**Subject: Libya -- Flash – Meeting with the Chairman of the Libyan National Oil Corporation (NOC), Mustafa Sanallah (MS), Tripoli, 21/03/22**

**FACTS**

The meeting took place in the aftermath of the Economic Working Group under the Berlin Process, held on 17 March. During the exchanges, the following was in particular stressed:

* The oil sector produces most of Libya’s revenue and deserves due attention and care;
* NOC is currently confronted with contradictory requirements. On the one hand, the House of Representatives (HoR) demands to stop the financing of the GNU initiatives through oil revenues. On the other GNU’s PM Dbeibah and the Central Bank of Libya (CBL) insist in receiving funding from oil to implement policies;
* It is not appropriate to ask for “oil money” if the executive is not ready to provide the necessary resources to ensure proper operation of NOC (in a clear reference by MS to PM Dbeibah/GNU and the persisting lack of budget for the Oil Corporation);
* It is essential to identify the key issues which would require the support of oil revenues - such as payment of salaries, social security-related costs and similar. Plans to respond to the necessary investments (within the framework of NOC and beyond) are equally necessary;
* It is generally agreed that a fair, balanced , functioning and well monitored system has to be established to channel oil revenue and ensure proper re-distribution. This could include an automatic transfer to cover the essential funding needs – needs which could be determined by all key stakeholders*.*Extra funds and surpluses resulting from the evolution of the oil market could be put aside and devoted as necessary to investments (including within NOC) contributing to the growth and prosperity of Libya as a whole;
* NOC has been providing revenues and paying the corresponding taxes (billions of USD), in agreement with the agreed financial structures and with the involvement of the key actors (Libyan Foreign Bank, Central Bank of Libya). But needs to have an appropriate budget to respond to its obligations as a central public corporation - towards business partners and staff - as well as to be able to ensure maintenance and the necessary investments;
* Libya has to take advantage of the increase of oil prices and use the oil revenues adequately. It is important that current expectations to increase oil production be met (Sanallah insisted that with adequate maintenance and investments and the necessary political will, increasing oil and gas production in Libya is feasible);
* The Libyan National Army (LNA) of Haftar is an important actor, not to be neglected. It has the capacity to control a very important share of Libya’s oil production and exports, notably in the east and south of the country. If the system designed for oil-related financial flows and re-distribution is not satisfactory, LNA could block productions/exports – with the serious consequences for the country that this would imply.

HoD Sabadell and NOC CoE Sanallah concluded that, under present circumstances and in line with some suggestions advanced by the IC, it is key that an operational system for the re-distribution of oil revenue be established quickly, with the participation and under the supervision of all relevant stakeholders and where, amongst other, the essential expenses be jointly identified. Methods to respond to these critical expenses and to manage extra oil revenues (for example, to deal with the investments necessary to boost oil and gas production) would also be determined.

**ASSESSMENT**

* Constructive meeting, with plenty of shared views which now would need to be operationalised.
* In the current political turmoil in Libya, a frank dialogue to narrow diverging views in the economic sphere could positively contribute to constructive approaches in the political area and, thus, to overall stability.
* Placed in a difficult position between the GNU and the HoR demands, NOC continues its efforts to ensure business continuity and performance, and to find balanced solutions. Support to its independence and apolitical character needs to be ensured.

*Signed-off: José Antonio SABADELL, HoD*