

Libya Oil Production Forecast - 2015

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Summary:

Libya is currently producing 482,000 bpd. We forecast Libya will increase production to 975,000 bpd by Dec 31, 2015 and 1.1 million bpd by June 2016. This is barring any unusual escalation in hostilities introduced by third parties.

Background:

After the Arab Spring in 2011, Libya's oil production recovered from near 0 to 1.4 million bpd in under 7 months. This implies a 200k bpd recovery capability as a base case. However, the current civil war is more complex. In the Arab Spring case, there was minimal damage to the oil infrastructure. In the standing Libyan conflict, the disabling oil infrastructure by particular actors denies income to competing actors, so there will be more damage and a slower recovery of production. There are a series of vulnerabilities to shut down production. From upstream to downstream: the oil field itself, the pipeline, the terminal at the port. If either side can shut down any one of these, then the oil will stop flowing. This is leading to raids on pipelines, oilfield control buildings, and terminals.

The two main warring factions are:

New General National Congress (GNC) in Tripoli is an claimed continuation of a now-defunct government body. It is made up of Muslim Brotherhood politicians that lost elections last year, and has militia allies in the Libya Dawn, LROR, the ALQ-linked Libya Shield Force.

House of Representatives (HoR) in far-east Tobruk, is the parliament of Libya dissolved by the Libyan Supreme Court in November 2014. They control the weakened Libyan National Army and are still recognized by the international community as a legitimate government body for brokering a peace.

Two minor factions:

Shura Council of Benghazi Revolutionaries based in Benghazi
Islamic State of Iraq and Levant (ISIL) and similar IS radicals, as seen peppered throughout the Arab and North African geography.

The GNC and allies do not possess modern aircraft weaponry. They do have some planes, but they are reported as unweaponized training craft. These planes have some form of hardpoints for bombs but the GNC have neither the talent to fly them as bombers, nor targeting equipment to do so successfully. While some aerial raids have occurred, the damage was minor and the raid mainly achieved fear. It is not expected they will keep much oil of the market in the future from the GNC air assets.

The pro-government in Tobruk has shown little interest in damaging Libyan oil assets held by the GNC. That may change if the GNC were reported to be selling oil via tanker.

The two minor Islamic groups have been disruptive, but not able to inflict lasting infrastructure damage. At this time, They are not a massive disruptive force to future production infrastructure, only security destabilizer. ISIS currently controls oil-rich Sirte and surrounding geography. There have been reports of explosive damage to control rooms in this oil field, which is relatively short-lasting damage. We expect this pattern to continue.

"A more recent phenomenon, with some implications for the market, particularly in the short term, has been the surge in terrorist attacks and politically motivated sabotage acts against

energy infrastructure in several MENA oil and gas producers. We distinguish these kinds of attacks from the general, political instability, which primarily influences a government's decision-making ability and its capability to implement projects, although the two factors are strongly interrelated and are mutually reinforcing. Non-state actors opposed to current government policies have, in the past, seen oil and gas infrastructure such as production plants and pipelines as a convenient target. An attack on such infrastructure can disrupt government revenue streams while drawing outside attention to issues of local discontent – such as an inequitable distribution of oil and gas export revenues between regions, tribes, ethnicities, or sects." - Oxford Institute for Energy Studies, March 2014: The Arab Uprisings and MENA Political Instabilities.

Current production:

Even in peacetime, obtaining accurate production numbers can be difficult. Under civil war conditions, sources are few and numbers are more guesswork. Because there are often competing numbers from different sources, we have recorded both peak (or highest reported numbers) and an estimated average. Based on open sources, and reports from field personnel, Libya is currently producing oil from only the following fields:

El Feel (Elephant)	78,000 bpd
Intisar	40,000 bpd
Amal	15,000 bpd
Al Wafa	30,000 bpd
Sarir & Messla	180,000 bpd
Al Sarah	30,000 bpd
Bouri	39,500 bpd
Al Jerf	40,000 bpd
Bahr Essalam	30,000 bpd (condensate)

Source: Platts, MEES, Libya-today.com, Websites from Operators, Libya-businessnews.com, Openoil.net, libya-analysis.com

Forecast:

Future production increases will occur as power is restored to oilfields, terminals are by capable actors allowing multiple fields coming online, and pipelines repaired. Based on location of oilfields, previous production, previous history recovering from security shutdowns, and speed of pipeline repairs we have made three cases of bringing production back online. We've presented these as optimal, average, and poor cases.

Optimal: Production will come back online at the same speed it did after Arab Spring shut ins. This is unlikely to happen, as the conditions are very different.

Likely: Some infrastructure damage must be repaired. Operators must invest in infrastructure and the security must be hardened to keep said infrastructure on line.

Poor: Islamic extremism remains rampant and wide-spread, and civil conflict between governments continues or intensifies. Operators are only able to get partial oilfields back online, and do so sporadically. Fields and assets that are put online may be lost again without costly security measures.

FIGURE 1 – Forecast Graph:

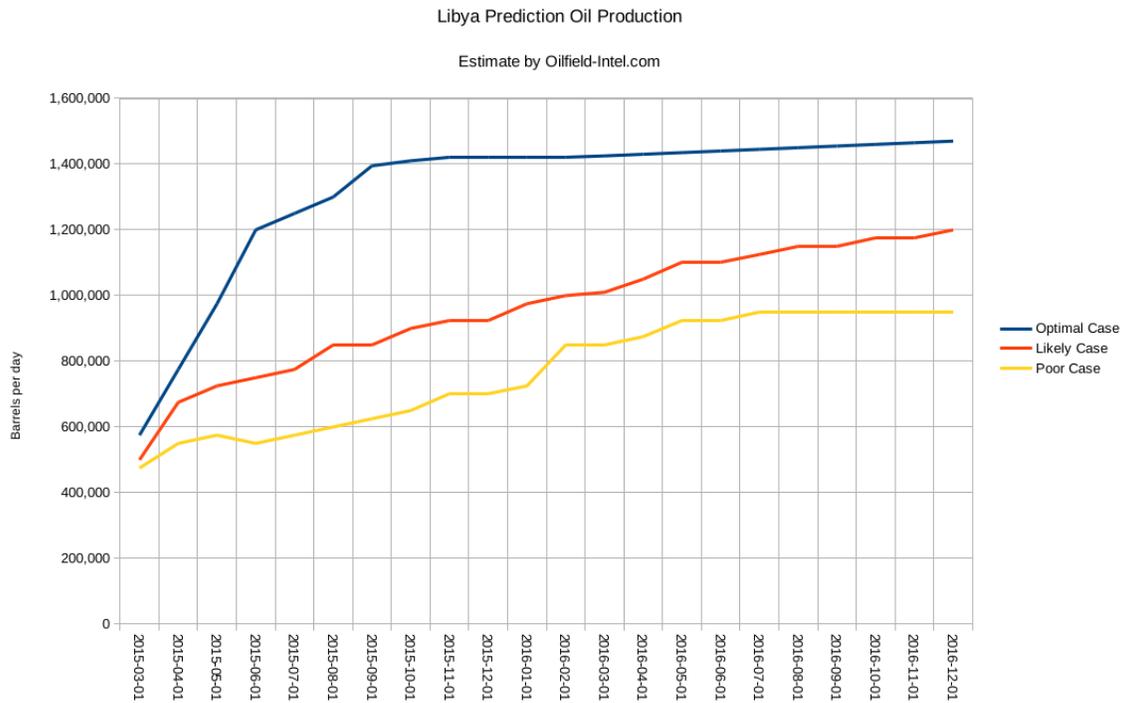


FIGURE 2 – Libya Conflict Map with Petroleum Assets

