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Oil's Impact on Tensions in Southern Yemen

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Brief Analysis

In mid-July 2019, a group of leaders and dignitaries in Hadramout, Southern Yemen held a consultative meeting to discuss the security situation, public services, and oil production in the Hadramout region. Hadramout is the largest governorate in terms of area and holds 80 percent of Yemen's oil reserves, making it a particularly key region for Yemen's overall oil production and output.

The representatives present at the meeting called on President Abdrabbuh Mansur Hadi to change the management of PetroMasila, the state-owned petrol company that operates in Hadramout. The meeting also called on all parties directly involved in its work, such as employees and protection forces, to suspend their duties and stop oil production if the demands were not met.

These calls coincide with reports of the Southern Transitional Council (STC) training a military force to extend security in the region. The STC had already announced its intention to fight al-Qaeda in the region after government forces failed to do so. Now, tensions between the Hadi government and the STC have come to a boiling point in Aden after Houthis' successful attack on a military parade last week.

Such moves could reflect the balance of power in Yemen in a way that may radically alter the course of the war. The further extension of control by forces in southern Yemen will reinforce the secession movement there. The stakes are particularly high due to the Hadramout's role in oil production—those who control the country's vital resources will have the most power to impose their political visions and goals.

The question of oil control has also impacted the recent history of Yemen all the way from the unification of North and South Yemen in 1990. A glance into this past suggests possible pathways and outcomes for what may shape up to be the most recent contest for the Hadramout's resources.

Initially, the 1990 unification of North and South Yemen into the Republic of Yemen led to an increase in the development of the country's resources, especially with regards to oil production. Though the Republic of Yemen's first Vice President and prime minister were from the south, northerner Ali Abdullah Saleh became the first

president of the newly unified state, and southerners soon found themselves surrounded by powerful statesmen, military commanders, and tribesmen who had long since been loyal to Ali Saleh. Southerners soon realized that their interests would be subservient in decision-making, wealth sharing, and governance, leading to a failed secession that killed thousands in 1994. Ali Saleh had enough money and allegiance and had no qualms about [using the use of Islamic jihadists to fight on his behalf](#).

In the year following that war, Yemen's exports of crude petroleum was \$1.43 billion, 85 percent of Yemen's total export value. Oil continued to be the main source of quick cash in the country's treasury and exclusively benefited the powerful, the president's supporters, and those who could keep his party in power. The number of tribal sheiks and the amount of spending to earn their loyalty that Ali Saleh recruited was significant. The costs of securing their support took varied forms of cash, weapons, and nepotism.

Hamid al-Ahmar—son of the politician and tribal leader Sheikh Abdullah al-Ahmar—is one example of a tribesmen and businessman who was so favored. [Hamid achieved considerable personal wealth](#) as the head of the Al-Ahmar Group, a large conglomerate which includes telecom company Sabafon, Saba Islamic Bank, and numerous oil concession blocks. Hamid Al-Ahmar also sat on the 16-member Oil and Development Committee in Parliament that approves the ROYG's Production-Sharing agreements with international oil companies.

The major revenue stream from Yemen's oil—though primarily from the south—continued to secure loyalty to Saleh while motivating subsequent incursions into the south. In 2015, for example, Al-Qaeda controlled the coast of Hadramout, where the most important oil export outlet is located. Although the legitimate Yemeni government had announced that the production and export of oil has ceased for 18 months, [news reports](#) indicated that al-Qaeda continued to market and sell oil in Mukalla. According to the report, Al-Qaeda leaders had been in contact with local agents or ships at sea to complete deals. Other data [indicated](#) that the value of exports of crude petroleum in 2015 was \$715 million and the value of petroleum gas exports was \$715 million.

None of the previous reports and data mentioned who the agents are, but, [according to a similar report](#), Ali Mohsen Al-Ahmar (no relation to Hamid al-Ahmar), current Vice-President, managed to push Abdrabbuh Mansour Hadi aside and in 2014 negotiated energy contracts directly with China. Ali Mohsin's sons also acted as agents in Marib to sell Yemeni energy products. This leads to the belief that Hamid might have cooperated in making these deals, especially since Ali Mohsen is known to have a [relationship with extremist clerics](#) and militants who were tied to terrorist activity in Yemen.

Al-Qaeda is unlikely to have a direct relationship with potential customers, such as China, which imports a large proportion of Yemen's oil, so an intermediary was likely necessary. This arrangement gave China coverage to imply that it was not doing business with extremists and to maintain its political and economic standing around the world. This complicated international transaction demonstrates the power of Hadramout's oil to shape political decisions and militant actions in Yemen, regardless of official policy.

Who controls the oil of Yemen?

However, oil production in Yemen overall has been declining due to the recent crisis. There are still significant reserves: according to the U.S. Energy Information Administration (EIA), Yemen has proven oil reserves of around 3 billion barrels and 17 trillion cubic feet of natural gas. Additionally, Yemen ranks 29th among countries in proven oil reserves and 32nd in natural gas reserves. Although Yemen's proven oil reserves cannot be compared to those of its neighbors, it is sufficient for domestic demand and export.

Much of recent revenue goes to the pockets of influencers in both legitimate and illegitimate ways. For instance, in 2017, the executive director of [Safer](#), a state-owned oil company, said that the security units responsible for protecting the oil fields in Marib—the region adjacent to Hadramout—were [stealing and looting oil](#). The company's

chief executive pointed out the presence of military commanders behind these operations, and that the looted quantities were transferred to areas under the control of the Houthis. According to the same source, these oil tankers had been under the protection of the 107th Brigade, which is responsible for protecting oil in the "safer" area and receives salaries from the Yemeni government. And while the Masila basin in Hadramout, which holds 80 percent of Yemen's oil reserves, is protected by military forces from Hadramout, Hamid controls the state-owned PetroMasila responsible for operating the Mesila oil fields.

How can political objectives be achieved?

In the aftermath of Arab coalition efforts to liberate southern Yemen from Houthi control, many of the liberated provinces mirror microstates, including the Al-Mahra and Marib provinces, which refuse to supply revenue to the government. Hadramout has formed its own military forces, as did Shabwa and Aden with the support of the Arab alliance, especially the UAE. The presence of local forces in Southern Yemen and the expanding powers of local governors increase the chances of southerners getting their demands, even independence.

Yet these ambitions are hampered by the region's weighty economic value. The country's resources—most of them in Hadramout and Shabwa—remain in the hands of the government, military commanders, and powerful loyalists. These groups have strong ties with other parties to the conflict in Yemen—including the Islah party in some cases and al-Qaeda in others.

Some observers believe the Islah Party will continue to survive and perhaps rule Yemen—partly due to the strong support Islah receives from the Al-Ahmar family. Other observers believe that the Southern Transition Council will gain greater influence if given control of areas such as Byhan in the south and Wadi Hadramout—the location of the Masila basin. Even so, though Byhan is located in Shabwa fo Southern Yemen, a presidential decree was issued last year to include it militarily in Marib of North Yemen, a decision that provoked southern discontent and highlighted the strategic importance of these southern reserves.

As the past few years demonstrate, within the conflict developing between the STC and Hadi's government oil is likely to play a major role in the calculations of both parties. And in the upcoming months, these considerations are likely to continue shaping the political fate of Hadramout and the surrounding regions of South Yemen. ❖



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