The importance of Oil and Gas sector for Libya: Current scenario and future trends

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Abstract: The study was conducted to analyze the importance of oil and gas sector in Libya. This study also describes the current scenario and future trends in oil and gas sector of the country. The paper describes the benefits of oil and gas sector in the economy of Libya. Moreover, the discussion section explains the situation of the current scenario of oil and gas sector in the country. Overview of Oil and gas sector is separately described in this section with the help of variety of charts. Future trends are also part of this section which explains the future plans for this sector by the government of Libya. These plans include with future forecasting of production in oil and gas sector. The production rate of oil and gas sector in the last year is explained in this section. Moreover, opportunities and challenges of oil and gas sector are also illustrated in this paper. It is analyzed that oil and gas is facing many challenges such as political instability, transparency in business practices, security issues and practical logistic issues. The government of Libya must solve these issues in order to sustain the development of economy. This sector also contains some major opportunities such as development of economy through better infrastructure, revamp its global strategies to attract global oil and gas companies, to explore new reserves in the country and use new techniques for exploration and production of oil and gas. The government of Libya must work out on these opportunities for enhancing the economic development in the country.

Key words: Abundant, infrastructure, Unemployment, Foreign Investment, Crude Oil

INTRODUCTION

The oil and gas sector is considered as the primary source of revenue for Libya. Therefore, the oil and gas industry helps to enhance the development of the economy in the country. This sector also contributes to the provision of better health services and modern education to the peoples of Libya. Moreover, it is observed that Libya fulfilled its responsibilities for providing the training to the employees of oil and gas sector. It is approved in the British petroleum statically survey in 2012 that Libya has got abundant oil reserves of 40.099 billion barrels (RT, 2013).

The national oil corporation (NOC) is playing a vital role in the economic development of Libya. It has built its own technical institutes for providing high quality education to the employees and workers of this industry. Basically these are Petroleum Training institutes which are specifically made in the oil industry. These institutes also help to the Libyan Government for reducing the rate of unemployment in the country. Furthermore, The Umm Jawaa by Oil Services Company is working in London on the behalf of NOC. Libya is distributing its oil products and lubricants in Egypt, Italy, Switzerland and Germany (Usa, 2009).

MATERIAL AND METHOD

The data was gathered from the government of Libya in order to understand the importance of oil and gas sector in the country. It is analyzed that oil and gas industries have huge significance for the government of Libya. Even though this sector is considered as the most important sector for increasing the income for Libya but it is providing many other benefits also to the country which are described below in details.

2.1 Primary Source of Revenue:

It is analyzed that economy of Libya is hugely dependent on the energy sector and specifically on oil and gas sector. It generates more than 90% of revenue for the government of Libya whereas its 95% of export earnings are through selling of oil and gas. Moreover, oil and gas sector is contributing 80% of GDP in economy of Libya. This is the primary reason which provides the highest GDP rate to Libya in entire Africa. Therefore it is examined that oil and gas sector helped Libya to enhance the level of infrastructure of the country (CIA, 2012).
2.2 Benefits of Employment:

It is observed that development in oil and gas sector played imperative role in reducing unemployment rate in Libya. Gas and petroleum industry has been beneficial to the domestic economy of the country. It is analyzed that oil and gas sector helped to reduce the unemployment rate up to 30% in both industries between the years 2007 to 2011. The expanded production of oil and gas sector provided job opportunities to the unemployed and fresh graduates. This factor also affected on the economic recovery and development of the country (Eljarh, 2013).

2.3 Increased Foreign Investments:

Oil and gas sector attracted many European countries towards Libya for oil and gas investments. The government of Libya appreciated the interest of foreign direct investment in the country and issued working license to many companies for working in Libya. Moreover, the government offered many beneficial financial terms with the purpose to attract more investors. Joint ventures of oil and gas sector also pushed the economic development of Libya (Otman & Karlberg, 2007). Foreign Direct Investment had huge significance for the government of Libya to because the government was unable to handle the excessive amount of oil and gas. This sector attracted many leading oil companies to come and produce oil.

Discussion:

Current Scenario:

Libya is considered as a significant exporter country for oil and gas sector. It contains highest volume reserves of gas and petroleum in Africa. It is also a member of the Organization of Petroleum Exporting Countries (OPEC). It was necessary for the government of Libya to recover the oil and gas sector in order to enhance the development of the country after the regime of Qadhai. Oil and gas sector is an important determent for the economy of Libya therefore it was the first priority of the new government to hold back the control of the oil and gas sector in the country. It is analyzed that Libya consumed 70 percent of petroleum and gas products in 2010 due to worst circumstances of the country. Later on, in the beginning of 2011 Libya restrain its all oil and gas reserves and earned valuable revenue from this sector.

Overview of Oil Sector:

As it was described earlier that Libya is part of the OPEC and contains the largest volume of oil in Africa therefore it is contributing in the global supply of crude oil to international market. In 2011, Libya restored its oil production after long time of conflicts. It is demonstrated by Oil and Gas Journal in 2012 that Libya carries 47.1 billion barrels of oil reserves (Hausloehner, 2013).

Ranking of Oil Production in Africa (2012):

![Bar chart showing ranking of oil production in Africa (2012)]

It is analyzed that NOC is responsible for exploration and production of oil in the country. Now it is target of NOC to produce 2.5 million barrels of year per day in the coming five years. Net export of Libya in the oil
sector is approximately 1.8 million barrels per day according to 2011. Italy, France, China and Japan are considered as main export countries in oil sector for Libya. Furthermore, Libya is using many terminals for exporting oil. These terminals include with the facilities of production, storage and offloading. The chart of oil exporter countries is showed in the next paragraph.

![Export Countries for Crude Oil](image)

**Overview of Natural Gas:**
Natural gas industry of Libya also recovered in 2011 after solving the conflicts with militants. It is analyzed that Libya contains less reserves of natural gas as compared to oil. Libya exports huge part of its natural gas production to Italy through pipelines (Holz *et al.* 2008). Oil and Gas Journal gathered the data of natural gas reserves in Libya and announced that it has abundant gas reserves about 52.8 trillion cubic feet.

![Ranking of Natural Gas Reserves Holders (2012)](image)

It is observed that currently many other organizations are involved in the exploration and production of crude oil and natural gas in Libya. Moreover, many international companies are also involved in the operations which are considered as an essential part of every new oil and gas project. These large companies include with Shell, ExxonMobil and British Petroleum etc.
It is surveyed that gas production increased in the last two years in Libya. The country produced 1069 cubic feet of gas in the year of 2012. The domestic use of natural gas was approximately 242 billion cubic feet in the 2012. Libya exports huge volume of its gas production to European countries by the means of pipelines. It was approximately 51.48 billion in 2012. The total export of natural gas was approximately 352 billion cubic feet in the year of 2012. Furthermore, now the government of Libya has opened two offices in Tripoli with the purpose to allow the global oil and gas organizations to visit this place and review the information regarding the reserves of oil and gas sector (Ash, 2013).

**Future Trends:**

It is said by government officials that Libya would boost its oil production by producing 1.5 million barrels to 1.7 million barrels per day at the end of the 2013. It is also articulated that the government would explore more reserves of gas and provide safety and security needs in the gas and petroleum sector (Wood, 2013). This industry contains the huge significance for the country therefore it is the first priority of newly established government to recital this industry in order to achieve high growth rate (Oil & Gas Libya, 2013). The government of Libya specially focuses on the following issues:

- It would update its petroleum laws and contracts
- Appreciate for identification of new opportunities
- It would develop infrastructure with the purpose to facilitate foreign investors
- It would focus on the Human capital development
- Utilize latest techniques for maximizing production from recourses
- It would explore new opportunities in the market

Moreover, the government would build strong relationship with European countries. Security issues are a major concern for new investors’ therefore government would provide better security on and off duty employees. It is vital to utilize all available recourse for future development in this sector. The government of Libya would try its best for a balanced economy through utilizing all the recourses of oil and gas sector (Libyan Intelligence Group, 2013).

**Challenges:**

Even though oil and gas sector is playing a vital role in the economy of Libya but there are many challenges for the government in order to keep this process continues in the future. It is very difficult for government to run all the operations in the oil and gas fields even after finishing the conflicts. It is examined that NTC holds limited recourses and administrative capacity therefore it can't work on every place at the same time. It is a tough decision for government to leave everything on the behalf of other companies.

Political instability is a major challenge for the government which it could not be solved properly. Foreign investors feel insecure while investing in the Libya due to this political instability and security issues. Political stability and economic growth are directly with each other and oil and gas sector carries equal importance of each factor (Oil & Gas Libya, 2013).

Another challenge for government is transparency in business practices. It is criticized by some global organization due to this issue. It is very necessary for economic growth and development to provide transparency in business practices. Now current government is taking this issue seriously and trying to implement new contract rules for business practices in the country.

Moreover, practical logistics issues, flying issues, visa processing issues and short supply of hotels are those factors which continually putting off foreign direct investment. Libya is facing many issues in banking problems which are increasing with the passage of time. There are many infrastructure issues because Libya is not spending enough amounts to facilitate the investors with new roads. The sea ports of Libya are not enough for the carriage of huge capacity which is another drawback of this country. These all are considered as major challenges for Libya and government must change its strategies in order to facilitate current investor and to attract more foreign investors towards this sector (The Guardian, 2011)

**Opportunities:**

The oil and gas sector provides many opportunities for the government and peoples of Libya. These opportunities are listed below:

- It can build up its infrastructure through revenue of oil and gas sector
- Oil and gas sector has potential to decrease the unemployment rate at a minimum level in the country
- It contains the opportunity to revamp its strategies for attracting new global oil and gas companies such as Chevron etc.
- The government has the opportunity to explore new oil and gas reserves in the country
- To use the latest techniques and tools for exploration and production of oil and gas (Mainwaring, 2013)
Conclusion:

It is concluded from the analysis that oil and gas sector has huge importance in Libya. The economy of Libya is vastly dependent on this sector. This sector is playing an imperative role in the development of the country. Oil and gas sector is the primary source of revenue for Libya. Oil and gas sector helps to reduce the unemployment rate in the country. It is analyzed from the research that oil and gas sector helped to reduce the unemployment rate up to 30% in both industries between the years 2007 to 2011.

Libya is spending huge amount of its revenue on better infrastructure for the peoples of Libya. It generates more than 90% of revenue for the government of Libya whereas its 95% of export earnings are through selling of oil and gas. Moreover, oil and gas sector is contributing 80% of GDP in economy of Libya. Oil and the sector is a primary reason for foreign investment in the country. Many oil and gas companies are willing to invest in Libya with the purpose of exploration and production of oil and gas.

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