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The Prize: Fighting for Libya's Energy Wealth

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Executive Summary

Libya's economic conditions could turn sharply for the worse, as rival authorities vie to control rapidly shrinking national wealth. The struggle affects oil fields, pipelines and export terminals, as well as the boardrooms of national financial institutions. Combined with runaway spending due to corruption and dwindling revenue because of falling exports and energy prices, the financial situation – and with it citizen welfare – faces collapse in the context of a deep political crisis, militia battles and the spread of radical groups, including the Islamic State (IS). If living conditions plunge and militia members' government salaries are not paid, the two governments competing for legitimacy will both lose support, and mutiny, mob rule and chaos will take over. Rather than wait for creation of a unity government, political and military actors, backed by internationals supporting a political solution, must urgently tackle economic governance in the UN-led talks.

Since the Qadhafi regime fell in 2011, Libya has been beset by attacks on, labour strikes at and armed takeovers of oil and gas facilities, mostly by militias seeking rents from the fledging central government. Initially brief and usually resolved by government concessions, the incidents gradually took on a life of their own, in an alarming sign of the fragmentation of political, economic and military power. They show the power accrued by militias during and since the 2011 uprising and the failure of efforts to integrate them into the national security sector. The dysfunctional security system for oil and gas infrastructure presents a tempting target for IS militants, as attacks in 2015 have shown.

One aspect of the hydrocarbon dispute is a challenge to the centralised model of political and economic governance developed around oil and gas resources that was crucial to the old regime's power. But corruption that greased patronage networks was at that model's centre, and corrupt energy sector practices have increased. A federalist movement some consider secessionist controls a number of the most important crude-oil export terminals. It exploits the situation by pursuing its own sale channels, adding to the centrifugal forces tearing Libya apart.

This complicates efforts to resolve a political conflict that in July 2014 triggered a split between rival parliaments, governments and military coalitions – one based in the capital, Tripoli, the other in the east, and both with support from competing regional players. Convinced of its legitimacy, each fights to control key institutions. As the most important, the Central Bank of Libya (CBL) and the National Oil Company (NOC), are under Tripoli's control, the internationally recognised parliament in Tobruk and its government in al-Bayda are trying to set up parallel institutions. The sides also contest the assets of the Libyan Investment Authority (LIA, the sovereign wealth fund), in international courts. In anticipation of a unity government, most regional and all other international actors with a stake remain committed to the established CBL, NOC and LIA. They understand that these institutions jointly represent upwards of $130 billion and have senior technocratic expertise critical to rebuilding the state.

The longer negotiations stall, however, the greater the risk the Tobruk/Bayda authorities (which consider the Tripoli-based CBL and NOC biased against them) will be able to create rival institutions or weaken the existing ones. At the same time,

Libya's once-significant wealth (derived almost entirely from oil and gas sales) is haemorrhaging, due to corruption and mismanagement. Combined with reduced crude-oil exports because of damage to production and export sites, pipeline and other infrastructure blockades and the sharp decline in international oil prices, this makes remedial action urgent. Poor economic management already causes some shortages of fuel and basic goods; a wider economic crisis like a sudden, uncontrolled devaluation of the dinar, would severely harm millions. This would likely cause new security crises, encouraging more predatory behaviour by militias whose salaries the state pays, increasing the importance of the parallel economy (notably smuggling) and spurring new refugee flows.

Even as UN-led negotiations for a Government of National Accord (GNA) continue, several steps should be taken, including at a minimum:

- reiterating international determination that there can be only one CBL, NOC and LIA, with a GNA to appoint their senior managers; and oil sales or related contracts outside official channels will not be tolerated;
- prioritising economic governance in the UN-led talks so as to secure agreement on short-term economic policy and interim management of key institutions. This should be done in a separate negotiating track, including representatives of both authorities and with the support of international financial institutions such as the IMF and the World Bank;
- brokering of local ceasefires in the UN-led talks' security track, or other channels where relevant, to increase revenues in the short term by allowing reopening of blockaded oil fields, pipelines and export facilities. Security arrangements for repair and reopening of damaged facilities should be negotiated in the longer term; and
- making the question of the armed groups guarding oil facilities another priority security-track topic. Some of these have considerable arsenals and allies across Libya and are largely autonomous, so cannot be ignored. Including these armed groups could also help improve the protection of oil and gas infrastructure against attacks by IS affiliates.

The slow progress of the UN-led talks on political questions should dissuade neither the belligerents nor the internationals from encouraging such interim steps. That Libya has kept, against all odds, a minimum level of economic governance and even briefly increased oil exports shows that interim economic arrangements are possible; they could even deliver political gains by building confidence and demonstrating that compromise can be mutually beneficial. But this needs a push from outside, the resolve of both local and international actors – notably regional powers that have oscillated between backing a political solution and supporting one side or another – to maintain the integrity of the financial institutions and perseverance from negotiators. Above all, it entails convincing the two sides they are fighting over a rapidly diminishing prize and would be better off agreeing to these steps so as to share a bigger pot.

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I. Introduction

Libya is a petro-state. The management and control of hydrocarbon resources, the infrastructure to exploit them and the revenues derived from their sale are a central driver of the conflict that has divided it since July 2014. Muammar Qadhafi held power for 42 years in good part because he redistributed petrodollars to buttress his regime. Today, even as many state attributes – most importantly, a monopoly on use of force – have eroded, the institutions that manage production, export and sale of oil and gas and the wealth they generate are at serious risk but remain the bedrock of what is left of the state and a key to its control. Understanding and resolving the divide between two rival governments and parliaments and their associated armed groups requires understanding that the conflict is in part one over hydrocarbon revenue.

This report, based on fieldwork across Libya from 2013 to 2015, traces the evolution of the contest for the oil sector's physical infrastructure and the country's financial institutions. It reviews options to halt a financial deterioration that could have grave humanitarian consequences and offers suggestions based on lessons from repeated oil-sector closures that any future government of national accord (GNA) should consider if it is to be viable.

II. A Hydrocarbon Economy Hostage to Militias

With Africa's largest crude-oil reserves and fifth largest natural-gas reserves, Libya is among the world's leading hydrocarbon states.[1] It sells high-quality crude oil globally and is a strategically important supplier of oil and natural gas to Europe.[2] It produced 1.65 million barrels per day (b/d) of crude oil and 594 billion cubic feet (bcf) of natural gas in 2010.[3] These generated up to 96 per cent of government revenue and 65 per cent of GDP, allowing Libya to amass cash reserves and run a debt-free economy for years, but also rendering it almost entirely dependent on the import of food, medicine, fuel and consumer goods.[4]

During the 2011 conflict, production dropped and exports halted; both rebounded rapidly after Qadhafi fell in October 2011, returning to near-pre-war levels by mid-2012. Optimistic about quick recovery, the new authorities spent heavily on post-war reconstruction, health care for war veterans, public-sector wage and subsidy hikes and an inflated security sector. The government's operating budget more than doubled in each of the first three years after the rebels' victory.[5]

A. *Falling Production*

Optimism about post-war recovery was brief. In late 2012, protests and management disputes began to affect production, and by July 2013, oil and gas facilities faced frequent shutdowns. Crude-oil exports sunk to a little over 200,000 b/d in April 2014, down from 1.4 million b/d in April 2013. Natural-gas export faced intermittent though lesser interruption, as it mostly is extracted from offshore and exported via underwater pipelines that armed groups or protesters cannot reach. Crude-oil production has since fluctuated, as authorities solved some disruptions by negotiation or pay-

[1] Libya has proven crude oil reserves of 48 billion barrels (38 per cent of Africa's reserves and 2.9 per cent of the world's), the largest in Africa and among the ten largest globally; and proven natural gas reserves of 55 trillion cubic feet. "Country Analysis Brief: Libya", U.S. Energy Information Administration, 25 November 2014; "2013 Annual Statistical Bulletin", Organisation of Petroleum Exporting Countries (OPEC).

[2] In 2010, Libya provided 11 per cent of European Union (EU) oil, less only than Norway and Russia. "Market Observatory for Energy". European Commission, DG Energy, 2011. Libya's oil is "light and sweet", favoured for processing into gasoline, kerosene and high-quality diesel. It is also relatively cheap to extract and transport. Some estimate the average production cost of a barrel of crude at $1. Crisis Group interview, foreign oil dealer, Tripoli, September 2013.

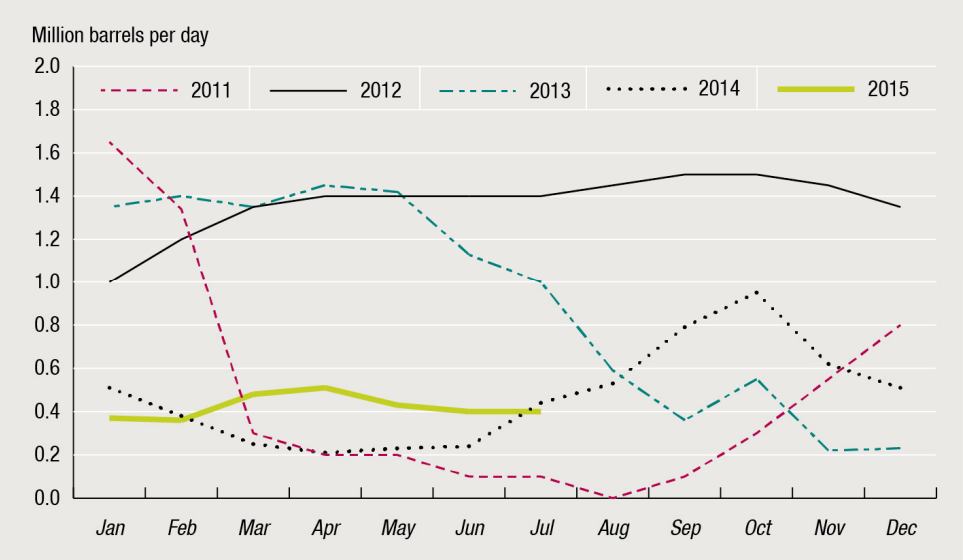
[3] 2 per cent and 0.5 per cent of global output respectively. "BP Statistical Review of World Energy", 2014. In 2006-2008, with global crude prices at historic highs, Libyan production topped at 1.8 million b/d, but still well below peak 1960s levels (over three million b/d).

[4] "Libya Country Report", International Monetary Fund (IMF), May 2013, pp. 22-23; macroeconomic data from African Development Bank, country note, 2012. Lifting of UN sanctions in 2003 and the global oil price rise, allowed official foreign assets (foreign currency reserves and foreign investments of the Libyan Investment Authority, the sovereign wealth fund) to increase from $20 billion (end-2003) to $170 billion (end-2010). Ralph Chami, et al., "Libya Beyond the Revolution: Challenges and Opportunities", IMF, 2012.

[5] It was 49 billion Libyan dinars (LYD; $35.2 billion at the official 1.39:$1 rate used in this report) in 2009 and LYD58 billion in 2010 ($41.7 billion), but more than half was earmarked both years for ambitious development and infrastructure projects. Regular government expenditure in the last pre-war fiscal year was closer to LYD20 billion ($14.4 billion). Crisis Group interview, Qadhafi-era intelligence officer, Alexandria, January 2014. After the war, budgets were LYD68 billion ($48.9 billion, 2012); LYD66 billion ($47.5 billion, 2013) and LYD56 billion ($40.3 billion, 2014).

offs, but never fully recovered. By mid-2015, further hampered by generalised conflict and political divisions, it hovered around 400,000 b/d, a quarter of pre-2011 capacity.

Libya Crude Production 2011-2015



The geographical distribution of oil and gas resources is important to understand their vulnerability. Two-thirds of hydrocarbon production comes from the east, a quarter from the south west and the remainder from offshore facilities between Tripoli and the Tunisian border. Five of six export terminals and four of five refineries are also in the east. The closures of eastern terminals thus immediately choked national production. Most closures were triggered by self-described "federalist" groups seeking a greater share of oil revenue for the east (historically known as Cyrenaica, or Barqa in Arabic). This trend has been overlaid by local power struggles between members of Arab (notably Magharba) and Tebu tribes on one side, and Zway tribesmen and Misratan forces on the other.[6]

The two main hydrocarbon production corridors – from the Murzuq and Gaddames basins in the deep south west near the Algerian border to Zawiya in the west along the coast, and in the centre and east bringing crude oil and natural gas from numerous Sirte basin fields to the Gulf of Sirte and Tobruk – have also been interrupted. Conflicts between the Tebu and the Zway in the south east disrupted production at Sarir, among the largest oil fields; and conflicts between Tebu and Tuareg tribesmen in the south west led to stoppages at Sharara and occasional pipeline closures further north by Zintani armed groups allied to the Tebu.[7] In 2015, IS militants based

[6] Since the 1960s, Libya has been divided into many administrative districts (between thirteen and 46 depending on the year). Many Libyans still refer to the three pre-colonial provinces: the east (Cyrenaica, Barqa in Arabic), west (Tripolitania, Tarabulus), and south (Fezzan). This division continued in the first decade after 1951 independence, when Libya was a federal monarchy.

[7] The Tebu (also Toubou) are an ethnic group mainly found in the Kufra area of south-eastern Libya, the Murzuq-Obari area in the south west and northern Chad. Since 2011, Libyan Tebu clans have been involved in deadly clashes with local Arab tribes and, since 2014, with Tuareg tribes. The Tuareg live in southern Libya as well as Algeria, Mali and Niger. Most in Libya have full citizenship, but

in Sirte and Nawfiliya attacked oil fields (including Mabruk and Ghani) and nearby pumping stations. (See Chapter III B below.)

In the absence of a cohesive state and effective armed forces or police, almost 10,000km of oil and gas pipelines and dozens of production, processing and export facilities have been exposed to attacks and stoppages.[8] Only offshore facilities in the west have been without prolonged interruption. Gas sales from there (mainly via Italy's ENI, which operates the underwater Greenstream pipeline to Italy, and France's Total) provided the bulk of Libya's revenue as of mid-2015.[9]

B. *Rising Expenditures*

Mismanagement and corruption have contributed to a further drain on finances. Government contracts were paid out without delivery of services or goods,[10] and well-connected businesspeople and politicians secured letters of credit from local banks to import goods that often were not delivered or delivered in much smaller quantities than stipulated, with customs officials complicit.[11] By some estimates, this resulted in capital flight of up to $20 billion between 2012 and mid-2015.[12] Public-sector wages ballooned, mostly due to payroll fraud: of the LYD25 billion ($18 billion) allocated for 2013 salaries, for example, LYD5 billion ($3.6 billion) is estimated to have gone to persons fraudulently on the public payroll.[13]

Perhaps the biggest drain on funds came from subsidies on imported goods, which in 2013 cost the state more than LYD13 billion ($10 billion). A portion covered food

several thousand – mainly from Niger and Mali who were recruited into Qadhafi's security forces from the 1970s onward and promised citizenship for themselves and their families – do not.

[8] Libya's crude oil pipelines total 5,517km, its natural gas ones 4,709km (including some 700km underwater); most pass through desert. Annual Statistical Bulletin, OPEC, 2013, table 4.9.

[9] "Country Analysis Brief: Libya", U.S. Energy Information Administration, 25 November 2014; Crisis Group interviews, ENI officials, Rome, January and May 2015.

[10] This was common in the security sector. For example, individuals with ties to military officials easily secured contracts for spare parts or vehicles but never delivered them. This was tolerated to co-opt militias. Crisis Group interviews, adviser to military, Tripoli, January 2015.

[11] A Tripoli customs official said this is common. "Those who import need a signed document from us to prove the goods arrived in Libya; with this they can demand payment. But customs officials can easily be bribed to close their eyes when no, or fewer, or even the wrong goods are brought in". Crisis Group interview, Tripoli, June 2015. The practice increased in 2014-2015, when the black market foreign currency rate reached double the official rate (in November 2015, it was LYD3.2:$1). An entrepreneur said fake contracts with foreign companies (some created for the purpose) allowed Libyan businessmen to secure letters of credit from Libyan banks, which then transferred funds abroad at the more favourable official rate. These were then returned to Libya in cash and resold at the black market rate. This became so widespread that the General National Council (GNC) tried in May 2015 to ban imports from cars to carpets. This was revoked under business-community pressure. In June 2015, the Central Bank of Libya (CBL) ordered all foreign commercial banks that opened credit lines for import of goods to "obtain a certificate issued from an international inspection company on the quality and amount of the imported products as part of standard procedures to open documentary credits". Decree 96 (2015), CBL.

[12] Crisis Group interview, government official, Tripoli, June 2015.

[13] An investigation by the government watchdog Audit Bureau highlighted the case of a person collecting over 100 salaries. Before late 2014, when the Tripoli-based government at a CBL request tied public sector salaries to a national ID number, collecting more than one was especially widespread among post-2011 revolutionary brigades integrated into the security sector. Crisis Group interview, government official, Tripoli, March 2015.

imports (eg, flour, cooking oil and tomato paste), on which domestic consumption almost entirely depends, and fertilisers. A small portion covered medicines. Smuggling of such goods to neighbouring countries and kick-backs in health-sector contracts inflated the subsidies budget.[14] However, the lion's share of subsidies is for government imports of refined fuel products at international prices in quantities exceeding domestic consumption; the surplus (at times triple domestic use) allegedly was, and to a lesser extent still is, smuggled to neighbours for resale at as much as a fivefold profit.[15] Militias play a major role in this.

[14] Smuggling of subsidised food and fertilisers to neighbouring countries was common under Qadhafi but much increased post-2011. Crisis Group interviews, officials, border guards, diplomats, Tripoli and Ras Jdeir, 2014; Sebha, 2015. It costs the state some LYD1 million ($720,000) daily to import medicine, but the money is believed to go mainly to corrupt officials; hospitals get little of the medicine. Crisis Group interview, health ministry official, Bayda, April 2015.

[15] A source familiar with Libya's oil trade explained how refined fuel products that the state imports and subsidises are smuggled out: "This past year Libya imported about 420,000 tonnes of diesel [c. 3.1 million barrels] and 800,000 tonnes [6.8 million barrels] of gasoline a month, far more than needed for domestic consumption. The government is buying fuel at market prices and reselling it domestically at about €0.10 per litre. Smugglers buy the subsidised fuel and resell it, even in Chad and Malta, making about €0.70 of profit for every litre". Crisis Group interview, Rome, July 2014. Large quantities of fuel are normally traded in tonnes: a metric tonne of diesel equals 7.5 barrels, a tonne of gasoline 8.5 barrels. The source said that according to government calculations, this cost the government around €6 billion a year in subsidy payments. According to OPEC statistics, in 2012 Libya's demand for gasoline was 72,000 b/d, 2.1 million barrels a month, well below what was imported. OPEC Statistical Bulletin 2013, table 3.15.

III. The Battle for the Physical Infrastructure

The struggle for control of oil and gas infrastructure is divided into two distinct periods. The first, late 2012 to mid-2014, saw local actors seize or force closures of oil and gas fields, terminals and pipelines, chiefly to press the central government for salaries, influence or greater direct redistribution of oil revenues locally. These closures significantly impacted production and crude-oil exports, but, except in a deadly 2013 confrontation in Tripoli, use of force was rare.

This changed with Operation Libya Dawn (Fajr Libya) in July 2014, officially an operation to dislodge Zintan militias from Tripoli International Airport, which they had seized when Tripoli fell to rebels in August 2011. Militias from the west (Misrata), led the offensive, which came against the background of the poor showing of pro-Misrata and pro-Islamist candidates in the June 2014 parliamentary elections and fears of counter-revolution sparked by General Khalifa Haftar's Operation Dignity (Karama) and his call for a coup against the General National Council (GNC), the first post-Qadhafi parliament. This prompted members of the House of Representatives (HoR) aligned with both Zintan and Haftar to establish that new legislature intended to replace the GNC in the east, in Tobruk. The GNC's leaders called this unconstitutional and precipitated the divide into rival sets of parliaments, governments and military coalitions in August 2014.[16] In turn, the struggle over hydrocarbon infrastructure (and state finances) became violent and a leading driver of the conflict.

A. *Late 2012 to Mid-2014*

1. Grievance-based protests and strikes

Beginning in late 2012 and early 2013, a number of constituencies began to channel their grievances by staging protests and forcing work stoppages at oil and gas facilities. Such closures were unknown under Qadhafi, whose tight control of security units in the relevant desert areas, as well as the prohibition on ordinary citizens owning 4×4 vehicles, essential to reach most oil fields, prevented any challenge. Inside the oil and gas companies, a dedicated intelligence service also prevented management disputes.[17] The regime's collapse disrupted oil-industry security arrangements, including the patronage networks that rewarded tribes and individuals for loyalty and gave them titles, salaries and opportunity to participate in oil-sector corruption and control territory (a source of smuggling revenue). The security vacuum and proliferation of often competing armed groups allowed local constituencies to seek control of the oil and gas infrastructure.

The most common stoppages were the result of short protests driven by specific, relatively modest demands. For instance:

[16] Crisis Group Middle East and North Africa Report N°157, *Libya: Getting Geneva Right*, 26 February 2015.

[17] Observations in southern Libya by Crisis Group analyst in different capacity, 2008-2009. Access to sites was almost impossible without correct authorisation. Crisis Group interviews, Qadhafi-era intelligence officials, Alexandria, 2014; former National Oil Company employee, Tripoli, 2014.

- Employees of the Benghazi-based state-run Arabian Gulf Oil Company (AGOCO) forced closure of its headquarters following a dispute over company management, temporarily halting sales.[18]
- Fighters injured in the 2011 war blockaded the oil refinery in Zawiya, west of Tripoli, in November 2012, demanding medical care.[19]
- Tebu demonstrators periodically blockaded the large south-west oil fields demanding jobs and training for local residents or new equipment for local security units.[20]
- Tuareg protesters have intermittently blockaded southern oil fields since August 2013, demanding citizenship rights and alleging unlawful appointment of the Obari city council in 2012.[21]
- In the north west, Amazigh (Berber) militias stormed the Mellitah oil and gas facility in November 2013 to demand minority guarantees in the constitution-drafting process, briefly halting gas exports to Italy.[22]

Typically, these stoppages were quickly resolved, by government concessions.

2. Competition for authority over militias

Other stoppages more directly challenged hydrocarbon resource management, specifically security arrangements at oil and gas installations. Most were manifestations of the inability to demobilise and/or effectively integrate revolutionary brigades into a national security sector. Recently integrated militias – nominally under authority of and paid by the government – often retained complete autonomy.[23] For many, control of the facilities was a way to gain national political influence and income.[24] This was initially the case for the main unit nominally responsible for protecting the facilities, the Petroleum Facilities Guards (PFG, haras al-munshaat al-naftiya), a military sub-division established in 2005. When the new authorities set up a defence minis-

[18] Crisis Group interviews, AGOCO employees, Tripoli and Benghazi, June 2013.
[19] Crisis Group observations, Zawiya, November 2012. The refinery entrance was closed on at least three separate occasions over late 2012.
[20] In December 2012, Tebu protested at al-Sharara oil field in Obari demanding employment opportunities. In August 2013, they closed al-Fil oil field, and in May 2014, Tebu security officers in charge of patrolling oil facilities in the south west shut down al-Fil, demanding vehicles. Crisis Group interviews, Tebu activist, Tripoli, December 2013, March and June 2014. "Tebu say oilfield protest over after meeting with minister", *Libya Herald*, 19 December 2013.
[21] The dispute with local authorities late 2012-mid-2014 concerned whether the Obari city council should be elected or nominated. Two local councils – Wadi al-Ajal and Wadi al-Hayaa – both claimed legitimacy. The dispute was resolved by the June 2014 municipal elections. Tuareg protestors have forced closure of the Sharara oil field intermittently since August 2013. In November 2014, due partly to Tuareg-Tebu tensions and partly to national political fractures, the Tuareg, who allied with the Tripoli-based government, took control of security in Sharara, booting out the Tebu units stationed there since 2012.
[22] Closure of the Greenstream pipeline halted natural gas export to Europe for a week. Linking the Mellitah terminal, 60km west of Tripoli, to Italy, it is Libya's main natural gas export route.
[23] On integrating armed groups into state security forces, see Crisis Group Middle East and North Africa Report N°130, *Divided We Stand: Libya's Enduring Conflicts*, 14 September 2012.
[24] According to a Tebu activist familiar with the oil-field control dispute, being in charge of security was key: it brought salaries and local communities' allegiance, as well as more bargaining power with oil companies. Crisis Group interview, Tebu activist, Tripoli, September 2013.

try (non-existent under Qadhafi), security-sector command chains were unclear, and the PFG ended up being administered by the military but paid by the National Oil Company (NOC).[25]

This had important consequences. Zintani armed groups and their affiliates came to dominate the ministry, using it to put loyalists on the government payroll.[26] Throughout 2012-2013, they swelled PFG ranks from 5,000 to over 12,000. When then-Oil Minister Abdelbari al-Arusi tried to end this in May 2013, Zintanis closed the pipeline that crossed their area, stopping the flow of some 400,000 b/d of crude from the Sharara field to the coast. In June, Zintani PFG members stormed its Tripoli headquarters demanding salaries, a show of force that escalated into a week-long battle and caused at least eight deaths.[27] Salaries were eventually paid, but Arusi privately reiterated his intention to stop what he considered the unnecessary increase of Zintan-affiliated militiamen in the PFG.[28]

These incidents took place against the backdrop of mounting rivalries between the two largest militia coalitions, those associated with Zintan and Misrata. Starting in 2013, they increasingly clashed over control of Tripoli, particularly the airport and, more generally, key positions and units of the military and police. This included an attempt by the dominant pro-Misrata faction of the GNC to remove its Zintan-aligned head, Colonel Ali al-Ahrash, and his deputies that triggered a chain reaction among PFG units loyal to him.[29] The PFG's most important units in the oil crescent (*hilal al-naft*, the PFG's central region on the eastern side of the Gulf of Sirte) closed Sidra port, the largest crude-loading terminal.[30]

[25] Crisis Group interviews, defence ministry official and PFG official, Tripoli, June 2014.

[26] In late 2011, Zintani commander Osama Juwaili was appointed defence minister. During his term (until late 2012), Zintani officers with personal ties to him could obtain formal ministry recognition of their brigades. This was so for a leading Zintan-led brigade in Tripoli, the Qaaqa, which operated as the first division of the Petroleum Facilities Guard. While Zintanis tried to cement their influence in the armed forces through their links to Juwaili, armed groups from Misrata used ties to Chief of Staff Yousef Mangoush, a Misratan, to get formal recognition. This escalated rivalries between the groups. See Wolfgang Lacher and Peter Cole, "Politics by Other Means: Conflicting Interests in the Security Sector", *Small Arms Survey*, October 2014.

[27] Crisis Group observations and interviews, PFG commanders, government officials, Tripoli, June and September 2013.

[28] Crisis Group interview, individual familiar with the issue, Tripoli, September 2013.

[29] By early summer 2013, Ahrash was at loggerheads with Oil Minister Abdelbari al-Arusi and the GNC. Ahrash presented his resignation in July, gambling that Prime Minister Ali Zeidan, who had his own problems with the GNC and was until then perceived as siding with him, would not accept. However, he did accept it. See Ahrash's open letter to Zeidan, 14 July 2013 and published on the PFG's Facebook page (www.facebook.com/PFGuard.ar). People familiar with the dispute say that over the previous year Ahrash had increased Zintanis in the PFG. Crisis Group interviews, Zintani and Tebu commanders, Tripoli, September 2013.

[30] Sidra is Libya's largest crude oil terminal in loading volume. In early 2011, its capacity was 440,000 b/d (equal to approximately a quarter of pre-war crude exports); local sources estimate Sidra's post-conflict export capacity at around 350,000 b/d. Libya Oil Almanac 2012; Crisis Group interview, petroleum engineer, Ajdabiya, March 2014. Sidra is owned and managed by Waha (Oasis) Group, a joint venture founded in 1955 and owned by the NOC (59 per cent) and a Conoco Philips, Marathon and Hess consortium (41 per cent). Prior to 2011, Sidra had a crude-oil storage capacity of approximately six million barrels. Following damage in the 2011 war, capacity was 4.5 million barrels. Crisis Group interviews, local engineer, terminal operators, Sidra, March 2014. As of mid-2015 capacity was about two million barrels due to damage incurred in December 2014,

Ibrahim Jadran, an ambitious young revolutionary brigade commander from the Magharba, the area's dominant tribe, led the closures as head of the PFG's central region unit. He has a record of contradictory affiliations: at once a champion of the federalist cause and an ex-supporter of the Libyan Islamist Fighting Group (LIFG), the main anti-Qadhafi armed Islamist group in the 1990s; he also has indirect ties to the radical Islamist group Ansar Sharia (AS) through his brother Osama, an AS leader in Ajdabiya. Ibrahim claims he has long since broken ties with the LIFG, and has repudiated his brother for his ties to extremist groups.[31] Jadran was likely seeking to avoid being sidelined, as Ahrash had been, since his post was also contested.[32]

The PFG command chain crisis also triggered disruptions in the south east between June and August 2013, when Tebu militias seized important oil fields that fed into the ports Jadran controlled.[33] These militias became his de facto rear guard.[34] He and his allies shared a disenfranchisement narrative and hostility to perceived domination of the GNC by the Muslim Brotherhood and Misratans. This was reinforced by their informal alliance with Zintani militias, also fiercely anti-Islamist and anti-GNC.[35] Locally, they also shared hostility to the Zway, who in early 2014 formed a "Southern Liberation Front" (jebha tahrir janub) which claimed to be fighting the "foreign occupation of the south" and a conspiracy to repopulate that region with non-Arab tribesmen.[36] The Zway accused Tebu of facilitating the arrival of many Chadians

when Misratan forces attacked Sidra, seeking to take over the terminal. Crisis Group interviews, oil ministry officials, oil analyst, Tripoli, March 2015.

[31] Crisis Group interview, Ajdabiya, April 2015.

[32] In late 2012, Ahrash appointed Jadran as PFG central region commander (covering the area east of Sirte and west of Benghazi). During the 2011 uprising, Jadran headed an armed group, Katiba Hamza, which took part in the advance on Brega, Zuwetina, Ras Lanuf and Sidra (all towns with oil export or refining facilities). Rival armed groups in the Ajdabiya area argued his appointment disregarded wartime arrangements that tasked another local military unit (Katiba al-Jazira) with protecting these facilities. They also called it invalid because it was made by Siddiq Mabruk al-Ghaithi, then deputy defence minister, rather than by Youssef Mangoush, the armed forces chief. Crisis Group interview, Katiba al-Jazira commander, Tripoli, February 2014.

[33] Crisis Group interview, Tebu activist, Tripoli, August 2013.

[34] The PFG appointed Tebu oil field forces, but the rival Zway tribe (Arabs mostly along the axis Ajdabiya-Kufra) contested the legality. The Zway tried to use divisions within the PFG command chain to dislodge the Tebu. The PFG was split between a faction claiming Jadran remained in charge and one (among them the Zway) supporting Idris Bu Khamada, a security official and Magharba member appointed by Prime Minister Zeidan after Jadran's mutiny. A Tebu community activist and border guards member said, "the problem is that the PFG appointed some Zway *katibas* (brigades) to control oil fields previously assigned to the Tebu". Crisis Group interview, Tripoli, September 2013. The Zway contest the legality of the Tebu's appointment. According to a source familiar with the hydrocarbon infrastructure struggles, Tebu presence in the eastern oil fields dates to 2011, when Abdel Fattah Younis, an uprising leader, appointed a Tebu commander, Ali Shidi, to control the Sarir complex. Crisis Group interview, Abdel Hakim Shaarh al-Bal, Tripoli, May 2014. According to Jadran, in early 2014, Tebu security units controlled the Mesla, Sarir, Shula, Naga, Samah and Ghani fields. Crisis Group interview, Bayda, 2 March 2014. Tebu and Zway have occasionally clashed over these fields. In the south west, Tebu were part of oil field security in al-Fil and Sharara but were driven out in November 2014. Crisis Group interview, Tebu military officer, January 2014; observations, Sharara, March 2015.

[35] In accusing Tripoli authorities of sidelining them in the south, the Tebu adopted much the same rhetoric Jadran used in the east. "The Qadhafi regime used us and gave us nothing in return .... Tripoli is doing the same. We have seen no development projects, no opportunities. We were and remain second-class citizens". Crisis Group interview, activist, Tripoli, January 2014.

[36] Crisis Group interview, leading member of the jebha tahrir janub, Tripoli, February 2014.

(Tebu or other) and recruiting them for Tebu security units, thus reinforcing their oil-facility control.[37]

3. Corruption, calls for wealth redistribution and regionalist sentiment

In the east and to a lesser extent elsewhere, oil-facility blockades overlapped with accusations of major fraud, triggering a wider struggle over centralised management of hydrocarbon wealth that had given Qadhafi the resources to reward loyalists, co-opt potential dissidents and crush opponents. The regime's fall and creation of new local patronage networks enabled distribution of oil wealth to be reimagined, dovetailing with pre-existing aspirations for more autonomy in the east and the south. In particular, it gave new impetus to a self-styled federalist movement seeking more autonomy and hydrocarbon wealth for Cyrenaica.

The closure of the ports in July 2013 stopped exports throughout the greater Sidra area (Sidra, Ras Lanuf, Zuwetina and Brega). The economic impact was immediate, as Sidra alone accounted for one third of total crude exports. Jadran justified his move as a response to corruption at the port, especially the lack of a metering system to measure oil loaded onto tankers. He argued that:

> We are the Petroleum Facilities Guard. It is our duty to protect these terminals, and by this I mean even protect them from possible illegal sales. For this reason we closed the terminals. When we told the government of our suspicions about off-the-book sales, they started treating us – not those who steal – as criminals, threatening to bomb us and even issuing arrest warrants.[38]

[37] The Zway, who controlled these fields under Qadhafi, working closely with his security apparatus, accuse the Tebu of sowing the seeds of secession and serving Chadian interests. A Zway notable said, "those who took over the oil fields are Tebu from Chad and Niger. We have no problem … with the Libyan Tebu; we oppose the Tebu from Chad and Niger and members of the Qaroon tribe with them. The Tebu were not legally ordered to guard the oil field; the PFG appointed specific individuals …. It cannot appoint Chadians". Crisis Group interview, Sanousi Abd al-Salam al-Heleig al-Zway, Tripoli, 23 January 2014. This draws on old Arab prejudice against the Tebu as not authentically Libyan, particularly after Qadhafi gave citizenship to many Chadian Tebu in the 1980s. A Zway commander said Jadran "is aligning with all sorts of groups, including Chadian ones, clearly intent on undermining the authority of the central state". Crisis Group interview, Tripoli, May 2014. Tebu activists deny they have foreign fighters and say they are targeted for anti-Islamist, anti-GNC positions. Crisis Group interviews, Tunis, January 2014; Tripoli and Sebha, March 2014; Tripoli, May 2014.

[38] Crisis Group interview, Ajdabiya, 23 September 2013. The metre banks at Sidra terminal were destroyed in 2011. The absence of metering in other oil-exporting countries has been linked to fraud, eg, Iraq during the U.S. occupation. "Report Of The International Advisory And Monitoring Board Of The Development Fund For Iraq …", 14 December 2004. (Crisis Group verified the absence of metres in Sidra in September 2013 and March 2014.) Al-Tuati al-Ida, a GNC member from Kufra, raised the issue in May 2013 and asked for an inquiry. Well-known for anti-Islamist positions, he accused the oil minister of involvement in illegal sales. In late 2013, he was barred from the GNC for other accusations against the Muslim Brotherhood-affiliated Justice and Construction Party. Government and Waha Oil Company (WOC, the terminal operator) officials have argued that missing metres are not uncommon in the industry, and alternative means of measurement are available. Crisis Group interview, Deputy Oil Minister Omar Shakmak, Tripoli, November 2013; WOC officials, Tripoli, June 2014. Some Western diplomats believe the metres might already have been non-functional under Qadhafi. Crisis Group interview, Tripoli, June 2014. An independent oil consultant with no prior knowledge said measuring storage and ship tanks is acceptable but "for exceptional circumstances – usually just a short period of time until [metres] are fixed; I cannot believe

The government created three separate committees to investigate in 2013-early 2014, whose reports suggested no official wrongdoing.[39] A fourth committee, appointed in April 2014, never reported. The government's critics judged the reports not credible and called for an international investigation.[40]

Jadran and his allies wove a narrative of Tripoli political- and business-elite fraud on local communities and their representatives that tapped into pre-existing sentiment among Libyans from Cyrenaica (and, to a lesser extent, elsewhere) that they are victimised by the capital's neglect and greed.[41] Jadran drew on this to form the pro-autonomy "Cyrenaica Political Bureau" (maktab siyasi Barqa) in August 2013.[42] That October it established a Cyrenaica Executive Office (maktab tanfidhi Barqa) as a self-styled government of the east headed by Abdelrabbo al-Baraasi, a little-known Baraasa tribe member, and including 23 "ministers" drawn from the leading eastern tribes. It also appointed Najib Suleiman al-Hasi, an army official from al-Bayda, to head the Cyrenaica Defence Forces (quwwat difaa Barqa).[43] While these bodies never achieved much, they raised the spectre of a budding eastern secessionist movement.

somebody would be using tank gauging for three years". Crisis Group telephone interview, Don Deaver, 9 July 2014.

[39] A first committee looked into a specific case of alleged fraud in Brega; it found insufficient evidence of wrongdoing. "Report Of The Enquiry Committee Headed By Muhammed Mustafa Ben Ziyada", 8 September 2013. The second committee had a broader remit and concluded that all ports visited "respect international standards for measuring oil exports. The absence of metres does not mean that exports take place without measurements". It stated that "payments for the quantities of oil exported go to the Libyan state" and "sales are according to the law". "Report Of The Investigative Committee To Look Into Oil Sales From 1 January 2012 To 31 July 2013", chaired by Mustafa al-Hadi Amsik, 3 October 2013. A third committee likewise found no wrongdoing. "Report of the Committee established under decision of the head of the Supreme Judicial Council …", chaired by Omar Abdel Khalek, February 2014. Some critics say access to NOC bank statements and other documents was limited, and committee members had insufficient oil-sector expertise. Crisis Group interviews, anti-corruption activist, Tripoli, January and June 2014; former member of the NOC familiar with the investigations, Tripoli, June 2014.

[40] An anti-corruption activist familiar with the oil industry said she gave the prosecutor general evidence of oil-industry fraud but was told it was too dangerous. "Only with foreign pressure and under foreign supervision might a real investigation be carried out", the activist said, adding that an international enquiry could face opposition from international oil companies. Crisis Group interview, Tripoli, November 2014.

[41] A prominent personality from southern Libya recounted how he attended a tribal meeting at which Jadran presented his case: "The document I saw indicated a discrepancy between market price of crude oil and the actual sale price. It was very convincing, and I can tell you that a number of people in that room left more supportive of the closures than when they first arrived". Crisis Group interview, Sebha notable, Tripoli, March 2014.

[42] Ras Lanuf announcement, Cyrenaica Political Bureau, 17 August 2013.

[43] Aside from attempting to sell oil, the Executive Office was not very active. A person familiar with subsequent federalist movement developments said, "Jadran had to show that his government represented the east, so they put a lot of effort into ensuring that all tribes were in it …. But ultimately it remained a government on paper. They did not have the funds to implement their own projects, and most so-called ministers did nothing; they just sat at home". Crisis Group interview, member of the Majabra tribe, Tripoli, April 2014. No ministers were prominent local personalities; at least five subsequently disavowed the Executive Office. The Cyrenaica Defence Forces continue to exist, manning checkpoints on Benghazi's outskirts. It remains unclear whether they are a new unit or a rebranding of eastern military forces that came under the umbrella of the (pro-federalist) Cyrenaica Military Council after Qadhafi fell. In May 2014, the Cyrenaica Defence Forces provided the backbone for General Khalifa Haftar's Operation Dignity, but over time they withdrew their allegiance.

Initially, the GNC took the lead in responding to the Sidra crisis, but the "Crisis Committee" it appointed to resolve oil sector disputes (with some success in the west) refused, for uncertain reasons, to talk to Jadran and his group.[44] Ali Zeidan, prime minister at the time, threatened to bomb the ports.[45] In September 2013, backed by the GNC energy committee, he proposed a strategy that had worked in other circumstances: paying off the militias in control of the terminals. This backfired when Jadran (and a brother who acted as go-between) revealed the attempted pay-off, and called it proof of government corruption.[46]

By November 2013, after failing to reopen the Hariga terminal in Tobruk (controlled by a Jadran ally) through negotiations – their only attempt at direct talks with those closing the ports – the Tripoli authorities again considered use of force. Some GNC members, especially those linked to Misrata and Islamists, favoured this; others, including Zeidan, preferred to call for citizens to march on Sidra port "to reclaim their right to the country's wealth".[47] The government also tried to turn members of Jadran's tribe against him.[48] Nothing worked, however, and by setting rival factions against each other it risked sparking a local conflict that could have spun out of control.[49]

Crisis Group telephone interviews, members of eastern tribes, Ajdabiya, Bayda, Merj, June 2014-May 2015.

[44] The thirteen-member committee, authorised by the GNC to "do anything short of using force", was led by GNC member Abdel Wahab al-Qayed, an ex-Libyan Islamic Fighting Group (LIFG) member. He went to the east in September 2013 but, members of the groups controlling the terminals said, never personally negotiated with them. Crisis Group interviews, GNC member, Tripoli September 2013; Cyrenaica Political Office member, Ajdabiya, September 2013.

[45] Two weeks into the oil terminal closures, Zeidan said, "if the blockades of these oil terminals continue, the state will be obliged to use its power and all the forces at its disposal, including the army". "Libyan PM Ali Zeidan warns oil protestors", BBC News, 16 August 2013. One person suggested the government carry out a strike "even if it was an empty truck near the ports – just to show that it was willing and capable of actually attacking. The crisis would have ended much sooner if the government had the courage to carry out its threat". Crisis Group interview, senior Libyan oil executive, Tripoli, May 2014.

[46] "We tricked them into believing we would accept this [pay-off], just to prove that this was the type of policy this government was adopting". Crisis Group interview, Salem Jadran, Ajdabiya September 2013. Zeidan defended the proposed pay-off as a legitimate mediation attempt. Ali Zeidan, Libya Ahrar television channel, 15 March 2014.

[47] Long before Zeidan alluded to a possible civilian march to reopen the terminals, a Benghazi intellectual suggested the "only solution to the occupation of the oil terminals was to persuade civil society to get involved and organise a massive march on the oil terminals, possibly also with the help of Zway militias". He compared this initiative, which never materialised, to the September 2012 "Save Benghazi Day" march, when Benghazi residents dislodged several armed groups from their bases after the attack on U.S. facilities that killed four Americans, including U.S. Ambassador Chris Stevens. Crisis Group interview, Faraj Najem, Tripoli, September 2013.

[48] Some say the government sent emissaries to pay Magharba tribe members and notables from other local tribes, to persuade them to publicly oppose the terminal closures. Crisis Group telephone interviews, Magharba and Majabra tribe members, Brega and Ajdabiya, November-December 2013. Zeidan also encouraged Idris Bu Hamada, his appointee to replace Jadran as Central Region PFG head, who comes from the same Magharba tribe, to take back the ports.

[49] A minister in Zeidan's cabinet said, "it was a very dangerous approach. Zeidan thought he could get … Jadran's own tribe to … pressure him to leave the terminals. But it soon became clear that we might unleash fighting within the Magharba tribe, and this could then have triggered an even broader fight in the east". Crisis Group interview, Tripoli, April 2014.

The government agreed to indirect talks with Jadran's group in December 2013. Supported by local tribal leaders, Jadran proposed a three-point plan to reopen the terminals, but the government said one point, adoption of a monarchy-era revenue redistribution law, should be addressed in the future constitution. Jadran's opponents argued that "the federalists never really intended to reopen the terminals; they were just pretending", by making impossible demands.[50] Others in the federalist movement were simultaneously contacting foreign intermediaries to agree to crude-oil sales from the terminals they controlled.

Jadran and other federalists made no secret of their intention to sell crude oil outside official channels.[51] In November 2013, the Cyrenaica Executive Office announced formation of its own "Libya Oil and Gas Corporation" and began courting foreign buyers.[52] The first serious attempt came when the North Korea-flagged tanker *Morning Glory* left Sidra on 11 March 2014 with 230,000 barrels of crude oil and faced little resistance from the practically non-existent Libyan navy.[53] On 16 March, U.S. Navy Seals took over the vessel and escorted it from international waters off Cyprus to government-controlled Zawiya, in western Libya. This signalled that the U.S. would not tolerate attempts to sell Libyan crude independent of the government.[54] On 19 March, the UN Security Council, at U.S. urging, underscored this in Resolution 2146, which formally banned the sale of Libyan crude outside government channels.[55]

The possibility that those controlling the terminal would secure direct oil sales alarmed the international community, which feared it would undermine the legitimate government and the country's unity, encourage copycats and unleash endless fighting between tribes over the revenue.[56] Jadran's possible ties to extremist groups

[50] Crisis Group interview, Islamist politician, Tripoli, January 2014. The government accepted investigations into alleged oil-sector corruption and an oil exports oversight committee.

[51] As early as September 2013, Jadran told Crisis Group that "if the opportunity arises and if the government continues to deny it has been engaged in off-the-book sales … we will attempt to market the oil directly". Crisis Group interview, Ajdabiya, September 2013.

[52] Announcement by the Cyrenaica Executive Office head, Abdelrabbo al-Baraasi, 26 November 2013. The following month two federalists, Abdul Hamid Kezza and Usama Buera, signed at least two agreements with an Israeli-Canadian lobbyist, whose services they sought to lobby governments to buy crude in exchange for military equipment and diplomatic support. In the first agreement (5 December 2013), the lobbyist's company agreed to lobby authorities in Russia, the U.S. and elsewhere, as well as international organisations and companies, on behalf of the federalist movement's political and military objectives and to provide "economic aid by soliciting buyers for your oil when the need arises as well as tankers for the transport of oil". The second (17 December) agreement replaced the first but provides for similar services. See exhibits to Registration Statement pursuant to the U.S. Foreign Agents Registration Act (FARA) no. 6200, 11 December 2013, and no. 6202, 19 December 2013.

[53] Video footage showed a vehicle equipped with a recoilless rifle on a tugboat firing from some distance toward the tanker. "Misrata revolutionaries chasing the tanker", Misrata Channel, 14 March 2014, available at www.youtube.com/watch?v=BxB44Kii6lQ.

[54] See, U.S. Defense Department statement, 17 March 2014.

[55] According to a European diplomat, "the Americans descended on the Security Council in a forceful manner … with more than a dozen lawyers to get a resolution through". Crisis Group interview, New York, 25 March 2014. The resolution authorises the boarding and searching of vessels suspected of transporting illegal oil and requires they be carried out after making contact with the vessel's flag state and in coordination with the Libyan authorities. The resolution made it "virtually impossible for anybody to try to repeat what had occurred with *Morning Glory*". Crisis Group interview, diplomat, New York, March 2014.

[56] Crisis Group interviews, government officials, diplomats, Tripoli, October-November 2013.

were another concern, particularly as his fiefdom, Ajdabiya, has been a centre of jihadi activity since the Qadhafi era.[57]

The *Morning Glory* episode showed the impotence of the Tripoli authorities, who ordered the military to retake Sidra but could mobilise no troops. It led the GNC to replace Zeidan (his cabinet stayed) with Defence Minister Abdullah al-Thinni as caretaker premier.[58] Misrata forces loyal to the GNC mobilised only then, prompting the PFG and other eastern armed groups to rally in Wadi Ahmar, midway on the coast between east and west. A major escalation that might have recast the dispute as one between regions was avoided because the Misratans did not cross Wadi Ahmar,[59] but the threat returned at year's end, when they launched Operation Libyan Sunrise (shorouk Libya) to retake Sidra.

Many agreed that the *Morning Glory* episode "proved what Jadran is really about: a thief and nothing more. This will be his end".[60] Even within the broader federalist movement many began to distance themselves, seeing him as more an opportunist than a true believer.[61] Paradoxically, however, the affair appears to have strengthened him.[62] The interim government came to terms with the fact it had little leverage on the ground and could not remove somebody who held sway locally, so it began to reach out to him.[63]

[57] A Western diplomat, commenting on Resolution 2146, said, "in the back of the mind of some permanent [Security Council] members was the thought that the ultimate beneficiaries of the direct sale of Libyan crude from the eastern ports could have been al-Qaeda or some other affiliate group". Crisis Group interview, New York, 25 March 2014. Allegations of Jadran's ties to al-Qaeda-linked groups are rife because his brother is a member of the Ajdabiya branch of Ansar Sharia. Crisis Group interviews, Bayda, Ajdabiya, May 2015. Jadran plays down his brother's influence: "Osama is a member of Ansar Sharia, yes, but when people say that he is an 'emir' I laugh. He does not have the charisma to be an emir". Crisis Group interview, Ajdabiya, April 2015. Ajdabiya residents say the city is second to Derna in numbers of Libyans joining radical groups in Iraq and Syria. Crisis Group interviews, Ajdabiya and Tripoli, 2014.

[58] When the *Morning Glory* docked in Sidra, the GNC president, Nuri Abu Sahmein, issued a decree ordering formation of military units to liberate the terminals. Decree 42/2013, 8 March 2014. It gave the cover several armed groups had sought for months to move against those controlling the terminals. An anti-Jadran person with ties to armed groups said, "we would never have mobilised without a GNC order. It's not because we did not think we should not … but because without the GNC order our men are not granted benefits in case of injury or death". Crisis Group interview, Tripoli, May 2014. Prime Minister Ali Zeidan ordered the army and air force to stop the ship, but neither mobilised. Crisis Group interviews, sources close to Zeidan, Tripoli, 12 March 2014. Zeidan was dismissed on 11 March 2014. The GNC's no-confidence vote – with 123 lawmakers allegedly in favour – remains disputed. It was held in a reception hall in Tripoli's Radisson Hotel, as the GNC building was under attack by local militias. Zeidan and a few GNC members subsequently claimed that to reach a legal quorum, some GNC members were ushered in after the vote. Crisis Group phone interviews, diplomats, GNC member, Tripoli, March 2014.

[59] Small clashes between allies of the opposing forces occurred in Sirt, Zella, Ajdabiya (Jadran's hometown) and Wadi Juk, with fewer than twenty killed.

[60] Crisis Group interview, Libyan political analyst, Washington, March 2014.

[61] Crisis Group interviews, federalists, Bayda, April 2015.

[62] An Ajdabiya resident said that though the deal failed, in the area under Jadran's control it "proved that Jadran was right: the government was unable to control the country and its oil". Crisis Group phone interview, April 2014.

[63] Crisis Group interview, member, Thinni cabinet, May 2014. According to persons close to Zeidan, one reason he was unwilling or unable to negotiate directly with Jadran was "his close ties to some Zway notables and other tribal leaders who are extremely anti-Jadran". Crisis Group interview, Sebha notable, Tripoli, April 2014.

Thinni agreed to negotiate with Jadran in April 2014, and by June they had a deal.[64] In exchange for reopening the ports, Jadran obtained the government's commitment to create a new committee to look into alleged oil sector corruption; payment of PFG members; settlement of procurements bills;[65] revocation of the order to use force to liberate the terminals; and annulment of charges against PFG members and anyone else involved in terminal closures.[66] In a subsequent, largely unknown annex, the government also promised to decentralise the National Oil Company and establish its main branch in the Gulf of Sirte, but the political fractures that occurred in July 2014 (see below) made this moot.[67]

While controversial, the agreement was in many respects welcome. The dispute had already lost the government at least $30 billion in revenue and almost plunged the country into civil war. Crude exports immediately rose from a low of 210,000 b/d in April 2014 to 950,000 b/d in October, before being offset by falling production in the west.[68] This was not enough to reduce the budget deficit, because of the coincidental drop in the international price, but it slowed the draining of the Central Bank's coffers.[69]

Nonetheless, promoted by a government with a weak mandate, the deal never had much support in the GNC, in part due to concerns about the federalists and their alignment in the growing national political divide.[70] This criticism later extended to the composition of the House of Representatives (HoR), in which the federalist

[64] A cabinet minister explained: "We never wanted to be signatories to a formal agreement; there is no binding agreement. This is also because we did not want the others to be recognised as legitimate counterparts …. For this reason we also insisted that all references to the Cyrenaica Council and titles be removed from the draft. What is on paper is more aptly described as a declaration of intent where the various groups involved commit to work toward certain objectives". Crisis Group interview, Tripoli, May 2014.

[65] Salary payments totalled approximately LYD270 million ($215 million); procurement contracts were allegedly in the LYD70 million range (approximately $55 million). Salary payments were disbursed in late 2014, but it is unclear whether procurement contracts were ever paid.

[66] Some agreed points were beyond the government's mandate or capacity to implement. One stipulates that the GNC revoke its decree 42 authorising force to liberate the ports, but a cabinet minister said, "the government cannot decide to implement that; if at all, it would be the duty of the GNC president who issued decree 42, and it is not clear … he is around these days". Crisis Group interview, Tripoli, May 2014. The agreement also provides that emissaries may lobby the judiciary to drop charges against PFG members; this, too, is out of the government's remit. Ibid.

[67] Jadran showed Crisis Group a copy of the second part of the agreement in October 2014.

[68] In November 2014, Zintani brigades shut the pipeline that crosses their stronghold in the Jebel Nafusa (some 300km south west of Tripoli) in retaliation for a Tuareg attack that forced Tebu allies out of the Sharara oil field. Prior to the closure, Sharara was under joint Tebu-Zintan control and produced 300,000 b/d. Crisis Group interviews, Tuareg guards, Akakus Oil officials, Sharara, March 2015.

[69] A barrel of crude went from over $100 in August 2014 to below $80 in late October. For Libya to break even at that time would have required a price over $120 a barrel. According to an October 2014 IMF report: "Should oil output remain at the current level, growth in 2015 could exceed 15 per cent reducing the fiscal deficit to 30 per cent of GDP and slowing the decline of official reserves". "Arab Countries in Transition: Economic Outlook and Key Challenges", 9 October 2014.

[70] Crisis Group interview, GNC members, members of anti-Jadran armed groups, Tripoli, May 2014. Armed groups from both the east and west lobbied for scrapping the deal. The leader of an armed group, reiterating the widespread belief that Jadran is a secessionist at heart, asked: "How can we do a deal with a group that wants to divide Libya in three or even pursue independence?" Crisis Group interview, Zway military commander, May 2014.

movement is well-represented.[71] As Libya split into rival governments after the June 2014 elections, the federalists supported both the HoR and, at least initially, General Khalifa Haftar's Operation Dignity, a military campaign aimed at rooting out radical Islamist groups in Benghazi. They also kept full autonomy in security affairs in the eastern part of the Gulf of Sirte. While the conflict between GNC and HoR (and their respective governments and militia coalitions) that broke out in July 2014 overshadowed it, the oil-port crisis remained fundamentally unresolved, and it resurfaced in a new form within months.[72]

B. *After Mid-2014*

The national political rifts that emerged in July 2014 intensified the dispute over oil and gas assets and installations, causing renewed production drops and new fighting for control of the Sirte basin. On 27 December, Misratan forces (with GNC support) launched Operation Libya Sunrise (shorouk libya), advancing to Sidra's outskirts. PFG forces led by Jadran pushed them back to Ben Jawwad (40km west of Sidra) in a day, but nearly 100 people were killed, and at least three of the nineteen crude-oil storage tanks on the outskirts of the export terminal were destroyed over three months in subsequent fighting. At times, pro-HoR allied forces bombed the Misratans from the air.[73] These operations and destruction of the infrastructure around Sidra stopped production at the fields that fed into the terminal. Even after the Misratans ended the Sidra siege and withdrew in March 2015, clashes continued over oil fields and pipelines in the surrounding area.[74]

The fighting in the Gulf of Sirte may have helped create the circumstances enabling the Islamic State (IS) to advance in 2015, in part because the actors in the national divide were not well entrenched there – Sirte was a stronghold of Qadhafi's tribe – and were focused on fighting each other more than protecting locals. In February-March 2015, IS affiliates based in Nawfiliya and the Jufra region carried out hit-and-run attacks against the nearby Mabruk, Dahra and Ghani oil fields and the Bahi pumping station that rendered all these inoperable, at least for the short to mid-term.[75] They did not seek to seize the fields but to damage the country's economic life-

[71] A senior political figure tied to the GNC leadership said he regards Jadran's group as secessionist, and the HoR had fallen victim to it. Crisis Group telephone interview, Tripoli, 10 August 2014. In the June 2014 parliamentary elections, 25 federalists were elected to the HoR. Federalist support for Thinni was key throughout the following year, when other factions within the HoR, especially those linked to the National Forces Alliance, tried to replace him. Crisis Group interviews, HoR members, federalists, Bayda, October 2014, March 2015.

[72] For details on the 2014 political ruptures, see Crisis Group Report, *Getting Geneva Right*, op. cit.; and statement, "The Libyan Political Dialogue: An Incomplete Consensus", 16 July 2015.

[73] Crisis Group telephone interviews, Sidra and Ben Jawwad residents, Misratan politicians, December 2014; observations, Misratan front line, Ben Jawwad, March 2015; interviews, Misratan politicians, Misrata, March 2015; Salah Jabu, commander, Misratan force, Ben Jawwad, 8 March 2015; Ibrahim Jadran, 17 April 2015. At least four of Sidra's nineteen crude oil tanks were not functioning prior to December 2014. Crisis Group observations of airstrike damage, Ben Jawwad, March 2015.

[74] This was the case for Nafura and Jakharia oil fields, where production was stopped in May 2015 when a group forced closure of the pipeline linking them to Zuwetina export terminal, Crisis Group telephone interview, local resident, Sidra, April 2015.

[75] In the first attack, on 4 February 2014, IS affiliates hit the Mabruk oil field, killing a dozen security guards and kidnapping three Filipino workers. The attackers left that evening. In following weeks, they returned to Mabruk (which had been evacuated) and destroyed equipment. They also rendered

line in order to weaken the state and allegedly to weaken as well European countries heavily reliant on Libyan oil.[76] In October 2015, IS militants also attacked Sidra port.[77] Though the two competing governments have both denounced the presence of IS affiliates in the Sirte region, their associated military coalitions have been unwilling to confront the IS militias, attacking one another instead.

As a means to extend control over the oil-rich south west, the duelling governments exploited pre-existing tensions between Tuareg and Tebu, two non-Arab ethnic groups that had been fighting a local war since September 2014. At times, these local constituencies frame their struggle in terms of the national divide in order to get support from either side.

In November 2014, Tuareg armed groups supported by the Tripoli-based authorities and Misratan forces based in Sebha seized Sharara, a giant oil field in the Murzuq basin, from the Tebu, who had held it since 2012 and were backed by the Tobruk-based government.[78] They claimed the field was inside their territory, so they should be in charge of its security.[79] Tebu said they were entitled to control it on the basis of their military arrangements with the Tobruk-appointed armed forces chief of staff, General Abdelrazek Naduri.[80] In retaliation for the Tuareg takeover of Sharara, Tebu-allied Zintani groups closed a vital pipeline that transports crude oil from Sharara to the export terminal in the north, forcing operations producing 300,000 b/d to shut down.[81] In May 2015, the Tebu closed al-Fil, another giant oil field in the Murzuq basin that produced 80,000 b/d.

non-operational the Bahi station, which pumps crude from the Mabruk oil field to Sidra, and the Dahra oil field, again destroying equipment. On 6 March, IS affiliates (probably from the Jufra area) raided the Ghani oil field, beheaded eight Tebu guards and kidnapped eight foreigners. Crisis Group interviews, resident of Nawfiliya, security officials, Harawa, March 2015; Mashallah Zwai, oil minister, Tripoli-based government, 17 March 2014.

[76] A person in contact with the IS militants in the Sirte area said that, when asked why they were targeting the oil fields, a local IS leader said it was to stop cash flowing to what they considered an "un-Islamic" state. Crisis Group interview, Harawa, March 2015. Subsequently, in an interview published in the IS English-language magazine *Dabiq*, the IS delegate for Libya, Abdul-Mughirah al-Qahtani, stated: "Libya has great importance for the Muslim *umma* [Islamic community] because it is in Africa and south of Europe. It also contains a wealth of resources that cannot dry. All Muslims have the right to these resources .... It is important to note that the Libyan resources are a concern for the *kafir* [infidel] West due to their reliance upon Libya for a number of years especially with regards to oil and gas. The control of the Islamic State over this region will lead to economic breakdowns especially for Italy and the rest of the European states". *Dabiq*, issue 11, September 2015.

[77] "Islamic State militants attack forces guarding Libya oil port: official", Reuters, 1 October 2015.

[78] The commander of Misrata's Third Force in Sebha, claimed it did not take sides between Tebu and Tuareg; Tuareg fighters minimised Tripoli-government and Misratan help against the Tebu. But there is ample evidence that Misrata gives Tuareg fighters medical aid and gasoline, while the defence ministry gives money and logistical support. Crisis Group interviews, Jamal Treiki, Sebha, 3 March 2014; Tuareg guards, activists, Sharara, Tripoli, March 2015.

[79] Crisis Group interview, Tuareg guards and activists, Sharara, March 2015. Tebu activists disputed this, insisting that the entire Murzuq basin should be considered territory of Tebu predominance. Crisis Group telephone interview, Abu Dhabi, April 2015.

[80] Crisis Group interviews, Tebu activist, Tunis, February 2015. Strategic interests appear to be behind the legitimacy claims. A Tebu military commander said the Tebu "have all to gain if the Libyan Arabs keep fighting each other". Crisis Group interview, Tunis, February 2015.

[81] Crisis Group interview, oil field employees, Sharara, March 2015.

IV. The Battle for Financial Institutions

The division into two governments in July 2014 created rival claimants for the finances and institutions of the hydrocarbon sector. This contest was influenced by military developments, especially fighting for control of oil fields and export facilities. While their allied armed groups faced off in Sidra and the south, the rival governments staked claims on:

- the Central Bank of Libya (CBL), which in March 2015 (the last time it gave a figure) had official reserves of $76 billion (estimated to have declined now to $60-$70 billion) and holds the government purse strings, disbursing funds as allocated by the state budget;[82]
- the National Oil Company (NOC), which signs contracts with local companies, regulates the petroleum sector and processes payments for oil and gas from foreign partners before sending them to the CBL; and
- the Libyan Investment Authority (LIA), a sovereign wealth fund that manages assets in Libya and abroad estimated at $67 billion.[83]

The battle to control these institutions took place in the context of rapidly falling revenue, unbridled spending and rapidly worsening security. The rival governments needed access to existing assets in part to finance their efforts.

In the east, the HoR (in Tobruk) and its government (in Bayda, headed by Prime Minister Thinni, who broke ties with the GNC after the launch of Libya Dawn), regarded control of the financial institutions as their right, since the HoR resulted from the June 2014 elections and was the internationally recognised parliament. Because the institutions remained in Tripoli, where the previous, GNC parliament and its allies held sway, the HoR had no control over them. Also, several of the institutions' senior staff and board members argued that the CBL, NOC and LIA should remain above politics.[84] This became the consensus as well of Western powers that backed a negotiated solution to Libya's divide.[85]

At first, the Bayda government did not seek to change the NOC and LIA managements, keeping Mustafa Sanallah and Abdelrahman Ben Yezza as their respective

[82] Crisis Group telephone interview, Mohamed El Qorchi, assistant director, Middle East and Central Asia, IMF, Washington, 28 May 2015. In November 2015, informal IMF estimates placed Libyan reserves above $70 billion. Crisis Group email communication, IMF official, November 2015.
[83] Libby George, "Libya's $67 billion frozen funds must remain on ice says would-be investment chief", Reuters, 17 July 2015.
[84] None of the NOC senior management supported the Thinni government's attempt to establish a new NOC. Two of five CBL board members and a dozen managers are believed to support creation of an eastern branch. The proportion of LIA managers supporting Thinni government claims is slightly greater than those backing Tripoli. Crisis Group interviews, NOC staff member, CBL staff member, Tripoli, June 2015.
[85] A European diplomat said, "we don't even want to get into the nitty-gritty details of who appointed who and whether the HoR had or did not have the right to make such an appointment; it is a matter of principle. In any country the Central Bank and other financial institutions have to remain outside the political rifts". Crisis Group interview, Rome, July 2015. A U.S. official echoed this. Crisis Group interview, Skhirat, June 2015. Several Western governments urged "all Libyans to support the continued independence of its financial and economic institutions". Joint Statement on Libya by France, Germany, Italy, Spain, the UK and U.S., 11 May 2015.

heads. But Thinni had to consider the views on the CBL of the federalists, who had become important allies and to whom he had promised that revenues from the now reopened eastern ports would flow to the CBL's Benghazi branch.[86]

The Thinni government's relationship with the bank became somewhat more complicated, even if necessity forced the eastern and western authorities to work together. In early September 2014, seeking to gain direct access to CBL funds, the HoR announced the dismissal of its governor, Saddik ElKebir, and his replacement by his deputy, Ali Al-Hibri. ElKebir contested this and retained the account codes and financial database in Tripoli, while Hibri (essentially powerless and with no direct access to the accounts) operated out of the east.[87] For several months, the two nonetheless fashioned a working arrangement: the CBL in Tripoli would process funding requests by both parliaments and governments, while Thinni prevailed on the federalists to keep the eastern ports open.[88] This was mutually beneficial: for the HoR and the Thinni government, it enabled transfer of requested funds to their side; for the CBL and NOC in Tripoli, it meant an increase in oil revenues from the eastern oil fields controlled by the federalists.

The arrangement did not last long. By the end of October 2014, three interrelated factors contributed to an escalating fight for control of the CBL, LIA and NOC. First, the CBL, even as it continued payments for salaries and subsidies across the country, refused to disburse most other funds directly to the eastern authorities (and likewise for the Tripoli government).[89] Thinni and his backers in Libya and abroad had to explore alternative ways to secure direct access to state funds and bypass what they viewed as Tripoli's stranglehold on finances. This included creation of a parallel CBL administration independent from Tripoli in October 2014, which, however, did not

[86] According to Ibrahim Jadran, the reason he and his forces agreed in October 2014 to reopen the oil terminals they controlled was linked to this commitment. From the federalist point of view, this would meet the request for greater decentralisation of oil revenues. Crisis Group interview, Ajdabiya, April 2015. This promise was not widely known. In October-November 2014, when reopening of the eastern oil terminals allowed production to increase rapidly, a number of Libya experts and oil analysts were puzzled by what appeared a counter-intuitive decision and thus allow the NOC and CBL in Tripoli to reap revenues. "It does not make sense that with the increased political fight, Jadran, who sides with Tobruk, would reopen the oil flow and allow Tripoli to cash in", a foreign oil sector-analyst said. "He must be smuggling on the side. If not, why would he agree to reopen the ports?" Crisis Group telephone interview, December 2014. The government's promise was never put into effect, but the federalists say they did not discover this until November 2014. Crisis Group interview, Ibrahim Jadran, Ajdabiya, April 2015. It was also urgent for the eastern government to secure funds for its military campaign.

[87] Crisis Group interview, Saddik ElKebir, Tripoli, November 2014.

[88] Opinions on the terms of this agreement vary. According to a politician close to authorities in Tripoli, "at the time [September 2014], ElKebir and Hibri agreed to keep the CBL out of political wrangling and to carry on as nominal CBL governors; they also agreed that Hibri would not create a Central Bank in Bayda but that whatever Hibri asked for from Bayda, Tripoli would deliver". Crisis Group interview, Tripoli, October 2014. Some HoR members and officials in the Thinni government had a different reading, namely that Hibri would be de facto in charge and ElKebir would step aside. Crisis Group interview, Bayda, Tobruk, October 2014.

[89] On 23 October 2014, the HoR approved a 2014 budget submitted by Thinni with the understanding that this would overcome all legal impediments invoked by the CBL to prevent it disbursing funds to the eastern government. This was understandable, since Libyan law requires parliamentary approval of the budget for funds to be allocated to the government. But the CBL did not change its stance on direct funding; it did not recognise the budgets presented by the HoR or the GNC, and continued to decide unilaterally on disbursement of funds.

control the bank's coffers.[90] In the interim, the Thinni government, pressed for cash, began borrowing from commercial banks in eastern Libya in November 2014.[91]

Secondly, the Thinni government called for a change in the LIA's management on 27 October, appointing a board member, Hassan Bouhadi, to replace Ben Yezza. This launched a tug of war that led to Bouhadi fleeing the Tripoli headquarters in December and setting up parallel operations in Malta. The Tripoli government called this illegal and reaffirmed Ben Yezza as the legitimate chairman. In the following months, Ahmed Kashadah, the head of the Libyan Africa Portfolio (LAP), an LIA subsidiary in charge of managing Libya's $17 billion of assets in Africa, followed Bouhadi to Malta, taking all LAP equipment from the Tripoli headquarters with him. The LIA dispute led, over 2015, to a crossfire of appointments and accusations by the two governments and legal battles between the rival managements in Libya, the UK, Malta and Italy (with more planned in other countries where LIA owns assets).[92]

The third factor was the controversial 6 November 2014 Supreme Court ruling that the June elections were unconstitutional, prompting the GNC to argue that the HoR no longer had a legal claim to authority.[93] Although the GNC had appointed its own government, headed by Prime Minister Omar al-Hasi, on 25 August, it was only after the ruling that it began to aggressively claim legitimate control over the oil sector. The Tripoli government's oil minister, Mashallah Zwai (a member of the anti-Jadran Zway tribe), became more assertive and consolidated his ties with the Tripoli-based NOC president, Mustafa Sanallah. In retaliation, the east-based authorities froze ties with Sanallah and in November nominated their own NOC chief, Mabruk Bu Seif, a previously unknown eastern mid-level official and member of Jadran's Magharba tribe. The decision by the Organisation of Petroleum Exporting Countries (OPEC) to invite Bu Seif to its annual meeting in Vienna that month as Libya's representative boosted the Thinni government's hopes that its claim over the NOC would be recognised internationally.

Military developments also influenced the institutional struggle. At the end of 2014, Libya Dawn's success against Zintani militias in the Jabel Nafusa (in the north west) and the Wershaffana tribe (in Tripoli's western suburbs) prompted the flight of pro-Tobruk LIA officials.[94] Until then many pro-Tobruk individuals in Tripoli, including

[90] In November 2014, Thinni's advisers turned to the UAE for help in establishing new Central Bank accounts. It was unclear whether this aimed at establishing a new branch of the CBL under eastern control, or simply a new receiving account for oil revenues. Crisis Group interviews, HoR members, Thinni government officials, activists, Bayda, November 2014.

[91] This took place by issuance of treasury bonds directly to the banks; CBL officials dispute the legality. An initial LYD750 million ($543 million) instalment was borrowed this way, on unknown terms, at end 2014. Crisis Group interviews, CBL officials, politicians, Tripoli, Bayda, April 2015. By November 2015, such loans surpassed LYD5 billion ($3.6 billion). Crisis Group interview, Abdel Salam al-Hasi, director, Auditing Bureau reporting to Thinni's government, Bayda, 15 November 2015.

[92] Crisis Group interview, Tripoli-appointed LAP chairman Mohsen Derrigia, Tripoli, June 2015. For rival claims of legitimacy, see "Inside Libya: Interview With LIA Sovereign Wealth Fund Chairman Breish", *Forbes*, 23 July 2015; and "Libyan Investment Authority: Bouhadi's View", *Forbes*, 23 August 2015.

[93] Crisis Group Report, *Getting Geneva Right*, op. cit. On 6 November 2014, the Supreme Court ruled in effect that the basis on which the June 2014 HoR elections were held was unconstitutional, allowing the western government to claim the HoR was invalid and legislative and executive powers should, therefore, revert to the GNC.

[94] Pro-Tobruk LIA head Hassan Bouhadi, who has close ties to National Forces Alliance leader Mahmud Jibril and Libyan UAE Ambassador Aref al-Nayed (Libya Dawn foes), said security condi-

businesspeople, lawyers and key LIA managers, had hoped pro-Tobruk factions in the west would reestablish themselves in the capital.

Tobruk's bid to create parallel CBL and NOC structures in particular contributed to military escalation by a pro-Tripoli coalition, even after most of the fighting had died down outside Benghazi.[95] Libya Sunrise, the December 2014 Misratan operation to seize the Sidra oil terminal from the Tobruk-allied PFG, can be seen in this light. A Misratan politician who supported the attack said:

> There were immediate military developments that prompted the attack. However, reports about the Tobruk guys wanting to pursue their own oil sales and establishing a new Central Bank all played into people's psyche. It was only later that we received reassurances from the Central Bank and NOC in Tripoli that there was absolutely no chance the new NOC would get anything done.[96]

In turn, the attack and unsuccessful siege of Sidra strengthened the eastern government in its belief that it needed to control oil revenues directly. It was only after Libya Sunrise began, and pro-HoR forces needed to beef up their front-line defences, that the Thinni government fully understood it had no means of accessing CBL funds.[97] Following this operation, eastern-based politicians also began to accuse the CBL in Tripoli of failing in its professed goal of remaining neutral by bankrolling all security units that existed prior to the 2014 political crisis; the bank, they objected, was de facto making payments to armed groups that were fuelling the war.[98] (A CBL official explained that the bank's decision to continue payments to all security sector employees was also contested by the Tripoli-based authorities, who objected to salary payments to military personnel aligned with General Haftar and Operation Dignity.[99] In fact, the CBL continued payments to security personnel across the political divide.)

In reaction, Thinni redoubled efforts to establish a NOC loyal to the eastern government. Though government officials reiterate frequently that they are not trying to create a new NOC but rather to appoint a management answering directly to

tions did not allow them to operate in Tripoli. Bouhadi's detractors accused him and his loyal managers of exaggerating the threats and fabricating news of an assault on LIA offices, but he was not the only one to leave the capital: by the end of 2014, most Western embassies, the UN and the EU had left. Crisis Group interviews, Bayda government officials, Bayda, April 2015. Crisis Group interviews, politicians familiar with LIA and LAP management, Tripoli, June 2015.

[95] Since May 2014, a military coalition, majlis shura thuwwar Benghazi (Shura Council of Benghazi Revolutionaries, including Islamists and pro-GNC factions), and forces loyal to General Haftar (more supportive of HoR authority and the Thinni government, though relations were often tense) have been fighting over Benghazi.

[96] Crisis Group interview, Misrata, 10 March 2015. In the words of the Misratan military commander who oversaw operations on the Sidra front, the strategic reason for the attack was that Jadran was going to use the Ras Lanuf airport to attack Misrata. Crisis Group interview, Salah al-Jabu, Ben Jawwad, 9 March 2015.

[97] According to Ibrahim Jadran, "until then, we thought money from the oil sales in the east was being paid into the new branch of the Central Bank in Bayda, because that is what Thinni had told us. But when Misrata attacked, and we needed to buy equipment and asked the government for money, we realised that neither Thinni nor Hibri had access to Central Bank accounts". Crisis Group interview, Ajdabiya, April 2015. The realisation, he said, prompted him and the government to push for full empowerment of an eastern-based NOC under new leadership.

[98] Crisis Group interviews, activists, government officials, Bayda, April and November 2015.

[99] Crisis Group interview, Milan, November 2015.

them, many see their attempts as ultimately aiming at creating a rival to the Tripoli-based NOC.[100]

In March 2015, Thinni issued a decree ordering foreign oil companies to do business solely with the eastern NOC headed by Mabruk Bu Seif and threatened legal action for non-compliance.[101] In April he revealed existence of a new NOC account in the United Arab Emirates (UAE), one of the HoR's most important regional supporters.[102] By May, in an attempt to bypass Tripoli, a new CBL branch was established in Bayda, with equipment and databases taken by General Haftar's troops from the Benghazi branch in January.[103] In September, as the UN sought to negotiate formation of a government of national accord, Naji al-Maghrabi (the NOC chief Thinni appointed in August to replace Bu Seif) reiterated to international oil companies (IOCs) that to do business in Libya they should register with the government-controlled NOC and make payments to a new NOC account in Cairo, instead of the previously announced UAE one.[104]

IOCs in Libya have steadfastly rejected these payment requests, explaining their concessions are tied to contracts with the original NOC. The U.S. State Department agreed that continuing transactions with the Tripoli-based NOC was legally correct, even if the Tobruk authorities had international recognition.[105] International commodities traders, the main potential buyers, also refused to deal with the eastern NOC for fear of sanctions from the U.S. financial authorities or their correspondent banks. Some smaller traders from India and Saudi Arabia, approached by pro-Tobruk go-betweens, turned down purchase offers.[106] The eastern officials appeared

[100] See Deputy Prime Minister Abdelsalam al-Badri's speech at the NOC-hosted meeting for foreign oil companies, Malta, 16 September 2015: "We are now reestablishing government oversight of the NOC …. There is only one NOC … for all Libya …. The location … is not important. What is important is that it is unified and coherent and acts with integrity in the service of Libya. All we are doing is reestablishing government oversight of its operations".

[101] Decree 21/2015, prime minister's office, 17 March 2015.

[102] Government decree 130/2015, 2 April 2015. An official familiar with the matter said the funds deposited to this account "would be automatically transferred to another Bayda-based Central Bank account – but not the current official CBL account [but] rather a new account … at one of the commercial banks in the east". Crisis Group interview, head of the Tobruk-based Auditing Bureau, Abdel Salam al-Hasi, Bayda, April 2015.

[103] A Tripoli-based CBL official confirmed that in June 2015 CBL staff in Bayda had reactivated the computers and databases removed from the Benghazi branch in January. However, after an initial attempt to access CBL accounts and servers, CBL headquarters in Tripoli blocked access. Crisis Group interview, Tripoli, June 2015. Security forces in Benghazi said they had removed the equipment at the request of local CBL staff who deemed the situation too dangerous to operate but left the vaults with cash reserves untouched. Crisis Group interview, Farj Gheim, Benghazi brigade commander, Bayda, 16 November 2015. See also David Kirkpatrick, "Wider Chaos Threatens as Fighters Seize Branch of Libya's Central Bank", *The New York Times*, 22 January 2015.

[104] The eastern-based NOC IOCs to a 16 September Malta conference, but none of the majors attended. See "New Libyan Oil Company Stalls", *Wall Street Journal*, 18 September 2015. The reason for the change in location of the account is unclear, but by this point, Cairo was a major operation centre for Thinni, Haftar and other pro-HoR officials.

[105] Crisis Group interviews, BP and ENI officials, Cairo, London, Rome, April 2015; U.S. official, Skhirat, June 2015.

[106] Crisis Group interviews, individuals familiar with the Bayda-based NOC, Cairo and Bayda, April 2015; Skhirat, July 2015. There are a few exceptions: a Switzerland-based commodity trader reportedly signed a contract with the new NOC, but the deal fell through; another contract with a UK com-

to be seeking to replicate the oil-sales mechanisms rebels had used to secure funding and sell oil during the anti-Qadhafi war.[107]

The plan, naïve about the NOC's complex workings, has been unsuccessful.[108] Nevertheless, many of the eastern government's grassroots constituencies continue to support it. The federalists in particular see it as beginning implementation of the more decentralised financial system and redistribution of oil revenues to the east they advocate.[109] Even non-federalist eastern politicians, such as HoR President Agheela Saleh, support the new NOC management chain and its calls for oil-sale payments into a foreign account, if only because it reestablishes the authority of his parliament and the government it appointed:

> If I am the seller, I tell you where to pay me. The bank where the money is now being deposited is not under our control. Yet 60 per cent of Libyan oil is from this area, so I have the right to tell you to pay me elsewhere.[110]

Not all the pro-HoR camp backs parallel financial and oil-sector institutions, in part because they risk entrenching Libya's partition. With the exception of the federalist factions, which over time included some outright separatists,[111] most pro-Tobruk constituencies want not eastern secession but to return to Tripoli and re-establish control of all state institutions there. The eastern-based CBL governor Hibri said after efforts to create a foreign-based NOC account in the UAE:

> I was against the opening of this account and was surprised when I heard about it. I was told they opened three accounts: one in euros, one in U.S. dollars and one in the Emirati currency. But there is not a single penny in them at the moment. We are fighting decentralisation, and that is at the heart of the problem in Libya. The opening of the UAE account is not the solution.[112]

Despite distancing himself from the creation of a foreign bank account for receiving oil-sale payments, his attempt to use equipment of the CBL's Benghazi branch in Bayda to access CBL accounts directly caused relations with ElKebir to sour, ending

pany was also drafted. Crisis Group telephone interview, Libyan oil sector analyst, Cairo, August 2015; foreign oil sector analyst, London, October 2015.

[107] The mechanism was illegal: the UN and U.S. then applied sanctions prohibiting transactions with the NOC and CBL, but most of the anti-Qadhafi coalition's international backers turned a blind eye to allow the coalition to finance itself. The scheme was short-lived; only a few deals, via commodity traders, not established international oil companies, were carried out.

[108] A person familiar with the staff at the Bayda-based NOC said, "they are all people, including Bu Seif himself, who have absolutely no knowledge of the business and do not even know what the NOC's functions are". Crisis Group interview, manager at an NOC subsidiary, Ajdabiya, April 2015. Several IOC managers had similarly dismissive opinions of personnel at the Bayda-based NOC. Crisis Group interviews, Cairo and Rome, April 2015.

[109] For instance, Salem Jadran, Ajdabiya mayor, brother of Ibrahim and a participant in the UN-led Libyan Political Dialogue, argued that attempts to sell oil by the Bayda-based NOC were legitimate: "It is essential that the east be able to access its revenues. You will see, we will eventually succeed". Crisis Group interview, Skhirat, 11 July 2015.

[110] Crisis Group interview, HoR President Agheela Saleh, Bayda, 14 April 2015.

[111] A number of federalists Crisis Group interviewed in 2013 and 2015 admitted that their views had hardened: they no longer advocated a federal Libya but independent East, West, South regions. Crisis Group interviews, Bayda, Merj, Benghazi, 2013, Bayda, Tobruk, Merj, April 2015.

[112] Ali al-Hibri televised interview, 5 May 2015 (youtube.com/watch?v=DZ0euWHiIEI).

their tacit cooperation. The rival governors now accuse each other of fraud, even if some middle-management cooperation has continued.[113] Matters deteriorated further in July 2015, when pro-Tobruk authorities won IMF recognition of al-Hibri as the internationally recognised CBL governor.[114] Despite such formal endorsement, he and the Tobruk-backed government have no direct access to CBL accounts and state funds, which remain with ElKebir. Even so, there are fears Hibri could request funds through the IMF's rapid-finance system, a first step that would allow the eastern authorities to access liquidity, bankroll projects and ultimately undermine incentives for political compromise with Tripoli.

[113] Ibid; Crisis Group interview, CBL official, Tripoli, 15 June 2015. CBL staff working for ElKebir and Hibri have met abroad at least twice under IMF/World Bank aegis to discuss technical issues. Crisis Group telephone interview, Mohamed El Qorchi, assistant director, Middle East and Central Asia, IMF, Washington, 28 May 2015.

[114] According to Western diplomats, the recognition of Hibri as Libya's Central Bank governor was a "slip". IMF senior management had not intended to change its interlocutor, but paperwork submitted to the IMF by the Tobruk-appointed ambassador to the U.S., Wafa Bughaghis, led a lower-ranking official to declare Hibri the recognised governor. Crisis Group telephone interview, European diplomat, London, September 2015.

V. Averting a Looming Financial Crisis

The financial outlook is alarming. In 2014, Libya's fiscal deficit was LYD22.8 billion ($16.4 billion, 44 per cent of GDP), and its balance of payment deficit was $22 billion. According to an IMF official, the 2015 fiscal deficit could be between LYD20-30 billion ($14.4-$21.6 billion), that is, 42 to 68 per cent of GDP. The official said, "I have never heard of any country in the world that ran a 68 per cent deficit. If they continue on this trend, it is not sustainable. … Even a deficit of 42 per cent of GDP is simply not sustainable".[115]

The CBL has reduced expenditures: it has cut the public-sector wage bill and subsidies and frozen most expenses for development and infrastructural projects.[116] But this has not stopped the drain on foreign-currency reserves, which are also used to stabilise the dinar and fund imports. In the first nine months of 2015 alone, reserves dropped a further $15.4 billion, though this is better than the $31.2 billion fall over the same period in 2014.[117]

Most worrying is how Libya will cope with both the deficit and diminishing foreign-currency reserves. No updated figures for reserves are publicly available (a worrying lack of transparency), but estimates from early 2015 placed them at $76-$80 billion.[118] By year's end, they will likely be around $60-$70 billion (with, at current levels, 2015 expenditures projected at $20 billion). With global oil prices below $50 per barrel and production low, the stress on reserves is likely to increase. The unsustainability of the situation is clear when one considers that to break even at current production levels, oil prices would have to be as high as $220 per barrel.[119] Even if production improves slightly, the country would continue to run a deficit for years.

At the current pace, according to foreign officials briefed by ElKebir, foreign-currency reserves could run out as early as the beginning of 2016; this may be an exaggeration, but the situation is nonetheless worrying. A member of the CBL's board and an IMF official both gave slightly less pessimistic estimates of two to three years. Many Libyan politicians also lean toward the less dire end of the spectrum.[120] But

[115] Crisis Group telephone interview, Mohamed El Qorchi, assistant director, Middle East and Central Asia, IMF, Washington, 28 May 2015. These estimates assume an average oil production of 500,000 b/d and a $58 global oil price. The exact GDP percentage will depend on ability to reduce public expenditure by up to 20 per cent, as advocated by the IMF and World Bank.

[116] In the first nine months of 2015, the CBL reduced expenditures to LYD23.8 billion ($17.1 billion) from LYD34.5 billion ($24.8 billion) in the first nine months of 2014, limiting the fiscal deficit to LYD9.5 billion ($6.8 billion) for the period, compared to LYD18.8 billion ($13.5 billion) in the same 2014 period. See "A statement on the budget and measures taken up to 30/9/2015", Central Bank of Libya, October 2015.

[117] The savings were mostly from spending cuts; revenues did not change much between 2014 and 2015, LYD14.3 billion ($10.3 billion) in the nine months of 2015 compared to LYD15.7 billion ($11.3 billion) for the same 2014 period. See ibid.

[118] Crisis Group telephone interview, Mohamed El Qorchi, assistant director, Middle East and Central Asia, IMF, Washington, 28 May 2015. Even the IMF does not have recent updates on Libya's reserves; the CBL has not published them in its quarterly updates.

[119] Crisis Group telephone interview, CBL board member, Rabat, July 2015.

[120] Crisis Group telephone interviews, European diplomat, CBL board member, August 2015; Qorchi, Washington, 28 May 2015; interviews, members of the HoR finance committee, Bayda, April 2015, members of the GNC finance committee, Tripoli, June 2015. One reason for the variation is differing assessments of the easily accessible cash reserves vs. non-liquid assets. There is no publicly available data, but sources familiar with CBL assets say that a sizable portion of reserves

depletion of reserves would have a devastating impact on average Libyans: public-sector salaries would be unpaid, the dinar and thus citizens' savings would suffer catastrophic devaluation, and basic imports, including food, medical supplies and fuel, would be increasingly scarce. The prospect is real of new flows of Libyan refugees to Europe, or at least Egypt and Tunisia.

It would be prudent to take the threat to Libya's economic stability seriously, especially in the absence of a unified government and worsening security. The conflict has done great damage to both the oil and non-oil economy, and recovery will take time. The CBL's decision to freeze funding for development and infrastructure has left many firms without work, limiting the circulation of money and dampening retail business.[121] The dispute over the LIA and its subsidiaries has worsened mismanagement of foreign assets, at the expense of future generations.[122] The rival claims for legitimacy in the NOC, coupled with deteriorating security, have limited the company's ability to carry out essential maintenance of oil and gas infrastructure, thus reducing production capacity.

How to deal with the collapsing economy in the absence of a united and effective government? The past year has seen occasional calls for the UN Security Council to freeze Libya's assets abroad or embargo its oil sales.[123] The advocates argue these measures could both exert pressure for a political agreement and ensure that revenues will not flow to unlawful or dangerous armed groups. U.S. officials considered setting up an escrow account or a trusteeship through which all income from oil sales would be channelled.[124] The main reason such interventionist measures were shelved (aside from political resistance, on sovereignty grounds, from both sides in Libya and uncertain support in the Security Council) was belief that the negative consequences could far outweigh benefits. Inflation might spiral, triggering a run on the dinar that would raise the cost of imports and accelerate the drain on reserves.[125] An asset freeze or escrow account would put the international community in charge of Libya's public finances, and, as a Western ambassador to Libya said:

> We simply would not have capability to take over running the country: this would have meant overseeing salary payment and subsidies and deciding what to pay for and what not, not to mention having to confront head-on the corruption in-

are non-liquid and invested in foreign currency bonds. Crisis Group interview, CBL employee, Tripoli, June 2015.

[121] A carpet importer in Tripoli said June 2015 sales were less than a tenth of 2014: "Everything has stopped. Nobody buys. Delays in salary payments and … very few companies operating make people hold what they have". Crisis Group interview, Hisham Bu Hajar, 15 June 2015.

[122] For details of mismanagement, see the Audit Bureau's 2014 report.

[123] In late 2014, Hafed Ghwell, an ex-World Bank consultant, argued that given the reality of two parliaments, two governments and rival financial institutions, the UN should consider freezing all Libyan assets and transactions. Crisis Group telephone interview, Washington, October 2014. In closed-door 2014-2015 workshops, UN officials and U.S. and European diplomats raised an oil embargo as a way to show the international community was unwilling to deal with a situation of rival institutions. Crisis Group observations, UN workshop, New York, August 2014; EU event, Brussels, February 2015.

[124] Crisis Group Report, *Getting Geneva Right*, op. cit. An escrow account would hold Libya's oil and gas revenues for state budget spending as agreed per the Central Bank; a trusteeship would involve even greater foreign involvement, in essence depriving Libya of economic sovereignty. Such complicated solutions, which both Libyan sides would oppose, have not been pursued.

[125] Crisis Group interview, German diplomat, Berlin, February 2015.

side the system. It is also a lack of manpower. Where do we find enough international accountants able to navigate the Libyan public system?[126]

Some EU member states where Libyan funds are invested oppose anything that would negatively affect European companies in which Libya's financial institutions have a stake. Moreover, few states appear to have an appetite to repeat the experience of the Iraq oil-for-food program, which left deep scars on the UN.[127]

International efforts to end the current conflict have focused on the UN-led talks in 2015 that in July resulted in the draft Libyan Political Dialogue agreement proposed by Bernardino León, the secretary-general's special representative. It entailed forming a government of national accord, prolonging the HoR's mandate and incorporating GNC members into a new State Council.[128] Together, these three bodies would, among other priorities, decide on leadership of the CBL, NOC and LIA and an economic policy. But chances of a final agreement now appear slim, as its terms are increasingly disputed, and fragmentation has grown in both camps.[129] Even in the most optimistic scenario, implementation would take time, and the new government would face tough hurdles.

In the interim, the question of better managing, securing and distributing Libya's resources should not wait. Addressing some issues within the UN negotiations or parallel initiatives, pending a more formal review by a future unity government, could build confidence. If the sides do not act quickly to stem the bleeding, ordinary citizens' living conditions will continue to deteriorate, and the leaderships on both sides will lose support. Moreover, if militia members' salaries are stopped, mutiny and chaotic, predatory behaviour would be likely.

The alarming economic horizon, potential duplication of financial institutions and oil sales outside existing channels jointly could lead to permanent political partition and increased fighting over resources. A short-term basis for stabilising finances might involve agreement by the rival camps on two broad issues: measures to increase oil and gas production so as to replenish state coffers, and how to maintain a coherent, unified financial system. Ideally, this would be delivered by the envisaged Government of National Accord, but, short of a GNA, there is still room for a limited agreement. Steps in this direction include:

- An interim arrangement between the rival governments and their militia backers for independent functioning of the CBL, NOC and LIA – with current or agreed new management. Efforts to create parallel institutions to the official ones in Tripoli should cease.

[126] Crisis Group interview, Rome, January 2015.
[127] Crisis Group interviews, UN officials, New York, February 2015; European officials, Brussels, May 2015.
[128] See Crisis Group statement, "The Libyan Political Dialogue", op. cit.
[129] León's 8 October announcement of a revised draft agreement and a full GNA cabinet took both sides by surprise. Many see the deal in its current form as an imposition by the UN and outside states, not a Libyan compromise. Crisis Group interviews, pro-GNC and pro-HoR Libyan politicians, Tripoli and Bayda, November 2015. The UN process has also been tarnished by allegations of impropriety by León (who was negotiating a job with the UAE government's diplomatic academy while leading the UN's efforts to set up a GNA) and the release of emails he wrote to UAE diplomats that have been denounced as partisan. David Kirkpatrick, "Leaked Emirati Emails Could Threaten Peace Talks in Libya", *The New York Times*, 12 November 2015.

- This could provide further opportunity, eg, for CBL officials (on both sides) to engage in high-level talks with the IMF on an assessment of national finances, paving the way for a unity government to call for an Article IV IMF consultation (a more formal review), focused on averting economic crisis and setting policy priorities.
- In those areas where crucial infrastructure has not been damaged but production has stopped, like the Sharara and al-Fil oil fields in the deep south west, Libyan, regional and other international actors should make greater efforts to broker local ceasefires between militias to reopen oil fields and pipelines. Mediating such deals would help increase export revenues.
- In areas with substantial damage, such as Sidra port, where Libya Sunrise destroyed three major storage tanks in 2014, security guarantees should be negotiated to allow repair and restore export capacity.
- The fate of the PFG and other armed groups guarding oil facilities should be a priority in the security-track part of the UN talks. Lasting peace between armed groups involves more than an agreement between the major "moderate" groups or resolving the hardliner challenge. Independent actors like the PFG control key territory, have accumulated arsenals and allies across Libya and cannot be ignored.

In the longer term, only a unity government can begin to tackle fundamental underlying issues that could trigger new conflicts. These include:

- Investigating corruption allegations and creating better management practices at upstream and downstream facilities and financial and regulatory institutions. This might involve adopting industry-wide practices, eg, installing metering systems. More transparency (notably in oil sales) would discourage politicisation of the hydrocarbon sector.
- Reassessing regional imbalances in distribution of wealth and services and considering alternatives to the sector's centralised Qadhafi-era governance model. Libya could learn from the wealth management models implemented elsewhere, such as in Norway and Alaska.
- Within a comprehensive policy for demobilisation, disarmament and reintegration of militia fighters and security-sector reform, the mandate of units protecting oil and gas infrastructure should be clearly defined. Where local groups have provided services informally, ways to integrate them into the formal security sector should be considered.

VI. Conclusion

The struggle over Libya's hydrocarbon infrastructure and the institutions that manage its wealth reflect the myriad challenges of the post-Qadhafi era. They show the difficulty the transitional government faces in demobilising and integrating rebel militias into a national security structure and the poisonous legacy of decades of corruption, incompetence and over-centralisation in both the sector and the management of public finances. These issues resonate particularly among the many constituencies that have felt sidelined in the new political order.

An immediate priority is for Libyans themselves, including the conflict parties, to address the alarming deterioration of the economy. Interim solutions can be found even before an end to the overall political dispute that divides the country; these may also be a promising way to build good-will between belligerents.

Outsiders, especially neighbours and the P3+5 (permanent UN Security Council members (the UK, U.S. and France), plus Italy, Spain, Germany, the European Union and UN) that have been most involved in the conflict, have few options. Some regional actors, notably Egypt and the UAE on the pro-HoR side and Turkey and Qatar on the pro-GNC side, despite pronouncements favouring a negotiated solution, continue to take partisan positions and provide covert support to their allies.[130] Still, both outsiders and the parties could take mitigating steps and make piecemeal agreements while pursuing a more comprehensive peace. Supporting parallel tracks to the main negotiations in the Libyan Political Dialogue, particularly on security and economic governance, would be a way to build the minimum understanding necessary for a unity government to function. In other words, the international community might at least stop the bleeding as it tends to the wound.

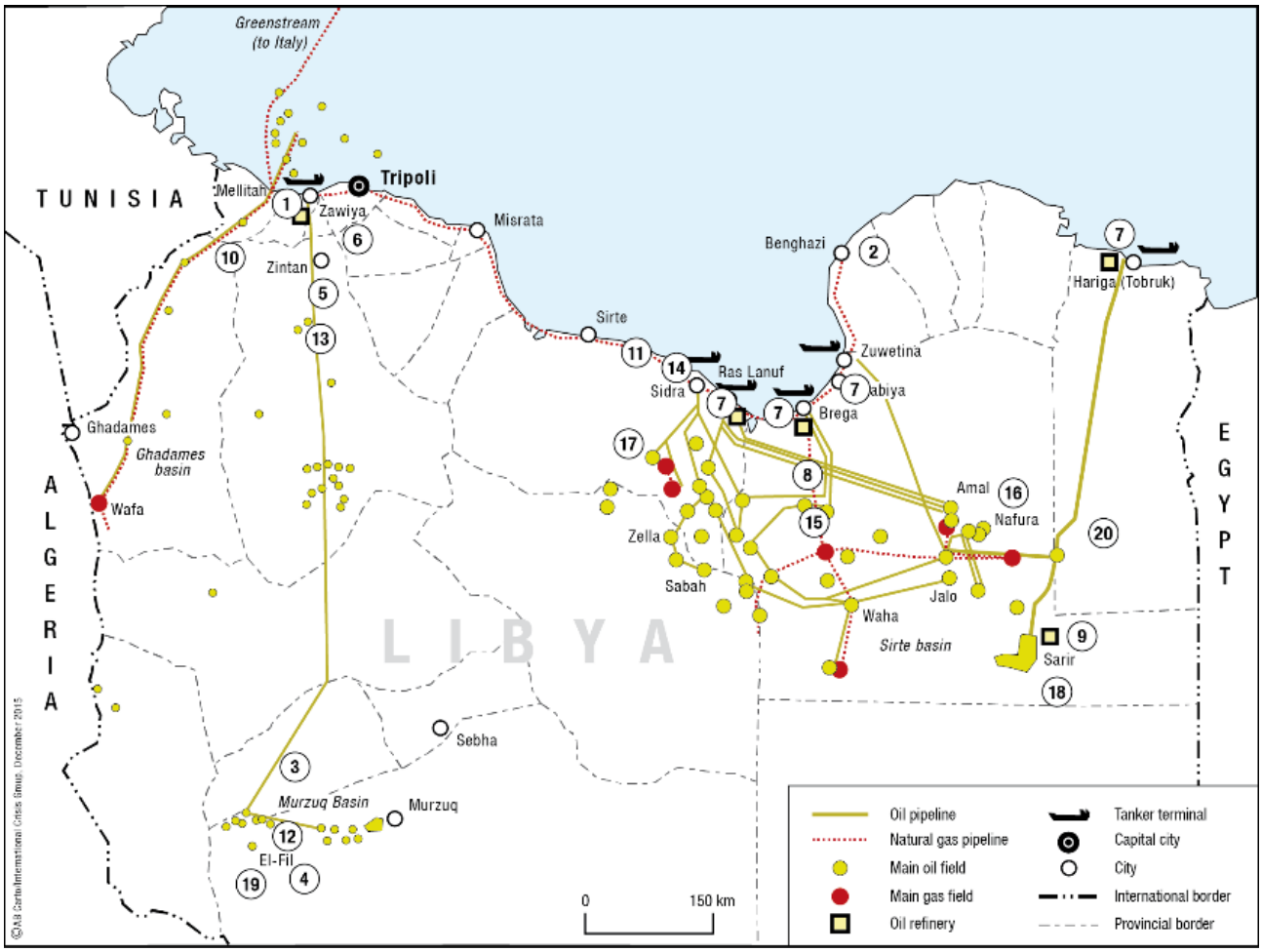
The ultimate goal, though, must remain an effective unity government. It is a prerequisite to tackling the complex issues around security and management of the hydrocarbon economy. It is also crucial not to worsen the conflict and the rise of regionalist sentiment, as Libya remains partitioned in effect. Without a unity government able to exert its authority, both the armed conflict and the fight over financial institutions are likely to continue. The parties to the conflict must become persuaded that the prize for which they are fighting is a rapidly dwindling asset, and as it disappears, all will suffer, but especially ordinary Libyans.

Tripoli/Brussels, 3 December 2015

[130] Individuals close to security forces in the east and south say that at least one shipment of military equipment from the UAE was flown into military bases in southern Libya, close to the Niger-Chad border, in the summer of 2015, and several others from the UAE were delivered to Tobruk throughout the year. Crisis Group interviews, Skhirat, July 2015; Cairo, August 2015; Bayda, November 2015. A leaked email dated 4 August 2015 from an Emirati diplomat indicated that his country was violating the UN arms embargo on Libya. David Kirkpatrick, "Leaked Emirati Email", op. cit. In September 2015, Greek authorities intercepted an undisclosed shipment of weapons from Turkey to Libya. "Greek coast guard seizes Libya-bound ship carrying weapons", Reuters, 2 September 2015.

Appendix A: Map of Libya

Appendix B: Map of Oil Installations and Incidents



No	Location	What	Date	Blockage or clashes
1	Zawiya	War veterans close refinery	Q4 2012	B
2	Benghazi	AGOCO employees protest	Q4 2012	B
3	Sharara	Tuareg and Tebu protests	Q1 2013	B
4	al-Fil	Tebu protests	Q1 2013	B
5	Zintan	Zintan shuts Sharara pipeline	Q2/2013	B
6	Tripoli	Petroleum Facilities Guards clashes	Q2/2013	C
7	Sidra/Ras Lanuf/ Brega/Zuwetina/Hariga (Tobruk)	Petroleum Facilities Guards stop exports	Q3/2013- Q2/2014	B
8	Gulf of Sirt oil fields and Ajdabiya	Magharba vs Zway clashes	Q3/2013-Q1/2014	C
9	Sarir	Tebu vs Zway	Q3-4/2013	C
10	Zintan	Zintan shuts Wafa pipeline	Q1/2014	B
11	Wadi Ahmar	Magharaba vs Misrata tensions	Q2/2014	C
12	Sharara	Tebu vs Tuareg clashes	Q4/2014-Q4/2015	C
13	Zintan	Zintan shuts Sharara pipeline	Q4/2014	B
14	Sidra	Misrata attacks Sidra / Magharba vs Misrata clashes	Q4/2014- Q1/2015	C
15	Oil fields south of Sidra	Magharba vs Zway clashes	Q4/2014- Q1/2015	C
16	Jalo	Protestors close Abu Attifel production	Q4/2014-Q3/2015	B
17	Ghani/Mabruk	IS militants attack oil fields	Q1/2015	C
18	Sarir area	Zway vs Tebu clashes	Q1/2015	C
19	al-Fil	Tebu stop production	Q1-Q4/2015	B
20	Sarir pipeline	Pipeline sabotage	Q1/2015	C
21	Brega	Local protests	Q3/2015	B

Appendix C: Glossary of Terms

AS – Ansar Sharia

CBL – Central Bank of Libya

GNA – Government of National Accord

GNC – General National Congress (Tripoli-based parliament elected in 2012)

HOR – House of Representatives (the Tobruk-based parliament elected in 2014)

IS – Islamic State

LIA – Libyan Investment Authority (Libya's sovereign wealth fund)

NOC – National Oil Corporation, the state-owned national oil company

PFG – Petroleum Facilities Guards

WOC – Waha Oil Company

Fajr Libya – Libya Dawn, coalition of armed groups, mainly from Tripoli and Misrata, formed in July 2014

Karama – Operation Dignity, military operation launched by General Khalifa Haftar in 2014 against Benghazi Islamist armed groups

Libyan Political Dialogue – UN-led negotiations begun in January 2015

Shorouk Libya – Libya Sunrise, a coalition of armed groups, mainly from Misrata, that attacked the Sidra oil terminal in December 2014

Appendix D: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 125 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

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