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Can NOC save Libya?

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The National Oil Corporation (NOC), the Libyan state-owned corporation in charge of Libyan oil exploration, operation, marketing and exportation, announced on 13 September the lifting of *force majeure* – previously imposed by NOC in August 2013 – at all oil crescent ports. NOC, thereafter, resumed its oil exportation. This positive breakthrough in the Libyan oil sector, Libya's only resource, bringing it back into track, is the result of military and security changes on the ground.

In the second week of September, the Libyan National Army (LNA) launched a surprise attack, swiftly taking control of Libya's oil crescent, home to Libya's main oil ports. The LNA is led by General Khalifa Haftar, appointed as commander of the Libyan armed force by the Libyan House of Representatives (HoR) in 2014.

Since 2013, Libya's oil ports have been under the control of Ibrahim Jadran and his militia – the Petroleum Facilities Guards. During that time, Jadran blockaded the oil ports, preventing Libyan oil exportation from the four ports in the region – Zueitina, Brega, Ras Lanuf, and Es-Sidra – interrupting one of Libya's economic mainstays (oil and gas production make up 96 percent of the country's exports and 65 percent of its GDP). Under Muammar Qaddafi, Libya's oil output reached 1.6 million barrels a day (bpd). With the region under Jadran's control, that figure dropped to 290,000 bpd and exports came to a halt. The NOC declared *force majeure* as it was unable to fulfill its international contracts. The serious financial consequences of the blockade are palpable in daily life with rampant inflation and a liquidity crisis leading to long queues outside banks and the collapse of the Libyan dinar exchange rate.

After Jadran and his supporters fled in the wake of the attack, the LNA spokesman announced on 11 September the army's readiness to hand over the petroleum facilities to the NOC. The handover was completed in four days with NOC Chairman Mustafa Sanallah announcing the lifting of the *force majeure*. Four days after, the first oil shipment left the port of Zueitina on 19 September, with a second leaving the Ras Lanuf Port on 21 September. According to NOC, the Es-Sidra port is also expected to resume activities soon. On 21 September, Sanallah announced that national production had risen by an additional 100,000 bpd.

Before the LNA handed over the oil ports to the NOC on 15 September, France, the UK, Spain, Italy, Germany, and the USA issued a joint statement on 12 September demanding the immediate and unconditional withdraw of the LNA from the oil crescent region. The statement reaffirmed support for Libya's internationally recognized Government of National Accord (GNA) and ended with a reminder that measures could be taken against illicit oil exports.

However, the LNA's move to establish control over the key to the Libyan economy, and its consequent cooperation with the NOC present an opportunity for Libya at a time of political stagnation. The importance of these recent changes can be summed up in the following points:

First, they ended the absolute control of an amateur militia leader who Sanallah accused of trying to use the oil ports for personal gain, and for failing to protect them from the Islamic State. The Jadran legacy vanished within hours, despite the international recognition he received in July 2016 when Martin Kobler, the UN Special Representative to Libya, visited him in Ras Lanuf. At the time, Sanallah declared his opposition to the visit in an open letter to Kobler in which he blamed Jadran for the loss of $100 billion in oil exports.

Second, nine months after its signing, the UN-brokered political settlement for Libya is leading nowhere. The Presidential Council (PC) has been unable to successfully govern, and despite international recognition, the GNA and PC's legitimacy is questioned inside Libya. The Libyan House of Representatives (HoR) voted to reject the GNA in an August session, and the political agreement itself has not been adopted by the parliament as legislation.

This political impasse, combined with the economic and humanitarian hardships, points to the need for a new path. Now is the time for the NOC to work toward reviving reconciliation in Libya by improving the economy, and by encouraging the two uncooperative government institutions (HoR and PC) to enter into a dialogue in order to ensure the flow of income to the Libyan empty treasury.

Third, as Libya's only resource, oil can either be used as a tool of division or unity. Bringing the Libyan economy back on track, albeit gradually, may revive the political peace process. The two rival uncooperative institutions (the HoR and PC) must find a common ground to cooperate, either directly or indirectly through the NOC, to improve the economy. The NOC has succeeded in immunizing itself from political fragmentation. Like most state institutions in Libya, it became fragmented in the wake of Qaddafi's ouster as two competing governments struggled for power. In December 2014, the Libyan interim government in al-Bayda, located in eastern Libya, nominated a new NOC chairman and deputy. The sitting NOC chairman, on the other hand, was aligned with the Tripoli government in western Libya. However, unlike other Libyan institutions – such as the Libyan Investment Authority (LIA) where two chairmen are now competing for authority in UK courts – the NOC managed to circumvent this hurdle, announcing in a joint communiqué in July 2016, the unification of both companies under the chairmanship of Mustafa Sanallah, with its headquarters in the eastern city of Benghazi. In it, the company avoided taking sides in the Libyan conflict, recognizing the HoR as Libya's legislative branch and the internationally recognized governing body, the PC as the executive branch, and announced that it would cooperate with both authorities.

However, NOC is working in a time of civil war, and under sharp political fragmentation and non-cooperative environment between the HoR and the PC. NOC is also facing huge challenges with regard to facilitating and administrating the process of oil production and revenue. On the one hand, the oil crescent area is controlled by LNA, which is affiliated with the HoR and does not recognize the PC. On the other hand, NOC is reporting to the executive branch (i.e. PC) which is still not recognized by the HoR as a government of national accord because it has not yet granted it a vote of confidence. In addition, incomes generated from oil exports will be transferred to the Central Bank of Libya in Tripoli (CBL) which is under PC supervision – a complicated operational map to understand.

In principle, HoR and PC should find a way to endorse NOC's neutrality and independence in order to move the economic wheel. However, there is no indication of such cooperation in the near future. It may therefore be crucial for the NOC to take the initiative. This can take the form of the NOC declaring its own code of work manifesto towards the two institutions pushing them to cooperate and to respect it. The international community could be the guarantor of such a manifesto.

In sum, the economic détente in Libya may lead to a political breakthrough and push governing institutions to cooperate in the vital field that is providing life to Libya and its population. Economic progress in Libya can revive political reconciliation and facilitate a comprehensive political settlement. The UN political agreement itself can be a foundation for further negotiations and become easier to implement. By improving the economy, Libyans' daily lives will improve, creating an environment for a better political deal.

About the Author

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