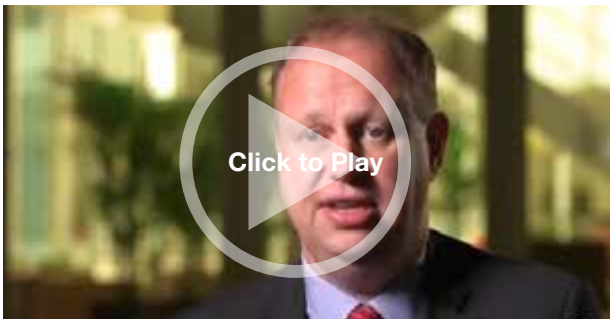
ENERGY SECURITY: LOCAL DRIVERS OF LOCAL PROBLEMS

As a strategic asset, oil and gas infrastructure will always be an attractive target for individuals and groups with a grievance they want to make known. In a previous edition of the *IHS Country Risk Quarterly*, Columb Strack looked at the drivers of insecurity affecting Yemen's energy infrastructure. Here, Richard Jackson considers those drivers more widely, and examines how an understanding of motivation can determine the means by which energy operators mitigate risks to their assets. Jamie Ingram explores the drivers underlying the risk of violent attacks on energy infrastructure in Egypt, Iraq, and Libya.



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IHS Country Risk collects daily risk-relevant events through the Foresight platform and the Jane's Terrorism and Insurgency Centre (JTIC). Incidents of political violence are geo-coded where possible and meta-tagged with a number of variables, such as the type of risk manifested in the incident and the particular sector(s) affected, including oil and gas infrastructure.

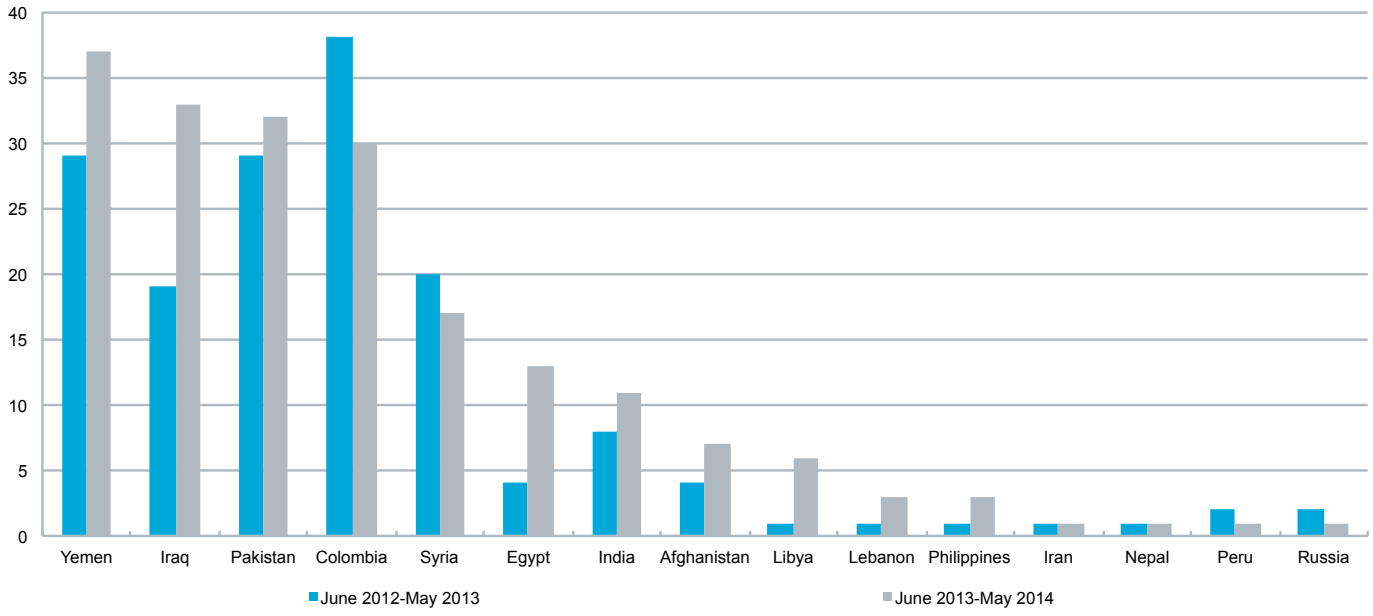
TERRORISM INCIDENTS TARGETING ENERGY INFRASTRUCTURE

A simple count of risk-relevant attacks from JTIC shows an approximately 14% increase in terrorist attacks (excluding oil theft or acts of piracy) against energy infrastructure from the period between June 2012 and May 2013 to the period between June 2013 and May 2014. The risk from terrorism to oil and gas assets is highly localised. Five countries – Yemen, Iraq, Pakistan, Colombia, and Syria – accounted for over three-quarters of the total terrorism attacks on energy infrastructure and assets recorded on JTIC over the last two years, although Egypt and Libya both showed substantial increases in the numbers of attacks, and are considered in more detail below.

Out of the five main countries, Iraq showed the greatest increase in attacks on energy infrastructure at 74%, a figure that is only likely to rise given the Islamic State in Iraq and the Levant (ISIL) insurgency. Much smaller changes were reported in the other four countries.

JTIC data shows a 14% increase in terrorist attacks on energy infrastructure in the year to May 2014, compared to the previous 12 months

Terrorism incidents against energy infrastructure

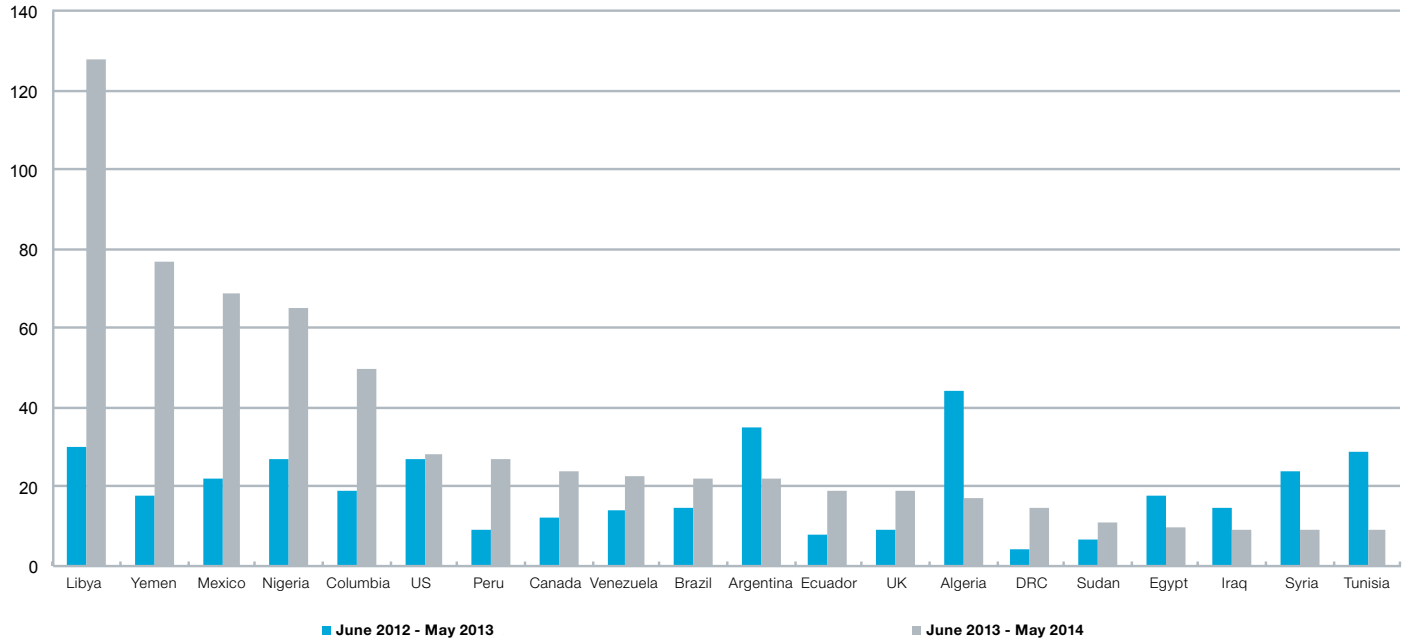


Only countries where there were attacks in both periods are considered.
Source: JTIC events database

CIVIL UNREST INCIDENTS TARGETING ENERGY INFRASTRUCTURE

The Foresight data for location-specific civil unrest events shows a more dramatic rise. While there was only a 17% increase in the number of general civil unrest events in the year to May 2014 compared to the previous 12 months, there was a 54% increase in the number of civil unrest events targeting oil and gas assets, infrastructure, and personnel over the same period. An increase of over 300% in the number of energy-linked civil unrest incidents in both Libya and Yemen was reported during the period, with seven other countries experiencing more than double the number of incidents.

Civil unrest incidents against energy infrastructure



Only countries with more than 10 events in one of the 12-month periods are shown.
Source: IHS Foresight events database

Understanding the exact nature of the drivers behind threats to energy operations, whether they are very specific localised grievances or a by-product of national or even wider conflict, is critical in determining any sort of risk mitigation strategy

WHAT LIES BENEATH

There is no “one-size-fits-all” explanation for changes in the frequency or nature of attacks; the data frame our thinking about the issues rather than supplying all of the answers. In particular, they highlight areas of interest or potential drivers to examine further.

For instance, in Colombia there has been a 21% reduction in the number of terrorism attacks on energy infrastructure according to the JTIC data. This is the biggest percentage fall in attacks in the top five countries listed earlier.

The reduction in attacks is a result of peace talks between the government, the Fuerzas Armadas Revolucionarias de Colombia (FARC), and the Ejército de Liberación Nacional (ELN), and of unilateral ceasefires that the FARC and ELN called as part of that process. The reduction is likely to be sustained by President Juan Manuel Santos’s re-election in June 2014. Yet the risks from terrorism in Colombia have been supplanted by strikes by subcontracted oil workers and growing community opposition to energy projects and firms resulting in a rise in the number of civil-unrest-related incidents.

In April 2014, thousands of people protested in Neiva, Huila Department, against Alange Energy Corporation’s exploration for oil in Las Ceibas river basin. A few days later a local indigenous community blocked access to a damaged pipeline in Toledo, Norte Santander, preventing engineers from carrying out repairs. This community opposes any exploration activity on their ancestral lands, concerned about perceived threats to the environment and ecosystem. Javier Betancourt, the head of Colombia’s National Hydrocarbons Agency, highlighted local community opposition as one of the main obstacles to oil exploration in May 2014. In addition to fears over the impact on the local environment, common grievances include the community feeling that they are not benefiting sufficiently from such projects or being deprived of their “assets”.

Understanding the exact nature of the drivers behind threats to energy operations, whether they are very specific localised grievances or a by-product of national or even wider conflict, and how they may be changing, is critical in determining any sort of risk mitigation strategy. This is where IHS local source networks and analysis come into their own, identifying any geographical and temporal variation in risk and providing insight into the drivers underlying that variation.

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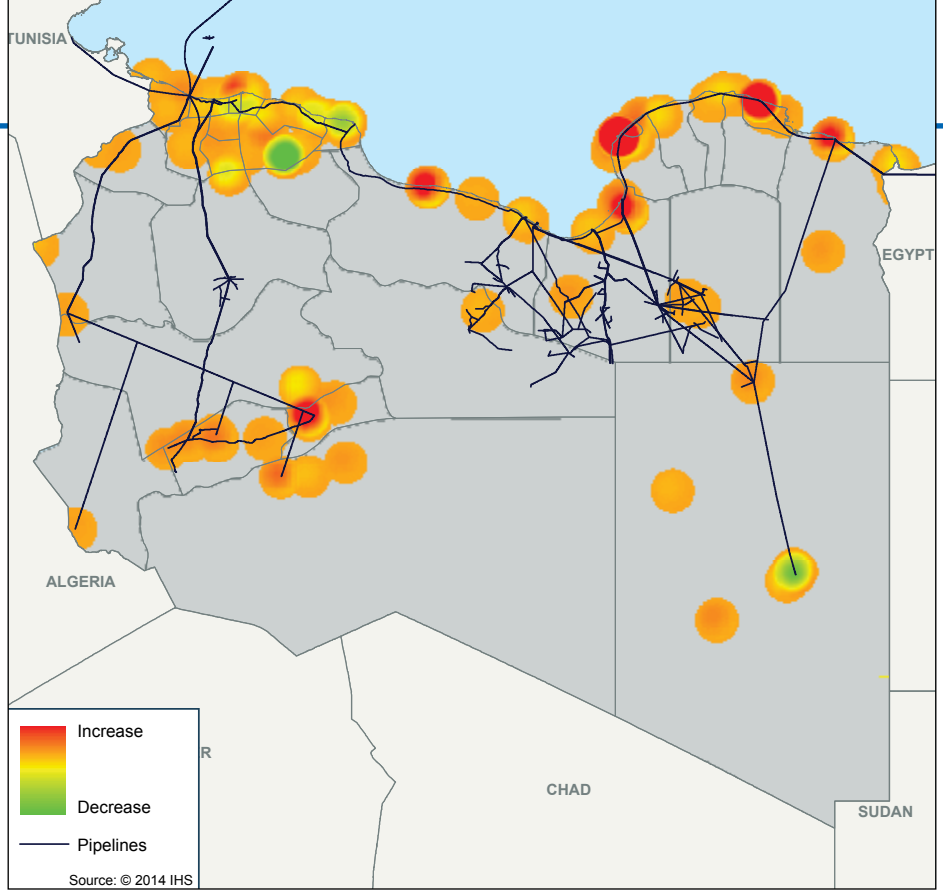
Even in countries with significant oil and gas reserves, a growing number of terrorist attacks in the Middle East and North Africa has not always translated into more attacks specifically against energy assets. Focusing on the importance of understanding the drivers behind disruptive risks when determining how best to mitigate the risks, in the following brief analytical pieces, Jamie Ingram explores the drivers underlying the risk of violent attacks on energy infrastructure in three key countries.

LIBYA

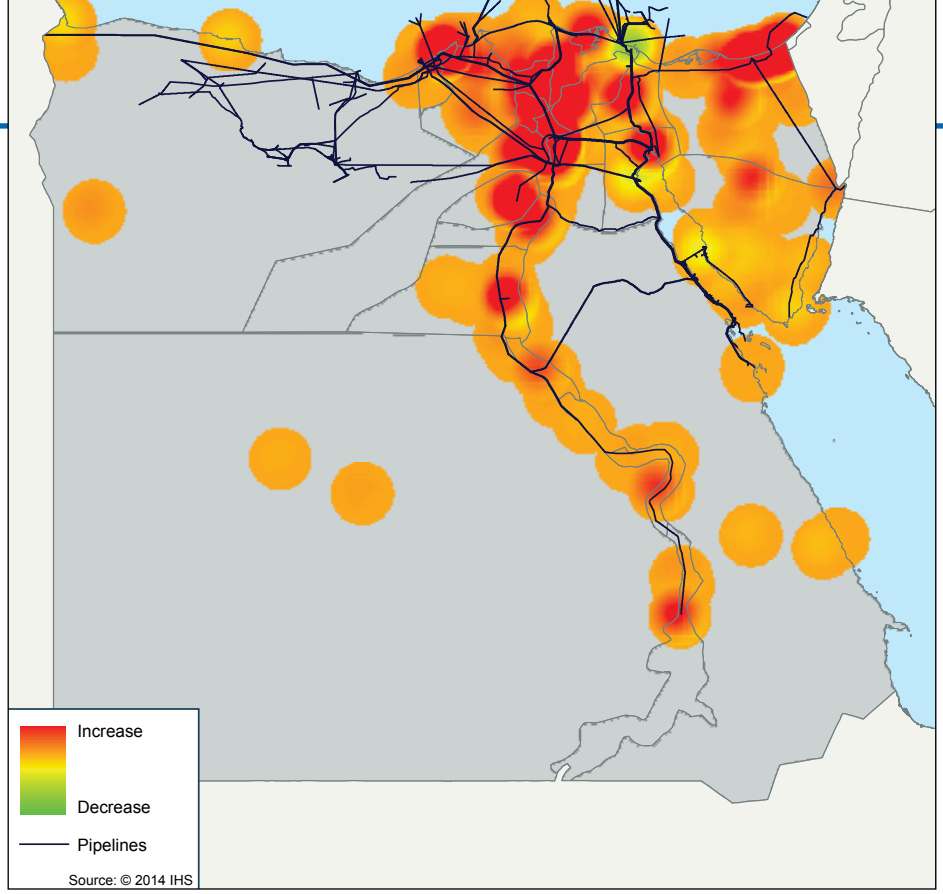


Sources, IHS Foresight events database, IHS EDIN

Change in civil unrest and terrorism events intensity (May 2012 – June 2013 to May 2013 – June 2014)

Security in Libya, including in the capital, Tripoli, has deteriorated over the past year as the tacit security pact between rival militias has broken down. This deterioration has exacerbated the lawlessness and instability engendered by the government's severely limited authority. No state force is yet capable of challenging the power of the major brigades, particularly the dominant western powers of Misratah and Zintan. The low capacity of state forces and lack of border controls has contributed to a significant increase in terrorist attacks across the country since 2012. JTIC figures show that between June 2012 and May 2013 there were 128 damaging attacks, of which 72 occurred within 5 km of an oil or gas pipeline. This rose to 392 damaging attacks between June 2013 and May 2014, with 281 taking place within 5 km of a pipeline.

An analysis of terrorist attack targets over the same period demonstrates that this proximity has not translated into a concomitant increase in attacks against energy infrastructure itself. Although there has been a slight increase, from one attack between June 2012 and May 2013 to six between June 2013 and May 2014, such attacks remain rare. While militant groups are seeking to undermine government authority, their primary target sets are government and security assets and personnel, rival militia groups, and foreign workers. Energy assets are probably avoided due to the importance of oil revenues to local tribes and militias, whose support or neutrality is necessary for the militant groups to operate. An intensification of attacks would be likely to erode that support. Libya's oil production plummeted from a post-revolution peak of 1.6 million barrels per day (bpd) in July 2012, to approximately 0.25 million bpd in March 2014. However, the underlying causes of this fall can be seen in the 336% increase in civil unrest events involving energy infrastructure in the 12 months to May 2014; disruption to energy operators in the country owes more to social unrest, strikes and blockades of facilities, government instability, and equipment failures than to sabotage of infrastructure.



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Change in civil unrest and terrorism events intensity (May 2012 – June 2013 to May 2013 – June 2014)

JTIC figures underline the deterioration in Egypt's security environment since the military removed former president Mohamed Morsi from office in July 2013. The number of terrorist attacks jumped from 218 in the first 12 months to 994 in the last 12 months. Meanwhile, the frequency of civil unrest events, both against energy assets and more generally, has decreased due to an army crackdown. The potential impact of civil unrest is high, not on Egyptian oil production, but to the approximately 800,000 bpd that transits through the Suez Canal. Despite the army crackdown, the number of civil unrest incidents along the Suez Canal has increased from 87 to 104 in the two samples. Nevertheless, the impact of these civil unrest incidents remains low-level, and they do not pose a substantial threat to oil flows.

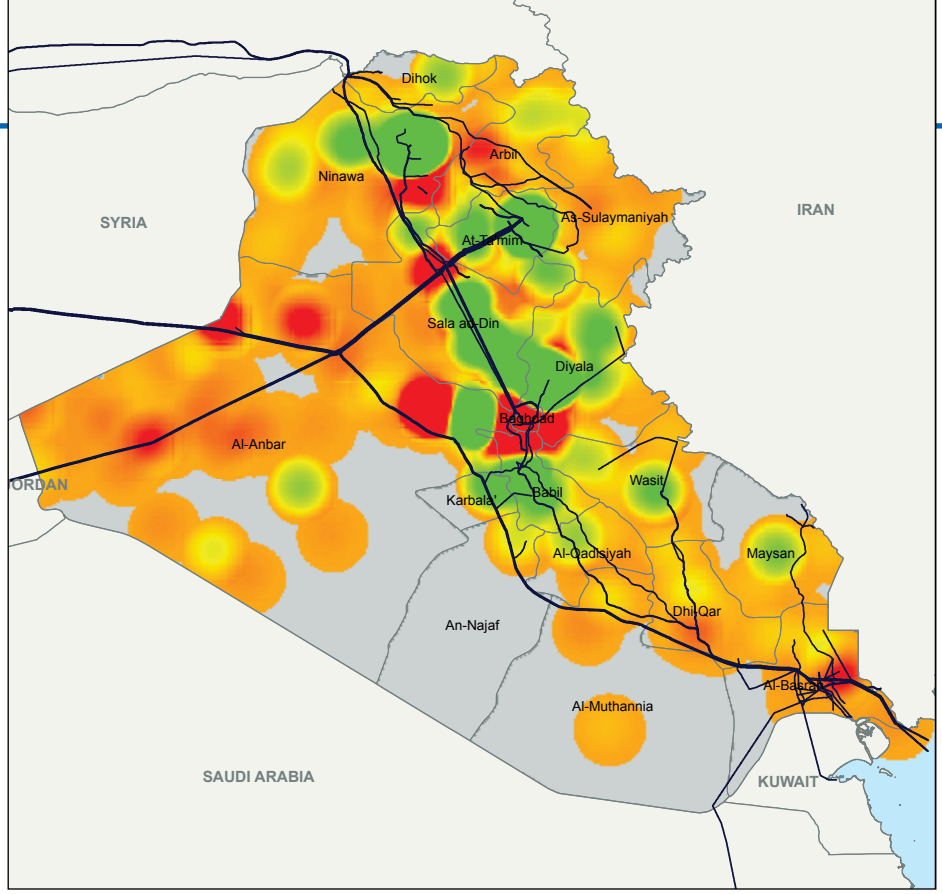
Although the rate of terrorist attacks has dropped in the past six months, closer analysis indicates that a change in strategy is under way. There were only four attacks against energy infrastructure in the 12 months to May 2013, in addition to the kidnapping of two British nationals, including the chairman of ExxonMobil for the country, in March 2013.

This is in stark contrast to the 13 attacks in the year to May 2014, all but one of which targeted pipelines in the Sinai Peninsula, and all of which involved IEDs. The surge in militant attacks over the past 18 months is unlikely to subside in the one-year outlook due to the absence of alternative channels of political expression for Islamists.

Underlining the new focus on energy assets, the Sinai-based Ansar Bayt al-Maqdis announced its aim to attack sources of state and army revenues in January 2014. The rugged terrain and wide expanse of the Sinai Peninsula enables militants to evade security forces. However, the group lacks the capability to carry out frequent attacks outside its core operational areas.

Unlike militants in Libya, Ansar Bayt al-Maqdis does not need to keep anyone on side by holding back from attacking revenue-generating energy infrastructure. As such, a severe risk to energy assets – particularly long stretches of unprotected pipelines – in the Sinai Peninsula will persist over the one-year outlook, while risks elsewhere remain lower.

IRAQ



Sources, IHS Foresight events database, IHS EDIN

Change in civil unrest and terrorism events intensity (May 2012 – June 2013 to May 2013 – June 2014)

According to the JTIC data, Iraq is one of the five countries that account for more than 75% of all terrorism attacks against energy infrastructure, and of those five it has seen by far the biggest increase in events over the past 12 months.

The dramatic escalation of violence in June 2014 has accelerated existing trends within Iraq, with ISIL and other Sunni militant groups having seized vast swathes of the country, primarily in Nineveh and Salaheddine provinces, adding to territory they held already in Anbar.

ISIL's increased activity in Nineveh resulted in the 650,000-bpd-capacity Kirkuk-Ceyhan pipeline being offline since March 2014. The success of this contributed to a shift in tactics, from targeting the pipeline itself – previously a frequent target – to attacking security forces and repair crews to prevent the pipeline coming online again. Furthermore, with this important export-pipeline offline, militants have switched their focus to alternative energy assets. Thus the proportion of attacks against energy infrastructure in Kirkuk and Nineveh is falling, as militants increasingly target assets further south in Salaheddine. In 2011, 24.1% of attacks in Iraq against energy infrastructure occurred in Salaheddine province, rising to 30.4% in 2012 and 50% in 2014 to June.

Salaheddine's Beiji oil refinery is the largest in Iraq, with installed capacity of 310,000 bpd, and is therefore a high-value target. Intensive attacks targeting pipelines supplying the Beiji refinery with crude oil and transporting refined products south, as well as of the refinery itself are likely to increase over the next six months. Smaller refineries at Khanaqin, Diyala Province, and al-Seniyah, Salaheddine Province are at severe risk.

However, ISIL is extremely unlikely to be able to carry out a major offensive against Iraq's oil-rich south around Basra, where approximately 75% of the country's oil reserves are located. Exports from southern terminals reached 2.58 million bpd in May 2014 and are unlikely to be substantially affected by the ISIL insurgency.

Furthermore, ISIL is unlikely to have the capability to target the Kurdistan Region (KR) and will be wary of provoking an offensive from Peshmerga forces. As such there is limited threat to the recently inaugurated pipeline from the KR to Turkey. A greater threat would be posed by the Workers' Party of Kurdistan (Partiya Karkerên Kurdistan: PKK) should their peace talks with KRG ally Turkey collapse. This would represent the greatest threat to the pipeline