



THE SYRIAN REGIME'S OIL AND GAS CRISIS

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INTRODUCTION

S yria is not a country that possesses huge oil and gas reserves. Oil reserves¹ amount to about 52 billion barrels, which are distributed in northeastern Syria, specifically in the Deir Ezzor Governorate, which consists of the Al-Omar, Al-Tanak, AL-Taym, Al-Ward, and the fields in Al Hasakah

governorate, which include 6 oil fields, including Al-Suwaidi, the highest in terms of production of oil, in addition to Rmelan, Al-Jebsa, Al-Hol, Al-Shaddadi, and al-Yousfie. Before 2011, Syria's oil production amounted² to about 400,000 barrels per day, of which around 140,000 barrels per day were exported, mostly to European countries.

¹ "International Energy Data and Analysis: Syria", *U.S. Energy Information Administration, Oil & Gas Journal*, June 24, 2015.

² "Statistical Review of World Energy", *BP*, 2019.

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Instead, gas reserves³ range between 9 and 8.5 trillion cubic meters, and most of the fields are distributed in eastern Homs and northern Damascus. Before 2011, its production amounted to around 280,000 cubic meters of gas, most of which was locally consumed in order to generate electricity and for domestic consumption.

After the start of the crisis in 2011, oil production decreased⁴ to around 25,000 barrels per day, and Syria turned from a self-sufficient country to one that relied on Iranian imports and smuggling. This exponential decrease in oil production led to a severe crisis in regime-controlled areas, which was accompanied by a rise in fuel prices, with long queues of cars formed in front of gas stations becoming a poster image of post-2011, and it contributed as well to an unprecedented rise in food prices.

REASONS OF THE CRISIS: CONFLICT, SANCTIONS, AND BAD MANAGEMENT

The main cause behind this crisis can be found in the regime's

loss of control over the main oil fields located in northeastern Syria. Indeed, regime forces withdrew from most of the oil fields in the governorates of Hasakah and Deir Ezzor between mid-2011 and early 2012. While opposition forces and the Al-Nusra Front took control of most of the oil fields, the regime managed to keep only a minority of oil fields located east of Deir Ezzor. The loss of control of these areas, and its oil revenues and reserves, in favor of the opposition, was later followed by the emergence of ISIS, which, together with increasing territorial control, acquired control over all oil fields located in the Deir Ezzor Governorate. At the same time, the YPG, the Syrian wing of the Kurdistan Workers Party PKK, took control of the fields of Hasakah Governorate.

After the start of military operations by the US-led Global Coalition against ISIS in 2014, ISIS's gradual loss of territory was accompanied by its loss of oil reserves and revenues, which continued inexorably until the YPG's umbrella organization Syrian Democratic Forces (SDF) took control⁵ of the last field,

³ "International Energy Data and Analysis: Syria", 2015.

⁴ "Syria Crude Oil: Production", *Organization of The Petroleum Exporting Countries (OPEC)*, 1960 – 2019.

⁵ "US-backed SDF Captures Syria's Largest Oil Field From 'Islamic State'", *DW News*, October 23, 2017.



A photo taken from Mardin province of Turkey shows U.S. troops on November 01, 2019 resumed military patrols around oil reservoirs in northeastern Syria.

the Al-Omar in the Deir Ezzor governorate, in October 2017.

In this period, despite being militarily involved against opposition forces, the Assad regime totally relied on local intermediaries to purchase oil to be able to meet the daily needs of the population still under its control. This led the Syrian regime to get into agreements with the various forces controlling the oil fields, including ISIS. Indeed, at the beginning of ISIS's control over the oil fields, the Syrian businessman George Haswani⁶ was responsible for negotiating agreements with ISIS commanders to transport oil into regime-

controlled areas – an endeavor which cost him his inclusion in the sanctions list enacted by the European Union⁷ and the US.⁸

The regime later replaced Haswani with another businessman, Hussam al-Qaterji, who established a private company to transport oil by trucks from eastern Syria to the Baniyas and Homs refineries. The agreement⁹ concluded by al-Qaterji with ISIS remained in place even after the change of authority in NorthEast Syria and continued¹⁰ also after SDF took control of the oil fields. The agreement consists of the SDF selling oil to the regime, and the regime refining and re-selling

⁶ Solomon J. and Faucon B., "An Energy Mogul Becomes Entangled with Islamic State", *The Wall Street Journal*, May 8, 2016.

⁷ Lester M., and O'Kane M., "Syrian Sanctions on George Haswani Annulled", *European Sanctions*, March 22, 2017.

⁸ "Treasury Sanctions Networks Providing Support to the Government of Syria, Including for Facilitating Syrian Government Oil Purchases from ISIL", *U.S. Department of the Treasury*, November 25, 2015.

⁹ Georgy M. and Dahan M., "How a Businessman Struck a Deal with Islamic State to Help Assad Feed Syrians", *Reuters*, October 11, 2017.

¹⁰ "One of Assad's Most Prominent Businessmen Finds Militia in East Deir ez-Zor", *The Syrian Observer*, July 19, 2019.



Vehicles queue in a long line for oil and propane tanks following oil shortages in Assad regime controlled areas including Aleppo, Latakia, Damascus and Hama own center of Hama, Syria.

oil derivatives to the SDF-controlled "Energy Authority of the Self-Administration" ruling north-east Syria. However, several factors have recently contributed to reducing or stopping the transfer of oil from the SDF areas with one of them being the renewed attacks conducted by ISIS against oil tanks which increased significantly in 2020, and at the beginning of 2021. These attacks led to the destruction of dozens of tanks, and, despite the Qaterji militia's investment in increasing its effort to protect its armed convoys accompanying the tanks, this did not succeed at definitely preventing the attacks to occur.

A second reason may be related to the external pressure put by the US on the SDF as claimed by pro-regime and opposition sources.

According to the sources, the US has allegedly ordered the SDF to stop supplying oil to areas under the control of the Syrian regime at the end of December 2020. According to the Syria TV opposition website¹¹, quoting one of the engineers of the Rmelan oil field, the oil fields in Hasakah and Deir Al-Zour governorates have significantly reduced production. The source added that the transfer of oil continues to be carried, albeit in a much more limited way, by tanks owned by the Al-Qaterji Company, as well as through pipelines on both sides of the Euphrates River with several restrictions. Within this context, the amount of oil available now to the Syrian regime is not sufficient to fulfil local needs, as confirmed¹² by the Prime Minister Arnous of Oil which estimated that in

¹¹ "Washington Asks the Autonomous Administration to Stop Exporting Oil to The Assad Regime", *Syria TV*, December 2, 2020.

¹² Zyoud B., "During His Presence at The Third Session of the General Federation Council of Trade Unions, Engineer Arnous: The Government Has Spared No Effort to Improve the Services and Living Conditions" *Al-Thawra Online*, April 12, 2021.

2021 the daily oil needs amounted to 200,000 barrels, while the daily production was equivalent to only 20,000 barrels.

This large gap aggravated the crisis and pushed the Assad regime to find a solution by utilizing its credited line with Iran, which was established¹³ in May 2013 with a value of 3.6 billion dollars and consisted in the shipment of 2-3 million tons of oil per month from Iran to Syria. However, also the arrival of shipments to Syria has started to face more challenges and become increasingly expensive for the Syrian regime's pocket affected by 10 years of war. These challenges coincided with the start of Trump's Presidency and his decision to impose sanctions on Iran which aimed at preventing it from exporting oil. In November 2018, the US Treasury Department's Office of Foreign Assets Control issued a warning to shipping companies against transferring Iranian oil shipments to Syria, and in March 2019, the office

published a list of companies that violated the warning. In April 2019, the then-Syrian Prime Minister Imad Khamis said¹⁴ that Egypt had not allowed oil tankers heading to Syria to cross the Suez Canal for 6 months, which, at that time, was the main factor that caused this suffocating crisis. However, the accusation by Imad Khamis was immediately denied¹⁵ by the Egyptian government, through an official statement from the Information Office of the Egyptian Cabinet, which said that the navigation movement is proceeding under international agreements and treaties. Following the Suez Canal blockage in late March, Syrian PM Arnous said¹⁶ the government will adopt a rationing plan because the blockage is delaying the delivery of oil tankers from Iran which arrived¹⁷ in early April to Baniyas port.

The incident of the Suez Canal ended up being only one of a long series. In July 2019, the Gibraltar authorities seized¹⁸ an

A third factor that caused the recent crisis is given by the regime's inability to rehabilitate old oil refineries, in addition to the frequent military attacks against them. As of now, the Syrian regime holds control of the two oil refineries, one in Baniyas and one in Homs, with a combined production capacity ranging between 200,000 barrels and 230,000 barrels per day.

¹³ Al-Khalidi S., "Iran Grants Syria \$3.6 Billion Credit to Buy Oil Products", *Reuters*, July 31, 2013.

¹⁴ "Khamis: Egypt Stopped the Passage of Oil Shipments to Syria Through the Suez Canal 6 Months Ago", *Sputnik Arabic*, April 9, 2019.

¹⁵ "The Government: It Is Untrue to Prevent the Suez Canal Authority from Crossing Ships Destined for Syria", *Akhbaryom*, April 10, 2019.

¹⁶ Santora M., "Syria Says It Will Ration Fuel as the Economic Toll of the Blockage Grows", *The New York Times*, March 28, 2021.

¹⁷ "Million Barrels of Iranian Oil Headed to Syria", *Jerusalem Post Staff*, April 5, 2021.

¹⁸ Sabbagh D. and Wintour P., "Iran Fury as Royal Marines Seize Tanker Suspected of Carrying Oil to Syria", *The Guardian*, July 5, 2019.

The regime was forced to take several strict measures to solve this crisis based on 3 steps: one, reducing consumption, two, lifting subsidies, and three, attempting to find solutions through imports.

oil tanker that was transporting an Iranian shipment of oil to Syria. The authorities, who acted in cooperation with the British Royal Navy, stated that they stopped the "Grace 1" tanker, which was carrying 2 million barrels of oil and flying the Panama flag because it violated the European sanctions in regards to the ban on the shipment of oil to the Syrian port of Banias. The tanker was released¹⁹ one month after, only after it pledged to not deliver the oil to Syria. However, later, the name of the ship was changed to "Adrian Darya 1" and eventually completed²⁰ its oil shipments to Syria. Iran adopted several methods to circumvent the ban on oil shipment to Syria: for example, according to maritime tracking websites²¹, Iran was also frequent to announce a different destination than Syria; to switch off tracking devices before the Syrian coasts to prevent its tracking and likely impossibility to continue its trip. However, despite the ingenious efforts put in place, all these attempts eventually contributed

to delaying the arrival of supplies and to increasing shipping costs. Most recently, in March 2021, an exclusive report²² by The Wall Street Journal reported that Israel had targeted Iranian oil tankers bound for Syria more than 10 times since late 2019. The report, which was based on exclusive statements by the US and regional officials, reported that Israel had prevented ships from continuing their trip to Syria with military force.

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¹⁹ Zorlu F., "Seized Iran Oil Tanker Set to Leave Gibraltar", *Anadolu Agency*, August 19, 2019.

²⁰ "U.S. Says It has Evidence Adrian Darya 1 Oil Transferred to Syria", *Reuters*, September 13, 2019.

²¹ Gambrell J., "Iran Oil Tanker Pursued by US Turns off Tracker Near Syria", *AP News*, September 3, 2019.

²² Lubold G., Faucon B., and Schwartz F., "Israeli Strikes Target Iranian Oil Bound for Syria", *The Wall Street Journal*, March 11, 2021.

²³ "Oil and Energy", *Alqtisadi*, September 13, 2020.

und itself incapable of providing adequate maintenance due to sanctions and the high maintenance costs to the point that the last recorded maintenance process occurred as late as 2013, despite being necessary at an annual rate, according²³ to the director of Baniyas refinery. To solve the situation, in 2020, the Syrian regime granted contracts to Syrian businessmen to take care of the refineries: the Ebla Company owned²⁴ by businessman Nizar Al-Asaad, was granted a contract to supply equipment and spare parts to the Homs refinery, while a similar contract, worth 4.5 million dollars, was signed with the B.S Oil Services Company owned²⁵ by Hussam Al-Qaterji to import spare parts. According²⁶ to the oil minister, the maintenance of the Baniyas refinery in September 2020 contributed to the increase in the fuel crisis, especially gasoline. Additionally, the refineries were also subjected to several attacks in recent years by unknown actors, which were attributed to "terrorist groups" by the Syrian regime. However, the attacks did not end up causing major damage. In June 2019 and January 2020, the Baniyas' marine oil pipelines were subjected²⁷ to two separate attacks which suspended its operations for two weeks. In January 2019, three attacks targeted²⁸ Homs Refinery, Al Rayyan Gas Station, and Central Region Gas Plant while in February 2020 the Ministry of Defense announced²⁹ that it had shot down five drones allegedly

targeting the Homs Refinery.

Other minor factors seem to also have had a role in the emergence of the crisis, such as the increase in domestic demand. This increase, which began before 2011, was due to the increase in population, the decrease in car prices, and smuggling. The situation seemed to have been solved as the Syrian regime gradually started to lose control of the Syrian territory and, together with the territory, of the population's demand for oil derivatives. However, the increasing military recapture of areas previously controlled by the opposition was not accompanied by a proper solution to the crisis, which led to local consumption to increase. The weather conditions in the winter season also contributed to an increase in the demand for diesel and gas for heating, while the demand for diesel also increased due to the population resorting to private electrical generators to solve the problem of power outages in major cities such as Alepp and Latakia.

THE REGIME'S ATTEMPTS TO SOLVE THE CRISIS

The fuel crisis began to worsen in 2019, with videos of car queues at the entrances to gas stations spread to the media and social media. The regime had to go for hard-line measures to solve this crisis founded on 3 steps, which

²⁴ "Baniyas Refinery Director: The Contract with a Private Company to Complete Part of the Umrah Was for External Supplies", *Thawra*, November 2, 2020.

²⁵ "Katerji" Pledges to Maintain the Homs Refinery at A Value Of 23 Million Dollars", *Alsouria*, June 11, 2020.

²⁶ "Syrian Oil Minister: The Gasoline Crisis was Caused by The American Blockade, The Baniyas Refinery Was Halted, And the Crisis Ceased to Exist", *Arab World News*, September 16, 2020.

²⁷ Zwijnenburg W., "Iranian Oil Spills on Syria's Shores: A Brief OSINT Overview of an Environmental Incident", *Bellingcat*, July 31, 2019.

²⁸ "Syrian Oil Minister: Control of a Fire Caused by the Terrorist Attack on the Homs Refinery" *Sputnik Arabic*, December 21, 2019.

²⁹ "SANA: The Syrian Army Managed to Disable and Land 5 Drones That Were Trying to Target The Homs Refinery", *Arab World News*, February 16, 2020.

are; reducing consumption, lifting up subsidies and attempting to find probable solutions by imports. In early 2019, the regime government began³⁰ working on the smart card system for the mechanisms that operate on petrol in Syria in the cities of Tartus and Latakia, whose reach and use was gradually extended to the rest of the Syrian governorates at the beginning of 2019. According to the decision emanated by the Syrian regime in this regard, each private car is allowed 450 liters of fuel per month, taxis 600 liters, and public transport 20 liters of diesel per day. In May 2020, the government announced³¹ the lifting of subsidies for cars with a 2000 CC engine and in return did not increase the monthly allocations for public cars. This decision came after a series of decisions to raise fuel prices in recent years, the last of which was in mid-March 2021 when the government cancelled the subsidized price of gasoline and raised the price to 750 SYP for octane 90 and 2000 SYP for octane 95 in addition to raising the price of cooking gas cylinder to 3850 SYP. Likewise, diesel allocations for heating via the smart card decreased. Residents of Damascus countryside, Daraa, and Homs countryside regions complained³² that they did not receive their diesel dues without the government taking any action to solve this failure in a manner that can be understood as a form of collective punishment in favour

of more loyalist areas.

The government took an unprecedented step in February 2017 by allowing³³ the private sector to import fuel and diesel materials by land and sea. This decision allowed companies to import fuel from Lebanon, which is the only country with which the regime manages a border crossing for industrial trade and consumption. This step, which was justified as supporting production, allowed at the same time to sell oil on the black market at high prices because the quantities allocated to cars, public transportation, and heating were not sufficient. The regime's militias associated with businessmen took advantage of this opportunity and were able to achieve dramatic profits. Among others, for example, the Fourth Division partnered with Hezbollah to smuggle³⁴ diesel fuel from Lebanon to Syria through illegal crossings. Despite the escalation of the economic crisis in Lebanon in late 2019 and the Lebanese army's continuous attempts to close these crossings, smuggling has not stopped.

On the other hand, the regime's attempts to award oil exploration contracts to Russian companies or to amplify the possibility of discovery and having access to huge oil fields in the Mediterranean did not solve this crisis. Since 2011, the regime has not anno-

³⁰ Moubayed S., "Syria Rations Gasoline for First Time in History", *Asia Times*, February 22, 2019.

³¹ "Fuel Tends to Solve the Problem of Subsidized Gasoline Cards... These are the Required Papers", *Syrian Snack*, May 13, 2020.

³² "Smart Cards Force People of Daraa to Buy Fuel for High Prices", *Enab Baladi*, January 14, 2019.

³³ "Allowing the Syrian Industrialists to Import Diesel by Land from Lebanon ... Will Prices Improve?", *Enab Baladi*, February 14, 2017.

³⁴ Donati J., "Lebanon Diesel Import Leap Points to Syria Smuggling", *Reuters*, June 18, 2012.

³⁵ "Syria Hands Oil Exploration Contracts to Two Russian Firms", *Reuters*, December 17, 2019.

unced the discovery of any oil field in its areas of control. Despite the signing of a suspicious³⁵ agreement with Russian companies, the latest ³⁶contract was in March 2021, to explore for oil, no company has announced the start of geological surveys or drilling of wells. As of now, the regime government's announcement of the discovery³⁷ of several gas fields in the eastern Qalamoun region, north of Damascus, in 2018 and 2019, remains the most important and only discovery of new revenues for oil.

CONCLUSION

The fuel crisis is like a totem of the continuous failure of regime which indicates the incapability and impossibility of the regime to manage and lead a sustainable reconstruction process. The regime's government chose to take steps that greatly affected the lives of citizens instead of combating corruption, as these steps led to an increase in the prices of foodstuffs, transportation, and means of heating, thereby forcing many families to use unhealthy heating methods at risk of their life. This crisis provided a golden opportunity for the black market and the regime's militias

that stand behind it to make high profits from smuggling and selling oil derivatives. The regime forces and affiliated militias stole their allocations of diesel and gasoline and sold them on the black market, with the Fourth Division and its monopoly on smuggling diesel from Lebanon, an example of this system, Al-Qaterji sits at the head of the pyramid of the oil sales and transportation network, through its previous deals with ISIS and the current ones with the SDF.

This crisis reflected the state and weakness of the Assad regime, as the regime that always speaks through the media and official speeches about "completely liberating Syria" is still begging for oil from Iran. The US policy of putting pressure on the regime through oil and sanctions has greatly affected the regime's ability to run the country. The SDF has also benefited because of their control over the oil fields, and the opposition areas in northern Syria were able to get rid of the regime and SDF control over the oil trade and its derivatives gradually, by increasing dependence on imports from Turkey.

³⁶ Al-Saied M., Eid A., and EL-Gheit M., "Exclusive: How Russia Swooped Syria's Hydrocarbon Share in the Eastern Mediterranean", *The New Arab*, March 28, 2021.

³⁷ "Syria Opens a Major Gas Production Project North of Damascus ... and Reconstruction Has Begun", *Sputnik Arabic*, May 3, 2018.

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