



المجلس الوطني للتطوير الاقتصادي و الاجتماعي
National Economic & Social Development Board
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Executive Summary

The Strategy of Developing The Oil and Gas Sector 2023 AD



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Preface:

The Board of trustees of the National Economic and Social Development Board in its first normal meeting of the year 2022 adopted the Board's plan for the year 2022, and issued its creed (01) for the year 2022 concerning the adopting a work plan for the board. Provided assigning a priority for a number of projects, among which is the project of national strategy for developing the Oil and Gas sector.

The general manager issued creed (07) for the year 2022 AD to form a work team for the execution of the project of formulating the national strategy for developing the Oil and Gas sector. The team included a number of experts and specialists in the Oil and Gas sector and some other sectors.

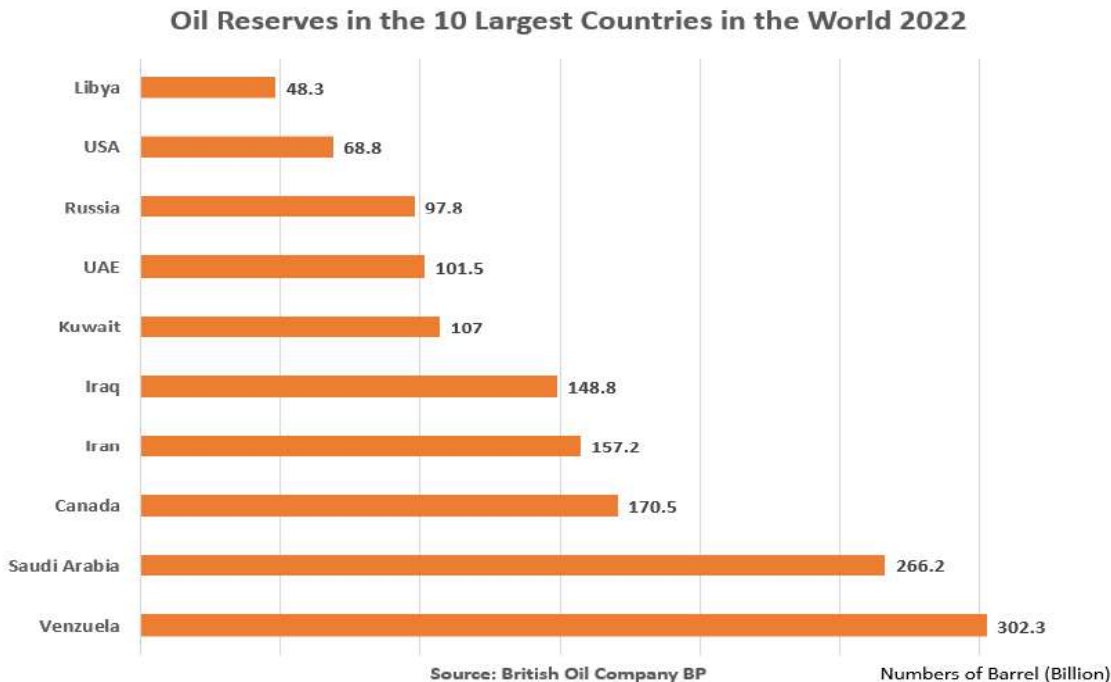
The team commenced its work immediately by dividing the team into a group of strategies and assigning work to team members, so as every member or group of members performs preparing part of the strategic plan.

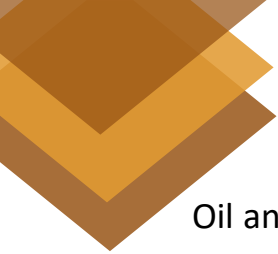
- The team held meetings in the location of the Economic and Social Development Board.
- One Round table was held with the ministry of Oil and Gas to exchange ideas with them regarding their vision of the strategy.
- A meeting was held with the Rapporteur of the Supreme Council of Oil and Gas to review the objectives of the strategy and ways to market them to the Supreme Council of Energy.
- A meeting was held with specialists in the Audit Bureau, and a summary presentation was made to them about the team's work on the financial and accounting side, in order to benefit from their experiences and observations.

- The National Oil Corporation was contacted to cooperate with them accordingly, and to benefit from the database available to them, but actual coordination with them was not carried out for various reasons.

Introduction:

The discovery of oil in Libya dates back to the end of the fifties of the last century, and it entered the stage of commercial production at the beginning of the sixties to change the face of the economy of the newly formed Libyan state at that time. Libya occupies the ninth place in the world, fifth in the Arab world, and first in the African continent in the list of proven oil reserves, which amount to approximately 48 billion barrels, with a production rate currently reaching 1.2 million barrels per day. Reports indicate that the cumulative oil production ratio reached about 65% of the reserve stock. As for proven natural gas reserves, they amount to about 53 trillion cubic feet (2017 AD).





Oil and gas represent the main pillar of the local economy, as they constitute 97% of the Libyan state's revenues, which means that there are no other resources for the Libyan state other than oil and gas, with successive governments failing miserably to

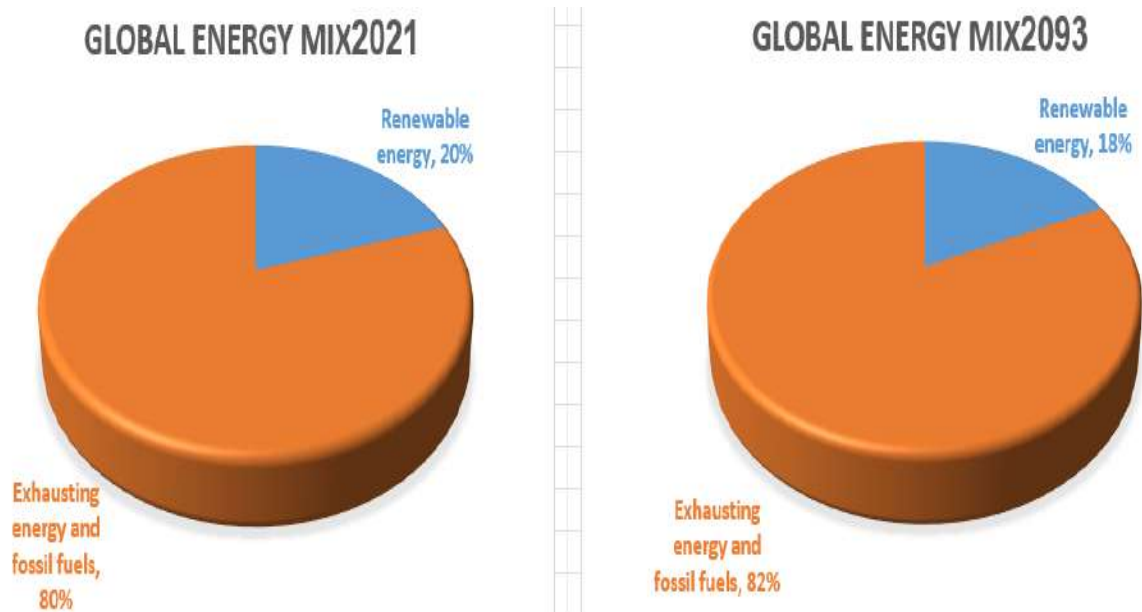
diversify sources of income. That has plunged the Libyan state into the clutches of a rentier economy, which seemed clear with all its negative effects that have cast a shadow on the national economy and all Libyan state institutions, in terms of neglect of all other resources, marginalization of productive sectors, and the spread of a culture of laziness, dependency, and begging instead of a culture of rights and duties, in addition to poor distribution of income, distortion of economic indicators, reliance on the foundations of favoritism, personal and tribal loyalty, and the absence of Standards of competence and job merit.

In this environment, organizations emerge within the cocoon of government funding linked to non-economic criteria. This funding is available due to rentier resources that can be depleted. Therefore, these organizations grow in a weak and fragile structure, unable to truly compete or provide production or services at the level expected of them. They will most likely collapse as soon as the resources are depleted or funding stops.

In this environment, the oil sector operates under the influence of political, economic and social factors surrounding it, which have influenced it and given it more negatives than positives, as the sector suffers from the implementation of an ineffective government management system with an unstable structure and a weakness in the level of oversight and follow-up. It also suffers from a weak financing structure with low levels of application of governance and transparency standards, which has caused the emergence of an unmotivating work environment in which labor swells without need, competition is absent, individual and institutional performance weakens, and technical and administrative development is delayed.

Since the oil and gas sector in particular and the energy sector in general are going through profound and fundamental changes at the global level linked to climate changes and the emerging controls resulting from them, and affected by the rapid development of the alternative energies sector, which represents a direct competitor to energy produced from fossil fuels, therefore most oil


countries and international companies operating in the field of oil and gas have taken notice of this sharp turning point and defined their vision, developed their strategic plans, and sharpened their capabilities to confront this reality, prepare for it, change with it, and even benefit from it as much as possible.



Expected shifts in the global energy mix (Fcdrs)

Confronting the new reality with old tools that may have been able to work in previous stages will not be useful now, as the current reality actually places us between the anvil of depletion of oil resources and the hammer of climate change controls and environmental requirements, with the spur of the steady rise in domestic consumption of fuels, which will consume all of our oil production within a few decades, and make us miss the opportunity to build a diversified economy capable of protecting the country's national and economic security, meeting the needs of citizens, and preserving the rights of future generations to these resources. This reality forces us to urgently create change and formulate our new strategies in a way that ensures that we and future generations make optimal use of the available resources to create a better future.

Making change requires building a new model that includes introducing many fundamental changes, the first of which is for the energy sector to become a




unified sector in a building based on a balanced structure, flexible mechanisms, clear competencies, and competent leaders who lead change and create growth in the local alternative energy market, so that it shares the burden with the traditional energy sector after developing it to meet the requirements of the future. Then, appropriate measures are required to address bottlenecks related to human resources, including workers and leaders, in terms of reducing surplus, raising efficiency, improving work systems and environment, and relying on job merit. This is followed by a transition from the government management system to a commercial management system that is built on clear economic foundations and standards. In addition, the financial system for oil resources must be modernized so that it keeps pace with changes and represents an attractive element for investors. Many of the changes mentioned may require issuing or amending laws, regulations and legislation in order to become legal and enforceable.

Success in creating change by implementing the above-mentioned steps will automatically lead to success in the main goal, which is achieving optimal utilization of oil and gas resources through the development of performance in aspects related to technical work along the value chain of the oil industry at its various stages, including investment activity in terms of developing performance, reducing waste, reducing costs, and introducing modern technologies, as well as achieving success in the environmental aspect and meeting all its requirements.

However, it is necessary to clearly point out several points that must be paid attention to and taken into account during implementation, the first of which is the sequence in implementing the development plan in terms of starting with preparing the legal framework according to the requirements of the application, then institutional development. As well as developing human resources and leadership, then financial and accounting system, and finally technical, environmental and investment aspects, which include developing the participation of the private sector and developing its capabilities.

In addition, the experience of switching to a commercial instead of governmental management system is a step full of risks that must be taken into consideration, as the Libyan experience in the investment sector inside and outside Libya, for example, does not give good indicators of the efficiency of public money



management, due to the weak application of standards, governance and job competence, especially when selecting leaders, as well as the low level of oversight and follow-up, and the weakness of the laws regulating this work. These are points that must be taken into special consideration so as to design a system that does not allow the repetition of previous mistakes.

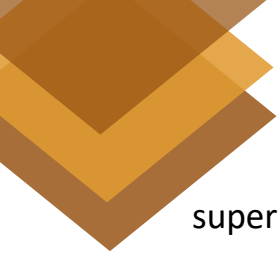
Finally, entering the stage of change is inevitable and not a choice, especially as we see that other nations have embarked on this path. If we do not go through it now, we may not have the opportunity to go through it in the future; due to the limited time we have, the rapid pace of change and the leakage of resources from our hands. This change must ,in the future, target all sectors of the state, especially those operating under commercial law. Given that the oil sector is considered one of the best local sectors in terms of organization, resources and capabilities, as well as in terms of its possession of competencies and experiences capable of creating success when given the opportunity and appropriate circumstances, starting with it is the best option for the Libyan state, and success therein will set an example and constitute a challenge for the rest of the sectors, especially commercial ones to go through the change experience, each in its own field, hoping that we will be able to extricate our country's economy from the impasse it has fallen into and has not yet been able to emerge from.

Executive summary:

The methodology followed by the work team when preparing this strategy is to divide the work into a group of specific sub-strategies that cover the sector's activity and outline plans and requirements for its development. Based on that, strategies were prepared according to the following distribution:

Administrative and institutional construction strategy:

This strategy shows the structural and functional imbalances that the energy sector suffers from and their consequences. It aims to keep pace with the profound transformations taking place in the global energy market, while benefiting from the diverse local energy resources available, and suggest appropriate steps for development, through establishing an integrated institutional structure that includes all energy sectors in a balanced structure in which powers and responsibilities are distributed within a group of strategic,




supervisory, and executive organizational levels. This model aims to bring about a qualitative shift in the level of performance of the organizational formations of the Libyan oil and gas sector in particular and the energy sector in general, and to achieve excellence in achieving national goals in the field of energy, while achieving integration between the various energy sectors. This strategy also explains the work mechanisms of this model and the tasks and competencies of its main components, with an explanation of the proposed steps in the short, medium and long terms, the success of which depends on providing the main success conditions that include independence, efficiency, assuming responsibility and working on a commercial basis. Effective governance is considered one of the most important challenges facing the implementation of this model, and the criteria for selecting business leaders are considered a crucial element in achieving the goals of this strategy.

Financial development strategy:

It shows the negative impact of the rentier economy system prevailing in the Libyan state on the performance of the sector and its impact on financial and accounting performance and human resources, and aims to get rid of its negative effects. The strategy is based on bringing about development in the financial and accounting aspect by introducing a set of standards and controls that achieve effectiveness and efficiency in the performance of the financial and accounting system. It includes monitoring and improving performance through the use of market value and economic profit criteria, achieving value for the staff and linking it to incentives, in addition to reforming the financing model for the sector and shifting to work on a commercial basis. It also includes developing the financial (contractual) system for managing oil resources.

On the other hand, the strategy focuses on developing human resources, which is considered the basic foundation for success in implementing all the proposed strategies, and focuses on improving working conditions and creating the individual's internal motivation. The development includes addressing labor surplus, developing the wage and incentive structure, and updating the performance efficiency evaluation system, in addition to establishing a system for preparing and developing leaders in the sector.



The strategy also indicates the importance of developing the operating model in accordance with developments in the energy market, as well as developing the investment strategy to meet future challenges facing the energy market, in addition to consolidating the principles of governance and achieving transparency.

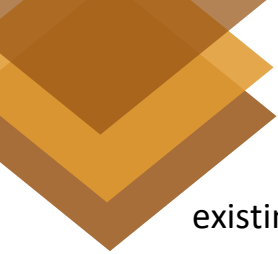
Technical development strategy:

This strategy highlights the risks of not keeping pace with the changes taking place in the operating model in the world and aims to develop the sector's performance on the technical side so that it can respond to changes and keep pace with development while achieving optimal management of oil and gas resources. The strategy is based on a set of elements that include the need to concentrate on the core activity that focuses on the basic value chain of the sector's activity with clarity of public policies, in addition to managing the reserve more efficiently, and achieving sustainability by balancing production with the reserve. This is achieved by achieving new discoveries and developing the sector's production capacity in a balanced manner. The strategy is also based on improving the management of oil reservoirs, monitoring the changes that occur in them, and improving the performance of oil operations in a way that increases efficiency, prevents waste, and reduces time, while benefiting from technological development in all stages of the oil and gas industry.

Expanding the private sector's participation, developing its performance and benefiting from it are among the main goals of the technical strategy, so as to develop a legislation that leads to achieving this goal, leaving the service aspect entirely to the private sector, in addition to participating in work supporting the main sector activities.

Investment strategy in the manufacturing sector:

The manufacturing sector, or what is called the subsequent stages of exploration and production, is considered a faltering sector that has not received appropriate attention from the Libyan state, despite its importance. The investment strategy begins by identifying the factors that reduced the opportunities for development of the sector, and then addressing the general foundations on which this strategy is based. The strategy emphasizes the importance of developing the currently



existing industries in the Buraiqa, Ras Lanuf and Al-Zawiya complexes by rehabilitating them, improving their performance, and then increasing their capabilities according to economic feasibility and the targeted technical and economic performance indicators, in addition to establishing a group of important industrial activities.

Legal framework:

The legal framework and legislative organization present the laws upon which the oil sector relies in conducting its business from the date of its establishment until now, the importance of its role in preserving this resource, and the importance of good and prior study before making any change to it, while emphasizing the necessity of updating them to provide the proposed procedures. Through this strategy, the appropriate legal form is achieved, especially with regard to institutional development and the introduction of the commercial instead of governmental system in the management of the sector, as well as the application of climate controls and environmental preservation, and the use of technology in the financial, administrative and technical aspects.