# LIBYA

*By Neil Scott*

The hydrocarbons industry contributes some 95% to Libya's export earnings. With proved oil reserves estimated to be 29.5 billion barrels at the end of 2001, the country accounts for nearly 40% of Africa's total. Oil production averaged 1.43 Mbbl/d in 2001, a drop of 3.7% as compared with 2000. This decline in output was reflected in a similar fall from Middle East producers in a year that saw global oil consumption drop marginally for the first time since 1993.

Historically, almost all of Libya's crude oil production has come from the Sirte Basin in the east of the country, state-owned National Oil Co. (NOC) having a majority share in most operations. The Murzuq basin is now assuming increasing importance and is estimated to account for nearly two-thirds of Libya's reserves. Despite this potential, NOC has been reluctant to award contracts. A total of 130 blocks has been offered since 2000, but by the start of 2002 only five concessions had been granted. This reticence may reflect the fact that many Libyan officials would privately welcome the return of US companies to the sector, from which they have been banned since the Pan Am air disaster in 1986 and the passing of the Iran-Libya Sanctions Act.

Since then, their interests have been held 'in trust' by the Libyan Government. Meanwhile, the ILSA was extended in August 2001 for a further five years despite pressure from the Bush Administration for an 'interim' prolongation of two years, thus leaving European firms free to reap the benefit of developing an industry free of US competition.

In contrast to the oil sector, the country's natural-gas resources have remained virtually untouched. With proved reserves of 46.4 trillion $ft^3$, they are the third-largest in Africa after Algeria and Nigeria. NOC is seeking to redress this state of dormancy by developing gasfields in the Sirte basin and elsewhere. It has launched a number of large projects including the construction of several pipelines linking gasfields with processing plants, and for the export of gas to Tunisia.

The Great Man Made River Project, which supplies the coastal cities with fresh groundwater from the south of the country, has been plagued with technical and financial problems since its inception in 1984. Despite investment of US$15 billion in the building of 3,500 km of pipeline, its first phase still operates at only 15% of design capacity. In an effort to remedy this, the government agreed a rescue package under which leaks in the pipelines will be repaired, and remaining construction work from the second phase completed. Contracts for the third phase involving the construction of a further 1,000 km of pipeline are now only expected to go to tender in 2004, more than five years behind schedule. The fourth phase of the project will entail the building of an additional 700 km of pipeline.

 

Solid mineral production in Libya is largely for the cement industry, for which an estimated 150,000 t/y of gypsum is used in addition to the basic feedstock of limestone and clay. Some 30,000 t/y of salt is produced by solar evaporation in coastal pans near Benghazi and Tripoli and approximately 13,000 t/y of sulphur is recovered from petroleum and natural gas refining. Unexploited mineral deposits include marble, bentonite and silica sand, and there is exploration potential for gold and base metals. Their development could be assisted by the formulation of a new mining law, which at the moment is unsupportive since it is exclusively directed to the hydrocarbon industry.

The principal undeveloped mineral project in Libya is the Wadi Shatti iron-ore deposit where measured resources of 795 Mt are reported at an average grade of 51.7% Fe, but with high phosphorus content. The deposit comprises three horizons of magnetite with minor siderite up to 12 m thick, and is amenable to open-pit mining. The project has the potential to produce 10 Mt/y of sinter fines and is seen by the government as a potential raw material supplier to the Misurata steel complex on the coast. This is presently served with imported ore.