Oil Companies Prepare for Post-Gaddafi Libya

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The major American and European oil conglomerates previously active in Libya are preparing to resume business in the event that the illegal NATO-led war achieves its objective of "regime change", with Muammar Gaddafi forced from power and a more pliant administration installed in Tripoli.

The International Energy Agency yesterday forecast a relatively slow but steady resumption of oil production. "By next year, the political dynamics should be settled, one way or another, and by 2013 capacity restored to just below pre-crisis levels, with a full recovery by 2015," an IEA report declared. Paolo Scaroni, the CEO of Italian oil giant ENI, similarly declared on Wednesday: "We think that everything will return to normal in Libya … any government that comes to power in Libya will have to re-start production working with the companies that already know the country. When we look a year from now, we look with optimism."

Executives with other major oil firms that have suspended operations in Libya—including America's ConocoPhillips and Britain's BP—have been more circumspect, while scrambling behind the scenes to secure their stake in the oil-rich North African state.

The *Washington Post* last week noted that representatives of ConocoPhillips and other American oil companies recently met with a delegation from the so-called Transitional National Council based in "rebel"-held Benghazi. The executives reportedly received assurances that all the contracts they negotiated with the Libyan government would be honoured.

Nansen Saleri, chief executive of Houston-based oil engineering firm Quantum Reservoir Impact, told the *Washington Post*: "Now you can figure out who's going to win, and the name is not Gaddafi. Certain things about the mosaic are taking shape. The Western companies are positioning themselves… Five years from now, Libyan production is going to be higher than right now and investments are going to come in."

Despite the suspension of extraction operations due to the war, the transnational oil companies continue to actively pursue new opportunities in Libya and across the North African region. According to a report published last week in the *Oil & Gas Journal*, Canadian-based Sonde Resources has assessed as commercially viable a field in the Mediterranean Sea shared by Libya and Tunisia that contains an estimated 362 million barrels of oil and 981 billion cubic feet of gas.

A Reuters report yesterday, "Arab spring likely to leave oil firms unscathed", noted that the energy giants are striving to ensure that the uprisings of workers and young people across North Africa and the Middle East do not disrupt the lucrative arrangements previously worked out with various deposed despots. “In the past, big political shifts in the Middle East have often been followed by the eviction of foreign oil producers,” the article stated. “Oil companies have beaten a path to new leaders in Egypt and Tunisia, and, an Italian ministerial source told Reuters last month, even to Libyan rebel leaders. Companies say the signals received so far do not point to widespread asset seizures.”

These developments underscore the nakedly predatory and neo-colonial character of the US-European assault on Libya. The Obama administration and its European allies now make little pretence of complying with the terms of UN Security Council resolution 1973, or its stated objective of “protecting civilians”. Gaddafi and his family have survived numerous assassination attempts, many civilian infrastructure facilities have been systematically targeted, and the bombardment has been steadily intensified, leading to more civilian casualties. The real agenda is to replace the Libyan government with a puppet administration as a means of advancing the imperialist powers’ geostrategic and economic interests in the country and the wider region.

Control over Libya’s oil is central to these objectives. Previously accounting for nearly 2 percent of total world oil output, Libyan oil is of especially high quality. Moreover, there are believed to be vast reserves not yet explored, with about 70 percent of the country reportedly still to be surveyed.

US diplomatic cables recently released by WikiLeaks have shed light on the sordid operations of American and European oil companies in Libya.

The *Washington Post* summarised the content of the various cables: “In 2004, President George W. Bush unexpectedly lifted economic sanctions on Libya in return for its renunciation of nuclear weapons and terrorism. There was a burst of optimism among American oil executives eager to return to the Libyan oil fields they had been forced to abandon two decades earlier… Yet even before armed conflict drove the US companies out of Libya this year, their relations with Gaddafi had soured. The Libyan leader demanded tough contract terms. He sought big bonus payments up front. Moreover, upset that he was not getting more US government respect and recognition for his earlier concessions, he pressured the oil companies to influence US policies.”

One State Department cable in December 2004 reported that ConocoPhillips executives described a recent deal they struck with the Libyan government as “not good”, but “said the company views it as ‘dues-paying’ in order to return to the Libyan market”.

By November 2007, however, another State Department cable reported “growing evidence of Libyan resource nationalism”. US officials disapprovingly cited a speech Gaddafi delivered in which he declared that “Libyans must take their place to profit from this [oil] money”. The cable concluded: “Those who dominate Libya’s political and economic leadership are pursuing increasingly nationalistic policies in the energy sector that could jeopardize efficient exploitation of Libya’s extensive oil and gas reserves.”

In 2008, another cable reported that the Libyan government had warned an ExxonMobil executive that it could “significantly curtail” its oil production in order to “penalise the US”, after Congress had passed legislation making it easier for families of the victims of the Lockerbie aeroplane bombing to target Libyan commercial assets in the courts.

The cables make clear that the major oil companies are looking to not merely preserve the existing contracts they negotiated with Gaddafi, but to redraft the agreements on much more favourable terms. At the same time, escalating great power rivalries are fuelling the scramble for Libya's oil. There is no question that the American, British, and French conglomerates will expect any post-Gaddafi client regime to favour them over the Russian, Chinese, Italian, and German firms that have been active in Libya.

One cable published by WikiLeaks reveals that in April 2008, US diplomatic officials urged the State and Treasury departments to lobby the Italian government to challenge a deal struck between oil giant Eni and Russia's Gazprom. In return for Eni assisting Gazprom in the construction of a pipeline across the Black Sea, the Italian company planned to sell a part of its stake in the lucrative "Elephant" oil field in Libya. The confidential cable stated: "Post would like to push the new Berlusconi government to force Eni to act less as a stalking horse for Gazprom interests … seems to be working in support of Gazprom's efforts to dominate Europe's energy supply, and against US-supported EU efforts to diversify energy supply,"

The war has effectively sabotaged the proposed deal—on April 20, Eni executives announced they were indefinitely postponing the Libyan oil field selloff.

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