



Libyan oil workers try to extinguish flames for the third day at an oil facility in northern Libya's Ras Lanouf region, in January, after it was set ablaze by ISIS.

ISIS oil installation bombings stir memory of Kuwait firestorm

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Islamic State (ISIS) militants blew up an oil well at the Bai Hassan field near Kirkuk in northern Iraq on August 10th and security teams defused two other bombs. The bombing continued a sharp increase in attacks on Iraq's oil and gas installations, backbone of its economy.

On July 31st, suicide bombers on motorcycles attacked several oil and gas facilities at Bai Hassan, killing five workers and setting the oil-field flame. Two weeks earlier, militants attacked the Qayyrah refinery complex in Nineveh province and set it ablaze, apparently to slow the Iraqi Army moving towards the city of Mosul, ISIS's key stronghold.

Setting the wells on fire would appear to be a desperate measure for the jihadists but their action recalled Saddam Hussein's scorched-earth retreat from Kuwait in February 1991 when he set its oil fields aflame. About 650 oil and gas wells burned for eight months, consuming an estimated 1 billion barrels of oil, along with 70 million-100 million cubic metres of natural gas.

The recent spate of bombings of Iraqi oil facilities has raised concerns that ISIS may seek to replicate Saddam's man-made 1991 catastrophe.

The Iraqi Army set a perilous precedent by torching oilfields for military purposes in what became one of the greatest environmental crimes ever perpetrated. The disaster cost Kuwait billions of dollars in lost revenue, plus \$2.3 billion to put out the fires and another \$20 billion to repair damage to its economic infrastructure.

The recent spate of bombings of Iraqi oil facilities has raised concerns that ISIS may seek to replicate Saddam's man-made catastrophe as revenge for the collapse of the Islamic caliphate spanning Syria and Iraq, which it proclaimed only two years ago.

In Syria, regime forces and their allies, including Shia militias controlled by Iran's Islamic Revolutionary Guards Corps (IRGC) and Lebanon's Hezbollah, are expected to soon launch a major offensive to recapture the oil and gas fields of Deir ez-Zor on the border with Iraq. ISIS has held the region since 2014.

The prospect of losing these fields – the largest in Syria and a lucrative source of revenue for its proto-state – could propel the jihadists to emulate Saddam's pyrotechnics there as well and rob whatever transitional power that emerges of revenue that will be sorely needed for post-war reconstruction.

Iraq's oil fields, disputed in the south as well as the war-torn north, are regularly attacked, with wells and other facilities set on fire. The oil infrastructure in disputed Kirkuk province remains vulnerable even as ISIS forces are pushed back by Iraqi Army offensives, but Brigadier-General Sarhad Qadir, a regional police chief, admitted that "attacks are being perpetrated by Daesh terrorists". Daesh is an Arabic acronym for the Islamic State.

Saddam had plenty of time to prepare his withdrawal from Kuwait in February 1991, five months after invading it, and putting the emirate's oil fields to the torch was probably as much to shroud his retreat in a massive pall of smoke to foil spy satellites, air strikes and precision-guided weapons as to wreak spiteful revenge on Kuwait.

Libyan oil and gas facilities seized by ISIS, which controls the coastal city of Sirte and some oil installations in the North African country, a major energy producer, are also at risk as the jihadists come under pressure there as well.

Oil facilities in northern Libya have been set ablaze along the Mediterranean coast in ISIS's efforts to seize the all-important export terminals. Five oil installations were shut down this year because of ISIS threats. This could undermine prospects for unity between Libya's two rival governments as oil revenue is the key to bringing the two sides together.

The threats to Middle Eastern oil and gas are legion; from Libya, to war-torn Yemen. But as ISIS extends its operations to North Africa and south as far as Nigeria, Africa's leading oil producer, the threat is widening. Other conflicts, especially the power struggle between Saudi Arabia and Iran, add to the dangers.

Egypt, grappling with its own ISIS-linked insurgency in Sinai, would be a particularly vulnerable target just as it seeks to exploit the discovery of a vast gas field under the Mediterranean that could thrust it into the front ranks of regional energy producers. A second major offshore field was discovered in June.

Libya, which sits on oil reserves of 48 billion barrels, is the prime

target in the Maghreb, and as Western-backed forces start to challenge the ISIS enclave around Sirte, a key oil region, there is the danger that ISIS will seek to sabotage the surrounding oilfields that hold about 80% of Libya's reserves.

All told, the turmoil has cost Libya \$68 billion in lost oil revenues since 2013, according to the Libyan National Oil Corporation, and brought the energy industry, the country economic mainstay, to a virtual standstill.

As ISIS is likely to lose the oil and gas fields it conquered in Syria and Iraq, Libya, which before the 2011 revolt that toppled Muammar Qaddafi produced 1.6 million barrels of oil a day, now presents the only possibility in the Arab world where the jihadists could secure control of a key energy producer to finance their operations.

ISIS, of course, is not the only danger, although it is probably the greatest. Al-Qaeda's North African affiliate rocketed a gas facility in southern Algeria in March, supposedly to drive off Western multinationals "extorting the wealth of the region".

Attacks on non-oil targets, including a French-operated uranium mine, in Algeria, Niger and Burkina Faso in recent months were, al-Qaeda in the Islamic Maghreb (AQIM) claimed, the result of deals intended "to rob the wealth of Africa".

Analyst Jessica Moody warned that AQIM has been extending its networks across the region in hopes of mounting a major attack like the spectacular January 2013 storming of the gas facility at In Amenas in south-eastern Algeria by an AQIM offshoot in which 30 foreign technicians were killed.

Moody warned in a July 8th analysis for the Jamestown Foundation, a Washington think-tank that monitors global terrorism, that regional security forces "are frequently weak and corrupt" and that "more aggressive insurgent assaults on multinationals are on militant groups' agendas".

On June 14th, a militant separatist group in Iran, the Arab Struggle Movement for the Liberation of Ahwaz (ASMLA), blew up an oil pipeline as part of its struggle for autonomy in the Arab-majority south-eastern province of Khuzestan. An ASMLA cell sabotaged another pipeline on January 2nd.

Khuzestan contains 80-90% of Iran's oil reserves and there is no way Tehran will allow the province to break away but the Sunni insurgents keep on hitting oil targets in a province that has been a centre of

unrest since the Islamic revolution in 1979.

ISIS is also becoming much more active in Saudi Arabia which ISIS leader Abu Bakr al-Baghdadi has branded "the head of the snake and the stronghold of disease".

But the Saudis possibly face a greater threat from Iran whose confrontation with the House of Saud is becoming toxic, particularly after Riyadh executed a dissident Shia cleric in January on terrorist charges.

That action raised the prospect of an oil-fuelled Sunni-Shia war to danger level. If the Saudis are vulnerable through their Shia-majority Eastern province where its main oil reserves lie, the Iranians are just as exposed in Khuzestan, which borders Shia-controlled Iraq.

Islamic State (ISIS) militants blew up five oil wells near the Qayyarah refinery complex in Iraq's Nineveh province in early July.

Saudi energy facilities are heavily guarded because jihadists have tried to knock them out – unsuccessfully – over the last decade. Although there is no evidence ISIS is planning substantial attacks on Saudi oil fields or infrastructure, on September 4th, 2015, Saudi security forces killed a gunman with ties to terrorist groups near Aramco's giant Abqaiq oil processing plant, the largest of its kind in the world, in Eastern province.

The facility processes about two-thirds of the kingdom's daily production of 8 million barrels, most of it for export, and can handle 7 million barrels per day. Knocking it out could seriously hit global oil supplies.

Al-Qaeda tried to penetrate the facility on February 6th, 2006, with two cars packed with explosives. The attackers and two guards were killed. Damage was minimal.

The real danger for the Saudis is that as their proxy conflict with Iran escalates, Iran's vast security apparatus, including Hezbollah, could launch attacks on oil targets, and they are probably twice as dangerous as ISIS.

"Eastern province... plays a major role in Iran's sectarian vision," observed US analyst Phillip Smyth, a University of Maryland specialist on Shia militarism. "Even limited strife there or an attack on its oil facilities could represent a significant threat to the Saudi economy."

Briefs

Tunisia tries to break economic reform curse

Youssef Chahed, newly appointed as prime minister of Tunisia, is making bold promises to tackle the country's problems but a looming budget crisis and debt repayments, coupled with political inertia, may hamper his efforts.

Labour union resistance and political squabbling have held back plans to overhaul state spending, including on a huge body of public workers, and to implement banking and investment laws.

Chahed has been asked to lead a national unity government capable of advancing economic reforms demanded by lenders, including the International Monetary Fund and World Bank.

"Chahed has been handed a poisoned chalice; the financial situation is pretty catastrophic. He is going to find the coffers empty and lots of demands," said Jamel Arfaoui, a local analyst and newspaper columnist. "He is facing potential protests at the same time as the need for reforms."

(Reuters)

Turkish trade with Iran up 30%

Turkey's trade with Iran has increased 30% since the lifting of economic sanctions, Turkey's Customs minister said, a strong start on a goal of tripling trade between the two countries.

Customs Minister Bulent Tufekci, speaking in Ankara, also said Iranian and Turkish companies were working on joint investments in other countries.

Last spring, officials from Turkey and Iran set a target of \$30 billion in trade between the countries. Cross-border trade was \$10 billion at that time.

Iranian President Hassan Rohani and Turkish President Recep Tayyip Erdogan were on hand in April when agreements concerning education, social security, plant maintenance and standardisation between the countries were signed.

In June, Unit International of Turkey said it would build seven gas power plants for the Iranian Energy Ministry in a deal with \$4.2 billion.

(Reuters)

Calm called for at Libyan oil port

Western countries, including the United States, France and Britain, said in a statement they were concerned by mounting tension around the Zueitina oil terminal in Libya.

The Western countries urged a return to government control of all oil and gas installations and called on all parties "to abstain from any act of hostility and avoid all actions that could damage or disrupt energy infrastructure".

Zueitina is one of three eastern oil ports blockaded by Libya's Petroleum Facilities Guard (PFG). It has signed a deal to reopen the ports with the UN-backed Government of National Accord (GNA) in Tripoli but forces loyal to a separate government based in eastern Libya have threatened to block a resumption of exports.

Libya's National Oil Corporation (NOC) said that it was concerned by reports of "imminent conflict" in the vicinity of Zueitina between the PFG and the Libyan National Army (LNA), which is loyal to the eastern government.

(Reuters)