

RELEASE IN FULL

CONFIDENTIAL

September 16, 2011

For: Hillary
From: Sid
Re: France, UK, et al, jockeying in Libya/oil

During mid-September 2011 French President Nicolas Sarkozy and British Prime Minister David Cameron traveled to Tripoli to meet with and express support for the leaders of the new government of Libya under the National Transitional Council (NTC). According to knowledgeable individuals, as part of this effort, the two leaders, in private conversations, also intend to press the leaders of the NTC to reward their early support for the rebellion against Muammar al Qaddafi. Sarkozy and Cameron expect this recognition to be tangible, in the form of favorable contracts for French and British energy companies looking to play a major role in the Libyan oil industry. According to this source, Sarkozy feels, quite strongly, that without French support there would have been no revolution and that the NTC government must demonstrate that it realizes this fact. For his part, Cameron appears most concerned that despite British support for the rebels during the fighting, certain members of the NTC remain focused on the fact that the British government and oil industry had good relations with the Qaddafi regime, particularly the firm British Petroleum (BP).

At the same time, this source indicates that the government of France is carrying out a concerted program of private and public diplomacy to press the new/transitional government of Libya to reserve as much as 35% of Libya's oil related industry for French firms, particularly the major French energy company TOTAL. Sources with access to the highest levels of Libya's ruling NTC, as well as senior advisors to Sarkozy, stated in strict confidence that while much of this pressure is being exerted at very senior diplomatic and political levels, the French external intelligence service (Direction Generale de la Securite Exterieur/General Directorate for External Security --DGSE) is using sources with influence over the NTC to press the French position. At present, as NTC leaders are consolidating their positions in Tripoli, they are attempting to balance the interests of the new government and the Libyan people against the need to recognize the support provided to them by France and other major powers in their struggle with Muammar al Qaddafi.

These same sources indicate that NTC President Mustafa Abdul Jalil and the NTC leadership continue to be highly suspicious of the activities and goals of the governments of China and

Russia in Libya. According to these sources, representatives of the Emir of Qatar have privately warned that while both countries pursue foreign economic policies that work to the disadvantage of the host government, it is somewhat easier to deal with firms associated with Russia. With this in mind the NTC has entered into an agreement with the Amsterdam base energy firm of GUNVOR International BV, which has close ties to the Russian government and the Russian oil industry. The NTC has also entered into an initial agreement, allowing TOTAL, to purchase and ship Libyan oil. This individual believes that this agreement does not set aside any specific portion of the Libyan oil industry for TOTAL, as Sarkozy would like.

(Source Comment: NTC President Jalil continues to favor awarding foreign business agreements on a case by case basis, and has stated privately that he is reluctant to support entering into a comprehensive agreement of any kind with France, or any other country or entity. He is, however, prepared to favor firms from France, the United Kingdom, and the United States in specific cases, based on the support they provided for the NTC during the rebellion. He and his advisors are somewhat hostile toward the position of the Italian government and the Italian energy firm ENI, based on their past support for Qaddafi and their caution in coming to terms with the NTC before the fall of the previous government. Jalil harbors similar sentiments toward the UK government and British Petroleum (BP) but does recognize that they moved away from Qaddafi to support the NTC after France began active involvement in the Libyan uprising. Interestingly, although Jalil and Prime Minister Mahmoud Jibril have begun a low key power struggle within the NTC, they agree on these points regarding foreign business contracts. A separate source added that the French government in general and the DGSE in particular privately harbor a degree of mistrust toward Jalil based on intelligence indicating that he was responsible for the assassination of NTC military commander General Abdul Fatah Younes in July 2011. Younes was extremely well connected to the DGSE and the French military.)

In the opinion of these sources the NTC leadership is more comfortable dealing with large private firms that are, in turn, well connected to friendly governments. To this end, and in addition to the GUNVOR and TOTAL contracts, the NTC has signed agreements with the Swiss energy firm GLENCORE, as well as VITOL of Qatar to service and ship oil as the fighting dies down across the country. These sources add that both firms provided active support to the NTC during the rebellion and are held in high regard by Jalil, Jibril and the rest of the leadership.

During early September 2011 sources with excellent access to the highest levels of major Western European governments stated in confidence that, despite the stepped up fighting in recent weeks, there has been an unusually low level of damage to the infrastructure of the Libyan oil industry. This is true even in the western portion of the country and around town of Sirte, which remained under the control of forces loyal to Qaddafi. The NTC is already shipping approximately 300mm barrels of oil per day, primarily via GLENCORE and VITOL. The level of production is expected to increase when the fighting begins to die down in those areas still loyal to Qaddafi.

(Source Comment: According to an individual with excellent access to the governments of Western Europe, the NTC must continue to make the final defeat and capture of Qaddafi their principal preoccupation, and avoid falling into political infighting and attempts by individuals to profit from the revolution. Failure to do so will lead to an extended period of violence and

political chaos. Among the most important points the NTC leadership must address are its ability to field an organized and disciplined military force, while providing battlefield medical support for its troops, and humanitarian aid to the civilian population. In the opinion of this knowledgeable individual, until these goals are met the NTC will struggle to maintain credibility as an established government in Libya and among its foreign supporters.)