Libya: Geopolitics and Oil **Vanessa Smith**

After years of international reluctance to re-engage with the deepening Libyan crisis, European powers – headed by France and Italy – are re-entering the debate on how best to bring an end to the country's decade-long civil war. Sparked by a Washington retreat across the region along with a ratcheting up of the United Nations Support Mission in Libya (UNSMIL), both France and Italy have emerged front-runners in a quest to become the leading international power broker on Libya.

Presently, Italy is ahead of France in this geopolitical "tug of war," with the most recent International Conference on Libya in Palermo proving to be a diplomatic victory for the newly incumbent right-wing populist government, headed by Giuseppe Conte.

Across the two-day event, Conte sought to make inroads in addressing the country's protracted political and economic instability, while also assisting UNSMIL, led by Ghassan Salamé. While there was no official signing of any physical document, Conte did manage – with the assistance of Egyptian President Abdel Fattah el-Sisi – to bring together two of Libya's main protagonists: Tripoli centred Prime Minister Fayez al-Sarraj and western based Field Marshal Khalifa Haftar. Both agreed to revised election dates (scheduled for 2019) and to throw political support behind UNSMIL. Also, in attendance at the event was UN Secretary-General, António Guterres, European Union's Foreign Policy Chief, Federica Mogherini and Russian Prime Minister, Dmitry Medvedev. Representatives were sent from Turkey and Qatar as well.

Despite the hype from Italy, the Conference did not resolve many of Libya's political problems. Many of the key players were not represented by their leaders and much of the discussion took place along the sidelines. Absent was United States President Donald Trump, French President Emmanuel Macron and German Chancellor Angela Merkel. Russian President Vladimir Putin did not attend, however he sent along Medvedev signalling Moscow's increased interests within the region.

The oil-rich nation is no stranger to international goodwill gestures. In May 2018, Macron hosted a Peace Conference in Paris for Libya's rival leaders, seeking to provide answers to the country's intractable political issues. Libya's splintering in 2011, following the fall of dictator Muammar Gaddafi and failed elections in 2014, divided the country into competing political and military factions based in Tripoli and the east.

Present at the Conference was: Sarraj, leader of the UN-backed unity government in Tripoli; Field Marshal Haftar - supporter of the eastern based Tobruk parliament - whose self-styled Libyan National Army (LNA) holds much of eastern Libya; Tobruk Parliamentary Speaker, Aguila Saleh Issa; and newly elected head of the High Council State, Khalid Al-Mishri. The outcome saw an agreement between the leaders to hold the country's first elections since the outbreak of civil war in 2014, on December 10th – a date now defunct, but at the time largely seen as impractical by many, including Salamé given the deep political divisions amongst the country's leaders.

The Palermo Conference saw Italy take the lead from France, increasing the geopolitical rivalry between the two countries. France, an important player in southern Libya with great influence over some of the region's militias, pushed hard for the December elections; Macron used Libya to showcase his foreign policy capabilities across Africa and sought to assert France as the leading broker on Libya. Italy, on the other hand, seeks to strengthen its historical ties with the former colonial outpost. It reactivated the 2008 Italian-Libyan Friendship Treaty in July 2018, which saw the Italian government uphold an agreement to invest US$5 billion into Libya in exchange for Libyan increases in border patrols along the Mediterranean to stem the flow of migrants arriving to Italy and southern Europe.

Aside from the European politicking, volatility in the global oil prices, combined with uncertainty around Iran's oil production – given the reapplication of sanctions by the Trump administration on 5th November – provides another impetus as to why the international community should pay attention to Libya.

Resource-rich in natural gas, gypsum and oil, Libya's economy is heavily dependent upon its oil revenues, which traditionally account for almost all of its exports and roughly 60 percent of the country's gross domestic product. Since 2011, oil production in the country has operated below capacity, sparked by political tensions in the eastern province (where most of Libya's oil wealth is concentred), along with the continued oil theft that has seen to an estimated loss of US$750 million a year for the Libyan economy. Holding the largest proven oil reserves in Africa and ranking 9th largest in the world in terms of global existing oil reserves (which remain largely untapped as a result of sanctions), Libya offers significant opportunities for investors – a fact in the front of mind of both the Italian and French leaders.

Beside the political arena, France and Italy's rivalry is also playing out across Libya's oil sector. While international investment stalled in the wake of the civil war, recent months have seen to a revival of the sector; French company Total purchased US$450 million of US Marathon Oil's 16 percent stake in Libya's Waha concessions in March – with immediate production of around 500,000 barrels of oil equivalent per day. Similarly, Italy's Eni acquired a 42.5 percent stake in BP's Exploration and Production Sharing Agreement (EPSA) in Libya, which will see production begin in early 2019. In October 2018, Benghazi hosted an international oil and gas exhibition and forum – one of the first since the outbreak of civil war - in which 67 companies took part. Investments and international forums such as these are signalling a positive shift for the country's troubled oil sector.

Oil is a catalyst for much of the country's political instability; more often than not it is used as a bargaining chip in the reconciliation process between rival factions. To mitigate rising political tensions, crude oil produced in the oil-rich east under UN-backed plans is sold to the National Oil Company (NOC) in the west. This is done to ensure that all Libyan oil is sold by the NOC and not by the myriad of militia groups seeking to capitalise on the state's prized revenue.

Despite carefully devised UN plans, however, not all of Libya's political leaders were supportive of this idea. In early June 2018, Haftar and the LNA seized a number of ports within Libya's oil crescent and turned off the taps - subsequently freezing a substantial amount of Libya's oil production for a fortnight and causing a loss of 240,000 barrels per day (bpd). During this time, Haftar announced that oil proceeds would go to a rival oil corporation based in the east. This raised the ire of western-based NOC Chairman Mustafa Sanalla (stirring up east-west tensions), who denounced the rival firm's ability to handle the oil production and argued they had neither the legal authority nor the technical capability to manage the state's oil revenue. Sanalla appealed to and won the support of the UN and the broader international community. Pressured by some of his closest allies – France, Egypt and the United Arab Emirates – Haftar eventually relinquished control over the oil ports.

Despite the internal war being waged between the east and west over Libya's oil crescent, production of Libya's oil has recently seen a positive growth over the past couple of months. The NOC signalled the positive shift in the country's oil production, announcing the re-opening of three small oil fiends; al-Bayad, Tibesti and Dor Marada – which had been closed since June 2018 – adding around 100,000 bpd to the state's crude production.

Although the needle has gradually shifted in the right direction, there still remains systemic problems within Libya's oil sector, especially considering misused oil revenues have turned

Libya's natural resources into a central issue in the country's deepening conflict. In order to address this, reconciliation between political factions and a cleaning up of the oil industry will be crucial in any effort to bring about long-term stability to the country and more importantly for its Western interlocuters who seek to invest in the country.

__Vanessa Smith__ is a junior analyst; whose specialist interest area is within the Middle East. Previously, she was research assistant at the Alfred Deakin Research Institute and was a teaching assistant in the School of Arts and Humanities at Deakin University from 2016 to 2018. Upon completion of her studies, Vanessa partook in the Bard's Globalisation International Affairs Programme in New York City in 2017, where she undertook an internship at Oxford Analytica. Vanessa completed here BA (Hons) at Deakin University, where she obtained first class honours in Middle East Studies.