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## Even after oil sale, Libyan rebels face challenges

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TRIPOLI, Libya - Libya's opposition could net more than \$100 million from the oil shipment that left the eastern port of Tobruk this week, but it is far from being in the clear. Production is at a standstill following attacks on oil fields, and the complexity of the deal reflects the wariness of traders in dealing with the rebels.

There's a lack of transparency surrounding the deal, which may or may not have been brokered with help from Qatar. Analysts say even in an industry famed for murky deals, it's unusual.

"There is so much cloak and daggers surrounding this shipment, it's unbelievable," said Michelle Wiese Bockmann, markets editor for the shipping publication Lloyd's List in London.

The shipment of up to 1 million barrels that left Tobruk on Wednesday aboard the Greek-owned, Liberian-flagged tanker Equator is a milestone for the rebels — marking their foray into the world of global oil sales. Oil that rebels had sold a few weeks ago was shipped out under contracts that existed before Libya's uprising began Feb. 15.

The vessel, which has a capacity of about 1 million barrels of crude, was believed to be heading, at least initially, to Singapore, though China may be the final destination, according to a Persian Gulf-based oil executive.

The deal was done with a "European trader," the executive said, speaking on condition of anonymity because his company did not authorize him to talk to the media.

With the London-based Brent futures contract at about \$122 per barrel, the rebels may have brought in as much as \$120 million from the latest sale, assuming the cargo was of roughly the same quality as light sweet Brent and not "distressed" — meaning that it was sold at a sharp discount just to move the barrels.

When the opposition will be able to ramp up production, however, has recently become less clear. Production is frozen following attacks on two key oil fields in rebel-controlled eastern Libya: the 12 billion-barrel Sarir field, the country's largest, and the 3 million barrel Messla field.

The rebels blamed Gadhafi's forces for the attacks. NATO scoffed at the Libyan government's claim that the real culprits were the alliance airstrikes authorized by a U.N. resolution demanding that Gadhafi stop attacking civilians.

The violence that has ravaged Libya for almost two months has battered output from Libya, which is 17th among the world's oil producers and sits atop Africa's largest reserves of oil. Production levels, which averaged about 1.6 million barrels per day before the crisis, plummeted even before the latest oil-field attacks. The rebels produced only about 120,000 barrels a day from three key fields in the east, and output collapsed in the government-held west as sanctions target Libyan state oil activities.

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By the rebels' own admission, the 100,000 barrels per day they were producing from Sarir and Messla are temporarily unattainable because of the attacks. The extent of the damage is yet to be fully revealed.

But Greg Priddy, an oil expert with the Eurasia Group in Washington, believes that the only crude the rebels will be able to consistently produce for export in the short term will be about 50,000 barrels per day from Sarir.

The field is wholly owned by the Arabian Gulf Oil Co., which split from the state-run National Oil Co. Since the company is entirely Libyan-owned, there is no chance a foreign oil company will seek a share of the proceeds.

Production issues aside, traders remain uneasy about rebel oil, in part because of the risks, such as potential problems in getting tankers to a Libyan port, finding oil to load and getting clear of Libya's shores without incident.

Then there's the lack of clarity about the forces behind the latest deal.

The rebels' interim council announced last week that it had reached an agreement in which Qatar would market their oil, but the tiny Persian Gulf nation has not discussed the specific details of the deal or confirmed any involvement in the latest shipment. Qatar Petroleum, which is responsible for handling the country's oil sales, again declined to comment Thursday.

"It's a very strange deal. And that's why you don't see European publicly traded companies wanting to buy the cargo," Priddy said.

While Qatar, an OPEC member, is said to be marketing the oil for the rebels, some analysts and oil industry insiders have said that such a role might extend to Qatar actually buying and then reselling the crude.

The reason for such a step would be to encourage secondary buyers, since Qatar would have already absorbed the initial risks related to the sale. It would also include the insurance premiums associated with the deal.

"If the Qataris, with (their) deep pockets, are willing to absorb some of that risk, then they can facilitate the sale," said Priddy.

"Only the government of Qatar can take that risk as the trade has no legal framework," says Roger Tamraz, an Egyptian-American businessman with 40 years of experience buying and selling Middle East oil.

The purchase of oil from Libyan rebel groups would be based on political, rather than commercial considerations, he said. "But a commercial buyer could then buy from Qatar as long as Qatar gives them a hold harmless guarantee," he added, referring to a legal clause absolving the buyer from any liability arising from the purchase.

Qatar may also be helping the rebels set up an escrow account, which they can tap to buy food and supplies. Their purchases do not appear to be restricted since Western governments have indicated that the sanctions imposed on Tripoli don't apply to the opposition.

There are other mysteries surrounding the shipment. The cargo's shipping rate hasn't been disclosed, and at least two separate "fixtures" — which provide details of the shipment — have been circulated, Wiese Bockmann said. One incorrect fixture indicated the tanker involved, which left Tobruk on Wednesday, wouldn't be sailing until April 21.

"There are extreme commercial sensitivities attached to this shipment," she said. "The tanker owner won't confirm the shipment." She said neither had Vitol SA, the Geneva-based trader said to have chartered the tanker.

Olivier Jakob, managing director of the Switzerland-based consultancy Petromatrix, said concerns may ease once the shipments become routine.

"Once there is sufficient oil coming out, you can easily design a framework which would make it easy for the industry to start trading with the rebels," he said.

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