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Syria's Upstream Future Hinges on Sanctions Relief

A sanctions reprieve will be vital if Syria, which on Tuesday appointed a new transitional prime minister, Mohamed al-Bashir, wishes to attract any foreign investment in its oil sector.

Al-Bashir headed the de facto government of rebel group Hayat Tahrir al-Sham (HTS) in Syria's northwest Idlib province and is to remain in the role until Mar. 1, 2025. HTS swept Syrian President Bashar al-Assad from power over the weekend in a lightning advance through the country.

Layers of sanctions have contributed to the country's oil production plunging to 80,000 barrels per day, the bulk of it in the Kurdish-controlled northeast, down from a prewar 380,000 b/d in 2011.

"The last two weeks [have] caught a lot of people by surprise, with everyone trying to understand what this means," Gulfsands Managing Director John Bell tells Energy Intelligence. "Provided appropriate governance and safeguards are in place, the concept of amending existing sanctions swiftly to allow international energy companies to return should be a key priority."

-listed Gulfsands' Block 26 in Kurdish-controlled northeast Syria is home to the Khurbet East and Yousefieh fields — but has long been under force majeure. The Syrian-based People's Protection Units there have lifted 50 million barrels of production over the last seven years, according to Gulfsands' estimates.

Bell says that with investment, "you could see 16,000 [barrels of oil equivalent per day] rise to 33,000 boe/d within the existing well count, and up to 50,000-100,000 boe/d with new drilling. Gulfsands are ready to return when circumstances allow."

The US' 2020 Caesar Act, which authorizes sanctions on anyone doing business with the Syrian government, is due to expire on Dec. 20 unless it is reapproved by Congress. Advocates for lifting it argue that conditions have mostly been met with al-Assad's exit. But sanctions have a history of lingering.

Revenue Generator

Investment in the energy sector is not just about keeping the lights on, but could also potentially generate extra revenue.

"Oil and gas is the only sector that could really shift the needle in terms of funding early recovery in Syria. Lifting sanctions and allowing international energy companies to return and invest could allow output to rise to 400,000-500,000 barrels of oil equivalent per day in three to four years. That would give gross revenue somewhere in the region of $10 billion-$15 billion per year at around $70 per barrel," says Bell.

Syria was never a major oil producer or exporter, but managed to achieve a peak output of just over 600,000 b/d in 1995.

Oil majors Shell and TotalEnergies both have assets in the country but have suspended all operations there since 2011.

Shell confirmed today that it has a 65% interest in Syria Shell Petroleum Development (SSPD), a joint venture between Shell and the China National Petroleum Corp. SSPD holds a 31.25% interest in Al-Furat Petroleum Co. (AFPC). Shell also holds a 70% stake in two exploration licenses via Shell South Syria Exploration.

AFPC was pumping 90,000 b/d when the war broke out, while the Total-operated Deir el-Zor Petroleum Co. was pumping around 20,000 b/d. A Total spokesperson said that it was "premature to comment on our side" on any restart of operations.

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