C. Investment in the oil sector :-

The national oil industry has been the prime force behind the development of national capabilities and it has made a growing contribution to local development but those in charge of the National Oil Corporation have become over-involved with foreign investments and have pursuing their own methods which are not in accordance with the national objectives, the most obvious of which is the expansion of the sale of the assets of the industrial cooperatives by offering them on favourable terms to foreigners regardless of the understanding that such partnerships should be mutually beneficial and be intended to improve productivity and modernise the technologies employed.

The cooperatives had made large profits by the year's end and this was due to the fact that while they enjoyed the facilities and incentives stipulated for in the agreements the foreign partnerships did not yield any investments of note.

The Ras Lanouf complex of oil industries is in the process of being sold to the Emirates Antlaf Star company, and once again the justification for this has been an improvement in productivity and technology. It is no secret that Ras Lanouf is the largest of the Libyan development projects and it constitutes a national symbol of the oil industry for the following reasons:

- The complex is the largest development achievement carried out by the Revolution after the Great Industrial River Project.

- Through the complex there has been development of broad national capabilities in numerous fields of refining and manufacture in the oil and gas industry.

- The complex has created residential stability and has yielded a notable improvement in living standards and human and welfare development and there has been a transformation of the impoverished and nomadic life which had been characteristic of that region prior to the completion of it.

- The complex was a main target of the oppressive boycott which was imposed and which affected the region and society as a whole but it provided a means of countering the effects of the boycott and enabled the Jamahiriya to stand up to the boycott and mitigate the effects of the hostile actions taken against through constant working to achieve its aims.

However, spurious justifications were given for some actions which were taken and they often ignored the options which the country had at its disposal, namely :-

- The presence of numerous national investments.

- A highly skilled national oil industry, since it was the first petrochemicals industry to be established in the Arab nation.

- The national oil industry possesses a high level of technical expertise and ability obtained through contracts signed to run industrial installations and for the production of oil and gas, and some of the Arab oil states have contributed to Libyan capabilities by running its oil installations and the educational facilities associated with them.

Furthermore, the Libyan oil industry enjoys an outstanding place in the traditional markets of Europe and in the production of technologies and expertise and technical services.

Some of the pitfalls which the Authority considers are associated with opting for foreign partnership and which mitigate against the concluding of foreign partnership agreements are the following :-

1. The undervaluing of the assets of the complex which are only based on the book value of the assets and which do not take into account the location of the complex or the advantages and features which it enjoys :-

   - The geographical site.
   - The presence of security installations and stability of supply of the raw material under current contracts.
   - The natural characteristics of the Libyan raw materials.
   - The installations associated with the complex in the form of a port, services etc.
   - Qualified and available expertise.
   - No period of time is required to start up operation and production and there are strong links in the market for its products.

2. The fall in the prices of gas and other services means that the foreign partner is benefiting from completely unwarranted incentives.

3. The foreign investor enjoys the marketing right and this creates unaccounted and inflated costs for its partners and customers in the market.

The choice of foreign partnership has meant that the Ras Lanouf has become a refinery subject to partnership with a foreign investor for more than a year and a half now and the petrochemical complex is now the latest to have become subject to foreign partnership. Furthermore, the methanol complex at Mersa El-Barika is now the latest to be involved in a process of selling-off some of its assets.

B. The bodies subordinate to the General People's Committee:

1. The National Oil Corporation:

   1. The managers of the departments were appointed without any regard for their qualifications or expertise which meant that they had to be constantly changed, as in the case of the marketing department where

the people in charge changed nine times over a relatively short period of time. Marketing managers were still being given support despite the fact that it had been proven that they had committed infringements and violations.

2. The pricing committee at the marketing department had very little expertise and proficiency in setting competitive prices for Libyan oil services, and this resulted in underpricing of the Libyan services below the competitive market rate during the year 2010.

3. The technical studies and reports prepared in connection with the pricing of Libyan services were poor, as was the determining of qualitative differentials, and the manager of the crude oil departments acted on his own in selling spot shipments without referring to the Spot Shipments Committee nor his direct line manager.

4. Contracts were made with commercial companies for the resale of Libyan crude oil to traditional customers and others for refining at the refineries of the end consumers, which resulted in a reduction in the prices of Libyan services. Those companies then secured the differentials for the purpose of maximising their gains.

5. Contracts for the sale of crude oil did not contain any conditions for securing the best price for the Corporation if there was a delay or failure on the part of the customers to ship at the specified time, which resulted in losses in the accounts of the State Treasury to the benefit of those customers.

6. Shipments of crude oil were sold without sufficient guarantees to protect the rights of the Corporation, such as in the case of the spot shipment sold in favour of the JEMG company.

7. There was no compliance with the obligation to correspond with the General People's Committee about the use of the C & F system for delivery at the purchaser's port as one of the marketing options of the Corporation for the purpose of making use of the Libyan merchant fleet as an alternative to the FOB system, namely delivery on board the tanker. This means that customers could tamper with the quantities which were shipped and with the details of the unloading ports and authorities and this has resulted in a loss of control and supervision over exports on the one hand and the loss of the opportunity of making profits by the Libyan merchant fleet on the other.

8. Large discounts were given in the price of natural gas to the Norwegian Yara company and the Emirates Star company on the pretext of encouraging investment, while at the same time natural gas was being sold into the local market at world prices.