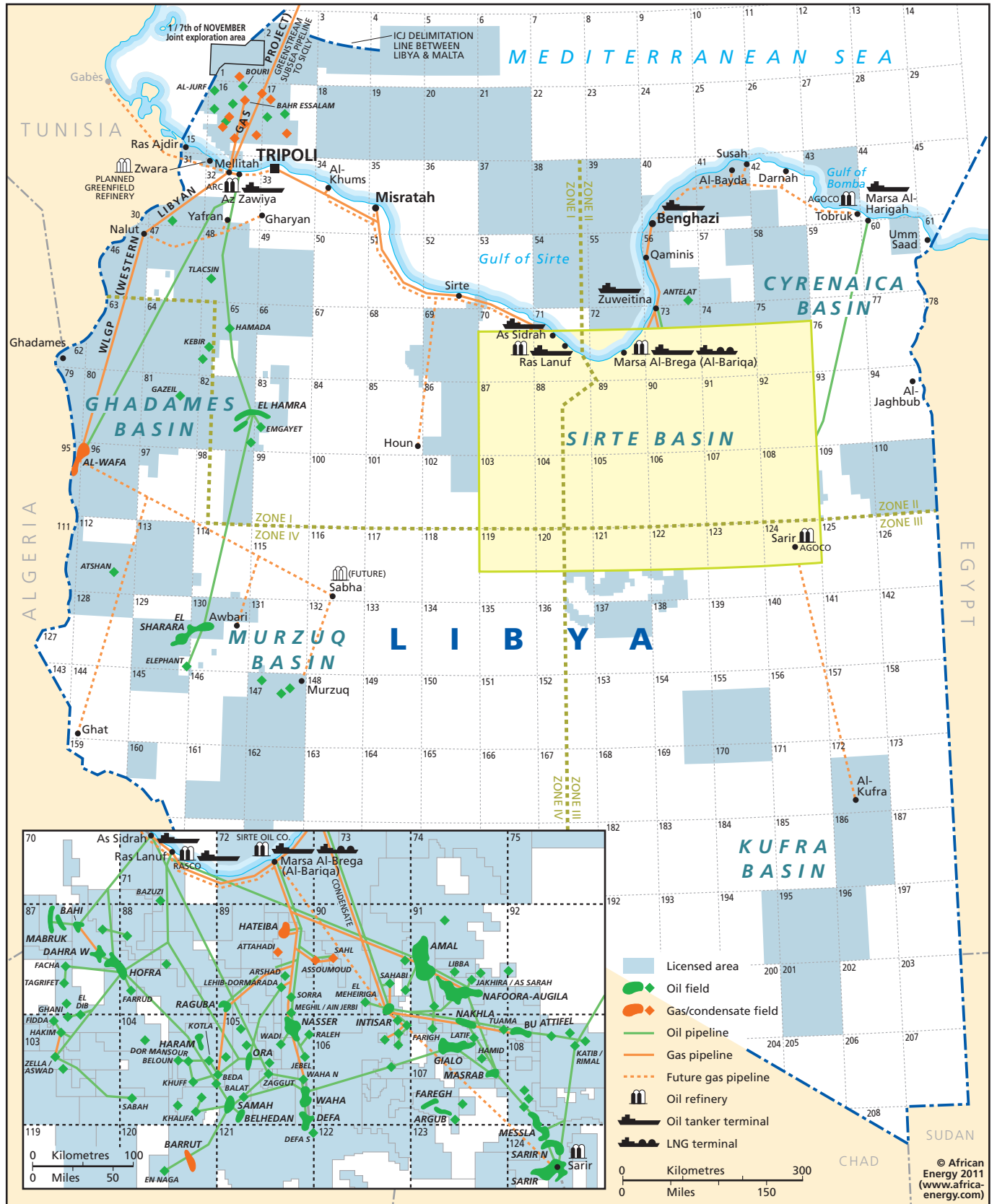
Eni has declared force majeure on its gas export contracts via the Greenstream pipeline, which is however on “hot stand-by” and could resume operations in the space of a day. Scaroni has said that sanctions on gas exports via Greenstream would damage Italy’s energy security. The company’s oil exports have stopped for the time being. Its last shipment of crude from the Bouri field left the Mellitah terminal early in the second week of March. This, however was not a purchase of oil but a lifting of *Eni*’s own equity crude. Scaroni said that the company does not purchase other Libyan crude.

But even *Eni*’s strong commitment to Libya has to be put into context. Scaroni told journalists in Rome on 16 March that the company had “maintained relationships with the NOC which is our main interlocutor”. However at the London strategy briefing he confirmed that the company had substantially reduced investment plans there even before the current crisis blew up. *Eni* has abandoned plans announced back in 2007 to invest \$14bn in Libyan projects. “Unfortunately – or fortunately now – this cap-ex never started,” he said confirming that the company’s four year plan “does not include major investment in Libya”.

US companies comply with OFAC restrictions

Following US and now UN sanctions, *ConocoPhillips*, *Hess* and *Marathon Oil Corporation* (partners in the *Waha Oil Company* with NOC), *Occidental Petroleum* and *ExxonMobil* can no longer operate. *ConocoPhillips* has said it has halted its exports. *Marathon* said it had stopped paying taxes and license fees to the Libyan government. On 7 March a spokesman for *Occidental Petroleum*, which is part of the *Zueitina Oil Company* joint venture told *Reuters* it was in full compliance with US sanctions and that it was “not aware of the current production status of the Libya oilfields where *Oxy* produces”.

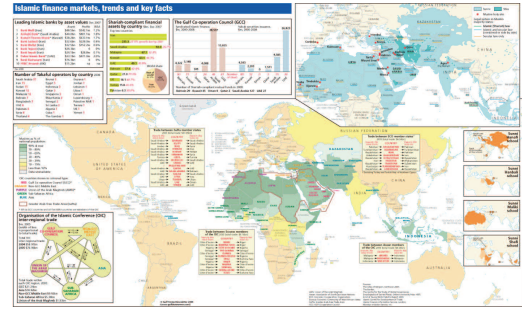
Libyan hydrocarbons exploration, production facilities & export terminals



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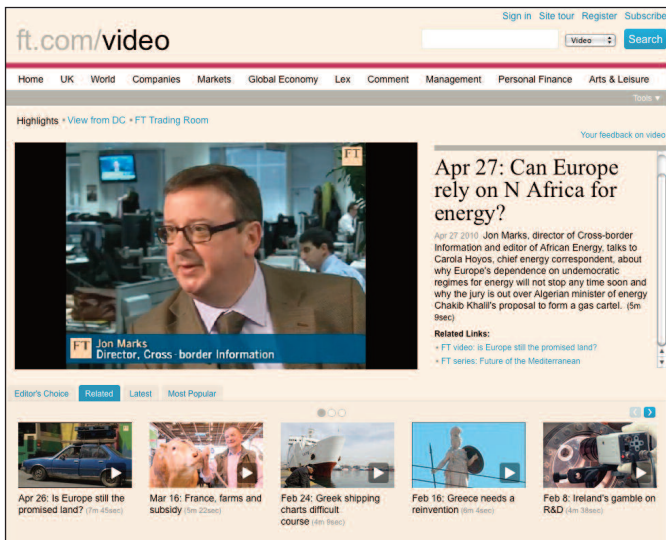


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