

Libya oil and gas

Oil and Gas

Libya remains an oil based economy, despite aims to diversify its economy and develop various other sectors, with oil and gas accounting for over 90 per cent of the country's total exports. Global oil prices were consistently high over the past two years and only began to decline in the last quarter of 2001. Libya enjoyed increased economic growth and rising prosperity allowing the population to experience a rise in per capita income for the first time in a decade. In 2000, Gross Domestic Product (GDP) grew by five per cent and the government found increased revenues which could be put to good use reconstructing the country's basic infrastructure.

Furthermore, both finances and know-how are being sought for exploration and development. Partnership with foreign companies are in great demand since vast stretches of the country with potentially huge reserves remain unexplored. Rich rewards can be anticipated by any investor fortunate enough to gain a firm hold on any projects. In a bid to simplify the administrative structure overseeing the industry, last year the National Oil Corporation (NOC) took over policy responsibility from the Energy Ministry. As it stands, the NOC is supervising the production of oil at a rate of approximately 1.4 million barrels a day (b/d) which is slightly above its present quota of 1.3 million b/d agreed with OPEC.

However, by 2003, the NOC has set a target production level of 2 million b/d. Major oil companies from Europe undeterred by potential penalties from the US have been making overtures to gain entry, deals have been sealed with several leading firms and work is expanding. Libya's new policy to win oil company investment in its oil and gas sector has stimulated interest. The NOC has been drawing up terms for opening up 139 blocks for exploration representing 70 per cent of the country's total acreage. Negotiations for exploration and production sharing agreements have been under way for over a year and deals on three packages are being eagerly awaited. These three packages consist of a combination of the 139 blocks in the Sirte and Murzuq basins and unexplored Cyrenaica and Kufra basins. In the absence of US competitors, the Europeans are keen to get to work on this area.

A remaining obstacle exists in the position of US companies in the Oasis group which is prevented under sanctions from developing its stakes in its lucrative prime acreage, mainly in Murzuq Basin and could see Libya's oil production rise to three million b/d. The Oasis group, Conoco, Amerada Hess, Marathon Oil and Occidental Oil, has been unable to work its concessions all these years benefits no-one and it means that Libya has to decide how to open up this area to exploration without infringing the rights of Oasis, especially now that European companies such as Germany's Wintershall are reportedly expressing their interests. In early September Libya's Foreign Minister Muhammad Abd al-Rahman Shalqam was quoted as indicating that US companies holding concessions were now to be granted one year more to renew their operations after which Libya would be reviewing the issue.

Elsewhere current activity includes Spanish firm Repsol which has interests in parts of Murzuq and Sahara field. The development of the Elephant Field also in Murzuq which has proven reserves of 600 million barrels is attracting widespread interest. ENI from Italy, one of Libya's leading foreign trading partners and an importer of over 30 per cent of Libya's oil, is responsible for operations in the field and plans to offer tenders for development contracts in four separate packages.