

**RELEASE IN
PART B6**

From: Sidney Blumenthal <[redacted]>
Sent: Monday, December 10, 2012 2:57 PM
To: H
Subject: H: Libya, latest Benghazi intel. Sid
Attachments: hrc memo libya, benghazi, oil 121012.docx

B6

CONFIDENTIAL

December 10, 2012

For: Hillary
From: Sid
Re: Libya, Benghazi, Oil

SOURCE: Sources with direct access to the Libyan National Government, as well as the highest levels of European Governments, and Western Intelligence and security services.

1. During early December 2012 Libyan Prime Minister Ali Zidan and President Mohamed Magariaf concluded a series of discreet meetings with selected tribal leaders from Eastern Cyrenaica region (Barqa in Arabic), after which they agreed that the problem of the growing Barqa federalist movement is gaining strength and will again become a major issue in early 2013. At the same time National Libyan Army (NLA) Chief of Staff General Youssef al Mangoush warned Zidan that the Eastern tribes have rearmed and reequipped in the past three months and are preparing to reassert their desire for a degree of autonomy in early 2013. Mangoush also advised that the situation in the region between Benghazi and the Egyptian border may become increasingly complicated as Salafist fighters from Egypt continue to arrive in Benghazi. Mangoush reported that his staff officers have been advised in secret by aids to Egyptian Army Chief of Staff, General Mohammed al-Sissi, that, acting under instructions from Egyptian President Mohammed Morsi, military and security forces are taking steps to detain or neutralize extreme Salafist para-military groups and that a number of these fighters are fleeing to Libya. According to the Libyan commander, these Salafist fighters are comfortable in Benghazi, where many of them served with Libyan revolutionary forces during the rebellion against former dictator Muammar al Qaddafi.

2. In the opinion of this individual, Zidan and Magariaf, after consulting with Minister of Oil Abdulbari al-Arusi, decided to move forward with a plan dating back to the administration of former Oil Minister Abdulrahman Ben Yezza dividing the National Oil Corporation's (NOC) production and exploration divisions into two separate firms. With this in mind, al-Arusi began discussing the matter with concerned parties in late November and early December. Included in these discussions were meetings with members of the local federalist council in Benghazi and tribal officials from Barqa. In these sessions Al-Arusi described a new structure managing all existing oil-related firms, while

building new operations and raising funds from investors outside of the country. This firm will be divided into two branches, one in Benghazi and one in Tripoli. Al-Arusi added that the cost of this project will range between fifty (50) and sixty (60) billion dinars.

3. (Source Comment: According to a separate sensitive source, this concept came as a surprise to most of the local officials in Tripoli and Benghazi. This individual added that while the Western officials continue to have some questions about the matter, the Benghazi/Barqa leaders were, in al-Arusi's opinion, positive, if not enthusiastic about the new initiative. According to al-Arusi, doubts on either side relate to the mistrust that remains between the two regions, but he is determined to move ahead in this matter and is supported by Zidan and Magariaf. According to this source, the president and prime minister are convinced that they must deal with this internal East-West issue before they can bring a stable security environment to the country, and disarm the remaining independent militias in each part of the country. This individual added that in private discussions al-Arusi stated that the tentative name for this new oil entity will be the National Corporation for Oil Refining and Petrochemicals Industry, with its headquarters in Tripoli, and substantive offices in Benghazi. Like the NOC, the new firm will fall under the Ministry of Oil and Gas.)

4. In addition, this sensitive source noted that Al-Arusi is also discussing the creation of a company specializing in mechanical construction related to the oil and gas industry. This firm would be based in Benghazi. The minister stated in private that he believes such a company can be developed to compete with international firms in this very complex field. He also believes that such a firm must be managed by experienced, scientifically-qualified Libyans, with reputations for honesty. He noted that until as such a cadre is developed it may be desirable to use experts from Egypt to fill the immediate needs of the firm. Al-Arusi believes this firm should have offices in all of the oil fields and loading facilities. The minister also plans to establish an office in Benghazi, similar to Tripoli's oil institute, a facility that will train students looking to pursue oil-related studies. In addition, al-Arusi is making plans to reopen the Higher Petroleum Institute in Tobruk, which was closed by Qaddafi at the beginning of the revolution. He told a sensitive source that he expects the Tobruk institute to produce thousands of skilled engineers to provide Libyan managers for the future operation of the oil sector. Once the final details are set the Zidan regime will submit the entire package for parliamentary approval and financing

6. (Source Comment: Advisors to Magariaf state in confidence that, in their opinion this comprehensive plan for the oil industry will face opposition from individuals with links to foreign oil firms, primarily foreign trained engineers who hope to see greater privatization in the oil and oil services industries in the wake of the revolution. According to a particularly sensitive source, Zidan is particularly concerned about this possibility, noting that these individuals see this issue in strictly business terms, not considering the political issues, and the East - West situation, that are all part of the overall picture in Libya. At present al-Arusi believes that foreign oil firms remain concerned about the unsettled security situation throughout Libya, however; he is convinced that this new plan will help address this situation. At present, he noted that the large Italian oil firm ENI is stepping up its operations throughout Libya, and, with the support of the Italian Government, will continue to increase its investment in Libya in an effort to get ahead of the other foreign firms concerned in Libya.)

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