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Subject: UPDATE 4-ENI leads Libya oil race; Russia, China may lose out

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UPDATE 4-ENI leads Libya oil race; Russia, China may lose out

By Svetlana Kovalyova and Emma Farge

Aug 22 (Reuters) - Italian oil company Eni led the charge back into Libya on Monday as rebels hailing the end of Muammar Gaddafi's rule warned Russian and Chinese firms that they may lose out on lucrative oil contracts for failing to support the rebellion.

Gaddafi's fall will reopen the doors to Africa's largest oil reserves and give new players such as Qatar's national oil company and trading house Vitol the chance to compete with established European and U.S. oil majors.

"We don't have a problem with Western countries like the Italians, French and UK companies. But we may have some political issues with Russia, China and Brazil," Abdeljalil Mayouf, information manager at Libyan rebel oil firm AGOCO, told Reuters.

The comment signals a potential setback for those countries which opposed tough sanctions on Gaddafi or pressed for more talks and would leave European and U.S. companies to capture billions of dollars worth of oil exploration and construction contracts in the OPEC member nation.

Shares in Eni, top producer in pre-war Libya, gained as much as 7 percent, as its chairman Giuseppe Recchi said Libyan oil and gas flows could restart before winter. Brent oil futures LCOc1 fell just over a dollar a barrel on the anticipated resumption of Libyan exports.

Shares in Austria's OMV and France's Total also rose by 3-5 percent and U.S. oil and oil services firms with operations in Libya followed the trend.

Italy's Foreign Minister Franco Frattini said staff from Eni had arrived to look into a restart of oil facilities in the country's east.

"The facilities had been made by Italians, by (oilfield services group) Saipem, and therefore it is clear that Eni will play a No. 1 role in the future," Frattini told state television RAI.

Before the war, Libya produced about 2 percent of global oil output or 1.6 million barrels per day and has reserves to sustain that level of production for 80 years.

A Reuters poll forecast it would take up to a year to restore Libyan output to at least 1 million bpd and up to two years to get back to pre-war levels

"It will probably take weeks before we see exports again and it (Libya) also needs to feed the refineries. But nonetheless we need to add Libya back to OPEC spare capacity now," said analyst Olivier Jakob from Petromatrix.

Libya's former top oil official Shokri Ghanem, who defected from the government of Gaddafi in May, told Reuters some Libyan oil output would restart in a few months but it would take up to 18 months to return to pre-war levels.

AGOCO said that it was technically ready to start oil output in its two eastern fields, with capacity of 250,000 bpd.

"We have Libyan oil companies and can start anytime if security is approved. We can start without the foreign companies," said Mayouf.

He added that security forces hired from the former Libyan army were already present at the fields and the firm was waiting for their clearance to start production.

LOSERS AND WINNERS

About 75 Chinese companies operated in Libya before the war, involving about 36,000 staff and 50 projects, according to Chinese media.

Russian companies, including oil firms Gazprom Neft and Tatneft, also had projects worth billions of dollars in Libya. Brazilian firms such as Petrobras and construction company Odebrecht were also in business there.

"We have lost Libya completely," Aram Shegunts, director general of the Russia-Libya Business Council, told Reuters. "Our companies will lose everything there because NATO will prevent them from doing their business in Libya."

Apart from Italian officials, other European politicians and oil companies were more reserved in comments on Libya.

"At the moment we are not holding any bilateral talks with the (National) Transitional Council," OMV said.

Wintershall said restarting production could be done within several weeks: "This of course depends on the state of the export infrastructure as well as a stable security situation in the country," it said.

Analysts and industry observers have said Eni and Total could emerge as the big winners in post-war Libya due to their countries' heavy support for the rebels.

Big support from Qatar as well as oil trader Vitol, neither producers in Libya before the war, may also guarantee a chunk of reserves and influence goes to new players.

"Qatar will be a big player. Vitol might be an important one. Shell ([RDSa.L](#)) is also looking to boost its role," said a Western risk consultant with knowledge of negotiations. Shell and Vitol declined to comment.

Most global oil majors have taken a much more cautious approach to events in Libya. BP, which did not have production in Libya before the war, said it was planning to return to explore but gave no timeframe.

U.S. companies such as Marathon, ConocoPhillips, Hess, Occidental pulled out of Libya at the start of the year and have had little direct involvement in the events there since then.

"We have no intention of returning to Libya at the moment, as we don't know what's going on," ConocoPhillips spokesman John McLemore told Reuters. "We are not in contact with the rebels or the Gaddafi people."

"We are abiding by the (United Nations) sanctions and if or when they are lifted we will decide what to do."

(Additional reporting by Svetlana Kovalyova, [Sarah Young](#), Gus Trompiz, Mathilde Cru, Vladimir Soldatkin, [Vera Eckert](#), Emma Farge, Silvia Westall, [Ernest Scheyder](#), [Steve James](#), Writing by Dmitry Zhdannikov, editing Richard Mably)

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