



## Middle East & North Africa: Sanctions Update

Libya sanctions partially lifted; enhanced Syria sanctions debated

**2 September 2011**

The Council of the European Union has today (2 September 2011) lifted an asset freeze that was previously in force against 28 Libyan entities, including the port authorities of Tripoli and Brega, and several oil companies.

This easing of sanctions follows United Nations Security Council approval for the release of previously frozen funds formerly held by the Gaddafi regime to the National Transitional Council (NTC), including the discharge of \$1.6bn of Libyan dinars in banknotes that were printed in Britain and frozen following the implementation of sanctions against Libya earlier this year. The bank notes were flown to Benghazi by the UK air force and will be used to address humanitarian needs and pay salaries of key public sector workers.

Considerable sums of money remain frozen around the world, with nations including Germany and France asking the UN for permission to release billions of euros in frozen assets to help humanitarian efforts and free up liquidity in the Libyan economy. Yesterday the NTC held a meeting in Paris with heads of state, prime ministers and senior government officials from across the globe, as well as the UN Secretary General and the leaders of NATO, the European Union, African Union and Arab League, where they presented a list of requests for the future.

Whilst the NTC takes control of the country and increases local stability, the oil and shipping sectors are slowly moving to restore their trade links with Libya. The Italian oil company Eni has signed a memorandum with the NTC to restore its operations in Libya, which included the GreenStream gas pipeline, and resume supplies of petroleum products. It is uncertain how long it will be before the damage to Libya's oil production infrastructure is repaired, but it is likely to be up to two years before pre-revolution levels of output are reached.

Lloyd's List Intelligence has reported numerous product tankers calling recently at the non-sanctioned Libyan ports of Benghazi and Misrata, and container ship operators including Maersk Line have indicated an intention to resume services to Libya.

It is important to note that United Nations sanctions remain in place, which include an asset freeze against institutions formerly run by the Gaddafi regime, with entities such as the Central Bank of Libya and the Libyan National Oil Corporation still subject to sanctions. As the Libyan government moves towards stability and consolidate their control of the country, the likelihood of these sanctions being lifted increases. In the interim, caution should be exercised to ensure that none of the ongoing sanctions programmes are breached.

### Enhanced Syrian sanctions debated

As the sanctions against Libya are slowly lifted, the debate over whether enhanced sanctions should be implemented against Syria is intensifying. After additional entities were added to the European Union's asset freeze list by Council Regulation (EU) 843/2011 on 24 August 2011, a meeting of EU foreign ministers in Poland yesterday (1 September 2011)

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agreed on sanctions targeting Syrian's oil exports. Precise details of the sanctions are yet to be published in the Official Journal of the European Union but are thought to include a ban on the import of Syrian oil and petroleum products to the EU, and adding four more individuals and three entities to the list of designated entities.

The oil import ban is likely to hit the Syrian regime hard, particularly now the country's tourist industry has all but collapsed. Oil exports account for about 25-30% of Syria's hard currency revenue and in recent years over 90% of those exports have gone to the EU. Making up for this lost market of perhaps \$4bn would be a challenge because Syria's production is mainly sour and heavy crude, which very few refineries outside Syria, the US and the EU can handle; and transport costs will be high, if indeed many companies with interests in Europe are willing to get involved. In a separate development, EU governments are also considering whether to impose an investment ban on European companies operating in Syria's energy sector.

The US has also imposed further sanctions on senior Syrian government officials, designating the Syrian foreign minister, an aide to President Bashar al-Assad, and the Syrian ambassador to Lebanon.

Enhanced UN sanctions against Syria are still under debate. While the US and European states are currently pushing for increased sanctions against Syrian president Bashar al-Assad, his family members and close associates and have circulated a draft resolution to that effect, Russia and China have both refused to enter into discussions on further sanctions. The Russian ambassador to the U.N., Vitaly Churkin, has suggested that Moscow would veto the draft in its current form were it put to a vote.

As with the sanctions regime against Libya, the situation remains changeable and care should be exercised when dealing with Syrian entities, particularly those with links to the oil and gas industry.

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