

CONFLICT RISK NETWORK

FACT SHEET

CONFLICT RISK NETWORK ENGAGEMENT RE: OIL COMPANIES IN LIBYA

February 28, 2011

Amidst credible reports that Libya's Qaddafi regime has engaged in widespread, deliberate violence against civilians, Conflict Risk Network is spearheading immediate engagement with oil firms in Libya. Asks will be twofold: 1) that the companies cease their provision of payments to the Libyan government, and 2) that in order to do so without harming the Libyan people's ability to benefit from their resources, they support and help call for the creation of a Libya Recovery Fund into which all revenues from Libyan oil exports would be paid.

Companies involved include: BASF, BP, ConocoPhillips, ENI S.p.A., Exxon Mobil, Gazprom, Hess, Inpex, JX Nippon, Marathon, Occidental Petroleum, OMV AG, ONGC Videsh, PGNiG, Petrobas, Repsol YPF, Royal Dutch Shell, RWE, Shell Canada, Statoil Hydro, Suncor Energy, Tatneft, and Total.

Institutions interested in being involved in or receiving more information on CRN's engagement efforts should contact Maureen O'Brien, CRN's Head of Engagement, at obrien@genocidenintervention.net or 202.556.2120.

ABOUT CRN

Conflict Risk Network (CRN) is a network of institutional investors, financial service providers and related stakeholders calling on corporate actors to fulfill their responsibility to respect human rights and to take steps that support peace and stability in areas affected by genocide and mass atrocities. CRN's goal is to increase such behavior by corporate actors, and thereby reduce conflict risk.

By coordinating and conducting engagement on behalf of a network of financial institutions, CRN harnesses the collective weight of more than \$3 trillion in assets when encouraging corporate behavior that reduces conflict risk.

CRN is a project of [Genocide Intervention Network](#) (GI-NET) and the [Save Darfur Coalition](#), which merged on November 1, 2010 to create a more powerful voice dedicated to preventing and stopping large-scale, deliberate atrocities against civilians. The organization is working to end the crisis in Darfur and bring peace to all of Sudan as well as to end mass atrocities in other areas. The merger creates the world's largest anti-genocide organization, with a membership base of hundreds of thousands of committed activists globally, an unparalleled nationwide student movement, more than 190 faith-based, advocacy and human rights partner organizations, and a network of major institutional investors.

ENGAGEMENT CONTEXT

Escalating violence and potential mass atrocities in Libya

Conflict has escalated following twelve days of revolt that began in Libya's second-largest city, Benghazi, on February 16. The current death toll has not yet been confirmed due to a lack of access to journalists, the UN and others, but Human Rights Watch said that it had confirmed at least 295 deaths by Monday, February 21. This number does not take account of a significant increase in violence in recent days, during which Col. Muammar al-Qaddafi struck back at mounting protests with helicopters, warplanes and security forces and militiamen using machine guns. Some have cited Qaddafi's bombing of civilian crowds as evidence of a willingness to shed far more blood than the deposed rulers of Egypt or Tunisia in recent weeks, and there is concern that violence against civilians will continue to escalate. On Monday, February 21, Col. Qaddafi's son delivered a speech warning Libyans of civil war and "rivers of blood" if they continue to protest. A day later, Col. Qaddafi called on his supporters to "cleanse Libya house by house."

With violence increasing, a number of senior officials have broken with Qaddafi's regime. Libya's Justice Minister has reportedly resigned in protest over the deadly response to demonstrations; the Libyan representative to the Arab League, the ambassador to the United States and a senior military official have resigned; and the Libyan delegation to the United Nations has defected, with the deputy ambassador saying he feared a large-scale massacre in Tripoli. According to Maltese government officials, two Libyan fighter pilots who were ordered to bomb protestors changed their course and defected to Malta. The Arab League has suspended Libya's membership, and the African Union issued a communiqué saying it "strongly condemns the indiscriminate and excessive use of force and lethal weapons against peaceful protesters, in violation of human rights and International Humanitarian Law."

On February 26, the UN Security Council voted unanimously to impose sanctions against the Libyan authorities, slapping the country with an arms embargo and freezing the assets of its leaders, while referring the ongoing violent repression of civilian demonstrators to the International Criminal Court. In their resolution, members of the Council said that they considered that the widespread and systematic attacks currently taking place "may amount to crimes against humanity."

Numerous oil and gas firms have reportedly moved to evacuate non-essential workers, and protests have taken place in Ras Lanuf, an oil town where some workers were being assembled to defend refinery infrastructure from attacks.

Oil sector in Libya

Oil is the primary source of revenue for the Libyan government, which relies on the resource for 95% of its export earnings and 80% of its domestic revenue. CRN has not seen numbers indicating to what extent oil revenues support Libya's military, but its \$1.1 billion budget suggests significant overlap. In addition, at least one expert has identified a gap of several billion dollars a year between the amount Libya makes from its oil reserves and government spending – a shortfall he says has contributed greatly to Col. Qaddafi's personal wealth.¹

Libya, a member of OPEC, accounts for 1.7% of the world's crude output. It is the world's 17th-largest producer and the third-largest in Africa. Europe receives 85% of Libya's exports (32% Italy, 14% Germany, 10% France), and the United States and China account for 5% and 10% respectively. Reuters has reported that all ports are closed.

Foreign oil firms work primarily with Libya's state-owned National Oil Corporation (NOC), which is responsible for implementing exploration and production sharing agreements (EPSAs).² Along with smaller subsidiary companies, the NOC accounts for around 50% of the country's oil output. Winners of EPSAs are reportedly determined largely based on what share of profits they are willing to offer to NOC (i.e. companies offering the greatest share of profits are most likely to win). Oilfield developers initially bear 100% of costs (exploration, appraisal, and training) for a minimum of 5 years, while NOC retains exclusive ownership.³

CRN'S ASKS TO OIL COMPANIES

Amidst credible reports that Libya's Qaddafi regime has engaged in widespread, deliberate violence against civilians, CRN is spearheading immediate engagement with oil firms there. CRN's asks will be twofold:

- 1) That the oil firms halt their provision of revenue or other payments to the Libyan government; and
- 2) That in order to do so without causing undue harm to Libyan civilians or the population's ability to benefit from its resources, companies support and help call for the creation of a Libya Recovery Fund into which all oil revenues – which previously would have been allocated to the Libyan government – would be paid.

CRN recognizes that the details and logistics of a Libya Recovery Fund will require leadership from and discussion with the UN Security Council and other relevant offices and institutions. Leadership from oil firms will be instrumental and necessary to expedite the creation of the fund.

The strategy behind the Libya Recovery Fund is based on a proposal that Human Rights Watch submitted to the United Nations Security Council in 2007 in relation to the conflict in Darfur.⁴ Though a workable framework might be slightly different in the case of Libya, the basic premise would be that the Fund would permit both Libya and private firms to continue to export oil – and existing customers could continue to buy it – but all proceeds from such exports and all royalties and similar payments owed to the government would be paid directly to the fund, which could be administered by an independent UN-designated financial institution (such as the World Bank) that would serve as escrow agent.

COMPANIES INVOLVED

CRN is conducting outreach to the following firms with activities in Libya’s oil sector (further details on their home countries, operations and responses to the current crises are in the chart attached below):

BASF	JX Nippon	Royal Dutch Shell
BP	Marathon	RWE
ConocoPhillips	OMV AG	Shell Canada
ENI S.p.A.	Occidental Petroleum	Statoil Hydro
Exxon Mobil	ONGC Videsh	Suncor Energy
Gazprom	PGNiG	Tatneft
Hess	Petrobas	Total
Inpex	Repsol YPF	

Please note: the situation on the ground is changing rapidly, and the status of certain company responses to the crisis may have changed since the compilation of this Fact Sheet.

Company	Nationality	Operations	Current response to crises
Hess	USA	100% operating stake in Area 54, 35 miles off coast of Libya in the Sirte basin.	
BASF	German	Its oil and gas exploration arm Wintershall operates eight oil fields in the desert. Currently producing about 100,000 bpd from inland fields as well as offshore.	Said it will cut production by as much as 100,000 bpd (approx. 6% of country’s output). Preparing to wind down oil production in Libya and taking steps to suspend its production in the country. Flying out 130 people of varying nationalities and their families to ensure their security.

BP	UK	\$900 million exploration commitment	<p>Announced on 2/21 that it has suspended planned exploratory drilling in the south-western Ghadames Basin, while stating that offshore seismic activity in the Sirte Basin would not be affected. According to a BP spokesman, "We are looking at evacuating some people from Libya, so those preparations are being suspended but we haven't started drilling and we are years away from any production."</p> <p>Evacuating drilling contractors from onshore operations as a precautionary measure. Approx 40 staff members and families.</p>
ConocoPhillips	USA	Paid Libya 1.3 billion to extend its contracts in Sirte Basin. Contracts were issued before sanctions were imposed but U.S. companies left Libya in '86 after sanctions. Holds a 16.3% interest in Libya's Waha concessions, which encompass nearly 13 million gross acres.	
ENI S.p.A.	Italy	Biggest operational footprint in Libya. Produces 250,000 b/d of oil in Libya, or about 14% of the firm's total production. Eni has 10-year contracts with Libya.	Initially insisted that its oil production in Libya is continuing as normal, but on Thursday suspended some of its production, including the Greenstream pipeline that supplies about 10% of Italy's natural gas needs. It said none of its plants and facilities had been damaged and began evacuating nonessential staff and dependants.
Exxon Mobil	USA	Exxon signed a real in 2005 with NOC to share offshore exploration and production. Two years later it signed another agreement for the Sirte Basin. In February 2008 agreed with Libya's national oil company to invest \$97 million plus tens of millions in fees in offshore hydrocarbon exploration. It started drilling its first deepwater exploration well in 2009.	

Gazprom	Russia	50% of ENI's stake in Libya's elephant oil field, valued at \$1870 mil. Got gas exploration license in 2007 for areas of the Ghadames Basin. Last week, Eni and Gazprom signed agreements that pave the way for the future handover to Gazprom of 50% of Eni's stake in the consortium developing the Elephant oilfield in Libya	Initially said that its Libyan operations are unaffected by unrest in the region, but said Tuesday that it is planning to evacuate its personnel from Libya to Malta, if airspace over Tripoli remains closed. A total of 563 Russians are due to be taken out of the country.
Inpex	Japan	INPEX has signed EPSAs for several oil blocks with Libya's NOC.	INPEX is withdrawing its six employees and their families.
JX Nippon	Japan	Japan's largest refiner in 2005 struck an offshore exploration and production-sharing agreement with Libya that also included Mitsubishi Corp. and Japan Petroleum Exploration (JAPEX), which said it would invest \$48 million in exploration over five years.	Japanese head of the Tripoli office has been ordered home.
Marathon	USA	Marathon holds a 16.33 percent interest in the Waha concession, along with partners Hess Oil Corp (HES.N: Quote) at 8.16 percent, ConocoPhillips (COP.N: Quote) at 16.33 percent and the Libyan National Oil Corporation.	Company said Tuesday production at its Waha concession in Libya was normal during the unrest. the dependants of expatriate employees had been evacuated from the country as a precaution.
OMV AG	Austria	34,000 bpd (12% of OMV's output). Sharara oil field, which produces over 200,000 barrels a day is, run by Repsol together with France's Total SA and Austria's OMV AG.	Is withdrawing all nonessential staff.
ONGC Videsh Ltd. (OVL)	India	OVL has significant presence in Libya. Exploration blocks in Sirte and Ghadames Basins and the Cyrenaica offshore basin.	
Occidental Petroleum	USA	Produces 13,000 bpd of oil. Gas exploration in Sirte basin.	On 2/22 Occidental said its production not affected by the unrest.

PGNiG	Poland	Has a 2008 gas exploration agreement for 8 wells in Murzuq Basin over six years. Cost \$108 million. Holds 12% in the concession, hopes for 1 billion cubic meters annually. First 2 exploration wells to be dug in 2012.	Is withdrawing its 30 employees.
Petrobras	Brazil	Obtained license for exploring offshore in Jan 2005. In Oct Libya's NOC state energy firm said Petrobras had agreed to extend its license.	Spokesman declined to give information on if employees were being evacuated.
Repsol YPF	Spain	Repsol runs Sharara oil field, which produces over 200,000 barrels a day, together with France's Total SA and Austria's OMV AG. Libya accounts for around 3.8% of Repsol's production, or just over 34,000 barrels a day, and around 7% of Spain's oil consumption. Repsol says on its website that its net Libyan output was almost 35,000 bpd in 2009.	Repsol-YPF is suspending its exploration and production operations. A spokesman for Repsol said the suspension implies a halt to all oil and gas production and exploration in Libya.
Royal Dutch Shell	UK/Netherlands	Conducting exploration in 5 areas in Sirte Basin and has a gas exploration permit.	Offices are closed. A spokesman for Royal Dutch Shell PLC said that the firm, whose operations in Libya are limited to exploration, has temporarily relocated the dependents of expatriate staff outside the country.
RWE	Germany	Had 2 oil discoveries in Sirte Basin in 2008. Agreed to spend at least \$76 million and drill 2 exploration wells in Syrenica basin blocks.	Suspended operations and recommended that international employees and relatives return home.
Shell Canada	Canada		
Statoil Hydro	Norway	Participates in onshore oil production and exploration in Mabruk field and in the Murzuk basin with Repsol-YPF.	Withdrawing all non-Libyan personnel. Closed office in Tripoli.

Suncor Energy	Canada	<p>Inherited oil assets in Libya and Syria when it merged with Petro-Canada in 2009. Suncor is partnered with the Libyan government on a project that produces about 50,000 barrels of oil a day.</p> <p>INCIDENT: armed rebels attacked a Suncor Energy oil rig the weekend of 2/20. Approx. 30 workers (including three Canadians) fled into the desert towards a drill site 18km away in the Sahara. Suncor is reportedly rescuing them.</p>	Evacuated most ex-pats. Has team of safety professionals in Libya to assist remaining staff. Did not say if had shut down its oil facilities.
Tatneft	Russia	<p>Has 75% stake in 2 fields: Mabruk (19,000 bpd) and Al Jurf (31,000 bpd). In 2009 Total reported production capacity of 60,000 bpd. Leads offshore production.</p>	Initially said that their Libyan operations are unaffected by unrest in the region. On Tuesday began suspending some oil production.
Total	France	<p>Has 75% stake in 2 fields: Mabruk (19,000 bpd) and Al Jurf (31,000 bpd). In 2009 Total reported production capacity of 60,000 bpd. Leads offshore production.</p>	Initially said that its Libyan operations are unaffected by unrest in the region. Has since announced suspension of its operations.

¹ "Gaddafis' hidden billions: Dubai banks, plush London pads and Italian water," Guardian.co.uk, February 22, 2011, at <http://www.guardian.co.uk/world/2011/feb/22/gaddafi-libya-oil-wealth-portfolio>.

² "Facbox: Libyan oil production, exports, customers," Reuters, February 22, 2011, at <http://www.reuters.com/article/2011/02/22/us-libya-oil-factbox-idUSTRE71L32J20110222?pageNumber=1>.

³ "Energy profile of Libya," Encyclopedia of Earth, August 2008, at http://www.eoearth.org/article/Energy_profile_of_Libya#gen5.

⁴ "UN: Create Darfur Recovery Fund for Sudanese Oil Revenues," Human Rights Watch, March 19, 2007, at <http://www.hrw.org/en/news/2007/03/19/un-create-darfur-recovery-fund-sudanese-oil-revenues>.