# Libya’s instability shoots ‘own goal’ against its oil industry to the rest of Africa’s gain

Having lived in Libya, where I worked for the UN, during one of its toughest periods at the height of the sanctions period, I became rather terrified by Qadhafi’s rule and Qadhafi’s thuggish security forces (not the Libyan army mind you and far less the traffic police – I am far more terrified of Toronto’s police force). Now, having followed the collapse of Qadhafi’s Libya closely, I am very concerned for the country’s survival. As noted on a few occasions here, the so-called ‘Arab Spring’ has not been kind to Libya and prompted many to regret the ‘good old days’ when the flamboyant dictator provided, at least, stability, if not the meaningless democratic pleasantries of today. Indeed, democracy and ‘freedom’ in Libya exist only on paper. Now, after having one of the lowest crime rates in Africa, Libya has endured an average of one political assassination every two weeks. Libya’s population has grown even more exasperated by the armed gangs that have taken over than they ever were by Qadhafi’s feared ‘mukahabarat’ secret police.

‘Democracy’ in Libya has brought more chaos and instability rather than freedom; it has also started to erode Libya’s wealth because the instability has led to a dramatic collapse in oil production, which accounted for some 95% of export revenues. Oil production actually fell by a dramatic 70% last July after a series of riots and strikes in Cyrenaica resulted in the closure of four out of five main oil export terminals after strikes by unpaid police and security officers who left the all-conquering militias to join a legitimate institutional force, only to suffer unpaid wages. The Minister for Oil, Abdelbari Arussi, confirmed the oil indsurty collapse when he formally decalred that Libya currently exports 330 thousand barrels per day (bpd) compared to an average of 1.4 million in recent months (production was at an average of 1.6-17 million bpd in the period preceding the 2011 revolution.

Libya’s main preoccupation was oil – some of the best quality sweet crude in the world. Its production was secure and reliable and several European oil majors endured sanctions and other risks to produce it even in the difficult decades of the 1980’s and 90’s. Libya was a bureaucratic mess wrapped in a totalitarian shell, but nothing stopped the oil from flowing. Now, there is a new Libya embroiled in political assassinations, riots, Islamism and anti-Islamism, which has caused the semi-buried separatism ambitions of some tribes in Cyrenaica to push for separatism.

It was in Cyrenaica of course that U.S. Ambassador Chris Stevens was murdered last September. Libya lives under the blackmail of the militias, which have been able to stop the flow of the country’s only resource. The risk that Libya, just a few hundred miles from western European shores, could implode in total anarchy a’ la Somalia has become ever more likely. That threat is all the more concrete, considering the instability that has been building at all of Libya’s borders: Egypt, Mali, Tunisia and Algeria all under threat from al-Qaida in the Islamic Maghreb (AQIM).  Perhaps the same NATO that helped Libyans remove Qadhafi from power will have to step in to prevent total collapse and secure valuable oil and gas reserves that are key to the economies of southern Europe (and beyond).

One of the main consequences of the growing instability in Libya and North Africa has been a dramatic ‘transfer’ of exploration efforts toward emerging sub-Saharan Africa. Such companies as South Atlantic Petroleum Limited, Tullow Oil (OTCMKTS:TUWOY) Africa Oil (TSXV: AOI) and Alberta Oil Sands (TSXV AOS) have become very active in this region, which is fast becoming the newest oil and gas frontier. Indeed, the World Bank has committed a record $ 14.7 billion in fiscal 2013 (July 2012-June 2013) in order to support economic growth in Africa and contribute to the improvement of its development prospects because it claims “the region has shown remarkable resilience to the global recession and has experienced robust growth”.

As a further example, oil services giant, Schlumberger Limited (NYSE: SLB) on July 29 reported revenues of $ 11.18 billion for the second quarter of 2013 compared to USD 10.57 billion in the first quarter of 2013 and U.S. $ 10.34 billion in the second quarter of 2012. The company attributed the increase to growing exploration activities and cited sub-Saharan Africa as a fast growing new market. Even if African oil production has increased during the last twenty years – increased at about 2.5 times the world average – it is far from having reached its full potential: most of the deposits are still under-exploited and reserves remain to be discovered. But with rising oil prices, and to a lesser degree of other raw materials, oil companies have become even more eager to enter the region.