

Libya supply drop threatens to further tighten global oil market



Bloomberg/Cairo

Libya's oil exports have fallen to about a third of last year's level after the worsening political crisis prompted the suspension of shipments from two of the nation's biggest ports.

Force majeure has been declared on crude shipments from Es Sider and Ras Lanuf, the country's largest and third-biggest export terminals, the National Oil Corp confirmed in a statement late Thursday. The ports of Brega and Zueitina haven't handled any crude for almost two months.

The drop in Libya's supply threatens to further tighten the global oil market. Brent crude has risen by about 40% this year following the invasion of Ukraine.

Libya's crude and condensate exports have declined over the past four months to a 20-month low of 610,000 barrels a day in June, according to tanker-tracking data compiled by Bloomberg.

The latest port closures are crimping export flows even further. According to Libya's national oil company, crude exports now range from 365,000 to 409,000 barrels a day. The nation, a member of the Organization of Petroleum Exporting Countries, sold an average of 1.1mn barrels a day to overseas markets last year, Bloomberg data show.

The key El Feel field, which is linked to the port of Mellitah is also subject to force majeure, a legal clause which allows companies to suspend contractual obligations due to circumstances beyond their control.

The nation has been mired in conflict since the fall of dictator Muammar Gaddafi in 2011. It's now facing a standoff between two politicians – Abdul Hamid Dbeibah and Fathi Bashagha – who each claim to be the legitimate prime minister.

The recent closures are linked to politics with some protests at ports and fields demanding the transfer of power to Bashagha, the fair and transparent distribution of oil revenues and the dismissal of NOC chairman Mustafa Sanalla.

The closures in recent weeks have also led to the North African nation so far losing 16bn dinars, according to the NOC's latest statement, as well as led to lengthy power cuts especially in the eastern region. Zueitina last exported on May 6 and Brega in mid-April, tanker-tracking data show.

"Political difference is a right, but the mistake is to use oil, the lifeblood of Libyans, as a bargaining chip," Sanalla said in the statement. "It is an unforgivable sin."