

## Libya Oil and Gas Opportunities Volume 2



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**Oil & Gas Opportunities in Libya - Volume Two** has been written as an update and accompaniment to the highly successful first volume that was originally published in 1999. That edition followed the suspension in April of that year of UN sanctions against Libya following agreement about the subsequent trial of two Libyan nationals alleged to have been involved in the 1989 bombing of Pan Am Flight 103 over Lockerbie, Scotland.

Libyan authorities and oil and gas officials set out their vision for the future development of the sector and, most importantly, the involvement of foreign companies in rehabilitating and taking forward the country's hydrocarbon industry. The wave of optimism that greeted Libya's re-emergence into the international oil and gas community (aside from its role as a member of OPEC, which had been maintained throughout the sanctions era) was palpable.

Since then, however, the pace of development has been slower than many had thought. There are still several obstacles on a political and legislative nature, among others, that represent barriers to entry to the Libyan oil and gas sector. However, the country remains a major untapped source of hydrocarbon potential and operators already active in the country testify to the benefits it can bring.

Libya's strategic position and the European Union Libya is in the center of what is expected to become the North African gas supply zone for the demand-hungry European Union, which means there are exciting opportunities ahead. Any comment on Libya's energy future must be seen within the wider context of the region, and the continent as a whole. This is particularly true for gas, which is now the fuel of choice around the world.

The EU represents the largest area for gas-fired power generation over the next few decades and it will require increased gas supplies from North Africa to meet this demand. Africa's gas reserves, which are estimated at 394 trillion cubic feet, account for nearly 8% of global reserves and the lion's share of this is found in territory belonging to Libya and its neighbors.

### Petroleum Law

Many people have expressed frustration at the length of time it is taking Libya to introduce a new Petroleum Law, but there have been significant changes within the National Oil Corporation (NOC) aimed at speeding up the process of entry for overseas players. Contracts can now be negotiated on an individual basis, with specific incentives employed relevant to each case.

### Sanctions

Sanctions remain a problem, but are likely to soon become a thing of the past. There appears to be a lack of political will within the UN (with the exception of the US) to reimpose the resolutions of the early 1990s, while the US' unilateral embargo ILSA (Iran-Libya Sanctions Act) still poses a threat but is subject to waivers and is becoming increasingly ignored by non-US firms. While there are specific barriers to entry and also stiff competition from other oil and gas rich areas in the world, Libya still remains an attractive although not straightforward area to carry out hydrocarbon exploration and production.

In the energy sector, the suspension of sanctions and the rest of the world's continued violation of the US



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unilateral embargo as well as the new NOC bidding rounds means there is a steady queue of European, Asian and African companies lining up to exploit Libya's substantial oil and gas reserves.

## **Economic reform**

The attempts at economic reform highlighted by the government reshuffle and the new budget for 2001 suggest there are serious attempts to reduce bureaucracy, modernize the country's infrastructure and improve tax collection. New incentives to encourage private sector involvement in industry and boost joint ventures with foreign companies through investment incentives represent a new era of economic strategy thinking in the country.

## **Who should read this report?**

The report is essential reading for:

- risk managers
- oil service companies
- upstream/downstream oil companies
- government and regulatory organizations
- investment banks
- corporate and project finance specialists
- project insurers and insurance brokers
- equipment manufacturers and suppliers

## Libya Oil and Gas Opportunities Volume 2– Executive Summary

Libya's strategic position in the centre of what is expected to become the North African gas supply zone for the demand-hungry European Union, means there are exciting opportunities ahead. Any comment on Libya's energy future must be seen within the wider context of the region, and the continent as a whole. This is particularly true for gas, which is now the fuel of choice around the world. The EU represents the largest area for gas-fired power generation over the next few decades and it will require increased gas supplies from North Africa to meet this demand. Africa's gas reserves, which are estimated at 394 trillion cubic feet, account for nearly 8% of global reserves and the lion's share of this is found in territory belonging to Libya and its neighbours.

Many people have expressed frustration at the length of time it is taking Libya to introduce a new Petroleum Law, but there have been significant changes within the National Oil Corporation (NOC) aimed at speeding up the process of entry for overseas players. Contracts can now be negotiated on an individual basis, with specific incentives relevant to each case. Sanctions remain a problem, but are likely to soon become a thing of the past. There appears to be a lack of political will within the UN (with the exception of the US) to reimpose the resolutions of the early 1990s, while the US' unilateral embargo ILSA (Iran-Libya Sanctions Act) still poses a threat but is subject to waivers and is becoming increasingly ignored by non-US firms.

Yet, at the same time, Libya remains isolated compared to many of its peers and therefore, accurate, up-to-date information on the state of the sector and developments can be hard to come by. This report therefore aims to cut through some of the mystique surrounding the country, its economy, politics and way of doing business in an attempt to provide all interested parties with topical information that would affect



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any business intention in the country.

While there are specific barriers to entry and also stiff competition from other oil- and gas-rich areas in the world, Libya still remains an attractive although not straightforward area to carry out hydrocarbon exploration and production.

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