Haftar's Play for Libyan Oil

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Brief Analysis

To preserve Libyan unity, the United States should threaten to block any oil shipments not authorized by the country's internationally recognized government.

On June 21, Gen. Khalifa Haftar, the commander of the Libyan National Army, reclaimed two of Libya's largest terminals after the militia leader Ibrahim Jadhran had seized them earlier in the month. Haftar then upped the ante on June 25 by declaring that he would not return the facilities to Libya's National Oil Corporation (NOC) but instead to its eastern-based rival, which reports to the unrecognized eastern-based government. Then on June 29, he prevented two additional terminals in the east from offloading oil. According to the NOC, these moves have reduced total exports by around 850,000 barrels per day from an average of about 1 million b/d. The longer exports remain offline, the more Libya will lose significant revenues critical to sustaining its struggling economy.

This latest move by Haftar, who returned to Libya in late April after an apparently serious health scare, poses the greatest threat to the country's fragile unity since the 2014-15 civil war. Moreover, just a month after Haftar joined French president Emmanuel Macron and three other Libyan political leaders in Paris to jump-start the country's dormant UN-led political transition, the general has chosen to hold the country hostage through an economic siege. Unless the United States and its allies act strongly to preserve the authority of the Government of National Accord (GNA) over the country's oil, Haftar's power play could return Libya to a civil war or a de facto east-west split, not to mention ending prospects for a political solution. For a man recently rumored to have died, Haftar has undertaken an especially aggressive maneuver.

Libya's Oil Economy

To be sure, Jadhran's aggression provoked the most recent instability, with his seizure of the central ports taking nearly 400,000 b/d offline. After Haftar reclaimed the terminals, however, he exacerbated the crisis by announcing that he would not return them to the NOC. He then removed another 450,000 b/d when he blockaded the eastern ports, leaving the much lower-producing western terminals as the only ones working at capacity. The NOC warned that these losses will cost $67.4 million a day, prevent domestic supplies to two major power plants in the east, and create major environmental damage.

Oil and other hydrocarbons exports indeed fund the vast majority of the Libyan government's budget and serve as the core of an otherwise dysfunctional national economy. The NOC coordinates the production and sale of oil, from which revenues go to the Central Bank of Libya (CBL), which in turn funds government services and an inflated public-sector payroll. Libya's recent increases in oil production, paired with rising global oil prices, helped the country avert an economic crisis owing to declining central bank reserves. In other circumstances, the oil-rich country would have been forced to take on significant debt, with its already weak government compelled to initiate unpalatable cuts to the public-sector payroll while eliminating fuel and other subsidies.

In Libya's flawed current economy, a cash shortage together with high subsidies on fuel and other products have stimulated a parallel black market and smuggling economy. But as long as oil exports remained close to 1 million b/d, Libya was not at risk of financial collapse. Likewise, consistent exports preserved enough stability so that a political solution could be entertained and advanced by the international community.

The General's Motives

Once Haftar reclaimed the central terminals on June 21, he decided, as intimated before, to return them not to the NOC but to an alternative "national oil corporation" based in the east. That entity, which includes former NOC employees, may have some contacts and technical ability to arrange sales, but it would have to deposit and then distribute the proceeds with help from a similarly vague alternative "central bank" in the east. Such actions would clearly violate UN Security Council Resolution 2146, which provides member states with Chapter VII authorization to intercept illegal oil shipments from Libya and return them to control of the Libyan government, currently recognized as the GNA. On July 2, NOC chairman Mustafa Sanalla appealed to the UN's Libya sanctions committees to sanction his rival corporation in Benghazi and more than forty additional individuals and entities for illegally appropriating oil sales.

These challenges to the status quo from Haftar and his eastern-based allies occurred just a month after the May 29 conference in Paris, when Macron brought together the general with House of Representatives head Aguila Saleh, Prime Minister Fayez al-Sarraj, and High State Council head Khaled al-Mishri. Macron aimed to persuade these political actors to agree to advance the UN Action Plan for Libya through presidential and parliamentary elections conducted by December 10. Perhaps ironically, the French timeline set up Haftar for a presidential run, in which victory would have granted him his long-sought title of commander-in-chief of Libya's armed forces. The Paris joint statement also indicated that elections would have to be conducted on a "constitutional basis." If the current draft constitution or its core articles are adopted, this would transform Libya from a weak parliamentary system into a strong presidential one.

Despite his apparently favorable stance—buoyed by his name recognition and the absence of an alternative candidate—Haftar chose not to wait until a potential December election that could be postponed for any number of technical or political reasons. Riding high after his May victory over Islamist forces in Darnah, Haftar has now seized the engine of Libya's economy. He may be using his control of oil resources to seek greater influence over Libya's central institutions—the CBL and NOC—or he may be gearing up for an offensive in the west using the improved capabilities he demonstrated in his Darnah offensive. In either circumstance, he is challenging the international consensus behind the UN Action Plan as the path toward Libya's stabilization.

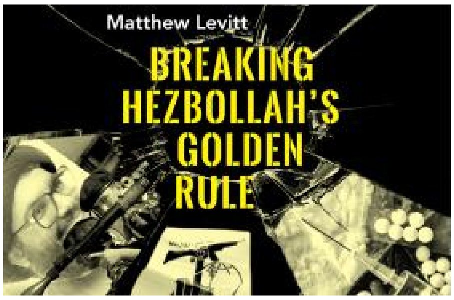
U.S. Options

If Washington wants to end this crisis as quickly as possible, it should state clearly that it will act to prevent unauthorized sales of Libyan oil, just as it did in March 2014 when U.S. Navy SEALs intercepted a tanker carrying 200,000 barrels of illegally seized crude and transported it back to Tripoli. Such a reaffirmation of the U.S. commitment to enforce UNSCR 2146, together with a statement urging Libyans to resolve the situation swiftly, would deter prospective buyers, test Haftar's will, and align with the Trump administration's efforts to increase global oil production in order to reduce prices.

Together with its allies, the United States can also amplify a message detailing how the closure of oil facilities in any part of Libya damages the country's entire population, while specifically highlighting the domestic impact of closing refineries.

Haftar may not have a next step planned after gaining control over most of Libya's oil terminals. But unless he feels significant pushback from the international community—especially from France, whose conference he has just upstaged—he will continue to ignore a political track in favor of one premised on force.

Ben Fishman, an associate fellow with The Washington Institute, served as director for North Africa at the National Security Council from 2011 to 2013. ❖



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