As Sanctions Ease, Gulfsands Lays the Ground to Return to Syria

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Following the recent easing of sanctions against Syria by the United States, the United Kingdom and the European Union, British oil company Gulfsands is laying the ground to return to Syria. "There are no material sanctions restrictions that would prevent our return to operations," John Bell, CEO of Gulfsands, told *The Syria Report*.

Gulfsands, like the other foreign oil companies operating in Syria in 2011, declared '*force majeure'* when the Syrian-uprising turned conflict broke out. Force majeure is a legal clause in a contract that allows a party to suspend or terminate its obligations in the case of unexpected events such as a war. Gulfsands operated Block 26, located in the northeast, in a joint venture with China's Sinochem Group.

Besides the easing of sanctions, two conditions are needed for Gulfsands to lift '*force majeure'*. "First, the security situation around our fields needs to be such that we can ensure safe and secure operations. Second, various legal and commercial details must be worked through regarding the exact process of lifting *force majeure*," Mr Bell said.

He added that he is hopeful these "remaining issues can be resolved over the coming months," and said Gulfsands is "working with the new Syrian Government and the Ministry of Energy, to resolve these."

Gulfsands, in its recently released 2024 Annual Report, said it is in a position "to start making concrete steps towards a re-entry into Block 26" following the new political configuration in the country with "the installation of a new government in Syria, the general acceptance of the new Syria back into the international fold, and the trend towards an easing and/or lifting of international sanctions."

In the letter to shareholders included in that report, Mr Bell noted that "it is still too early to determine how the Syria situation will develop, and there will likely be bumps in the road ahead, but the signs so far are encouraging and we stand with our Syrian partners and the Syrian people to do whatever we can to rebuild an industry that can be a central pillar to rebuilding the country for the benefit of all."

Gulfsands outlined the following steps to re-entry into Block 26: field visit, stakeholder engagement, commercial and legal clarity, organisational build out, re-establish supply chain, environmental analysis and clean-up plan, application of new technologies, infrastructure assessment, community outreach, security assessment and plan, and then the execution of a full field development plan and reserves growth program.

The first two steps have already been taken. In May, Mr Bell led a Gulfsands delegation to Syria and met with Energy Minister Mohammad Al-Bashir. Mr Bell confirmed that Gulfsands, together with Sinochem – their partner in Block 26 – are "in frequent dialogue with them [Sinochem] about our plans to return, as we are with the General Petroleum Corporation, our partner within the Syrian Government.

In its report, Gulfsands noted that dialogue with the Syrian government and relevant industry stakeholders "has been positive to date." Given that Block 26 is in the northeast, "a sustainable agreement between Damascus and our near neighbours in the northeast will be vital to us ensuring safe and secure operations are possible," said the company. "We encourage both sides to work expeditiously through the details required over the coming months that will facilitate a sustainable future including the re-opening of the oilfields," it added.

Last week, representatives of the Syrian government and the Kurdish-led Syrian Democratic Forces (SDF) held a meeting to advance in the talks of the agreement between both parties inked in March. According to the deal, civilian and military institutions in the territory under the Autonomous Administration in North and East Syria (AANES) control, will be integrated in the central administration, including the management of oil fields. On June 5, the SDF Commander Mazloum Abdi, in a post on social media, said the meeting of the negotiation committees embodied "our commitment to national dialogue as a strategic choice toward a future that achieves justice and equality." The meeting last week hints that the SDF-Damascus deal seems on track.

Block 26, in figures

Gulfsands obtained the rights to operate Block 26 in a joint venture with the Chinese Sinochem Group.

Block 26 has over 20 years of resource life, according to Gulfsands Annual Report. "On a gross basis, Block 26 could be proven to contain over a billion barrels of recoverable resource with the potential for production levels of around 50,000 boepd from existing discoveries in the near term, and over 100,000 boepd from a full block development incorporating the potential exploration upside," noted the company.

Reserves as of January 1, were estimated as follows: 108 million barrels of oil equivalent (boe) in 2C (contingent) resources, meaning the quantities of petroleum estimated to be potentially recoverable from known accumulations; and 545 million boe in "unrisked mid case prospective resources," in reference to the estimate of hydrocarbon quantities that might be recoverable based on geological and technical data, before accounting for risk or probability of discovery.

The company added that oilfield production consultants believed that "the vast majority of these 2c [contingent resources] will be reclassified as 2P [proved] reserves upon the lifting of force majeure." The term "proved" refers to the quantities of oil or gas that are known to be recoverable with reasonable certainty under existing economic and operating conditions.

Since Gulfsands declared 'force majeure' and left Syria, other actors have operated in Block 26. Gulfsands estimated that, on average, unauthorized production in 2024 stood at 14,000 boepd, totalling "5.1 million boe made up of 4.6 million barrels of oil and 3.1 Bcf [billion cubic feet] of gas," a slight decrease compared to the 5.8 million boe in 2023.

Reported production levels "appear to demonstrate the reservoir quality and that the assets are materially undamaged and operationally fit, however it is widely reported that unsophisticated oil field practices are leading to health and safety issues and significant environmental damage."

Since the date of the first commercial oil production from the Block 26, "cumulative oil production from the Group's fields is understood to have exceeded 77.3 million boe by year end 2024, of which around 58.65 million barrels, have been produced since Force Majeure was declared, and without the involvement of Gulfsands."

When asked about Gulfsands' position towards legally reclaiming those funds to the actors operating Block 26 in recent years, Mr Bell said: "there are still a number of legal and commercial issues to be resolved as part of our return. Our priority is to get back to safely and securely operating the field, cleaning up the environmental damage, and increasing production from the reported 14,000 boepd."

The "unsophisticated oil field practices" have led to "chronic health issues" among the local population, and Gulfsands in its annual report committed to undertake "a widescale environmental clean-up." The Syrian Legal Development Program (SLDP), in a 2024 report, denounced that the SDF had contracted private businesses to run the oil fields in its territories, and that the use of primitive oil extraction and refining methods was taking a toll on the environment and the local population's health.

Under the terms of the Production Sharing Contract (PSC), "upon the lifting of Force Majeure, Gulfsands expects than any time lost during the '*force majeure'* period, plus any time needed to remedy any damage done during the *'force majeure'* period will be added back to term of the PSC and any related development or exploration periods," Gulfsands said in its annual report.

In terms of job creation, Mr Bell said that "once fully up and running, we estimate that we will require between 200 and 300 direct employees in Damascus and the field. Many more jobs will be created through service companies and the knock-on effects of increased economic activity."

In recent months, several businessmen and countries have expressed their interest to break into the oil – and more broadly – the energy market in Syria. Asked if Gulfsands was concerned about their stake at Block 26, Mr Bell said: "In terms of Block 26, we have a valid sovereign contract which we have maintained in good standing. We are working with the new Syrian Government to enable our return, and we have no cause for concern over our rights in that regard." He added that outside of Block 26, Gulfsands "can help the government restore the industry to its former glories and have offered our support to them in any way we can – leveraging our technical expertise, proven track record in Syria, and investment capability."

The Syrian energy industry "requires significant investment to get back on its feet and become the engine room it can be to drive the rebuilding of the Syrian economy for the benefit of all Syrians. As far as we are concerned, all credible investors should be encouraged to invest in Syria," Mr Bell added.

Lifting of sanctions

The energy sector has been one of the targets of the recent easing of sanctions by Western countries.

In April the United Kingdom de-listed ten companies involved in Syria's oil and gas sector; among them four joint ventures between foreign companies and the Syrian government: Deir-ez-Zor Petroleum Company, Dijla Petroleum Company, Ebla Petroleum Company, and Al-Furat Petroleum Company. The state-owned General Petroleum Corporation (overseeing Syria's upstream sector), Mahrukat (marketer of petroleum products in Syria), and the Syrian Company for Oil Transport were also delisted. The two companies managing the Banias and Homs refinery were also delisted.

Similarly, the European Union (E.U.) lifted in February sectoral sanctions in the energy sector, and in May, the E.U. lifted all sanctions on Syria – expect those based on security grounds – and removed 22 entities from the blacklist, among them: Syria Trading Oil Company, General Petroleum Corporation, al Furat Petroleum Company, Deir-ez-Zor Petroleum Company, Ebla Petroleum Company, Dijla Petroleum Company, Syrian Petroleum Company, Mahrukat Company, Syrian Company for Oil Transport, Overseas Petroleum Trading, and the Homs Refinery Company and Banias Refinery Company.

The U.S. also announced in May a suspension of major sanctions on Syria via the General Licence 25 and a waiver pausing the Caesar Act for six months. The fact that the Caesar Act was not repealed, but only paused for six months, may deter some investors from entering the Syrian energy market.

Foreign oil companies

In 2011, several foreign oil companies were operating in Syria, among them: Sinochem, Royal Dutch Shell, Total E&P France, INA Naftaplin, Serinus Energy, Suncor Energy, IPR Mediterranean Exploration Limited, and Maurel & Prom. *The Syria Report* reached out to all of them to enquire about their strategy towards Syria.

A representative of Serinus confirmed that "Serinus Energy had disposed of its interests in Syria in 2017 and has no plans to return." A spokesperson of INA said they are "continuously monitoring the situation in Syria." Royal Dutch Shell declined to comment on their position after the recent easing of sanctions. The remaining companies did not reply in time for this publication. For more details on the assets of foreign oil companies as of 2011, click here.

Besides these foreign companies, new actors have been positioning themselves to break into the Syria energy market. Among them was U.S. businessman Jonathan Bass, CEO of Argent LNG, a U.S.-based energy infrastructure company. Mr Bass said his proposal to establish a US-Syrian company called SyriUS that could manage oil fields in Syria was "moving through the legal process to find the path forward. The issues that need to be addressed are transportation, safety and financial infrastructure." Concerning the SyriUS project, "the issue of bankability remains, because the U.S. does not seem to be putting forward funds, we need to figure out how we can get this project forward," he added.

On top of that pitch, Mr Bass explained they are proposing another project – called Phase 1 – to enable "local power generation stability of the grid," and they are currently assessing the security in the ground.

Asked about how the contracts of the Syrian government with the previously mentioned foreign oil companies may collide with his interest to launch SyriUS, Mr Bass said that "those are specific contracts in specific areas" and that "there's not only one company that is going to lift Syria up."

He added that Syria "needs the right companies that can make the investment, some of the IOCs [independent oil companies] take a long time, and the biggest enemy that Syria has is time. If they burn time, it is something that creates instability," he added.

"What is important is that companies do not promise and then under deliver. I see there's a lot of promises and no delivery. In this sector, money does not guarantee delivery. You really need the equipment," he added.

Commenting on the production sharing agreements signed with foreign oil companies, Mr Bass said: "The contract of Shell and Total were favourable for Total and Shell, not so favourable for the country, the split is 50/50. The contract must be at the right terms for the country."

Other energy resources developments

On June 5, the Syrian minister of energy held a phone call with his Algerian counterpart, Mohamed Arkab. They discussed ways to enhance bilateral cooperation in the fields of energy, electricity, and mineral resources, and the Algerian minister said his country was ready to send specialized teams in the fields of electricity and mineral resources, to support reconstruction efforts and improve basic services, according to a statement by the Syrian Ministry of Energy.

Two days earlier, Mr Bashir met in Doha with the Qatari minister of energy Saad bin Sherida Al-Kaabi and addressed "enhancing Qatari investments in energy projects within Syria, including renewable energy, with both sides expressing great interest in expanding cooperation in this sector," said the Syrian Ministry of Energy in a statement.

Last week, Mr Bashir visited Banias refinery and said that production capacity stood at 100,000 barrels per day. "After a pause of four months due to maintenance work, and the addition of a power unit, today this refinery is working again, after securing crude oil supplies," he said in a video published by the ministry.

With the fall of the Assad regime in December, Iranian oil supplies were halted. Due to sanctions, Western powers have been reluctant to supply oil, and instead Russian tankers have been reported to supply oil to Banias. On May 30, shipping news media outlet *TradeWindsNews* reported that a SuezMaz tanker was heading to Syria carrying Russian oil. On Monday, the tracking platform *Vessel Finder* showed an oil tanker called Tango under the Comoros flag was docked in Banias, coming from Dardanelles (Turkey).

Earlier this month, the Ministry of Energy said that crude oil production stood at 46,800 barrels per week, and added that to cover local needs they had imported 985,400 barrels. Over the course of a week, 15,757 tonnes of crude oil are refined in the Homs refinery, while 37,220 tonnes of crude oil are produced at the Banias refinery. The ministry said that since the fall of the Assad regime, Syria has exported 21,000 tones of phosphates and has produced 638,000 cubic meters of limestone.

In a promotional video, the Ministry also released new figures about the phosphate sector. They estimated reserves were at 1.88 billion tons, and that over the next year and a half, "we are working to produce about 6 million tons of phosphate, that is, by the end of 2026," and by the end of 2027, the ministry expected to reach 10 million tons. The ministry said Syrian phosphate will be exported to European countries, China, India, and East Asia. Here is our 2021 report on the phosphate sector.

Regarding the ministry's structure, last week the following appointments were announced: Ghiath Fawzi Diab was appointed Assistant Minister of Energy for Oil Affairs, Omar Mohammad Shaqrouq was named Assistant Minister of Energy for Electricity Affairs, and Oussama Khaled Abu Zeid took the role of Assistant Minister of Energy for Water Resources Affairs.

On June 5, the Ministry of Energy issued three tenders. One for purchasing 80,000 metric tonnes of LPG (used for cooking). Offers are to be submitted by June 17, and a USD 200,000 performance bond is required. The second tender required 90,000 metric tons of fuel oil. The deadline is June 24, and a USD 200,000 performance bond is required. The third tender required 7,000,000 barrels of light crude oil. Bidders can present their offers up to June 23, and a USD 500,000 performance bond is required. In this tender, it was specified that the seller had to declare that they had "no direct or indirect trade relations with any country which is at war with Syria during the execution of this contract" and that the contractor complied with "Israel boycott regulations in force."

Previously, in April, the ministry issued a tender for purchasing 7 million barrels of light crude oil, and another for 150,000 metric tonnes of fuel oil.