

Risk Management and Lessons Learned in Libya

Written by Alan Fraser and Fraser Bomford
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The issue of energy security on a macro level (the security of supply) and on the micro level (the security of assets, infrastructure and personnel) are intrinsically linked. Volatile security environments in oil and gas producing states can challenge real or perceived global supply security and place a security-risk premium on the per barrel price of oil. In general, a proper understanding of risk is therefore not just essential for operational safety but might soon become the minimum standard for oil and gas operations in the future.

A dynamic and flexible approach to working in hostile environments places emphasis on the planning-and-situation-modelling stages first to try to account for all possible scenarios. What is advocated is to implement proactive, up-front risk mitigation measures supported by continued on the ground monitoring to assess risks and threats as they develop.

The idea that one can arrive in a country and cut-and-paste the same security solution implemented in another is proving increasingly out-dated. Proper risk management has been shown to reduce the manifold security and political risks that firms face when operating in areas frequently subject to volatility such as the Middle East. This is neither a revolutionary concept nor a particularly surprising one. In order to drive the debate about risk management forward, this article promotes a more nuanced understanding of the risks and the application of a wider set of risk mitigation tools than is common within the private security company (PSC) community on the whole.

Oil producing countries in the Middle East, in particular Libya, keenly illustrate the lack of suitability of an “out of the box security solution.” Specific areas, individuals, sectors, and even areas within sectors, all require a variety of risk mitigation techniques and the consideration of “soft” as well as “hard” security approaches.

The Libyan case: an unprecedented crisis

Of those countries that experienced recent revolutions, or are continuing to be affected by unrest and revolutionary movements, Libya is the case that has had the most profound impact on the oil industry. Home to Africa’s largest oil reserves, and operating in an economy that was gradually liberalizing following the lifting of both UN and US sanctions by 2006, the country hosted a growing network of foreign companies involved in its oil and related industries. As a relatively stable country ruled by the authoritarian Colonel Muammar Gaddafi prior to the uprising of 17 February 2011, the risk of a catastrophic collapse of its security infrastructure that would all but halt oil operations seemed remote even for regional experts.

The pace at which unrest spread throughout the country left those responsible for the safety and security of staff and assets at many companies struggling to keep up. Although the majority of foreign personnel were evacuated in a safe and timely manner from Libya, some were not, leaving a potentially hazardous situation where personnel were stranded in remote desert locations with little in the way of security protection. On top of this, not enough thought was given to how to safeguard vital and expensive machinery that had to be left behind, meaning some companies lost hundreds of thousands of dollars in damaged and stolen property.

What is risk management? Off-setting risk

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Volatility in the Middle East is something that oil companies have long been accustomed to. However, the unprecedented events of the Arab Spring in 2011 have driven companies in the oil sector to look more carefully at how they dealt with such a dynamic political and security landscape at the time, and how they might adapt to changing environments in the future.

If one views security management as something to enable business to be carried out in difficult environments rather than a sunk cost and inevitable cost of operating in hostile regions, a different perspective on what effective security management means is possible. But a clear outline of the different ways of off-setting risk is necessary in order to work out what the optimal approach is for certain environments.

A variety of techniques are used to offset risk. "Hard" techniques typically revolve around easily identifiable physical security measures such as perimeter fencing, walls, locks etc. These are usually intended to stop people gaining entry to a facility while maintaining the points of access necessary for everyday operations to be made easily. Other hard measures include armed guards and dogs. These are necessary in certain environments, even benign ones, to project an image of security as well as to provide adequate protection against all manner of threats whether they be in the form of insurgents, criminals, business rivals and so on. In Iraq, a hard approach is often necessary in the first instance, but a more nuanced approach has reaped benefits for some over the longer term. Arms should not always be in plain sight. Well-trained local security guards can be employed as the face of security to provide a posture of fitting-in with the environment which has proven effective over a longer period of time.

There is now a realization among those companies worst affected by the Libya crisis that more attention needs to be paid to security and risk management planning. In Iraq, for example, the general threat from insurgent groups which have targeted foreign personnel and assets, as well as oil industry facilities in the past, may at times necessitate a higher profile and more overt security presence; however, in other circumstances this can also be a hindrance, making it easier for hostile elements to pick their targets. In Iraq, different facilities, locations and scenarios will require varying degrees of "hard" and "soft" approaches suited to a particular environment.

However, in Libya before the crisis, many firms felt that the sites were so remote they did not need to put up perimeter fences and that local militias or government forces would provide protection. During the crisis this meant when hostile tribal militias and mercenaries traveled through oil producing areas, they faced little or no opposition, and ransacked some sites causing hundreds or thousands of dollars in damage through malicious intent.

Softer approaches are those not typically associated with security: local engagement, communicating and maintaining good local relationships, using local fixers/employees, understanding and a prior knowledge of local culture and languages (often necessary to defuse situations quickly) are all imperative.

Partly due to the violence of the civil war and partly due to overzealous media coverage, certain foreign staffs who have returned to Libya are currently employing hard security measures. However, this has not necessarily proven to be the best or optimal approach.

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The relatively positive security environment in the major cities in Libya, as well as at many of the country's oil facilities means that in most cases a high profile approach with overt physical security is not required, and would represent a needless expense to companies operating in relatively stable environments, not to mention have a negative effect upon their perception among the local community, including potential business partners. Further, the Libyan government is keen to prevent foreign companies from providing their own physical security. As a result companies need to begin thinking beyond this approach, considering which "soft" measures would complement their hard measures provided by central security forces and local militia groups.

Along with hard and soft approaches, the term 'holistic' is often used by PSCs which is a meaningless buzzword unless all solution factors in all issue areas, pre-to-post-deployment, are considered as a matter of course. Training staff to raise awareness of risk-crisis planning at the front-end of the process can save both dollars and potentially lives in the long run.

Context analysis is also a key consideration as it is easier to mitigate risks when you have a proper understanding of them. If a company has considered all contingencies (as best as one can) ahead of time, then dealing with them as they occur is easier and can be modeled and prepared for ahead of time. A change of perspective from "it won't happen to me" to "what if?" reaps benefits. This includes gaining intelligence on the major players in specific regions, cities and districts allows a company to effectively plan for potential scenarios knowing who best to contact to resolve issues as they arise. It also helps personnel on the ground contribute to mitigating risks to themselves which can provide them with a degree of confidence in their own decision making which in turn can help avert negative scenarios. Ongoing updating of on-the-ground information keeps personnel up to speed with daily events and allows them to alter procedures accordingly.

Other methods of offsetting financial risk include insurance policies to cover in-country staff and particularly contracted personnel. In Libya oil company personnel, particularly those in more remote or contested areas, led to significantly increased financial outlay for companies in repatriating personnel on an uninsured basis. Too much faith was put in the various governments, which often had little knowledge of how many foreigners were present and where – while these governments themselves were forced to hastily collate maps of facilities and locations in the south. Consequently they could do little to facilitate the evacuation process in some cases. Anecdotal evidence suggests that some hoped that the oil majors would help with evacuations of smaller contractors. Indeed, in some situations the opposite occurred when foreign workers were persuaded to prematurely return in order to provide the oil that would fuel the war effort.

Libya: still a hostile environment?

Lessons learned in Libya suggest that returning companies' assessments of the current security environment is leading to unnecessary money being spent on close protection and/or harder security measures. While the security environment in Libya does not often require a high profile security presence, a general level of risk does exist and the situation could deteriorate in the future. This requires companies to plan for a number of responses across a range of possible

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scenarios, and to adapting varying security conditions to different regions.

The general lack of law enforcement throughout the country, and in particular the lack of any organized, well-trained and centrally controlled entity whose duty it is to perform this task should be of concern for those with personnel and assets in Libya. For this reason, in the event of an incident, a greater degree of responsibility lies on the shoulders of company management to ensure the safety of personnel and the satisfactory resolution of any scenario that could affect their security. Furthermore, in the absence of an overt form of central authority, the various remaining militia groups who as yet have refused to lay down their weapons or integrate into the national army and police force, have been acting in an erratic manner, conducting revenge operations against suspected former Gaddafi loyalists and detaining both local and foreign nationals they view as suspicious. Any irregularities with company paperwork or personal documentation are only likely to heighten suspicions, and can result in lengthy detentions or deportation.

Engaging with local entities in partnerships that facilitate the entry or re-entry of foreign companies into the country can only assist in logistical and legal issues relating to company registration, but can also provide a degree of protection and a safety net for in-country personnel, providing them with a local contact who can respond much more quickly to assist in any adverse scenarios.

Employing local staff or fixers can also prove vital when negotiating local laws and customs, and help to transcend the language barrier that could potentially cause a situation to escalate rapidly. One point of note is that the level of spoken English in Libya is much lower than in most of its Arab neighbors, as the previous regime was against its teaching in state schools. Although in business this is less of a problem due to the higher proportion of English speakers in the country's major industries, everyday issues and potential misunderstandings become a lot easier to navigate if one has the support of a local Arabic speaker, who can assuage any suspicions and clear up misunderstandings.

Transport both within urban areas and in remote locations is also an area of concern. Public transport is largely non-existent in Libya, and taxis are not advised as a cost effective or entirely safe mode of transiting around major cities. Those opting to self-drive must also be aware of the risks posed by a largely unregulated roads system and the often erratic driving style of locals. In accessing remote areas, flights are often available to airstrips at major oil facilities; however, many are still to become operational following the revolution, requiring personnel to drive long distances through less stable regions, where, again, the overt presence of centrally controlled law enforcement is minimal and the poor quality of roads can pose a more immediate risk when combined with erratic driving.

Hiring a local driver who knows the layout of major cities and who has experience and contacts in remote areas is a consideration that can save time and money and also mitigate the risks to personnel. Furthermore, those traveling to more remote locations can easily find themselves in need of local contacts to provide more immediate assistance, in the event of breakdown, summary detention by local militias or a host of other eventualities in which one cannot rely upon the support of an organized central authority.

Libya: current perception of risks, consequences and the future

Given the ongoing political uncertainty in Libya, combined with reports of clashes in towns and cities throughout the country that add to the perception of insecurity, foreign companies have been relatively slow to return. Those with major concessions were the first in country following the revolution, as they looked to secure their existing contracts. Others have been satisfied to sit on the sidelines and wait, or to send minimal staff who sit in heavily guarded hotels, to re-open offices and start building relationships in country that may stand them in good stead for the future.

Diplomatic staffs continue working, but on the whole they take a higher profile approach, employing Western security companies to provide close protection, with many continuing to travel in large, high profile convoys. Much of this is likely down to required procedures and a lack of accountability in financial terms, as opposed to reflecting a proper assessment of the particular threat environment.

The majority of private companies that do restart operations in Libya are likely to see the benefits of a softer approach, and local contacts, as well as partnerships with local firms, may well form the backbone of any in-country business plan. Current political uncertainty also means that many companies are seeking the financial benefit of a low profile at present.

Conclusions

Many oil companies were surprised by the pace at which the Arab Spring unfolded and how quickly events impacted on them. Equally, many found that they were unprepared for a changing situation and that governments were able to help in some but not all cases. In light of this, they are rightly reticent about returning to Libya and other countries for fear of the situation deteriorating again. However, the rewards of oil and gas in the country remain for those that best understand the operating environment and how to navigate it.

Oil firms need to consider and carry out cost benefit analyses (highlighting both financial and non-financial factors) and discuss internally their appetite for risk as much as possible. This will vary from organization to organization, sector to sector, but these factors are mostly quantifiable and there is now little excuse for them not to be taken into account. When talking about cost savings one needs to have a long term focus, as up-front costs are more often than not greater than implementing minimal security management measures. This can mean the need to change the culture of organization away from a top-down perspective. Security can then be viewed as an enabler, and with increasingly dwindling oil stocks over next century, firms who take these lessons on board sooner will be best placed to benefit from better handling changing situations in the future.

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