

## The Arab Spring is far from over

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Charles Gurdon is an expert on the politics and economics of the Middle East and North Africa. He is managing director of Menas Associates strategic risk consultancy which he first joined as a researcher in 1980. He has a PhD from London University's School of African and Oriental Studies (SOAS). Interfax's James Batty asked him about the Arab Spring and what impact they are having on the oil and gas industry.

**Interfax:** Do you think the Arab Spring series of revolutions has run its course?

**Charles Gurdon:** No. The two outstanding ones are Syria and Yemen. Although Syria would be a very tough nut to crack...the regime cannot last as it is. I don't foresee a return to the status quo.

The other interesting one is Algeria. You have a situation where President Bouteflika, and the head of the extremely powerful intelligence services, are both very ill at the same time. It is unlikely that both will survive the next 12 months. There is already jockeying for power within the ruling FLN [National Liberation Front] and we also understand that at least two former prime ministers have been sounded out to perhaps take over if the president becomes incapacitated and is unable to carry on.

The regime hopes that the Algerian people will be so scared of what happened in the virtual civil war of the early 1990s that they will be too scared to revolt. However, there are daily strikes and small-scale demonstrations throughout Algeria, and I think 2012 will be a very difficult year for the country.

**Interfax:** Have oil and gas companies suffered from the Arab Spring or has it opened up new opportunities for them?

**CG:** I don't think it has opened up opportunities for them. Tunisia and Egypt were already flexible and investor-friendly and you could do business pretty easily there. Libya hasn't really changed anything yet and you're not going to see a sudden rush of new companies going in there. In Syria and Yemen the IOC's [international oil companies's] operations are already in force majeure. So the Arab Spring hasn't yet made it any easier but a democratic MENA [Middle East North Africa] region is obviously a good thing. One thing it does is put more pressure on Iran because its principle Arab ally, Syria, is under pressure and its regime is unlikely to survive. By contrast, Turkey is determined to be on the right side of history and could be a principal beneficiary.

**Interfax:** What have you been hearing about the situation in Libya and are oil and gas companies returning to the country at the minute?

**CG:** I've been hearing different things from the Libyans and from the IOCs. The Libyans seem quite optimistic; they generally feel that the security situation is improving and that it is only a matter of time before the companies return.

Having talked to some of the IOCs, however, they tend to be a little more pessimistic.

You need to divide the pure exploration companies from the producing companies. Those who are producing are under a lot of pressure to return quickly and are generally doing so. By contrast, the exploration companies are under less contractual pressure to return quickly. In order to do so they need physical security in Tripoli – where tensions remain between the various militias – and they will have to re-establish, re-equip, and re-man their offices. Equally important, however, is that they need to get the oil services companies back in. Generally, the IOCs manage the projects rather than do all the work themselves. The IOCs also have to make sure that their NOC [National Oil Company] and Libyan government counterparts – or their replacements – have resumed work. In many cases these counterparts have completely changed so the IOCs first need to find out who has been replaced and how day-to-day business operational processes have changed.

**Interfax:** Do you think there is a semblance of stability in Libya after the fall of Gaddafi?

**CG:** Absolutely. If he were still alive then you could have seen the remnants of his supporters causing all sorts of problems. The return of his son and heir, Saif al-Islam Gaddafi, is not going to happen and is simply a non-starter. There are obviously people who supported Gaddafi in Tripoli and elsewhere but they are keeping their heads down. The new government is going to be announced in the next week or two. Unsurprisingly there is a lot of tension between the NTC's [National Transitional Council's] various constituent groups and the militias to get their favoured candidates into the new government. But, once the new government is formed, there will be a general will to move forward. It is therefore not surprising that there are inevitable teething problems.

**Interfax:** When the government does form, what do you think the attitude will be to foreign investment in the oil and gas industry?

**CG:** I think it will be welcomed because it is needed. There is a big need to increase oil, and gas production rather than greenfield exploration. I think EOR [enhanced oil recovery] work or anything that will support NOC and its subsidiaries will be encouraged. In terms of greenfield exploration a lot will depend on the success of BP and Shell's exploration programmes which will be the exploration bellwether during the coming year. Both are involved in very extensive drilling campaigns and we are unlikely to see major results from either companies for well over six months and possibly longer.

**Interfax:** In Egypt, there have been a number of attacks on gas pipelines – what do you think is behind the attacks?

**CG:** There are two issues. One is the Egyptian government and people's past disregard and sheer contempt for the Bedouin of the Sinai. They have traditionally been marginalised, left behind, and treated very badly by the central government. Obviously if you have gas pipelines that can easily be attacked then there is an opportunity there for discontented locals.

Second, there is now much more opposition to Israel from the Egyptian government and people. Whereas former President Hosni Mubarak would have called in the army and been far more forceful in terms of suppressing any attacks on the pipeline, the current government appears to have been reactive rather than proactive. You don't win votes by supporting or protecting a pipeline to Israel that was conceived, owned and operated by Mubarak's closest business friends.