

Assad's Downfall Reshuffles Regional Order

The brutal 53-year reign of the house of Assad has ended in Syria, sparking major regional geopolitical repositioning. The dramatic 13-day offensive was led by the Islamists of Hay'at Tahrir al-Sham, leaving Western and regional governments wary. Can the new rulers in Damascus prove capable of reaching an inclusive political settlement that leads to international recognition?

More than 13 years after they began their struggle to topple President Bashar al-Assad, Syrians finally saw the end of his ruthless rule as rebels entered Damascus on 8 December, closing the chapter on the 53-year reign of the house of Assad over Syria. Broken by years of war and sanctions, people took to the streets in celebration, flocking through abandoned palaces to witness the extravagance in which Baath Party elites lived. Others rushed into prisons searching for loved ones not heard from in years.

Events over the past two weeks were nothing short of dramatic. Assad's army ran out of reasons to fight, vanishing into thin air in the face of a fast-paced advance by opposition forces. Iran and Russia, the two powers that had kept Assad in power during the country's bloody civil war, overstretched by conflicts, abandoned the dictator who fled to Moscow.

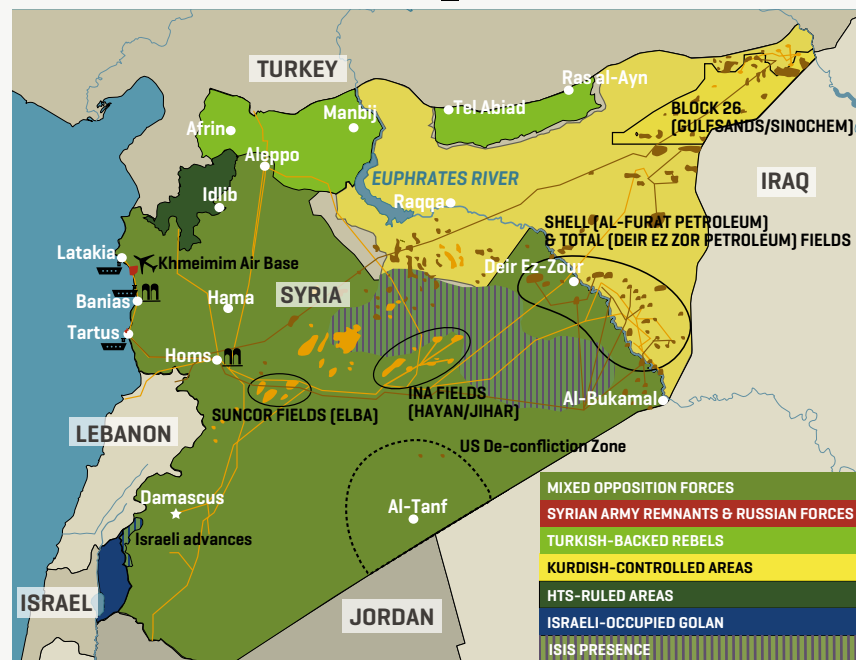
Tehran, now stands to lose the most; the decades-long alliance with Syria helped sustain its 'Axis of Resistance' proxies, especially Hezbollah, and its loss follows Israel's devastation of the Lebanese group in recent months (MEES, 4 October), coming on top of the heavy losses suffered by Hamas in Gaza.

But while Western governments are happy to see Russia and Iran lose a client state, they are wary that this ousting was led by the western-sanctioned Islamist group Hay'at Tahrir al-Sham (HTS). The Gulf monarchies are also concerned by the rise of the group which originated as part of Al Qaeda. Indeed, they had begun normalizing relations with the Assad regime in recent years.

In the immediate aftermath of Assad's downfall, Syria looks more unstable and prone to internal strife than it did just weeks ago. While Turkish-backed groups remain locked in conflict with Syrian Kurds in the north, the US has conducted airstrikes against Islamic State sites in central Syria, fearing that the terrorist group may take advantage of the vacuum. Meanwhile, Israel was quick to advance

SYRIA'S NEW CONTROL MAP AND OIL & GAS INFRASTRUCTURE

■ GAS FIELD/PIPELINE ■ OIL FIELD/PIPELINE ■ OIL TERMINAL ■ REFINERY



its forces beyond a UN buffer zone, enlarging its control beyond the long-occupied Golan Heights. Israeli forces are now less than 30km away from Damascus.

Over the past few days, Israeli air strikes have near-destroyed the Syrian navy, air force and various weapon storage sites, including chemical weapons the Assad regime had deployed against civilians in the past. Israel says these are efforts to ensure these do not fall into Hezbollah or rebel groups' hands. Despite its opposition to Assad, Israel was content with the status quo in Syria, seeing the government as a known adversary. Now it will be concerned that the next government may pose a greater threat.

HTS: ISLAMIST KINGMAKERS

Opposition groups, led by Sunni HTS militants, installed an interim 'transitional' government headed by PM Mohammed al-Bashir on 10 December. Mr

Bashir is to manage administrative affairs until March, and had previously headed the 'Syrian Salvation Government' created by HTS in 2017 to administer its territory in Idlib province (see map).

HTS has a problematic history, to say the least. Until 2016, it was known as Jabhat al-Nusra, the Syrian branch of Al-Qaeda, and its founder, Ahmed al-Sharaa, was a member of the Islamic State in Iraq, known by his nom de guerre of 'Abu Mohammed al-Jolani' – implying a family origin in the Golan Heights. While the HTS-led Idlib government has a successful record of service provision, and showcased capacity to accept others from religious and ethnic minorities, Mr Jolani was also quick to purge opponents.

With HTS now leading the transition in Syria, its historical record may complicate international recognition of the

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new government, and more importantly the removal of sanctions. HTS has in recent years attempted to distance itself from its Jihadist roots, with Mr Jolani presenting the group as a religious nationalist organization, courting the West for recognition. Western governments, like those in the region, have chosen a wait-and-see approach as events unfold.

“I think everybody knows the background Jolani came from. He was part of a very extremist group, but he broke away from the most extreme of the extreme and forces under his command were responsible for fighting ISIS and Al-Qaeda” says H. A. Hellyer, a Senior Associate fellow at London’s Rusi think tank.

Mr Hellyer, while cautioning that “no one should be naive” concerning the track record of HTS in Idlib which “was certainly not of the most progressive fashion,” adds that the group “did moderate and this is a path that is not over.” He reasons that as HTS now needs “to engage with other sectors of society” including those “acquiescent to the regime and not involved in the fighting, Kurdish groups, and those coming back from abroad” this makes them “conducive to being pragmatic.”

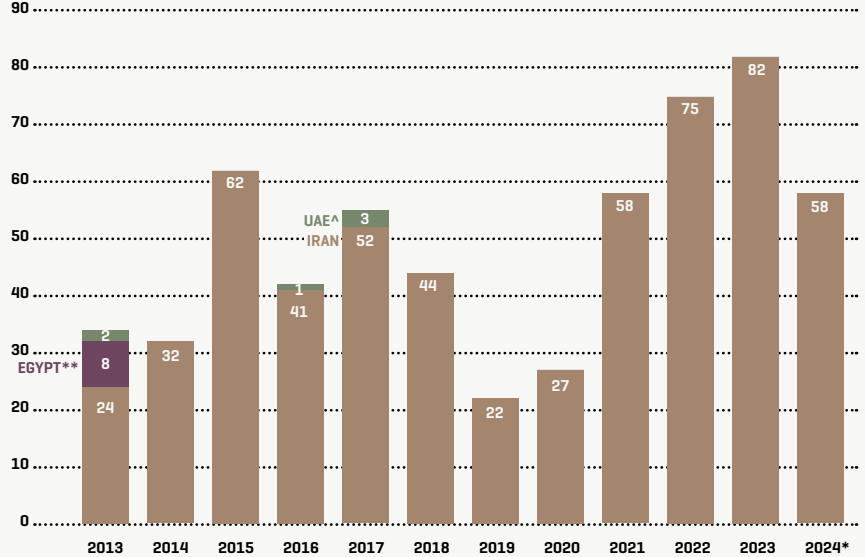
He also notes that “one of the reasons why they managed to take so much territory in such a short period of time was because they’d done a lot of legwork on the ground, convincing people that at the very least they are better than Assad. Minority groups were convinced by the pitch, and so far this has held up, so people should recognize that and try to build on it.”

Aside from the 600,000-plus who died in the past 14 years of conflict, millions of Syrians fled the country, while tens of thousands of young men were conscripted into national service. Even with the conflict having seemingly died down in recent years, this relative stability did not translate into prosperity.

These factors, as a Syrian expert explained to MEES on the sidelines of the IISS Manama Dialogue in Bahrain last weekend, helped HTS-led groups “neutralize” some of the regime’s senior military officers, convincing them to abandon their posts, giving momentum to the 13-day lightning offensive that began on 27 November.

As for international recognition of the HTS-led government, Mr Hellyer says the potential is “fairly good,” although he cautions that “we’re judging on the basis of statements. We haven’t seen actual policies yet.” He notes that HTS appears “quite responsive to public pressures,” citing the transitional government’s recent decision to create a committee to amend the constitution in response to concerns that “HTS was going to monopolize the process.”

SYRIA HAS RELIED UPON IRAN FOR ITS OIL OVER THE PAST DECADE (000 B/D)



*TO END-NOVEMBER. ALL TO BANIAS PORT. **CHARTERED BY NATIONAL IRANIAN OIL CO. ^COULD BE IRANIAN RE-EXPORTS. SOURCE: KPLER, MEES.

“Because of this flexibility I think the international community is going to want to help stabilize the country so it doesn’t go the way Libya or other failed transitions,” Mr Hellyer adds. Although he says this will not come condition-free, with assurances likely demanded on minority rights and that Syria does not become a base for foreign groups.

“I think the possibilities are good, which is better than they looked a week ago. It’s about realizing potentials, and it could go pear-shaped, but there is good reason to be hopeful and optimistic,” he concludes.

IRAN: A BROKEN CRESCENT

Western governments are not the only ones looking closely at HTS overtures and statements in the past few days. HTS reportedly told Tehran through diplomatic channels that it would protect Shia minorities and religious sites in Syria, and allow safe passage out for Iranian military personnel. Defending these sites against Salafist extremists was at the core of Tehran’s narrative when recruiting Shia fighters at home and in neighboring Iraq, Afghanistan and Pakistan when it joined the Syria conflict in 2012.

Mr Assad’s fall has struck a decisive blow to Iran’s regional ambitions. As Tehran’s most consistent regional ally over the past four decades, Syria sat at the heart of Iran’s so-called ‘Shia Crescent’ – a term coined to describe its sphere of influence over Iraq, Syria and Lebanon. Adding to the embarrassment, Iran’s embassy in Damascus, once a symbol of its control over the country, was stormed and its contents rummaged through.

Perhaps even more crucially, Iran has now lost a direct overland supply line to Lebanon, much needed to rebuild Hezbollah’s capabilities after its war with Israel. But the Iranian abandonment of Assad may have been long-coming.

In his attempts to secure Arab recognition and funds for reconstruction, the now-ousted Syrian president stood on the sidelines as Iran and its proxies battled Israel after the 7 October 2023 Hamas onslaught, and did little when Tehran’s embassy was attacked in Damascus (MEES, 19 April) and Hezbollah’s Leader Hassan Nasrallah assassinated.

As such, Tehran was in no hurry to come to Mr Assad’s aid. Meanwhile, Hezbollah had played a key role in sustaining the Syrian government’s army and operations against opposition groups, but the degrading of its forces by Israel meant that it had no manpower readily available to fill the vacuum.

With Tehran’s strategists taken by surprise, even efforts to scramble Iraqi Iran-backed militias was met with Baghdad’s opposition. Iraq has deployed additional troops, including Shia paramilitaries, to the Syrian border but has maintained that their role will be defensive.

Inna Rudolf, a Senior Research Fellow at the War Studies Department at King’s College London says that the re-election of Donald Trump and recent Israeli strikes on Iran’s proxies in the region have forced the Iraqi militias “into a mode of pre-emptive self-restraint.” She adds that “even the more Iran-backed elements within the PMUs [Popular Mobilization Units – Shia militias operating under the Iraqi government have shown a preference for preserving the paramilitary groups’ state-endorsed privileges rather than unnecessarily jeopardizing their institutional gains... mindful of avoiding a fate similar to Hezbollah in Lebanon.”

Iran also provided crucial support to Syria through the provision of around 80,000 b/d of oil shipments last year (see chart). These volumes, which made

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up more than 90% of Syria's crude and products imports over the past decade according to Iman Nasser, Middle East Managing Director at energy consultancy FGE, were provided near free of charge, with some of the resultant revenues helping to finance Hezbollah (MEES, 16 August). Mr Nasser not surprisingly concludes that "it is unlikely that Iranian oil will continue flowing to Syria anymore."

TRUMP: 'NOT OUR FIGHT'

The fallout from the ousting of Assad will be a major geopolitical theme for 2025, but initially at least US President-elect Trump is signaling a hands-off approach. Writing on his Truth social media platform, Mr Trump said "Syria is a mess...THIS IS NOT OUR FIGHT. LET IT PLAY OUT. DO NOT GET INVOLVED."

While Mr Trump's Middle East policy remains unpredictable, his statement, as well as previous calls to pull US troops from Syria, are in line with his preferred isolationist stance (MEES, 22 November).

"Trump won't be keen to expand the US role in Syria beyond counter-terrorism unless things deteriorate substantially," says Jim Krane, Wallace S. Wilson Fellow for Energy Studies at Rice University's Baker Institute. "The US mantra is 'Syria isn't our fight' and there aren't any major US interests there, beyond threats to regional stability and Israel in particular," he adds.

The power struggle over Syria will likely extend to control over its oil fields. From pre-war output of nearly 400,000 b/d, oil production has sunk to around 80,000 b/d with almost all of this being produced in the Kurdish Syrian Democratic Forces (SDF)-controlled areas.

But Mr Krane says no large US or Western companies will be interested as "the oilfields are in a contested part of the country and getting the oil out would be difficult and risk-prone. At this point there's no state authority to negotiate with for access."

Rebuilding the oil and gas sector has the potential to create significant revenue for any new internationally-recognized Syrian state. "It could generate billions of dollars per annum and help accelerate early recovery programs, especially at a time when you have huge international donor fatigue because of other conflicts in the world" says John Bell, Managing Director of Syria-focused Gulfsands Petroleum.

Gulfsands' Block 26 asset has been long under force majeure with its oil produced by Kurdish groups and either smuggled across border and/or sold into murky markets controlled by militant groups through-out Syria (MEES, 14 May 2021).

The upheavals offer a massive potential upside for Gulfsands – whose sole Syria asset was nominally valued at almost \$900mn in 2009 but in recent years has been forced to massively downsize its operations with resources constrained (MEES, 1 July 2022).

Mr Bell hopes that the "territorial and sovereign integrity of Syria is respected as outlined in UN Security Council Resolution 2254" and he says any incoming government should respect pre-existing agreements. "These are sovereign agreements with the government, and we expect that these agreements will be respected and honored by any incoming government."

TURKEY: BIGGEST WINNER

Likely US non-intervention also raises alarms that Ankara may end up filling the gap, given its influence over HTS and other groups. Any escalation of its Syrian proxies' conflict with the Kurds would delay reaching a political settlement and risk seeing the country divided between feuding warlords.

Ankara says the SDF is aligned with the Turkey-based Kurdistan Workers Party (PKK), with which it has been fighting on and off for decades, raising the potential for conflict between opposition groups close to the new government and the Kurds.

"Iran's exit from Syria leaves a vacuum that Turkey appears poised to fill" says Homayoun Falakshahi, Senior Commodity Analyst at Kpler, adding that "Turkish companies, backed by Erdogan's support for HTS, stand to gain significant contracts in reconstruction and energy."

A US source tells MEES that Washington is closely watching for the emergence of alternative oil supply sources for the new transitional Syrian government once its stores of Iranian crude and products run out, with Turkey being the likely new fuel supplier. Russia's primary concern now will be to retain, if possible, its strategic Tartus naval base and the Khmeimim airbase, both located in what was the Assad dynasty's ancestral stronghold of Latakia. Moscow may opt to surrender control of small oilfields in Syria in return for keeping the bases.

Speaking at the IISS Manama Dialogue, Anwar Gargash, Diplomatic Advisor to the President of the UAE, says that Arab countries need to begin a dialogue with Iran and Turkey in the wake of the latest events in Syria. "Turkey has legitimate concerns about its own security... we need to speak about this," he says.

But Mr Gargash cautions "we do not know what the shape of developments in Syria will be. Is this [a HTS-led government] going to be a wiser group that will be able to transcend Syria's tortured history, or are we going to go back into a reincarnation of radical and terrorist organizations playing a major role?"

Dana Gas Pledges Egypt Drilling Reboot

UAE independent Dana Gas says it will kick off a \$100mn "investment program" including the drilling of 11 wells on its acreage in Egypt's Nile Delta following the receipt of "a circa \$20mn payment from the Egyptian Government."

The six exploration and five development wells announced on 12 December are "expected to increase ultimate gas recovery by 80bcf," Dana says.

With the firm having repeatedly halted investment over disputes with Cairo in recent years, output has been in steep decline, falling to 73mn cfd for Q3, half levels three years earlier. And Dana is far from the only firm unhappy with both the level and the timing of payments for Egypt gas output: the country's overall gas output of 4.494bn cfd for October is down 2.6bn cfd from its 2021 peak (MEES, 6 December).

Dana in June agreed the investment program with Cairo as part of a deal consolidating its three Nile Delta blocks (MEES, 23 August), but last month said it would not proceed with the investment plan until a substantial portion of its \$59mn end-Q3 receivables in the country was paid down (MEES, 15 November). A fourth non-producing block will be relinquished, MEES learns.

However, it may still not all be plain sailing for Dana and Cairo. Though it says that the concession agreement is now "expected to be formally signed shortly" and that the latest payment "will be reinvested in the Company's existing operations in Egypt," it adds that pressing on with the \$100mn investment program "will also require future regular monthly payments from the Egyptian Government to ensure all phases of the program will be completed."

CEO Richard Hall says Dana is "encouraged by the recent commitment from the Ministry of Petroleum and Mineral Resources to provide regular monthly payments, along with progress towards resolving our overdue receivables" but that "future payments will be key" to keep the firm's spending taps open and maintain the work program.

