Monthly Commercial Report - May 2015

Embassy of India
Tripoli
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Overview

Libya is passing through a very fragile security situation with armed conflicts and a political stalemate with two governments – one legitimate elected House of Representatives (moved away to east of Libya around 1200 KM from the capital). Militias have taken over control of Tripoli with all the central Ministries and departments with de-facto control resulting in the closure of government offices, chambers and other government institutions since July, 2014. Prominent businessmen, expatriate community including diplomatic corps have shifted to neighboring countries. The Embassy itself has been relocated to Djerba in Tunisia. Tripoli airport has been completely destroyed. The civil unrest, which was significant deterrent to international trade and investments also impacted on our own exports.

Hydrocarbons

Libya has been torn apart from violence and political instability, and its oil sector has been severely impacted as a result. But amid all the chaos, Italian oil giant Eni managed to increase its oil production in the troubled North African country. Despite a multitude of challenges, the state-owned Italian company is now producing some 300,000 barrels per day (bpd), more than the 280,000 bpd during the Qaddafi regime. In March it was understood to be producing some 250,000 barrels of oil and gas equivalent through its fields El Fil and Wafa in the south west Libya, pumped to Mellitah port in the north west. Eni's CEO expressed his concern over deteriorating security conditions in the country but said despite the problems operations were continuing as normal. Descalzi added that the increasing presence of the Islamic State in Libya was particularly worrying. The company has reduced its expatriate workforce to reduce insurance liabilities due to threats of abductions. It still has Italian staff on its offshore oil platforms but has removed all Italians from its mainland installations. Eni is one of the few foreign oil companies to remain in Libya and continue production in the face of these challenges. Not only has it remained, it has continued exploration. The Eni-operated Mellitah treatment and compressor plant was running at 90 percent capacity in February. The majority of its gas goes to Italy via the GreenStream pipeline with the remaining being used to fuel the 400MW Ruwais power station.

2. Eni discovered gas and condensates offshore Libya, in the Bouri North exploration prospect in Area D. The discovery was made through the A1-1/1 well, which was drilled at a water depth of 410 feet and flowed 1,340 barrels of oil equivalent per day when constrained by surface facilities, according to Eni. The well is estimated to deliver in excess of 3,000 boepd in production configuration. Eni is

the operator of Contract Area D with a 100 percent working interest in the exploration phase. The well represents the second discovery made by Eni in the Libyan offshore Area D since the beginning of 2015.

3. A week after ENI announced it had reached production levels that exceed those before the -revolution, the Italian-owned oil giant and Libya's National Oil Corporation announced a new offshore gas discovery in the Sabratha Basin on 18th May. ENI made the discovery through the 10/01.1 A exploratory well in contract Area D at a estimated depth of 405 metres in the Sabratha Basin, 140 kilometres from the Libyan coast. The discovery lies some 20 kilometres north of the massive Bouri gas field. In testing, the find produced some 868 barrels per day of condensate. Just over a month back, ENI has made a significant discovery of gas and condensates offshore Libya, in the Bahr Essalam South exploration prospect in Area D, 82 kilometres from the coast and 22 kilometres from the production field of Bahr Essalam.

4. Germany's Wintershall Holding GmbH has expressed an interest in buying stakes in Libyan oil-and-gas assets from Occidental Petroleum Corp., Libyan officials said, a rare move by a western company to increase its foothold in the war-torn country. Houston-based Occidental has sought and obtained permission from Libya's state-run National Oil Co. to allow Wintershall access to confidential data of fields it partly owns, Libyan officials said. "Occidental has been asking approval of NOC for disclosing information to Wintershall," an official said. "It could be for a stake in the assets or just some of them," a Libyan oil official said. But the official added that the National Oil Co. had a right of first refusal on the stakes.

5. Libya's official government is in talks with British Virgin Islands-based Pavilion Recovered Oil to build two small refineries, one in the east and the other in the south. The refineries would each have a production capacity of 6,000 barrels per day (bpd), a government spokesman said. PM Abdullah al-Thinni met officials of the oil services company at his government seat in eastern Libya to discuss contracting the project, a cabinet statement said, showing pictures of the meeting. It was unclear how the government would finance the project as development funds have been frozen by the central bank which is trying to limit spending due to a dive in oil revenues.

INTERNAL

6. **Thinni discussed building two new oil refineries:** On 5th May, Prime Minister Abdullah Thinni discussed the possibility of building two new oil refineries with representatives of a foreign company during a meeting held at the Cabinet office in Al-Beida. At the meeting, Thinni, accompanied by his two Deputy Prime Ministers, the chairman of the NOC and a member of the House of Representatives, discussed arrangements for the establishment of the two oil refineries. It was revealed that one refinery is to be located in the eastern region of Libya and the other in the southern area of the country. The refineries would have a capacity of 36,000 bpd (6,000 barrels per day per unit, with each refinery consisting of 6 production units) aimed at covering the oil derivatives needs of those areas.

7. **LCs for 32 items disallowed by Tripoli authorities:** On 17th May, the Tripoli-based authorities have passed a decree banning the import of 32 items through letters of credit (LCs) for 6 months as of 13 May. The move to freeze the opening of LCs is also seen as an attempt to control the outward flow of Libya's hard currencies through either exaggerated or fake invoices and LCs. The LC import ban is imposed by the authorities in western Libya but not by the internationally recognized government in eastern Libya. Few of the banned items include Cars and

vehicles – old or new; Motorbikes and bicycles; Powered boats; Cosmetics; Entertainment products; Sanitary (bathroom fixtures) products, marble, tiles and ceramics; Office and domestic furniture etc.

8. Leading Libyan businessmen in a statement condemned the move by the Tripoli-based authorities' of imposing an import ban on thirty-odd items through Letters of Credit as ''short termist, inflationary and a further expansion of the black market. It simply encourage more smuggling, smugglers and the black market will prosper most. With regards to the intended aim by the Tripoli authorities to save on Libya's fast depleting foreign currency reserves, the import ban through letters of credit would fail to achieve the intended saving as "the savings are marginal compared to the crisis in the making".

9**.** **Thinni government approves importing eight new power plants*:*** The Abdullah Thinni government approved a proposal from the General Electricity Company of Libya (GECOL) to contract to import eight power plants with a capacity of 25 MW each. The decision was made during its cabinet meeting held on 18th May in Beida. Giving further details, the government spokesman said the plants were for the Cyrenaica area and that work on them had to start within two months. GECOL had earlier has put out an open tender call for 4 generators with a capacity of 2 MW each for the Marada area. It also announced a number of tenders for a number of transformers, including a number of transformers specifically for ABB power stations.

10. **Libyan steel firm Lisco keeps steel mills functioning despite war**: It was reported on 22nd May that Libyan steelmaker Lisco has been struggling to keep its mill rolling in a war zone, no easy feat with power cuts off every night, shippers are reluctant to dock and foreign contractors are long gone. Power and gas shortages are perhaps the biggest day-to-day challenge for the energy-hungry steel business as more than a dozen oilfields across Libya have been forced to shut due to protests, fighting and militant attacks. The Tripoli-based electricity ministry had forced Lisco, one of North Africa's largest steelmakers, to cut output to one third of capacity for six months to save power.

BILATERAL

12. Exports by India to Libya during the period 2014-15 stood at US$ 163.73 million and India's imports from Libya went down to US $ 70.30. Thus the trade balance decreased substantially million mainly because of civil-war like situation in Libya and decrease in oil production due to militia fighting and perennial strikes.

Values in US $ Millions LIBYA

S.No.	\Year	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
1.	**EXPORT**	131.99	60.98	215.30	287.74	163.73
2.	%Growth	-40.54	-53.80	253.07	33.65	-43.09%
3.	**IMPORT**	969.09	38.33	1,834.80	451.54	70.30
4.	%Growth	55.64	-96.04	4,687.03	-75.39	-84.43
5.	**TOTAL TRADE**	1,101.08	99.31	2,050.09	739.28	233.86
6.	%Growth	30.36	-90.98	1,964.40	-63.94	-68.36%

13. The main items of India's exports to Libya are transport equipment, processed minerals, machinery & instruments, coffee, drugs & pharmaceuticals, natural silk yarn, fabrics, and other commodities. Incidentally India emerged as a major exporter of marble, granite and Hyundai cars. The main item of India's imports from Libya is petroleum (crude and products).

.14. During the month of May, 2015, the Mission issued two business visas.

This issues with the approval of Ambassador.

(Sunil Kumar)
Second Secretary(Com)