LIBYA

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Libya's economy is firmly based on oil, with exports contributing between 75% and 90% of State revenues and 98% of export earnings. It has proven reserves of 29.5 Bbbl of oil and a production capacity of 1.4 Mbbl/d.

In August 2001, the US's Iran-Libya Sanctions Act will expire. For half a decade it has given EU oil companies in Libya a field clear of serious US competition. In Robertson Research International's (RRI) 2001 survey of oil exploration, development and production potential outside North America, Libya again came out first, as it had last year, ahead of Iran, Australia, Algeria and Brazil. In another report on Libyan hydrocarbon potential, RRI identified the onshore Sirte Basin as being without parallel in the region.

The state owned National Oil Co. (NOC) together with its 33 subsidiaries has controlled the entire gas and oil industry since 1968. It currently accounts for 63% of Libya's gas and oil production. The main subsidiary producers are Arabian Gulf Oil Co. (Agoco), Waha Oil Co. (WOC) and Sirte Oil Co (SOC). Since 1979, NOC has been allowed to enter into agreements with foreign oil companies and numerous international companies are now engaged in exploration or production sharing agreements with NOC, the largest being Agip-ENI. However, the country still has big spending plans, with a price tag to match. According to the Economist Intelligence Unit, NOC wants to increase capacity over a five-year period from 1.4 to 2 Mbbl/d at an estimated cost of US$1.5 billion. Added to that, Libya is keen to develop its natural gas sector further.

The Great Man Made River Project is the only other significant natural resources project in the country. This involves the transportation of fresh water from underground aquifers in the south of the country to cities on the coast, as well as providing for irrigation schemes. Over 3,500 km of pipeline have been built, with a further 1,700 km planned. There have, however, been operational problems with corroded pipes, as well as less than half of the planned wells coming on stream. The consequence is that the western part of the system is now running at only 20% of capacity. The bankruptcy of Dong Al Construction, the project's principal contractor, has also not helped matters and a measure of uncertainty now hangs over the project.

Solid mineral production in Libya is largely for the cement industry, for which an estimated 180,000 t/y of gypsum is used in addition to the basic feedstock of limestone and clay. Some 30,000 t/y of salt is produced from coastal pans near Benghazi and Tripoli and approximately 14,000 t/y of sulphur is recovered from petroleum and natural gas refining.

Potential unexploited mineral deposits include marble, bentonite and silica sand, and there is exploration potential for gold and base metals in metamorphic terrain.

In terms of size and capital requirements, the principal potential minerals project in Libya is the Wadi Shatti iron-ore deposit. This comprises three iron-ore horizons up to 12 m thick with a combined measured resource of 795 Mt of magnetic and non-magnetic ore at an average grade of 51.7% Fe. The deposit, which is amenable to open-pit mining, is seen by the government as a potential supplier to the Misurata steel complex on the coast. This is currently served with imported ore. However, development will depend on the building of a 900 km rail link.