

CHAPTER EIGHT

CONCLUSION OF THE STUDY

This chapter concludes work on this dissertation and, an attempt will be made in this regard to sum-up the findings made thus far with regards to the following aspects of the development of the Libyan oil industry:

- 1) Development of the oil industry.
- 2) Economy of oil production.
- 3) The development of the Libyan economic structure.

The discovery of oil in the 1950 's has no doubt had its effects on the Libyan economy as discussed in various parts of this dissertation. Its discovery transforms Libya from a poor country at the time of its independence to a highly prosperous one large depends heavily on the oil industry for its revenue.

The history and development of the oil industry in Libya had its humble beginning in 1955 with the enactment of the petroleum Law in June of that year. This Law was significant for two main reasons. First, it enabled a large number of companies to engage in the systematic exploration for oil which resulted in large oil finds. Secondly, the law departed from the usual system of concession granting which was widely practiced in the Middle East, whereby the major oil companies dominated all oil production outside the U.S.

Further developments in the Libyan oil industry concerns the promulgation of policies and Legislation. These development were followed by the policy of nationalization whereby the government had effectively asserted its control over posted prices and production levels etc.

Like most oil producing countries, Libya also joined OPEC and had to abide by the Organization's pricing and production policies. These included the adoption of a minimum 55% tax rate, uniform increases in tax prices and the elimination of disparities in prices.

The Libyan oil industry has thus witnessed major developments since the early parts of the 1950's. The control of the oil wealth in Libya was vested in the National Oil Corporation (NOC). This was meant to enable the NOC to achieve the goals of transforming the oil sector so that a more uniform distribution of wealth is achieved. Thus, the NOC performs important tasks of refining, processing as well as the domestic and international marketing of oil through its own facilities or in partnership with foreign exploration, production, and specialized oil service companies.

It has also been found through this study, that prior to the establishment of the NOC, foreign oil companies had a monopoly over the exploration, and drilling for oil. Important achievements under the NOC for 1970-1995 period include the drilling of 596 exploratory wells and 386 delineation wells. For the same period, a total of 196,269 longitudinal km's have been surveyed offshore with the success rate for exploratory wells drilled reaching 46%.

The discovery of oil in Libya has been a major catalyst in the economic transformation that has taken place since 1969. Prior to 1969, there were no coherent strategies aimed at achieving a balance between the production sector and the service sector of the economy. This lack of balance led to the increased consumption which could not be satisfied by the local production levels. Hence the over-reliance on imported goods. The regional economic imbalance was also prevalent in the pre-1969 period, which encouraged the rural-urban drift.

The careful and well planned investment programs, done on a regional basis lessened the disparity in the economic well being of Libyans in different parts of the country, and it also ensured that all the sectors of the economy received adequate attention.

The agrarian reform undertaken after 1969 resulted in large-scale land reclamation. These reforms were part of an ambitious plan meant to diversify the economy, and to attain a level of food self-sufficiency.

In the domain of industrial development, Libya's industrial policy was to ensure that expenditure in this sector was increased dramatically from 17.6 million LD in 1970 to 87.7 million LD in 1995. This had the multiplier effect of boosting the level of industrial output to reach a total of 855.4 million LD by 1995. The transformation process has also impacted on the electricity sector. The total amount of public expenditure in this sector between 1963-1969 and 1970-1988 has increased about 45 times. Housing and utilities have also benefited from economic and social transformation budget during 1970-1995 with an average annual allocation of 165 million LD. The high level of spending in the field of education is a reflection of the Libyan government's determination to provide universal education for all without regard to economic status. During 1970-1995, the average annual spending for the education sector amounted to 109.460 million LD.

The health sector also benefited from the discovery of oil. A large portion of the GNP was allocated to the health sector. During the 25 year period under study, the statistics indicate a rapid quantitative increase in the basic foundations of the sector in terms of the number of technical staff, facilities and equipment, etc. For example, the number of central hospitals has reached 108 and they are equipped with the most up to date and advanced technology.

The media and sports have all experienced transformations. The number of native Libyans in the Labor force have also increased. In the period under study, it has been found that the participation rates for natives in agriculture, forestry, and fishing was 2%, oil drilling 3.6%, mining and quarrying 6.5%, electricity, gas and water 6.3%, building and construction 4.5%, transportation, storage and communication 4%, finance, insurance and business services 6%, health services 9%.

Libyan oil production is not only meant to cater for overseas markets. The domestic market also consumes a sizeable proportion of the total output. Consumption of the various oil products in the domestic market shows the rising trend in the level of consumption. The local consumption of super benzene ranks third, after diesel and fuel oil. Kerosene which includes house kerosene and fuel for airplanes, ranks fourth in the domestic demand for oil, and accounts for 8.5% of the entire local consumption in 1985 alone. Examining the domestic consumption of oil by sector, reveals that the transport sector is a leading consumer. In 1981-1990, the average usage of oil in this sector was, super and normal benzene 49%, diesel 41% and kerosene 10%. Electricity and industrial sector are other major sectors that consume large chunks of the total national output. Other major sectors include agriculture and households.

As far as the future prospects are concerned, it can be safely predicated that domestic oil consumption is bound to rise rapidly, given the current industrialization process taking place in the Libyan economy, as well as the anticipated rise in world demand for oil, as the new millennium approaches.

According to a recent estimate by oil and gas Journal (OGJ), energy consumption in the OECD will increase 0.6% for every 1% gain in economic activity. Consequently, total 1999 energy demand in the OECD will be up 6% from estimated 1995

consumption. OGI also projects that in developing countries, energy consumption will increase 0.8% for every 1% increase in economic output. As a result of this, it is further estimated by the OGI that energy consumption in developing countries will be 18% higher in 1999 than estimated demand for 1995.

Same trend is expected for the commonwealth of Independent states (CIS) and East Europe. Though 1999, energy demand will rise by 0.9% for every 1% increase in economic activity. In 1999, energy consumption in the CIS and East Europe will be up 6% from the depressed 1995 level (OGI, April,22,1995). World wide consumption of petroleum according to OGI estimates will move up 7% through 1999 to an estimated 74.2 million barrel a day of the 4.8 million barrel a day will come in developing countries, where 1999 demand will average 24.6 million barrel a day. In the OECD on the other hand, demand for petroleum will increase by 1.6 million barrel a day to 43.2 million barrel a day in 1999, despite efforts in many of the industrial countries to move away from oil as an energy source. (OGI, April, 22,1995).

The marketing part represents a key aspect of this dissertation . In the early parts of the history of oil in Libya, the level and extent of marketing of oil was limited to the small domestic market and to a lesser extent, to the small scale penetration of overseas market at the time. Esso standard company was responsible in providing the local market with its oil needs. Up to 1969, this company was responsible for providing nearly 45-47% of local market requisition of heavy oils. Furthermore, Sale company was the third oil company responsible for distributing refined oil products inside the country. But all of these foreign companies monopolized the oil without generated any significant role for Libya until 1969.

The Brega petroleum marketing company has the sole responsibility for marketing the Libyan oil both locally and internationally. Since the establishment of

Brega petroleum Marketing company various acts of parliament have been passed to strengthen its capacity to control petrol stations. For example, on June 27, 1976, Act 46 was issued regarding the licensing terms which Brega petroleum Marketing company should consider while granting the establishment of petrol stations. This Act laid down the basis for establishing petrol stations.

Major achievements by Brega since it was established include the increases in its local storage capacity from 116,130 cm/year in 1970 to 1,468,584 cm/year in 1988. To achieve this, eight new storage terminals in the cities of Tubrok, Benghazi, Misurata, Tripoli, Zawia and Sebha were constructed in order to provide sufficient reserve to meet local demand. In addition, other major achievements include the increase in the number of operating filling stations which in 1970 was 321, with a total operating capacity of 20,000 cm to its current 890 exemplary filling stations in 1995 with a total capacity of 751,000 cm.

The achievements of Brega in the export market are even more remarkable. Ever since the first shipment of Libyan crude oil, in 1961, Brega petroleum marketing company has made significant inroads into the international market place, with Libya's total exports and oil revenues rising rapidly. For example, the quantity of oil exported in 1961 reached 522 thousand barrels, whereas it reached extreme amount of 2 billion barrel in some years and it reached 1.2 billion barrels in 1995.

Finally, the discussion thus far indicate that in the final analysis, one can conclude that the oil industry has played a significant role in transforming the entire Libyan economy from its modest beginning in the 1950's to its current dynamic state. In addition, the oil industry will continue to be the engine of growth for the Libyan economy.