

Libia, una oportunidad energética para Europa y para España

Resumen:

Es evidente que el orden energético mundial está experimentando cambios profundos en los últimos tiempos y que la guerra en Ucrania está redefiniendo los flujos de los hidrocarburos y la forma que tienen los Estados y las organizaciones supranacionales de garantizar la seguridad energética de las sociedades y de los ciudadanos. Pocas regiones como el norte de África y potencias energéticas como Libia se están viendo afectadas tan profundamente por unos cambios en la geopolítica de la energía, que están produciendo un profundo impacto en los equilibrios regionales y en las balanzas de poder entre países productores y consumidores. La situación en Ucrania y la estrategia rusa de utilizar sus exportaciones de petróleo y gas a Europa como una herramienta de su política expansiva, junto con las sanciones que se le han impuesto han revalorizado la importancia de Libia como un actor energético y como una alternativa importante a los suministros procedentes de Rusia. En este sentido, Libia tiene el potencial para convertirse en una respuesta natural y lógica a unas demandas energéticas europeas muy difíciles de cubrir por otros suministradores más caros y más lejanos.

Palabras clave:

Petróleo, gas, guerra, oportunidades, recuperación, mercados.

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Introduction. Without oil, there is no Libya

The ceasefire agreement signed on 23 October 2020 by the two main factions in the Libyan conflict, the UN-backed Government of National Accord (GNA) based in Tripoli and General Khalifa Haftar's Benghazi-based Libyan National Army (NLA), which resulted in the election of a unified government headed by Libyan Prime Minister Abdul Hamid Dbeibeh, has boosted Libya's comparative advantages over other regional or global competitors to become a major energy power and a powerful supplier of energy resources to Europe.

There are many reasons for this. First, Libya has the largest oil reserves in Africa, the fourth largest gas reserves on the continent, and is also one of the world's leading suppliers of light and sweet oils low in sulphur, which are highly sought after in Europe¹. Its proven oil reserves are considerable and can be estimated at over 48 billion barrels (2016), approximately 2.9% of the world's total oil reserves, with a reserve/replacement ratio of 153 years, making it the largest oil deposit in Africa². Meanwhile, the situation of gas is comparable to that of oil, with estimated reserves of 1,549 trillion cubic metres (2014)³.

What is more, much of Libya's territory so far remains untouched. To date, only the Sirte basin off the Mediterranean Sea has been extensively exploited, and the offshore basins of Murzuq, Ghadames, Kufra, Cyrenaica and the Gulf of Sirte have significant natural gas reserves and are relatively underexplored. Their great potential for both oil and gas makes them very attractive to major international oil companies, especially the Ghadames basin, which has become a major gas exporter to Europe.

But Libya also has other important comparative advantages in relation to the rest of global supplier countries. Libyan oil is relatively easy to extract at prices that in desert areas can be in the region of \$2.00⁴, making it extremely competitive on international markets. Furthermore, the installation of the necessary infrastructure for production and export has historically been straightforward, allowing the communication of the oil-rich interior with

¹ Libya has proven crude oil reserves of 48 billion barrels as of January 2013, the largest crude oil reserves in Africa, constituting 38% of the continent's total, and the ninth largest globally. Approximately 80 % of Libya's reserves are located in the Gulf of Sirte.

² «Libya Oil Reserves, Production and Consumption Statistics - Worldometer», <https://www.worldometers.info/oil/libya-oil/>.

³ *NATURAL GAS - PROVED RESERVES(CU M)*, The World Factbook, Central Intelligence Agency, 2015, <https://www.cia.gov/library/publications/the-world-factbook/fields/2253.html>.

⁴ *Why Libya's "sweet" crude oil is not enough to tempt BP or Shell | Oil | The Guardian*, <https://www.theguardian.com/business/2012/aug/26/libya-sweet-crude-oil-bp-shell>.

several different export terminals on the more populated coast. Libya's extensive pipeline network and lack of geographical obstacles to exploration and development facilitates production expansion and makes investment attractive.

With the exception of some offshore oil production on the Pelagian shelf, Libya produces low sulphur, "sweet" crude oil of excellent quality. The high quality of its oil and, consequently, its direct influence on the upper echelon of the complex crude oil market, makes the country's supply highly prized in international crude oil markets.

Last, Libyan oil is geographically close to the major centres of consumption in Europe, meaning that shipping times to European ports, which absorb the bulk of Libyan crude exports, range from two days (Sardinia) to 11 days (Rotterdam), compared to about a month for Asian destinations⁵, thereby making Europe its natural market. This geographic advantage for Libya is particularly valuable in times of war in Europe, such as now when the Russian market is virtually closed.

The vicissitudes of natural gas have taken a similar path to those of oil. With proven reserves of 54.6 trillion cubic feet, gas production and exports have been developing since 2003 when the so-called West Libya Gas Project was launched with the construction of the 370-mile Greenstream pipeline between Mellitah in western Libya and Gela in Sicily⁶.

There is a similar situation in terms of liquefied natural gas (LNG). Libya, together with Algeria and the United States (Alaska), was a pioneer in exporting to external markets, mainly Spain. However, exports were interrupted during the revolution, when the only LNG plant built in the town of Marsa-Al-Brega owned by the National Oil Company (NOC) and operated by the Sirte Oil Company was seriously damaged in early 2011. Notably, its production has in fact never exceeded one third of its maximum capacity, mainly due to technical constraints⁷.

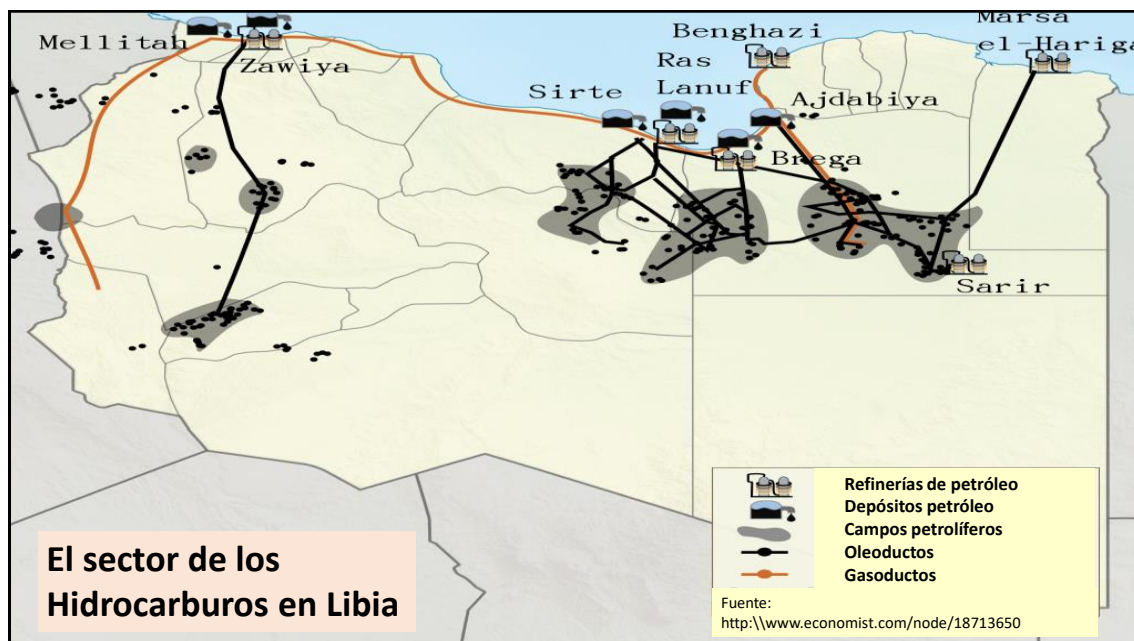
The benefits of making Libya a preferred and reliable energy supplier are not only for Europe but are reciprocal. Europe is Libya's market. The country's existence is inconceivable without hydrocarbons because without oil and gas there is no work, no

⁵ *Libyan oil: Prospects for stability and growth*, Apricot Energy Research, Vol. 03 No. 1, November 2018, https://www.apicorp.org/Research/EnergyResearch/2018/APICORP_Energy_Research_V03_N14_2018.pdf

⁶ *Che cos'è il gasdotto Greenstream - InsideOver*, 29 de Diciembre 2018, <https://it.insideover.com/schede/politica/cosa-e-greenstream.html>.

⁷ The plant does not have the technology to separate some liquid gases from LNG liquids, limiting the number of receiving terminals capable of processing the latter.

wages, no food, and indeed there would not even be a war. Hydrocarbon revenues account for 97% of GDP, 97% of exports, and 99% of government revenues⁸, a higher proportion than in any other Arab oil-exporting country. At the same time, oil pays for food imports that account for 20 % of the total⁹ and the salaries of a public sector that hosts more than 80 % of the workforce¹⁰ and, since 2011, it has also financed the power struggle between rival groups¹¹. As Ghassan Salame, the UN envoy to Libya, said at the UN Security Council in November 2018, the Libyan conflict is largely "a conflict over resources"¹².



Source: <http://www.economist.com/node/18713650>

Energy stability provided by legitimate control of energy resources is one of the main challenges the Libyan government faces to become a major energy power in North Africa and one of Europe's major energy suppliers. In fact, the current situation of relative internal stability has resulted in a significant recovery in production, now exceeding 1.2 billion barrels per day, a level not seen since October 2020 before the last period of

⁸ 2015 Index of Economic Freedom, The Heritage Foundation, January 2015. <http://www.heritage.org/index/>.

⁹ «FAOSTAT», <http://www.fao.org/faostat/en/#country/124>.

¹⁰ MENA Quarterly Economic Brief, The World Bank, January 2014, p.18.

¹¹ STEPHEN, Chris (16 March 2014). *Partition of Libya looms as fight for oil sparks vicious new divide*, The Observer, <http://www.theguardian.com/world/2014/mar/16/libya-partition-looms-fight-oil-tanker>.

¹² APICORP_Energy_Research_V03_N14_2018.pdf, https://www.apicorp.org/Research/EnergyResearch/2018/APICORP_Energy_Research_V03_N14_2018.pdf.

military operations¹³, and bringing Libya's coffers an estimated \$35-37 billion in revenue this year, the highest since 2013¹⁴.

War and hydrocarbons: lessons learned

In contrast to Libya's great advantages in terms of the quality of its oil, ease of extraction and proximity to consumer markets in Europe, the country's hydrocarbon production and exports have the disadvantage of having been disrupted hugely by the conflict situation in recent years, having had to navigate the ups and downs depending on the evolution of the military situation. Consequently, the eleven years since the fall of Gaddafi provide some lessons to be learned about the behaviour of Libyan hydrocarbons.

The first factor is the jihadist threat, which began in the first months of 2015 and spread with serious violence, complicating the situation in the energy sector in some specific periods but unable, however, to completely paralyse production or exports.

To this effect, in February this year, a group claiming allegiance to Daesh attacked the Mabruk oil field operated by a joint venture between the national company NOC and TOTAL¹⁵, killing twelve workers and taking seven others prisoner, and deliberately damaging the facility. Ten days later these facilities were raided again along with the Bahi oil field operated by another joint venture between NOC and Oasis¹⁶ and the following day a pipeline connecting the AGOCO-operated Sarir field to the Marsa Hariga terminal was bombed, causing an explosion that forced its temporary closure.

A couple of months later, in March 2015, Daesh raided and damaged several oil fields in the Al Ghani area, forcing the Tobruk government to halt production at eleven oil fields in the central Sidra basin. Eleven security guards were killed.

All these incidents illustrate a jihadist group strategy that differs from the one used by the various militias for whom pressure on the hydrocarbon sector is a way of satisfying

¹³ ALHARATHY, Safa (November 17, 2022). *Libya's daily crude output exceeds 1,200 million barrels*, The Libya Observer, <https://www.libyaobserver.ly/inbrief/libyas-daily-crude-output-exceeds-1200-million-barrels#nav>

¹⁴ ZAPTIA, Sami (October 31, 20). *Libya concludes agreement with Eni and BP to start drilling for gas in Mediterranean*, Libya Herald, <https://www.libyaherald.com/2022/10/libya-concludes-agreement-with-eni-and-bp-to-start-drilling-for-gas-in-mediterranean/>

¹⁵ PORTER, Geoff D (27 February 2015). *Terrorist targeting of the Libyan oil and gas sector*, Combating Terrorism Center at West point, <https://www.ctc.usma.edu/posts/terrorist-targeting-of-the-libyan-oil-and-gas-sector>.

¹⁶ Oasis is a consortium of US companies Hess, Marathon, and ConocoPhillips.

political demands. In short, in Libya, the jihadist attacks were not aimed at capturing or controlling oil and gas infrastructure, but at destroying it¹⁷.

Nonetheless, this jihadist strategy has not been as successful as its authors had hoped and has been strongly discredited since the moment the Daesh organisation was evicted by the Tripoli government from the port city of Sirte¹⁸. On 18 September 2016, a coalition of militias, mainly from the coastal city of Misrata, launched Operation *Al Bunyan al Marsous* ("Solid Foundation")¹⁹, aimed at dislodging Daesh from the Gulf of Sidra coast. With significant Western support, mainly US air assistance, on 6 December 2016 they took Sirte, the last holdout of the Daesh organisation, after an offensive lasting several months. Although the human cost was very high (700 dead among the assailants and 2,500 among the jihadists²⁰) and the results ambiguous, given that it was achieved through the mobilisation of militias rather than the action of an integrated national army, the destruction of Daesh in central Libya evidenced the inability of the jihadist groups to destroy or permanently paralyse the Libyan energy sector.

The second lesson learned is the extraordinary resilience of the Libyan market to the vicissitudes of war. To this effect, while in late 2016 the Tripoli government's military forces were being worn down in the fight against Daesh jihadists, and General Haftar's Libyan National Army took advantage of the situation to seize much of the Gulf of Sidra, defeating the Al Jadram militia and taking control of almost all of Cyrenaica in the east including two-thirds of oil production, production in the region was nonetheless maintained with the protection of the critical facilities of Es Sider and Ras Lanuf in the hands of the Magharba tribe. This tribe, which until then had been part of the militia of the warlord and former head of the Jadran facility's security guard, had unceremoniously switched allegiances²¹.

Neither was production significantly affected by the May 2017 seizure of the Hun and Wadran bases in the central Khufra region with the help of the Egyptian air force, which

¹⁷ MARKEY, Patrick and ELUMAMI Ahmed (28 October 2015), *Islamic State risk for Libya's troubled oil sector*, Reuter, <http://www.reuters.com/article/2015/10/28/us-libya-energy-idUSKCN0SM0HW20151028#bjDeHIAHyGhqcl8t.97>.

¹⁸ AMARA, Hani (06 December 2016). *Libyan Forces Clear Last Islamic State Holdout in Sirte*, Reuters, <http://www.reuters.com/article/us-libya-security-sirte-idUSKBN13V15R>.

¹⁹ *Libyan Troops Clash with ISIS Militants Leaving 6 Dead and 17 Injured*, Libyan Gazette, 17 May 2016, <https://www.libyagazette.net/2016/05/17/libyan-troops-clash-with-isis-militants-leaving-6-dead-and-17-injured/>.

²⁰ BOBIN Frédéric (17 December 2016). *Un an après l'accord de Skhirat, la dérive de la Libye paraît inexorable*, Le Monde, http://www.lemonde.fr/idees/article/2016/12/17/un-an-apres-l-accord-de-skhirat-la-derive-de-la-libye-paraît-inexorable_5050664_3232.html#3WF7pThxk19KpvE1.99.

²¹ SALEH, Hebsa (18 June 2018). *Libya suffers "catastrophic damage" to key oil port facility*, Financial Times, <https://www.ft.com/content/6e447aa8-72c8-11e8-aa31-31da4279a601>

closed off access to the southwest of the country. This three-year cycle of military successes against jihadist groups²² came to an end in early July 2017, when LNA forces wiped out the last pockets of resistance from the Benghazi Sura Council militias, making General Haftar the referee of the situation²³.

Paradoxically, during this phase of intense fighting, NOC's (the Libyan oil company) capacity to command a higher oil price increased. Although delays in deliveries due to production disruption and unplanned maintenance had depressed the price relative to other similar crude oils, it quickly recovered as international customers gained confidence in NOC's ability to fulfil supply contracts despite the war.

In early 2017, some activity resumed at the Sirte Gulf oil terminals that had been disrupted by the fighting, while Wintershall and Gazprom resumed production from the As-Sarah field in the Sirte basin. Likewise, drilling activity in the country increased with the commissioning of new rigs, while offshore Italian company ENI brought new wells on stream at its Bahr Essalam development²⁴.

Furthermore, a year later, in the months from June to October 2018, there was a spectacular recovery in production, almost doubling, and coinciding with a favourable global situation in which the market reached 85 dollars/barrel in the October²⁵. Thus, when in the first half of 2018 production reached 1 million barrels per day for the first time since 2013, oil revenues almost tripled from \$4.8 billion in 2017 to \$14 billion²⁶.

Another lesson learned from these years of war is that any interruption in Libya cannot last indefinitely because all sides depend on oil revenues for their livelihoods. To this effect, in January 2020, most of Libya's oil production was suspended due to an export blockade in the Gulf of Sirte by General Haftar's forces. The result was a reduction in Libyan production of more than 1 million bbl/d, or about 1% of world demand, to less than 200,000 bbl/d²⁷.

²² AL-WARFALLI, Ayman (05 June 2017), *Libya's Eastern Commander Declares Victory in Battle for Benghazi*, Reuters, <https://www.reuters.com/article/us-libya-security-benghazi-idUSKBN19Q2SK>.

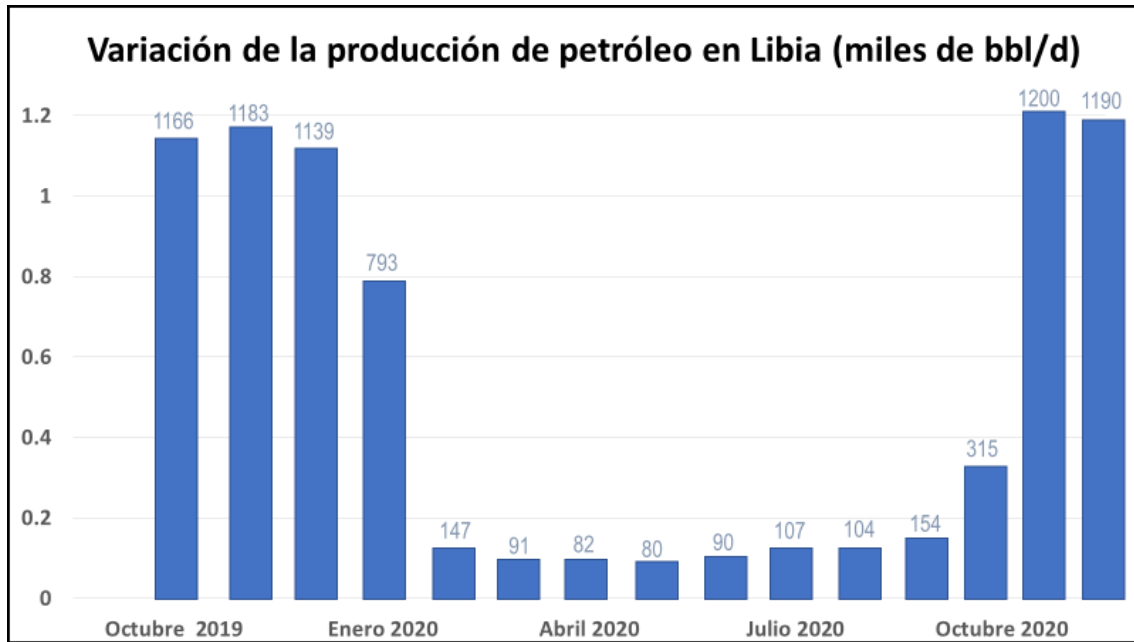
²³ ESTELLE, Emily and YOUNG PARK, Min (28 July 2017). *Fighting Forces in Libya: July 2017*, AEI's Critical Threats Project, <https://www.criticalthreats.org/analysis/fighting-forces-in-libya-july-2017>.

²⁴ «APICORP_Energy_Research_V03_N14_2018.pdf».

²⁵ SHEPPARD, David (09 October 2018). *Total chief executive says no shortage of supplies in oil market*, Financial Times, <https://www.ft.com/content/25b5d742-cbeb-11e8-b276-b9069bde0956>

²⁶ COURTNEY, Fingar (June 13, 2018). *Libya enters fourth year of near investment blackout*, Financial Times, <https://www.ft.com/content/6c179166-06ff-461d-a539-e74cfccdb5c7?emailId=5f691e86c597cc0004aa2cf0&segmentId=7e94968a-a618-c46d-4d8b-6e2655e68320>

²⁷ *OPEC eyes further oil supply cuts to counter coronavirus rout*, Financial Times, <https://www.ft.com/content/cc0de784-40fb-11ea-bdb5-169ba7be433d>.



Source: [tradingeconomics.com/organisation of the petroleum exporting countries](https://tradingeconomics.com/organisation-of-the-petroleum-exporting-countries)

The economic consequences of this stoppage of oil production and exports were apparently enormous. In the first eighteen days of January alone, the country's economy lost more than \$5 billion due to the disruption of supply from the eastern crescent oil fields, adding to the more than \$100 billion lost since 2016. With the Central Bank reserve reduced to the lowest level in its history, the country appeared to be facing serious problems in meeting the requirements of paying government employees' salaries and basic expenditure on food, health and education²⁸.

However, just a few months later, on 18 September 2020, General Hafter announced the end of the blockade. A few days later, on 23 October, and thanks to the mediation of the UN, the government and the House of Representatives, the leading players in the confrontation, sealed a "national and permanent" ceasefire agreement with immediate effect²⁹.

The advantages of the improved situation were felt almost immediately. Production quickly recovered to around 1,200,000 bbl/d in December 2020³⁰, coinciding with the

²⁸ *Libya oil production comes to halt, affects economy*, <https://www.aa.com.tr/en/middle-east/libya-oil-production-comes-to-halt-affects-economy-/1860775>.

²⁹ «Declaración del Alto Representante en nombre de la UE sobre el anuncio de un acuerdo de alto el fuego en Libia - Consilium», <https://www.consilium.europa.eu/es/press/press-releases/2020/10/25/declaration-by-the-high-representative-on-behalf-of-the-eu-on-the-announcement-of-a-ceasefire-agreement-in-libya/#>.

³⁰ *Libya's oil production recovers past 1M barrel a day*, AP, <https://apnews.com/article/turkey-africa-libya-middle-east-tripoli-a21bb93b6e866af684588ef5e9786a63>

restart of operations at the 200,000 bbl/d Sarir oil field, at Libya's oil terminals at Hariga, Brega and Zueitina, and at the 300,000 bbl/d Sharara oil field, Libya's largest. The latter was opened in October 2020 by means of a "gentleman's agreement" between the NOC and the militia known as the Petroleum Facilities Guard, as were the nearby El Feel oil field with a capacity of 70,000 bbl/d and the Zawiya oil terminal, which normally exports crude from Sharara³¹.

According to various economic models, lessons learned indicate that going forward, if the truce holds, Libya's crude oil production, currently at 1,200,000 bbl/d, could increase to 2,000,000 bbl/d over the next 12 months³². However, this will ultimately depend on respecting the terms of the ceasefire, including the departure of all foreign fighters and mercenaries from Libya.

It will also require a huge external financial assistance operation, since it will take around 10 years for oil production to reach 3 million barrels per day, and with estimated reconstruction costs in the range of \$200-480 billion over a 10-year period³³.

An additional lesson to be learned is Libya's difficulty in joining the trans-Saharan pipeline (also known as the NIGAL pipeline), which transfers gas from Nigeria to Europe. Libya would favour a modification of its route through Niger and Libya before the final destination of Europe. However, this route is at odds with the one agreed by Algeria, Nigeria and Niger, who on 28 July 2022 signed an agreement to officially launch the 4,000-kilometre-long pipeline project to transfer gas through Niger from Nigeria to the Algerian coast and then to Europe.

The chances of Libya being part of the NIGAL pipeline project are slim given the situation of lack of security in Libya, which continues to hamper the project, even though it may well be an interesting project from the European point of view in the midst of the current energy crisis.

This project would also be frowned upon by Morocco, who signed a memorandum of understanding with Nigeria and West African countries on 16 September 2022 to build a 5,660-kilometre pipeline, an alternative to the Algerian one, to transfer gas to Europe

³¹ *Libya's Oil Crescent Gets Back to Work as Sarir Field Opens*, Bloomberg, <https://www.bloomberg.com/news/articles/2020-09-30/libya-s-oil-crescent-gets-back-to-business-as-sarir-field-opens>.

³² <https://tradingeconomics.com/libya/crude-oil-production>

³³ *Libya: crude implosion*, European Union Institute for Security Studies, <https://www.iss.europa.eu/content/libya-crude-implosion>.

despite difficult the route, as it will pass through 15 West African countries before reaching European soil³⁴.

Everyone wants Libya's oil

The most relevant aspect from an energy security perspective, however, is the importance given to Libyan resources not only by European countries but also by powers such as Türkiye and Russia, who have become extra-regional actors intervening in the conflict by proxy in the increasingly open competition for control of Libya's energy wealth.

In the case of France, President Emmanuel Macron has expressed his interest in playing a decisive role in the resolution of the conflict and in the consequent distribution of resources, as evidenced by his invitation to General Haftar to visit Paris in July 2018. His aim was to condition the position of the strongman of eastern Libya's Tobruk House of Representatives government, which at the time was in the midst of an offensive on the capital Tripoli and seemed to be the victor in the conflict, granting it the political legitimacy it craved but at the time lacked. This decision was a major setback for the policy followed until then by both Italy and the European Union as a whole, which was aligned with the rival government in Tripoli, led at the time by al-Sarraj, who was proposed by the UN in 2016. France thereby regained the leading role it had lost in Libya to Italy, who until then had been setting Libyan policy and who "did not want Haftar under any circumstances"³⁵.

While Haftar's gamble appears not to have worked out as he hoped, France has not fared badly in the energy field. The French company Total, through its subsidiary Total Energies, is planning a \$2 billion investment plan to increase production capacity at the North Gialo and NC-98 oil fields. It has also partnered with US exploration and production company ConocoPhillips to acquire American Hess Corporation's 8.16% stake in the six Waha oil concessions located in the Sirte basin in eastern Libya. The commercial agreement will increase the French company's share of concessions to 20.4% from the current 16.3%, consolidating France's energy footprint in Libya.

³⁴ ASSAD, Abdulkader (September 27, 2022). *Libya could join NIGAL gas pipeline project that extends from Nigeria to Europe*, The Libyan Observer, <https://www.libyaobserver.ly/economy/libya-could-join-nigal-gas-pipeline-project-extends-nigeria-europe>

³⁵ *Noticias de Francia: El conflicto en Libia: una guerra silenciosa entre Macron y Salvini*, El Confidencial, https://www.elconfidencial.com/mundo/2019-04-08/el-conflicto-en-libia-la-guerra-silenciosa-entre-macron-y-salvini_1930010/.

Further, Total Energy and ConocoPhillips are currently reviewing plans to develop the North Gialo 6J Area and NC-98, with an estimated budget of \$3.5 billion, in addition to other multi-million-dollar gas projects in the Ghadames Basin, to supply gas to the domestic and international market over the next five years. In addition to these projects with a strong French presence, there are also joint projects between ENI of Italy, Total of France and Repsol, international oil companies that have contributed more than a billion dollars a year to exploit Libya's resources³⁶.

Comparably, the Dutch company, Royal Dutch Shell, has announced plans not only to redevelop old fields such as the NC-174 block in the Murzuq basin, but also to develop new fields offshore in the Cyrenaica basin and onshore in the Ghadames and Sirte basins. Shell's investment plans signal its re-entry into Libya after a decade-long absence since the first Libyan civil war in 2011³⁷.

Italy has many valid claims to be a vital partner for Libya. First, the two countries share historical ties dating back to 1911, when Italy occupied Tripolitania and Cyrenaica, two regions that later became known as Libya. Over the decades, although relations between Italy and Libya have had their ups and downs, Italian presence has never wavered in Libya even during the height of the civil war.

What is more, Italy has become Libya's main trading partner, with a volume of €6.37 billion during the period from January to the end of July 2022, ahead of China with €2.95 billion and Spain with €2.44 billion. Trade between Italy and Libya increased by 83.68% in the first seven months of 2022, with Italian exports to Libya growing by 71.24%, compared to the same period in 2021, and sales of €1.11 billion, and imports to Italy from Libya doing so by 86.53% in the same period, with a value of €5.27 billion³⁸. Italy has many strings to its bow to end up the victor in the economic game that is currently taking place in Libya, in which energy has a dominant role.

Its company ENI has been in Libya since the 1950s, with a less than 2% share owned by Libyan investment funds, and in the years since the fall of Gaddafi it has maintained a position contrary to that of France by supporting the government in Tripoli. The Italian key

³⁶ MOHAMMED, Libya (May 15, 2022). *Sanallah: Libya is the appropriate place to invest in natural gas*, The Libya Observer, <https://www.libyaobserver.ly/economy/sanallah-libya-appropriate-place-invest-natural-gas>

³⁷ BOUSSO, Ron (30 November 2021). *Shell hopes to return to Libya with investments in oil, gas and solar energy*, The Nation, <https://www.lanacion.com.ar/agencias/shell-espera-regresar-a-libia-con-inversiones-en-petroleo-gas-y-energia-solar-nid30112021/>

³⁸ ASSAD, Abdulkader (October 18, 2022). *Italy tops list of Libyan trading partners with €6.37 billion*, The Libyan Observer, <https://www.libyaobserver.ly/economy/italy-tops-list-libyan-trading-partners-637-billion-euros>

is the GreenStream, a 520-kilometre-long pipeline with an annual capacity of up to 10 billion cubic metres of gas (10 BCM) that crosses the Mediterranean Sea through Sicily to the Italian mainland. The pipeline is operated by the Italian national company ENI in conjunction with the Libyan national company NOC and its operation in the direction of Italy started in October 2004. It is part of the *Western Libyan Gas Project* and is comprised of the Mellitah compressor station on the Libyan coast, the pipeline itself and the receiving terminal on the Italian island of Sicily. To this must be added the fact that ENI imports 23.3% of the oil it consumes from hydrocarbon production and processing facilities in Libya.

Although the flow of gas was interrupted for eight months during the initial phase of the war in 2011, it recovered in 2012, although never again returning to pre-hostilities levels. Prior to the war in Ukraine, in 2021 this underutilised pipeline exported only 3.23 billion cubic metres of Libyan gas, compared to 4.46 billion cubic metres it transported in 2020. However, the Russian war has revalued the pipeline and 8.5 billion cubic metres of natural gas per year (8.5 BCM) is currently transported to Italy, representing 8% of Italy's gas needs in 2019³⁹.

There has been recent talk of building a new pipeline, parallel to the GreenStream pipeline, although it is highly unlikely to get the green light given the marginal impact Libya has on Italy's gas import quotas, despite its large export capacity (65% of the gas produced in western Libya on the border with Tunisia goes to the Libyan national grid and 35% goes to GreenStream). For this to happen, Libya would have to discover new gas fields, which is what Italian energy giant ENI is seeking with its onshore and offshore exploration. In this regard, Libya has recently reached an agreement with ENI and BP to start drilling and producing gas in the Mediterranean in a gas field similar to the Egyptian Zohr field, but larger.⁴⁰

In the case of Russia, the intervention is more opportunistic and geopolitical than purely energy-related in nature and must be understood in the context of the war in Ukraine, with the confrontation with Western powers and the creation of zones of influence in the NATO underbelly of the south-central Mediterranean. The starting point was opportunistic, when in 2019 General Haftar launched a campaign to capture Tripoli, backed by armed drones

³⁹ MEZRAN, Karim and PAVIA, Alissa (16 April 2021). *Italy found its way back to Libya*, Atlantic Council.

⁴⁰ ZAPTIA, Sami (October 31, 20). *Libya concludes agreement with Eni and BP to start drilling for gas in Mediterranean*, Libya Herald, <https://www.libyaherald.com/2022/10/libya-concludes-agreement-with-eni-and-bp-to-start-drilling-for-gas-in-mediterranean/>

and missile systems supplied by the United Arab Emirates. Six months later, however, his forces were stalled on the outskirts of Tripoli, prompting Moscow, in a move that surprised the West, to intervene and tip the balance in the general's favour. Russia sent up to 2,000 Russian fighters, mainly mercenaries from the private, Kremlin-linked Wagner group, to further Hafter's advance⁴¹. Reinforcement with expert snipers, guided artillery and better coordinated air support enabled the LNA to advance on multiple fronts around Tripoli and capture the strategic coastal city of Sirte in early January 2020.

Although they did not manage to take the capital Tripoli and achieve a General Hafter victory, Russia has since become an indispensable actor on the Libyan stage, including in the energy arena, although its final position remains to be seen, depending on the outcome of the war in Ukraine. At the time of writing, it is Russian security contractors and Russian-aligned mercenaries stationed in Libya who protect critical energy assets operated by Russian oil companies such as Gazprom and Rosneft. Moscow also plans to export Libyan oil to Europe in accordance with the pertinent provisions of a Memorandum of Understanding (MoU) signed between Russian oil giant Rosneft and Libya's NOC, which provides for the sale of Libyan crude oil to third markets and the signing of additional energy agreements, allowing Russia to maintain its position as an energy supplier to Europe.

At a time when energy facilities in the Sirte basin, the epicentre of Libya's civil conflict, are controlled by Hafter's army and the Russian mercenary group Wagner, Moscow's strategic objective in Libya is to obtain a permanent naval facility on Libya's 1,900-kilometre coastline that would serve as a Russian gateway to Africa and as a threat to NATO's Mediterranean deployment.

Türkiye's vision is also as much geopolitical as it is strictly energy related. For the purpose of "teaching General Hafter the lesson he deserves"⁴², in January 2020, Türkiye deployed its own drones and between 400 and 1,200 Syrian mercenaries in support of the Tripoli government (GNA)⁴³. In June, Turkish-backed GNA troops forced Hafter's fighters and

⁴¹ AFRICOM: "2.000 mercenarios Wagner están luchando por Haftar en Libia", <https://www.trt.net.tr/espanol/mundo/2020/06/16/africom-2-000-mercenarios-wagner-estan-luchando-por-haftar-en-libia-1437197>.

⁴² «Erdogan acusa a Hafter de limpieza étnica y amenaza con "darle una lección"», <https://www.lavanguardia.com/internacional/20200114/472897346708/erdogan-acusa-a-hafter-de-limpieza-etnica-y-amenaza-con-darle-una-leccion.html>.

⁴³ *As Libya Descends into Chaos, Foreign Powers Look for a Way Out*, The New York Times, <https://www.nytimes.com/2020/01/18/world/middleeast/libya-war-hifter-russia.html>.

their Russian allies to lift their siege and withdraw hundreds of kilometres from Tripoli to Sirte on the Mediterranean coast, restoring the balance between the two sides.

For Türkiye, conditional support is part of a broader resource control strategy, in which troop deployment is conditional on the maritime border demarcation agreement signed in December 2019 with the Tripoli government. The agreement fixes the border between their exclusive economic zones at a boundary 100 kilometres south of the Greek island of Crete, which has very important implications for the search for and control of hydrocarbons in the eastern Mediterranean. The purpose of this agreement in geopolitical terms, which has been rejected not only by the governments of Greece, Cyprus and Egypt but also by the European Union on the grounds that it infringes on the sovereign rights of third states⁴⁴, is to block any pipeline across the Mediterranean that does not involve Türkiye⁴⁵. This denies the exclusive economic zone right claimed by Greece under the 1982 United Nations Convention on the Law of the Sea (UNCLOS), a treaty that Türkiye does not recognise⁴⁶.

However, what is more, the subsequent Memorandum of Understanding signed between the current National Unity Government, which emerged from the UN-led Libyan Political Dialogue Forum in 2021, and Türkiye is considered, in the opinion of Egyptian Foreign Minister Sameh Shoukry and Greek Foreign Minister Nikos Dendias, illegal given that the current Libyan government "does not have the mandate to sign international agreements or memoranda of understanding"⁴⁷. Its implementation would have significant economic repercussions since this is an area where, according to Libya's oil and gas minister Mohammed Oun, 40% of the sites where oil is likely to be discovered are located⁴⁸.

Türkiye's energy gamble in Libya, however, is as high as it is risky. The former Chief of Staff of the Turkish Naval Forces, Admiral Cihat Yaci, who is considered the architect of the agreement with the representatives of eastern Libya, argues that the target area of

⁴⁴ *Lideres UE ven ilegal pacto marítimo turco-libio que afecta a Grecia y Chipre*, La Vanguardia, <https://www.lavanguardia.com/politica/20191213/472197684810/lideres-ue-ven-ilegal-pacto-maritimo-turco-libio-que-afecta-a-grecia-y-chipre.html>.

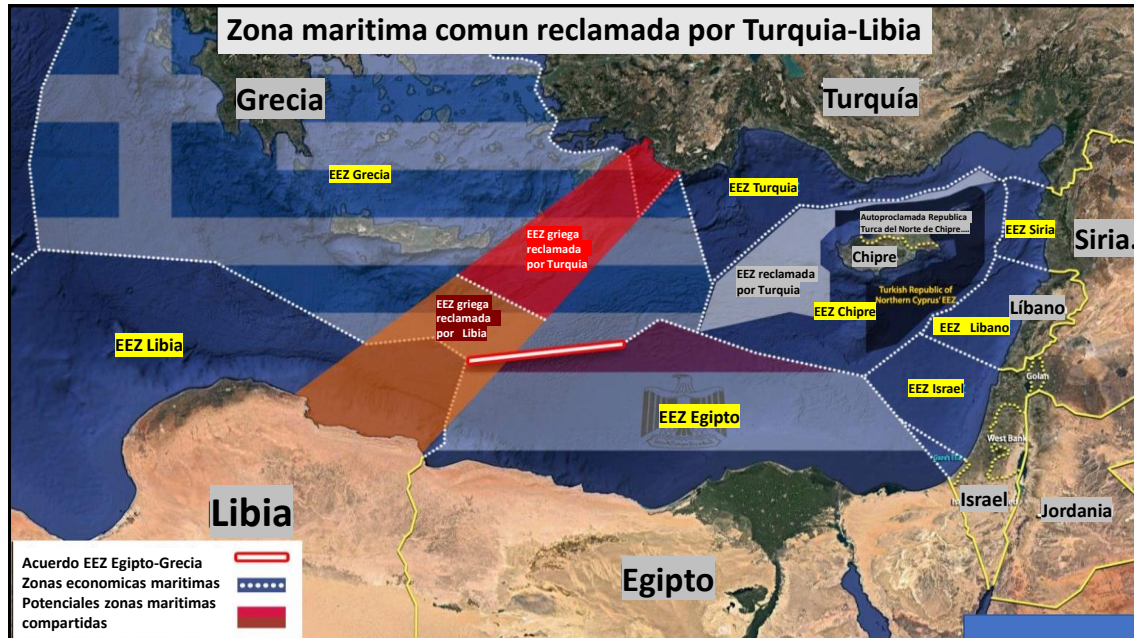
⁴⁵ *Turkey fuels regional power game over Mediterranean gas reserves*, Financial Times, <https://www.ft.com/content/69a222d4-b37c-4e7e-86dc-4f96b226416d>.

⁴⁶ Article 57 of the United Nations Convention on the Law of the Sea sets the maximum width of an EEZ at 200 nautical miles (370 kilometres) from the coastline used to calculate territorial waters. Only if Türkiye's claim that Greek islands and islets, many of them located close to the Turkish coast, cannot be used to define an EEZ is accepted, would it be possible to shape the Turkish EEZ in a practical sense.

⁴⁷ ASSAD, Abdulkader (October 09, 2022). *Egypt, Greece reject Libya-Turkey MoUs*, The Libya Observer, [Egypt, Greece reject Libya-Turkey MoUs | The Libya Observer](#)

⁴⁸ ASSAD, Abdulkader (September 21, 2022). *Oil and Gas Minister: 40% of potential oil sites are in Turkey's demarcated area*, The Libya Observer, [Oil and Gas Minister: 40% of potential oil sites are in Turkey's demarcated area | The Libya Observer](#)

the MoU signed between Türkiye and Libya, located north of Libya's maritime jurisdiction and covering 40,000 square kilometres, includes the world's richest hydrocarbon deposits, with an estimated value of \$30 billion worth of natural gas⁴⁹.



Source: Own elaboration from different sources.

The result is a geopolitical confrontation between Türkiye, Libya (CNG) and Italy on the one hand and not only Cyprus, Greece, Egypt and Israel but also the United Arab Emirates and France on the other, as well as economic competition for access to energy resources in the contested maritime areas north of Libya and south of Greece and Türkiye. Although any significant mining in the area requiring drilling deeper than 2,400 meters was previously deemed uneconomic, even when oil was at \$90/bbl, the increase in prices caused by the war in Ukraine is starting to make it an attractive target.

As for Egypt, whose interest in Libya is mainly directed at border security issues, President Abdel Fattah al Sissi has threatened to intervene militarily in neighbouring Libya if Turkish-backed forces capture Sirte, a strategic port on Libya's central coast and

⁴⁹ ALHARATHY, Safa (October 06, 2022). *Architect of Libyan-Turkish maritime MoU estimates a value of \$30 trillion of gas in Libyan area*, The Libya Observer, [Architect of Libyan-Turkish maritime MoU estimates a value of \\$30 trillion of gas in Libyan area | The Libya Observer](#)

gateway to important oil terminals, or the inland airbase at Juffra, both of which he considers a 'red line'⁵⁰ for vital Egyptian interests.

Libya as an energy opportunity for Spain

Spain's relations with Libya date back to 1961 during the reign of King Idris and were heavily influenced during the 42 years of Colonel Gaddafi's regime by his policy of financing international terrorism and his weapons of mass destruction programme. Spain supported the international embargo on Libya, although from 2004 onwards it tentatively started to reopen the door as the country normalised its relations with the international community.

Spain was one of the first countries to take a stand in favour of the 17 February revolution in 2011, on the basis of the responsibility to protect the civilian population and provide humanitarian assistance, including through the use of force. Although Spain did not take part in NATO's air strikes against Gaddafi's forces, it did provide logistical support and limited military means to the countries that did. On the political front, in March 2011 Spain recognised the National Transitional Council as the interim government, sending a special envoy to Benghazi a month later and joining the 'Group of Friends of Libya'.

Since the beginning of the political transition in Libya, Spain has sought to relaunch bilateral relations by displaying its favourable disposition towards the reconciliation process. Spain supported the negotiations promoted by the United Nations Support Mission in Libya held in Geneva (2014) and in Sijrat, Morocco (2015), which led in December 2015 to the signing of the so-called Libyan Political Agreement and the formation of a Presidential Council and a Government of National Accord, recognised by the international community.

However, Libya's interest for Spain is not limited to cooperation in democratic governance, but also has a strong economic component. Spain is one of Libya's most important trading partners, as its second largest customer after Italy in 2019 (Italy 18.1%, Spain 14.16%, China 16.1%, Germany 15%, France 5.5%) and its fifth largest supplier (China 15.2%, Türkiye 12.9%, UAE 10.2%, Italy 8.7%, Spain 6.2%).

⁵⁰ *Egypt threatens military action in Libya if Turkish-backed forces seize Sirte*, Financial Times, <https://www.ft.com/content/e6aa87b0-5e0b-477f-9b89-693f31c63919>.

In Spain's economic strategy towards Libya, as with the country's strategy towards Algeria, energy plays a very important role, fundamentally in the oil sector in light of its quality, the ease of and low prices of extraction and its proximity to the Spanish market. In 2007, Repsol discovered the largest oil field in Libya's history within Libyan territory, with production from the field reaching 450,000 barrels a day⁵¹. The downside is that in recent years Libya's hydrocarbon production and exports have been heavily affected by the conflict situation, undergoing highs and lows depending on the evolution of the military situation.

As for liquefied natural gas (LNG), there is no possibility of supplying gas by pipeline to the Iberian Peninsula, despite the fact that Libya, together with Algeria, was a pioneer in exporting liquefied gas to Spain.

Within the framework of Spanish energy interests, Repsol has a very important role in Libya. With 11 million barrels of oil extracted, 77 million barrels of oil equivalent of total reserves and concessions covering a total area of 4,698 km², Repsol is one of the main foreign oil producers in Libya, where it operates through its subsidiary Repsol Exploration Murzuq S.A. (REMSA)⁵².

The Al Sharara field, located in the Murzuq desert, was discovered in 1980 and is owned by Repsol. It has total proven reserves of 3 billion barrels and can produce up to 340,000 bbl/d, making it one of Libya's largest⁵³. With approximately 12% of the oil company's production and 60% of its proven reserves⁵⁴ of crude oil, it can be said that Repsol's good performance in Libya is to Spain what General Motors was, in the good old days, to the United States.

Whatever the case, for Spain, Libya is particularly relevant when considering the prospects for oil production for three reasons. The first is that Libyan real output is more closely linked to international oil prices than that of other oil exporters, making it particularly vulnerable to economic shocks and external price variations. This increased

⁵¹ Relations between Libya and Spain. Embassy of Libya in Spain, <http://www.embajadadelibia.com/embajada/>

⁵² Repsol. <https://www.repsol.com/es/conocenos/repsol-en-el-mundo/africa/libia/index.cshtml#:~:text=Repsol%20in%20Libya%20Libya%20is%20the%20sixth%20power,with%20T%C3%BAnez%2C%20Algeria%2C%20N%C3%ADger%2C%20Chad%2C%20South%C3%A1n%20and%20Egypt.>

⁵³ MUÑOZ, J. (6 August 2021). *Repsol is considering a return to Libya in view of the expected new political stability*, CapitalMadrid, <https://www.capitalmadrid.com/2021/8/6/60242/repsol-se-plantea-el-regreso-a-libia-ante-la-esperada-nueva-estabilidad-politica.html>

⁵⁴ *Repsol leaves Libya with no return date due to Islamist threat and the project is in danger*, Vozpopuli-empresas, 29 August 2014, https://www.vozpopuli.com/economia_y_finanzas/empresas/repsol-libia-islamismo-produccion-petroleo_0_728927138.html

vulnerability to the energy environment means that it can potentially affect Spanish supplies and thus its interests in the country.

The second is that the situation of internal civil conflict, aggravated by the presence of external actors, means that Spain's prospects for increased supplies depend on further growth in production. Achieving this, however, requires agreement between the warring parties on how best to manage Libya's current and potential resources.

Consequently, the third reason involves achieving an agreement between the Libyan parties and international partners and an end to the conflict, which would be a huge incentive for Libya's energy sector as a country located among those with the largest oil reserves in the world and which, in an environment of peace, could rapidly prosper. Spain's positive attitude to the peace process and its non-military intervention in the conflict would enhance Spain's attractiveness as an energy customer and encourage Spanish companies to take part in the reconstruction of the country's energy sector.

Conclusions

The recovery of the Libyan energy sector seems to be consolidating and the competition for Libya's vast energy resources is in the early stages. There are massive reserves still to be exploited and huge investment opportunities in both the south-central parts of the country and, of course, in the off-shore Mediterranean, which is the most contested part among Mediterranean states such as Egypt, Cyprus and Greece. Libya, as the chairman of the National Oil Corporation (NOC), Mustafa Sanallah, has recognised has the potential to develop hydrocarbon resources and provide Europe with abundant and secure supplies of oil and natural gas.

At this time of conflict in Ukraine, European consensus on the importance of Libya's stability and a practically unanimous conviction of the need to neutralise the supply of oil and gas and free it from any link to the current local and international conflicts are therefore essential. In this regard, it is unlikely that, barring any unexpected tensions related to conflict between the parties, the oil sector will be imminently affected by the Russian-Ukrainian crisis in a way that could again lead to the suspension of production.

Whatever the case, production increases will depend on the recovery of the resource-rich Sirte basin and the fields supplying the crucial Ras Lanuf and Es Sider export terminals

in the emerging petrol supplier that is Libya. This process will require the repair of infrastructure badly damaged in the civil war years.

What is more, even if this can be agreed, the spiral of violence must end first, something that is difficult to achieve without the departure of the more than 20,000 foreign forces and mercenaries in Libya that are helping the warring factions, both the UN-backed National Unity Government in Tripoli and strongman Khalifa Haftar in the east of the country.

Factors in favour of political stabilisation and the recovery of the energy sector would be the fatigue of the population and the exhaustion of the parties after eleven years of civil war, the renewed European interest in Libyan resources motivated by the war in Ukraine and the closure of the Russian market. To this must be added the immense untapped reserves of a country, Libya, which in recent months has discovered 29 oil and 12 gas locations.

The most unfavourable energy scenario for Europeans would be close cooperation between Russia and Türkiye along Syria's lines, effectively splitting the country into two distinct spheres of influence. A divided Libya would drive out the Europeans and allow Türkiye to control a large part of Libya's offshore gas, disrupt the unimpeded flow of energy to Europe and, consequently, control a significant part of Libya's energy reserves. In parallel, Russia could use its presence in the Gulf of Sirte and its influence over General Haftar's Libyan National Army to impede the energy activities of European companies, and even to look towards the Mediterranean with a more ambitious confrontational strategy. This possibility is, of course, conditional on the course of the war in Ukraine.

In Spain's case, there are many possible areas of cooperation. There are multiple opportunities to work for mutual benefit beyond hydrocarbons in sectors such as infrastructure and construction, health and renewable energies, in a Libya which, in peacetime, will need everything. However, this advantageous direction for Spanish interests is conditional on the consolidation of political stabilisation and an improvement in security conditions as essential prerequisites for this cooperation to bear fruit.

Spain could potentially help strengthen the new Libyan state and its institutions and prevent the criminality, terrorism and human trafficking that have such a negative impact on regional security and energy security from flourishing in Libya. Likewise, Spain has much to contribute given its experience and the capacity of its companies in key sectors

for Libya's economic transformation and diversification. Spain's non-intervention in the Libyan conflict and the country's interest in Libya's hydrocarbon potential for the security of their energy supplies accentuate the importance of Libya as a strategic supplier for Spain in the coming years. If these opportunities are seized, the benefits would be mutual not only from an energy perspective but also in terms of stability in the Mediterranean, precisely one of Spain's main security priorities.

In short, at present Libya continues to present many risks, but there are also abundant opportunities for a European continent in need of energy sources to compensate for the losses in Russia. To this end, it is in Europe's interest to avoid a collapse of Libyan security and another round of civil conflict that would negatively affect the development and exploitation of Libya's energy resources.

Rather than questioning the legitimacy of the National Unity Government, the solution would be to hold presidential elections as soon as possible, a process that has been on hold since December 2021. A stable and united government that enjoys adequate legitimacy, addresses the political demands of Libya's three historic regions and establishes an equitable system for sharing oil revenues in accordance with the 1951 constitution would facilitate improved security, while also allaying foreign companies' reluctance to operate in Libya and attracting the substantial international investment that is so necessary for the recovery of Libya's energy sector.

Time is clearly of the essence to avoid a constitutional crisis that undermines the legitimacy of the political system, creates new opportunities for renewed conflict, or provides pretexts for foreign powers to maintain their military presence in Libya. Now, with the end of hostilities, a window of opportunity has opened for Libya to exit the vicious circle of instability and uncertainty that prevents the realisation of its full energy potential. The international community and Spain should undoubtedly play a constructive role to this end, enabling better use to be made of the enormous opportunities Libya offers. Achieving this is precisely in the interests of both Spain and Europe.

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