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UK Gulfsands Petroleum eyes return to Syria's upstream

Market: Crude oil | 19/02/25

London-listed Gulfsands Petroleum plans to return to Syria's upstream as soon as sanctions on the country are lifted and "circumstances allow," the company's managing director John Bell said.

"Sanctions discussions are occurring not only in the EU, but also in the UK and US," Bell told *Argus*. "In summary, we view these developments as generally positive. Gulfsands has always intended to return to its operation in Syria when the circumstances allow."

Gulfsands holds a 50pc operating stake in two oil fields in Syria's block 26, in the country's northeast near the border with Iraq, an area long controlled by the Kurdish-led Syrian Democratic Forces (SDF). Chinese state-owned Sinochem holds the remaining 50pc.

Force majeure was declared in December 2011 with respect to the contract after the introduction of EU sanctions against Syria. The fields were producing 24,000 b/d at the time.

Since then, control of the fields has been unclear at times. By 2017 Gulfsands said production was averaging around 15,000-20,000 b/d, although it added that was without its participation.

Bell said the company can only return "if the current relevant energy sanctions in the EU, UK and US as revised and hence international companies are permitted to return to their operations, bringing with them vital investment, people, equipment and know-how."

In January, the EU's high representative for foreign affairs Kaja Kallas said the bloc would begin easing sanctions against Syria within weeks, starting with economic and energy restrictions. More recently she saidthe EU would meet on 24 February to discuss the lifting of sanctions on Syria, and told *Argus* the prospect of this "is looking promising" albeit internal European politics could slow the process.

Road to recovery

Once a 600,000 b/d-plus producer, Syria's crude output has been on the decline over the past three decades.

Just before the start of the civil war in 2011, production had was below 400,000 b/d, and by May 2012 it had fallen to 200,000 b/d, the Syrian government said.

Today it is less than 100,000 b/d, with only around 16,000 b/d or so coming from fields in areas under the former Assad government's control.

"At the moment, oil production in Syria is largely opaque, illicit, unsafe, destined for the black market and causing enormous environmental damage… [and] production volumes have decreased recently due to these unsustainable practices," Gulfsands' Bell said.

Whether Syria can reverse this downward production trend "will depend on the approach taken by the new Syrian government," he said. If they properly leverage existing centralised government institutions and work with returning international energy companies, Bell said he could see crude output returning to not only pre-2011 levels, but even as high as 500,000 b/d "within several years."

By Nader Itayim and Rithika Krishna