

11 Years On... UK Gets What It Was Always After; Libya's Oil

British oil giants BP and Shell are returning to the oil-rich north African country just over a decade after the UK took part in destabilizing the nation with the 2011 military intervention.

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Libya's National Oil Corporation (NOC) agreed last month for BP to begin drilling for and producing natural gas in a major project off the north African country's coast.

The UK corporation, whose board of directors includes former MI6 chief Sir John Sawers, controls exploration areas in Libya nearly three times the size of Wales.

For a long time, British officials have sought to profit from oil in Libya, which contains 48 billion barrels of reserves – the largest oil resources in Africa, accounting for 3% of the world total.

BP is one of the few international oil and gas companies with exploration and production permits in Libya. Muammar Gaddafi nationalized its assets in Libya shortly after seizing power in a 1969 coup that called into question the entire British position in the country and region.

Following years of tensions between the two countries, Prime Minister Tony Blair met Gaddafi in 2004 and struck the so-called "Deal in the Desert," which included a \$900 million exploration and production agreement between BP and Libya's NOC.

BP re-entered the country in 2007, but its operations were halted by the 2011 NATO-backed aggression on the country, resulting in ousting Gaddafi and later killing him.

BP operations resumed after the signing of a memorandum of understanding in 2018 between the NOC and Eni, the Italian oil major, to resume exploration, with Eni as the oil field operator. BP CEO Bob Dudley hailed the agreement as an important step "toward returning to our work in Libya."

The \$8 billion BP-ENI project includes two exploration areas, one onshore in the Ghadames basin and one offshore in the Sirte basin, totaling approximately 54,000 km². The Sirte basin concession alone encompasses an area larger than Belgium.

The UK's other oil major, Shell, is also "preparing to return as a major player" in Libya, according to its statement in a confidential document. After putting its Libyan operations on hold in 2012, the corporation is now planning to explore new oil and gas fields in several blocks.

Oil bribery

In September of last year, a third British company, Petrofac, which provides engineering services to oil operations, was awarded a \$100 million contract to help develop the Erwin oil field in Libya's deep southwest.

Petrofac was at the time under investigation for bribery by the UK's Serious Fraud Office (SFO). One of its executives, global head of sales David Lufkin, had already pleaded guilty in 2019 to 11 counts of bribery.

The SFO convicted and fined Petrofac on seven counts of bribery between 2011 and 2017 in the month following the award of the Libya contract.

The company pleaded guilty to using agents to bribe officials to the tune of £32 million in order to win oil contracts in Iraq, Saudi Arabia, and the United Arab Emirates.

"A key feature of the case," the SFO noted, "was the complex and deliberately opaque methods used by these senior executives to pay agents across borders, disguising payments through sub-contractors, creating fake contracts for fictitious services and, in some cases, passing bribes through more than one agent and one country, to disguise their actions."

It works with BP in several countries around the world, including Iraq, Azerbaijan, and Oman, and in the North Sea.

Backed by UK government

All three British firms re-entering Libya have close ties to the British government. During some of the years when Petrofac paid bribes, the company was led by Ayman Asfari, who donated nearly £800,000 to the Conservative Party between 2009 and 2017.

David Cameron appointed Asfari, who is now a non-executive director of Petrofac, as one of his business ambassadors in 2014.

In May 2019, when Petrofac was under investigation by the SFO, UKEF provided £700m in project insurance for the design and operation of an oil refinery at Duqm in Oman, a project in which Petrofac was named as the sole UK exporter.

Petrofac was one of five companies that sponsored the official reopening of the British Embassy in Tripoli in June of this year.

Ambassador Caroline Hurndall told the audience,

"I am especially proud that British businesses are collaborating with Libyan companies and having a meaningful impact upon Libya's economic development. Many of those businesses are represented here tonight."

BP and Shell are close to Whitehall, with a long history of personnel revolving between the corporation and former senior civil servants.

Control of oil

Despite all that has befallen the north African nation, Libya was the UK's third largest source of oil last year, after Norway and the US, supplying 7.8% of all British oil imports. Oil provides over 90% of Libya's revenue, which makes it the country's lifeline.

However, the country's NATO-backed aggression has provoked a battle for control over the oil industry which has been described as being in "disarray", with "little clarity on who really is in control of the nation's most valuable resource."

UK ministers have long sought access to Libya's oil in the international rivalry over access to the key resource. Documents obtained by the oil-focused NGO Platform in 2009 revealed that Labour ministers and senior civil servants met with Shell at least 11 times and possibly as many as 26 times in less than four years to discuss the company's oil interests in Libya.

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