

Why Syria's small oil reserves have become the linchpin for political control in the region

KEY POINTS

- In 2010, before conflict erupted, Syrian wells produced around 385,000 barrels per day, according to the BP Statistical Review of World Energy.
 - That amounted to just 0.5 percent of global production — around what North Dakota produced that year.
 - Today the U.S. military and Kurdish-led forces are the ones controlling the area and collecting revenues.
 - The oil could be just enough to prop up the Syrian government — or a competing power.
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People battle a blaze next to an oil well in an agricultural field in the town of al-Qahtaniyah, in the Hasakeh province near the Syrian-Turkish border on June 10, 2019.

Delil Douleiman | AFP | Getty Images

BEIRUT- Akram Hassan remembers when the modest oil fields in the arid eastern Syrian province of Deir el-Zour attracted companies from around the world. As an engineer in the industry, and Kurd from the northern city of Qamishli, he watched the revenue disappear into the government's coffers.

"Syrian people did not have any benefit from this oil. ... All the money the regime kept in their pocket," said Hassan. Most higher-up workers in fields were from Latakia, the homeland of Syrian President Bashar al-Assad's family. "Arab petroleum is for Arabs," they would tell him. It was a joke, but a revealing one, Hassan said.

Times have changed in his country. The oil has attracted another foreign power — the U.S. military — and Kurdish-led forces are the ones controlling the area and collecting revenue.

It's all about oil

Syria was never a large oil producer compared to its resource-rich neighbors. But somehow the small reserves, barely pumping now after over eight years of war, have become a linchpin for political control. The Syrian economy has collapsed and significant outside help is unlikely. The country's GDP has declined by more than 70% since 2010, according to the CIA's World Factbook, and the unemployment rate is around 50%. The government's budget decreased to around \$1.162 billion in 2017 compared to \$16.4 billion in 2010.

The oil could be just enough to prop up the Syrian government — or a competing power. And who controls oil-rich stretches of the Syrian desert could determine who controls large regions of the country.

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Members of Turkish Armed Forces (TSK) continue operations against the PKK, listed as a terrorist organization by Turkey, the U.S. and the EU, and the Syrian Kurdish YPG militia, which Turkey regards as a terror group, within Turkey's Operation Peace Spring in Ras Al Ayn, Syria on October 17, 2019. Turkish Armed Forces | Anadolu Agency | Getty Images

After the Islamic State won control over much of Syria's east in 2014, where most wells are located, production plummeted. Analysts estimate that under ISIS rule the fields produced only around 30,000 to 40,000 bpd. Much of that was consumed locally. What was sold on the black market — making its way to the Syrian government, Turkey and Iraqi Kurdistan — amounted to around \$2 million to \$3 million per day. It would have been a paltry amount for a modern nation but was a windfall for the terror group.

A key revenue stream

When the Kurdish-led Syrian Democratic Forces (SDF) captured the oil-rich eastern province in 2017, they also took over the revenue stream. According to experts, it's the SDF's primary source of funding, supporting its soldiers, public services and a vast bureaucratic network for the autonomous region in northeastern Syria. No one knows exactly how much revenue this amounts to but it's likely on par with the several million dollars per day that ISIS collected.

“Even though Syria’s oil reserves are pretty minuscule for international standards, they’re actually quite important given the economic situation in the country,” said Karam Shaar, a Syrian economic analyst who recently wrote on the topic for the Carnegie Middle East Center.

The areas under Assad’s control consume around 60,000 bpd with an estimated 95% of this imported from Iran, said Shaar. But under President Donald Trump, pressure to cut off Iran’s oil exports has increased. And Syria’s economy remains in free fall. The budget for the regime is less than a third of its pre-war level. Meanwhile, an economic crisis in Lebanon, with banks imposing controls on withdrawals and foreign transfers to prevent a local currency collapse, has strained a financial lifeline used by many Syrians. The Syrian pound just hit its lowest value since the start of the war. Currently, it sits at around 765 to the dollar compared to 47 in 2011.

Shaar, who is from Aleppo, said that most Syrians would like the oil revenue to help rebuild the country. But he doesn’t think oil will play a major role, at least in the short-term, as it would take years to raise capacity again.

Eugenio Dacrema, a Middle East research fellow at the Institute for International Political Studies in Italy, is also skeptical that large-scale reconstruction using oil funds is in Syria’s near future. First, oil infrastructure was heavily damaged during fighting and production levels have plummeted. Furthermore, the country lost virtually all industrial capability outside of Damascus during the war. And the regime lacks a large-scale plan needed to redevelop an array of once-interconnected economic centers including factories and supply lines, he said. Large foreign investors in the West or the Gulf haven’t opened their pocketbooks.

“Oil or no oil, the Syrian regime will never be able to produce the resources internally [for rebuilding],” said Dacrema. But they can use the revenue, as the SDF does currently and ISIS before them, to support a subsistence state apparatus. The regime must also make sure to repay those that fought on its side to avoid future conflict.”

Last year, Damascus gave Russia exclusive rights to extract oil and gas. But only a small number of wells are under Assad's control. In 2018, an ill-fated offensive by Syrian forces and Russian private contractors against an SDF and American base in Deir al-Zour's oil region led to hundreds of deaths for the attackers. It showed that American forces were serious about protecting the area.

"It's not a stable situation because the regime does need the money," said Michael O'Hanlon, a senior fellow in Foreign Policy at the Brookings Institution.

Although American forces recently retreated from the border of northern Syria, allowing for a Turkish-backed invasion, they doubled down on their presence in the oil fields. Hundreds of troops accompanied by armored vehicles are parked in the desert protecting workers and the SDF. But in a year or two, it's unclear where U.S. troops will be.

"[The regime has] the potential in effect to hold the Kurds hostage, one way or another, by either directly threatening some of the Kurdish population or cutting off the Kurdish zone's economic lifeline," O'Hanlon said.

"The overall leverage [the U.S.] retains against Assad is in the economic realm," he added. One scenario might be a grand bargain between the SDF and regime for some degree of autonomy in northern Syria in exchange for oil revenue sharing. In that way, Syria's oil could end up supporting both sides.

Meanwhile, President Trump has said he wants the U.S. to profit from Syria's oil. "We're keeping the oil," said Trump last month. But Shaar doesn't take the president's comments seriously. By his calculation, it would take a production level of 580,000 bpd — higher than pre-war levels — for the U.S. to break even on what they are spending on the Syrian mission.

Although his compatriots might not be quick to disregard Trump's comments. "Most Syrians don't appreciate these comments are meaningless. In fact, they are really saddened and frightened by them," said Shaar. For them, said Shaar, oil is an emotional issue tied to wars

around the region.

After months of unemployment, Hassan, the oil engineer from Qamishli, finally found work again in the oil industry. He now lives in Turkey with his family. He said the pay is bad and the country expensive. But he hopes foreign companies will return one day to the oil fields of Syria, to dig wells or explore. And then, maybe, he could return to his country too.

Source:

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