Libya 2012: Political, economic & oil sector challenges

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Militias in control as chaos reigns and protests continue

Almost one year on from the February 2011 revolution, the situation is still tense as Libya's new leaders try desperately to navigate their way through the transition process. Although the National Transitional Council (NTC) has made some progress, not least in finally appointing a new military chief, the revolutionary brigades are still calling the shots.

There is no sign that these brigades have any intention of disbanding, and despite the NTC's efforts to start shaping them into the country's civilian security structures they continue to resist. Moreover, further clashes broke out between rival militias in Tripoli and in Misrata, resulting in several deaths and scores of injuries. An unknown armed group attacked the Dema military council, while a suspected cadre of Qaddafi supporters are believed to have tried to blow up an electricity station in Zintan.

It is clearly going to be a long time before the country returns to any semblance of normality. Meanwhile, the protests that erupted in various cities at the end of last year against the NTC and the interim government show no sign of abating. There was a major one on 2 January in Tripoli's Square of Bani Walid at which demonstrators again criticized the new authorities for 'corrupting the path of the revolution'.

In the Zintan suburb of Fashkhar, the first neighbourhood to come out against Qaddafi during the uprising, demonstrators took matters into their own hands. Protesters who were staging a sit-in outside the local council forced its members to resign and then formed their own committee to run the body instead. Demonstrations have been held outside the Interior Ministry and the General Prosecutor's office in the capital as well.

Protests also spread to Misrata, Sabratah, and Zawiya, reflecting the singular failure of the NTC's efforts to placate the regress. The NTC has made a series of gestures in response. At the end of December, Economy Minister Abdulqahab Tahari Senehe resigned. Although government spokespeople put his resignation down to ill-health, he was experiencing particular opposition over his links to the former regime.

Prime Minister Abdul Raheem Al-Keib accepted the resignation immediately, either because of his belief that he had only just walked. Senehe had been a member of former prime minister Al-Baghdadi Ali Mohammed's government. Such Denis will not be any way to placate Libya's patient protesters, who feel as though their revolution has been hijacked by a bunch of convenience folk to the old regime and are unlikely to begin a march on the country.

The NTC is losing weight by the day. To make matters worse, there are reports of

Timetable for a democratic Libya

» 22.11.11 – New interim government led by Prime Minister Abdul Raheem Al-Keib is finally announced

» Electoral law is being drafted by two committees but there is major criticism of initial versions – over the lack of political parties; role of Qaddafi loyalists; women, etc. – some call it First Tribe Past the Post – it is allegedly paternalistic and a tribal step backwards

» June 2012 – Elections for 200-seat National People's Congress
  - It will pass new constitution which will be agreed by referendum
  - and it will form a new and more representative government

» June 2013 - Presidential elections are still likely but this depends on constitution. Growing pressure from east for a federal system

» This timetable is too slow for many Libyans and may have to be accelerated and the constitution modified to please the majority.

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NTC leadership and composition

» NTC's original leadership – largely secular, liberal, pro-Western and reasonably competent

» Mustafa Abdel Jalil originally respected, and was the glue which bound the NTC together, but now there is major criticism of him and the NTC over incompetence, corruption, links to Q.

» Cabinet – 30 ministers and 42 deputies – is a coalition of the regional figureheads, technocrats and Islamists

» Some ministers have dubious reputations and some have already resigned

» The most powerful militias – Misrata and Zintan - demanded and got major portfolios

» Who is outside the cabinet is just as important as who is in.

The militia leaders are now the major power-brokers

» Abdulhakim Belhaj - former LIFG leader, now NTC's military commander of Tripoli, so lots of kudos but also overly independent

» Abdullah Ahmad Nakir al-Zintani - heads larger Tripoli Revolutionary Council; includes locals but dominated by Zintanis; Arab and Berber

» Both are charismatic and popular strongmen who have the loyalty of their own militias but who are less popular with the indigenous locals

» Misrata militia – fiercely independent; less hierarchical; had kudos of having captured Qadhafi and many of his inner circle at Sirte

» Zintan militia – captured Saif al-Islam and successfully used him as a bargaining chip to get the defence portfolio

» Benghazi and other Eastern militias – weaker and are despised by the other main militias
Politics - Conclusions

» There is growing disillusionment with the NTC’s leadership and performance and a fear that the revolution is being hijacked by former Qadhafi loyalists with little interest in the Libyan people.

» Indecision and drift as the drafting of electoral law and new constitution take centre stage.

» 2012 will be dominated by the intense competition for power and influence in run up to NGC elections. The results will determine and shape Libya’s short-medium term stability.

» Situation will be complex, difficult, unclear and messy but Libya will not become another radical Islamic state.

» We should therefore be cautiously optimistic about the country’s medium and long term future.

Economy

Non-Oil

» Peripheral regions will hopefully get fairer share of the cake

» Less white-elephant and vanity projects

» Emphasis on social needs (education, health) and on repairing the war damage and improving the dilapidated infrastructure

» Few major contracts will be signed by this interim government

» Considerations – job creation (role of TNCs); local content; social content.

Oil Sector

» Will remain pre-eminent priority because it is the cash cow; but

» More decentralisation; greater autonomy for NOC subsidiaries

» More EOR and perhaps less greenfield exploration

» Balance between attracting IOCs back and not “killing golden goose”.

» Or the herd may leave Libya (and North Africa) and move elsewhere.
The priorities

» Oil production not exploration pays the bills so urgent need is to increase production to pre-revolution 1.6 mn b/d

» Successful pressure on Libyan and IOC producers to ramp up production ASAP

» Greenfield exploration needs IOCs to return which, in turn, needs secure working environment; repair and replacement of trashed or looted offices and villas; and return of oil service companies

» The NOC subsidiaries will have greater operational and budget autonomy; will need more assistance; EOR

» Repair to downstream sector – refineries and petrochemicals

» Shell and BP’s exploration programmes will be the bellwether for IOC interest in Libya.

Will the herd stick around or move to greener pastures?

» The oil industry has a herd mentality and it always moves on to newer and greener pastures when it has grazed for long enough

» Libya was THE exploration hotspot in 2005 but now there are new opportunities: Brazil, Kurdistan, Ghana and East Africa

» The EPSA-IV deals were totally skewed in NOC’s favour

» NOC, plus the government, and people, must realise that Libya must be a safe, secure, geologically and commercially attractive operating environment or the herd will soon move elsewhere

» The current European producers will stay – proximity to market - but other midcap independents and the majors might not

» Libya probably only has a 12-18 month window to prove this or it will miss the exploration boat for another decade.
So will the rest of North Africa!

» Algeria
  • Political stagnation following succession battle between presidency & DRS
  • Led to corruption scandal in Sonatrach and its total paralysis
  • Politics dominates everything in Algeria – concept of win-win doesn’t exist
  • Fall out with major IOC investors plus succession of poor licensing rounds
  • Algeria - no place for smaller IOCs; main interest will remain gas to Europe.

» Egypt
  • Was a very attractive environment for smaller IOC oil producers
  • Main problem for large gas producers was continuing energy subsidies
  • They have only been paid a fraction of the money owed to them in 2011
  • Continuing political turmoil makes IOCs nervous about Egypt and new investment currently appears unlikely.

» Tunisia
  • Was equally attractive as Egypt but has recovered much quicker.

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