HC-ISCCC

Fuel Subsidy Review

Reports

National Anti Corruption Commission

Libyan Audit Bureau

Executive Summary

The management, supply and distribution of petroleum products in the domestic market represents one of the most critical issues relating to economic stability and energy security of the Libyan state. Given the strategic significance of this issue, the huge financial burden it places on the general budget, and its role as the lifeline of the production and services sectors, any failure in its management has a negative impact on citizens and the services provided to them. This report has revealed that the Libyan state spent approximately $9.2bn on fuel imports in 2024. This is equivalent to around $1,200 per Libyan citizen, equating to roughly six months' salary for a public sector employee.

This report is the result of a comprehensive and in-depth audit aimed at uncovering the legislative, financial and procedural realities regarding the subsidization, supply and distribution of petroleum products, given the absence of clear performance indicators and a legislative framework ensuring transparency and accountability.

The significance of this report lies in its exposure of the structural and fundamental gaps that threaten public funds, as the analysis revealed a legislative vacuum regarding the financial allocations earmarked for petroleum product subsidies, which has left the door wide open to ill-considered administrative interpretations and executive decisions. In addition, the recent reliance on a barter system for importing petroleum products, rather than including clear allocations in the general budget, has distorted financial data and obscured the true scale of government spending, thereby depriving the government of the ability to undertake long-term financial planning, and hindered oversight and accountability.

Key findings:

1. Disruptions in the fuel supply chain pose a significant threat to national security.

The current situation regarding fuel subsidies has resulted in serious sovereign risks that threaten the state's stability and energy security, with financial risks being the most prominent of these, given the depletion of cash reserves through a massive and irrational import bill, coupled with a decline in domestic revenue collection rates. This creates a chronic liquidity deficit and limits the state's ability to meet its sovereign and service obligations. Furthermore, its reliance on external sources to meet 76 percent of its domestic fuel needs leaves the country's energy security vulnerable to any disruptions in international supply chains or geopolitical instability, such as the impact of a war on Iran on fuel markets, which could lead to paralysis in sensitive sectors such as electricity, transport and industry, or at the very least incur exorbitant costs.

2. Lack of refining capacity leads to a waste of national wealth

The gap between the theoretical and actual refining capacity of refineries, and the closure of national refineries, represents a waste of national wealth and a capitulation to the idea of relying on imports rather than developing local production capabilities, which deprives the country of a strategic competitive advantage that may not be easy to regain. Reliance on domestic refineries meets no more than 24 percent of domestic needs, whilst the country imports 76 percent of its requirements. This matter is of critical significance given the substantial financial burden borne by the Libyan State. The cost variance is highly material: the domestic production cost for 95-octane gasoline ranges between LYD 117 and LYD 150 per metric ton (MT), whereas the cost of importing the equivalent product stands at LYD 4,256 per MT (equivalent to USD 883). Furthermore, regarding diesel (naphtha), domestic refining costs amount to approximately LYD 3,500 per MT, compared to an import cost reaching LYD 4,800 per MT. The Ras Lanuf refinery has been completely shut down since 2023, depriving the country of 58 percent of its oil refining capacity and costing it an estimated $1.2 billion in lost production annually.

3. Accumulation of public and private debt

The accumulation of accrued arrears owed by public and private sector entities—amounting to LYD 5.8 billion between 2018 and 2023—coupled with the absence of robust collection mechanisms, generates substantial future financial exposure. This risk is further amplified by a lack of deterrent penalties for non-compliant counterparties. Exacerbating this condition is the severe deterioration in the recovery rate of Public Treasury receivables, which plummeted from 44% in 2022 to a mere 25% in 2024. Furthermore, the lack of a defined legislative framework governing subsidy and supply operations leaves regulatory decisions highly vulnerable to arbitrary and conflicting shifts under successive administrations. This regulatory vacuum drives institutional instability and severely compromises the sustainability of long-term strategic policies. Collectively, these systemic risks mandate immediate comprehensive reform, necessitating the elevation of this issue to the highest priority on the national agenda due to its critical threat to state operations and macroeconomic stability.

4. Legislative gap: the mechanism for estimating market needs is unsuitable

The absence of a scientific and standardised mechanism for estimating market needs has led to an unjustified inflation in import volumes and a rise in the import bill without any tangible increase in service or production output. There is a complete legislative vacuum regarding allocations for petroleum product subsidies, as no resources have been allocated for this in the 2023 and 2024 budgets, after allocations reached 5,281,840,000 Libyan dinars in 2022. This has led to reliance on the barter system, which has distorted the financial data by a significant margin, estimated at between 30 and 35 percent.

The findings also revealed that the absence of a mechanism to determine requirements, due to reliance on quantities previously distributed without studying consumption levels, led to the setting of unrealistic growth targets of 15 percent for petrol and 9 percent for diesel, whilst international growth rates do not exceed 1.5 percent.

5. Critical Supplier Concentration Risk and Conflicts of Interest

The sourcing of petroleum products from external suppliers has resulted in a critical concentration in the supplier base, with just six companies controlling 100 percent of imports by 2024. One of these companies, secured 43 percent of the contract value, amounting to approximately $3.98 billion. Furthermore, most of these companies are newly established and do not own oil refineries.
Additionally, a glaring conflict of interest has been identified within the public entities. Although regulatory frameworks mandate the delegation of responsibilities to specialized committees, current operational practices reveal a critical concentration of authority vested in a single individual. Specifically, the General Manager of International Marketing at the National Oil Corporation (NOC) concurrently serves as the Chairman of the Term Supply Contracts Committee for domestic petroleum products, in addition to presiding over the majority of other committees overseeing oil and petroleum product contracts.

6. Poor cost efficiency in contracts

Financial losses resulting solely from inflated freight surcharges amounted to approximately $596 million annually, due to the high cost of surcharges, which are not reviewed periodically.

7. Significant discrepancies in inventory records

An audit of transport and storage operations revealed significant discrepancies in inventory records; the difference between recorded and actual aviation kerosene stocks amounted to approximately 197 million litres, enough to operate around 20,000 medium-range flights. This is in addition to malfunctioning measuring devices at the main storage facilities.

Indications of corruption in fuel supply

The audit and financial analysis revealed serious indications and suspicions of widespread administrative and financial corruption within the system for supplying petroleum products to the domestic market. These suspicions go beyond mere doubts about administrative errors and extend to the suspicion of organised networks depleting the national resources.

1. Structural manipulation of the supplier base: A radical and economically unjustified change was observed in the list of companies contracted to supply necessary materials from abroad. Whereas in 2022 the number of companies licensed to supply reached 17 international firms, all of which were experienced and financially sound, this figure shrank to six companies in 2023 and 2024, most of which were newly established firms lacking financial solvency.

2. The unprecedented and unjustified increase in surcharges added to purchase prices: The FOB (Free On Board) sales surcharge for petrol saw a staggering jump of 1,554 percent, rising from US$4.5 per tonne in 2022 to US$67. per tonne in 2024. Similarly, the CIF (Cost, Insurance, and Freight) premium for diesel increased by 450 percent, resulting in a direct loss to the public treasury estimated at approximately six hundred million dollars (596,614,233) annually, despite the decline in global oil prices during that period.

3. It appears that a limited number of individuals are at the centre of these operations: Audit observations identified highly suspicious similarities in the signatures of representatives across supposedly distinct and competing entities, including M, and P. This suggests a manipulation of corporate identities and a lack of genuine competition, indicating that these operations may be controlled by a limited circle of individuals.

4. Internal consumption data revealed signs of corruption in consumption within public bodies:

   Consumption in the public security sector recorded a massive increase in petrol withdrawals of 621 percent in 2024 compared to 2021, whilst diesel withdrawals for the same sector increased by 441 percent over the same period, without any operational justification or expansion of duties to account for this surge. The “armed forces” also increased their diesel consumption by 1,527 percent compared to 2021, and received supplies of heavy fuel oil, which had not previously been on their list of requirements.

   Furthermore, the power sector witnessed a substantial increase in diesel consumption, which surged by 203% compared to 2021, thereby imposing an additional burden on the import bill. Concurrently, heavy fuel oil (HFO) consumption rose by 125%. Notably, consumption at the Tripoli West Power Plant escalated by 881%, and at the Tripoli South Power Plant by 1,368%, while the remaining power stations recorded increases of varying magnitudes. These figures reflect a high probability that substantial volumes of subsidized fuel are being diverted to the parallel market or subjected to organized smuggling. This risk is heavily exacerbated by the absence of a robust oversight mechanism to reconcile the withdrawn quantities against the actual productivity of the consuming entities.

5. Flaws in the measurement and storage system: Furthermore, field inspection revealed that metering equipment was out of service at a number of critical depots, such as the Airport Road depot and Al-Hani depot, with reliance placed on manual measurement instead. Similarly, the electricity company, being one of the largest consumers, neglected the calibration of its metering equipment for several years, opening the door for manipulation of the received and distributed quantities. A comparison of the year-end inventory for 2024 revealed a significant discrepancy between accounting records and actual stock, showing quantity variances of approximately 2.9 million liters of gasoline and 20 million liters of diesel. This confirms the existence of operational gaps that allow for product loss without accountability.

Recommendations

The aforementioned indicators collectively strongly suggest that significant financial and administrative corruption is taking place, necessitating urgent and radical intervention. Consequently, reforming this supply chain is a top priority on the national agenda, as it has a direct impact on the state and its stability. Based on the findings and risks outlined above, this report proposes a package of urgent medium-term strategic measures:

1. The Libyan state must publish independent monthly and annual reports on the assessment of fuel requirements, using scientific methods based on objective, measurable indicators of supply and consumption, in order to enhance transparency and accountability; and regulatory bodies must play their part in continuously monitoring the implementation of these recommendations.
2. The general budget must explicitly and clearly include allocations to support petroleum products: The state's financial system must be amended to ensure a separate line item for this purpose, and bank accounts must be linked to online platforms for real-time monitoring.
3. The contracting committees responsible for outsourcing must be restructured to separate powers: This will prevent the concentration of powers in the hands of a single individual, and an independent committee must be established for the pre-qualification of suppliers, based on strict international standards including operational experience (no less than 10 years), financial solvency (capital of no less than 100 million USD), and ownership of production infrastructure.
4. Suppliers must be diversified to include 15 international companies by 2026: The Libyan state must immediately cease dealing with companies of dubious standing that have been proven to have manipulated documents, and must launch a public tender.
5. An urgent plan must be put in place to resume operations at the Ras Lanuf refinery and modernise the Zawiya refinery: These initiatives must be supported by the creation of an electronic platform to calculate the 'return per barrel' index on a regular and transparent basis, and to aim to reduce reliance on imports in order to increase local contribution.
6. All metering equipment at storage facilities and receiving points must be maintained and updated as necessary: The Libyan state must rely on a dual manual and electronic metering system to prevent tampering, and establish an independent internal control unit to track product movements.
7. The Libyan General Electricity Company could benefit from restructuring: by splitting it into three entities (for generation, transmission and distribution) to increase transparency and accountability, as well as installing smart meters to link fuel consumption to actual production, and holding those responsible for concealing operational data to account.
8. The accounting system at the Brega Electricity Company must be updated: The new system must be linked to the Ministry of Finance; a payment schedule must be imposed on the company's debtors; the supply of new quantities must be linked to the settlement of arrears; and the shares of sovereign entities in arrears must be transferred within 48 hours of the due date.

Contents

Key findings: 1

Disruptions in the fuel supply chain pose a significant threat to national security. 1

Lack of refining capacity leads to a waste of national wealth 1

Accumulation of public and private debt 2

Legislative gap: the mechanism for calculating market needs is unsuitable 2

Dangerous concentration in the supplier base 2

Poor cost efficiency in contracts 2

Significant discrepancies in inventory records 2

Indications of corruption in fuel supply 3

Recommendations 4

Scope and objectives of the analysis 10

Introduction 13

1. Legislative vacuum: the absence of a regulatory financial framework for fuel subsidies 13

1.1 The absence of any explicit reference to fuel subsidies in the Financial System Act 13

1.2 Weaknesses in the regulatory framework of the Budget, Accounts and Stores Regulations 13

1.3 Failure to include fuel subsidy allocations in the budgets 14

1.4 Lack of coordination between the relevant authorities in preparing estimates 24

2. Lack of transparency: the glaring discrepancy between budget allocations and actual expenditure 15

2.1 Fluctuations in financial allocations and total reliance on the barter system 15

22. Poor collection from distribution companies and a lack of financial accountability (transfer to the revenue chapter) 15

3. Roadmap: A comprehensive reform plan 16

3.1 Mandating the inclusion of fuel subsidy allocations in budgets and enhancing transparency. 17

3.2 Improving collection mechanisms from distribution companies (transfer to revenue separation) 17

Introduction 19

1. Legislation and Powers: The Legal Basis for Determining Oil Requirements 19

1.1 Compliance with the provisions of General People's Committee Decision No. (131) of 2011 19

1.2 Presidential Council Decision No. (411) of 2017: Restructuring the Remits of the Brega Company 20

1.3 Discrepancy between legal provisions and practical application in determining requirements 20

1.4 Legislative gap in the distribution of responsibilities between the National Oil Corporation and the Brega Company 21

1.5 Recommendations for reforming the legislative framework 21

2. Legislation and Powers: The Legal Basis for Determining Oil Requirements 21

2.1 Methodology for determining requirements: reliance on distributed quantities as a basis for estimation 22

22. Quantitative analysis of fuel allocations for the years 2021–2022–2023 22

2.3 Consumption patterns by geographical region (Western and Southern, Eastern and Central) 25

2.4 Sectoral distribution analysis: public authorities, the army, electricity, and public security 25

3. A Roadmap for Correction: Towards an Objective Mechanism for Determining Oil Requirements 27

3.1 Recommendations for institutional and procedural reform 27

3.2 Fuel Distribution Management and Tracking Project: Towards the Digitalisation of Operations 27

3.3 Matching quantities sold with the actual needs of consumers 28
3.4 Investing in transparency to protect national resources 28
Introduction 30
1. Legislation and Powers: The legal framework for securing petroleum products from external sources 30
1.1 Decision of the Chairman of the Board of Directors No. (616) of 2022: Reorganisation of the Fixed-Term Contracts Committee 31
1.2 Conflict of powers and responsibilities in the mechanisms for selecting and negotiating with suppliers 31
1.3 Absence of pre-qualification criteria for suppliers in the legislation in force 32
1.4 Exceeding of the committees' powers by the Chairman of the Board 33
2. Reality and challenges: a quantitative and qualitative analysis of fuel supplies from external sources 33
2.1 Volume and value trends for fuel supplies during the period (2022–2023–2024), plus 2025 33
2. Supplier Structure: An Analysis of New versus Old Suppliers 35
2.3 Analysis of prices and mark-ups: excessive pricing and a lack of genuine competition 37
2.4 Findings of the audit and review: Suspicions of manipulation and fraud in tendering 39
2.5 Irregularities in the selection and evaluation process for foreign suppliers 39
2.6 Key findings and indicators of corruption 40
3. Roadmap: Towards an efficient and cost-effective external fuel supply system 40
3.1 Restructuring the committees responsible for foreign contracts and separating their remits 40
3.2 Establishment of a pre-qualification committee for suppliers in accordance with international standards 41
3.3 Diversifying the supplier base and engaging experienced international companies 41
3.4 Discontinuing dealings with companies of questionable integrity and launching a public tender in 2026 41
Introduction 44
1. Legislation and Powers: The Legal Framework for the Operation of National Refineries 44
1.1 Legal provisions governing the operation of Libyan refineries 44
1.2 Distribution of responsibilities between the National Oil Corporation and the Zawiya Oil Refining Company 44
1.3 Legal challenges regarding the ownership and operation of the Ras Lanuf refinery 44
1.4 Absence of legislation supporting reliance on domestic refining as a strategic priority 44
2. The figures: analysis of domestic refinery production and comparison of economic viability 45
2.1 Overview of national refineries: refining capacities and current status 45
2.2 Crude oil volumes supplied to domestic refineries (2022–2023–2024) 45
2.3 Analysis of the cost of domestic refining versus foreign imports (petrol, diesel, heavy fuel) 47
2.4 Ratios of reliance on domestic versus foreign supply by petroleum product 48
2.5 Return per Barrel Indicator: Delay in Updating Financial Reports 50
2.6 The gap between theoretical and effective refining capacities in operating refineries 52
2.7 Key conclusions and warning signs 52
Introduction 54
1. Legislation and Powers: Foundations for Regulating Transport and Storage Operations 54
1.1 Legal provisions governing storage and transport operations 54
1.2 Distribution of responsibilities between the National Oil Corporation and the Brega Company 55
1.3 Regulations governing quantity measurement and monitoring devices 55

1.4 Legal Compliance and Operational Challenges 56
2. On-the-ground reality: Quantitative analysis of petroleum product stocks and operational processes 56
2.1 Opening and closing stocks for 2024 56
2.3 Discrepancies in quantities distributed and received, and operational issues 58
3. A roadmap for reform: towards advanced transport and storage mechanisms 61
3.1 Updating and maintaining measuring devices and indicators 62
Proposed urgent measures: 62
3.2 Activation of internal control and self-regulation mechanisms 62
Proposed urgent measures: 62
3.3 Addressing stock discrepancies and linking them to receipts and sales 62
Proposed urgent measures: 62
3.4 Proposed reforms for the electricity sector 63
First: Immediate institutional reform: the separation of the electricity company 63
Second: Urgent Operational Reform 63
Chapter 6: Revenue 65
Introduction 65
1. Legislation and Powers: The Legal Framework for the Management of Hydrocarbon Revenues 65
1.1 Legislation governing distribution and storage margins 65
1.2 Mechanism for distributing revenue shares among sovereign entities 65
1.3 Legal compliance in revenue collection and transfer 65
1.4 Legislative gaps in revenue management 66
2.0 The actual situation: analysis of hydrocarbon revenues and debts owed 66
2.1 Accumulated debts of public and private entities (2018–2023) 66
3. Strengthening financial flows: a roadmap for improving revenue collection 68
3.1 Modernising the Brega Company’s electronic accounting system 68
3.2 Mechanisms for collecting overdue debts and scheduling repayments 68
3.3 Improving mechanisms for collecting contributions from sovereign entities 68
3.4 Enhancing transparency in oil revenue management 69
Summary and Conclusion 71
Critical operational risks: infrastructure collapse and lack of control over quantities 72
Systemic financial risks: systematic financial waste and a lack of transparency in cash flows 73
Security and sovereignty risks: threats to energy security and dangerous reliance on external sources 73
Structural institutional risks: collapse of governance and conflict of powers 73
Introduction 74
First: Administrative Responsibility 74
Secondly: Financial liability: 75
Third: Criminal liability 75
Fourth: Contractual liability 76
Fifth: Parties responsible for each failure (Table 24) 79
Conclusion 79

Introductory remarks by the High Commission

To the esteemed people of Libya, and to all those concerned with the future of a state founded on greater integrity, efficiency, and transparency.
With appreciation and respect

The High Committee for the Implementation of the Strategic Cooperation Plan between the Audit Bureau and the National Anti-Corruption Authority extends its sincere appreciation to its working group and to all the national bodies and institutions that contributed to providing data and information. It also expresses its gratitude to those supporting efforts to strengthen integrity and transparency, in the belief that combating corruption is a shared national responsibility requiring complementary roles and concerted efforts.

As part of the implementation of the Strategic Cooperation Plan between the Audit Bureau and the National Anti-Corruption Authority, the High Committee was established to serve as a joint national framework for integrating roles and channelling institutional efforts towards confronting corruption and strengthening integrity and transparency, through institutional work grounded in evidence, data, and professional analysis.

In carrying out its mandate, the Committee has adopted an approach that moves beyond the traditional treatment of corruption as isolated incidents or sporadic violations, towards a comprehensive approach aimed at understanding recurring patterns, analysing structural and institutional vulnerabilities, and identifying legal, operational, and procedural gaps that may contribute to undermining efficiency and create environments conducive to and enabling of corruption.

Proceeding from this approach, the Committee has prioritised its work in key areas through integrated phases, encompassing a review of the legal and operational framework, the collection and analysis of data, and the assessment of corruption risks and indicators, culminating in the development of practical, actionable recommendations and reforms aimed at enhancing the efficiency of public resource management and achieving the highest levels of transparency and accountability.

The publication of this report comes as part of the Committee's commitment to presenting an accurate and objective picture based on facts, data, and analysis, in order to support decision-makers, enable the relevant authorities to take informed action, and help build broader societal understanding of existing challenges and ways to address them.

The High Committee views its outputs as more than mere reports or technical findings; it regards them as a practical foundation for reform and an instrument for supporting good governance, and as a starting point for a state that is more efficient, more transparent, and possessed of greater integrity thereby safeguarding public resources, strengthening public trust, and supporting economic stability and state institutions.

Background and significance of the report

The financial and operational management of petroleum products, their supply and distribution within the domestic market is one of the most critical issues directly linked to the economic stability and energy security of the Libyan state. Given the strategic importance of this sector, the huge financial burden it places on the national budget, and the fact that it is the main lifeline for the productive and service sectors, any failure in its management has a direct and negative impact on citizens and the quality of services provided to them. This report is the result of an in-depth and comprehensive audit that examined the legislative, financial and operational realities surrounding the support, supply and distribution of petroleum products, against a backdrop of a lack of clear performance indicators and the absence of a regulatory framework to ensure transparency and accountability.

The significance of this report lies in the fact that it reveals structural and fundamental flaws that threaten public finances; analyses have shown a legislative vacuum regarding the financial allocations set aside to subsidise petroleum products, which has left the door wide open to administrative discretion and ill-considered decisions. Furthermore, the total reliance on the barter system for the supply of petroleum products in recent periods, rather than including clear allocations in the general budget, has distorted the state's financial data and concealed the true scale of government spending, thereby depriving the state of its ability to undertake long-term financial planning. Furthermore, the absence of a unified and scientific mechanism for determining market needs has led to an unjustified inflation in import volumes, thereby increasing the import bill without any tangible service or production output in return.

The urgent need to prepare this executive summary stems from the pressing requirement for a serious reassessment to reform the entire system, as continuing with the status quo would mean a continuation of the financial drain, estimated at billions of dollars annually. The report also highlights serious sovereign risks, including excessive reliance on external sources to meet domestic needs—amounting to three times domestic production—which makes the country's energy security hostage to external fluctuations and global supply chains. In addition to the financial aspect, the report addresses the operational aspect, namely the fact that national refineries have ceased operations or are operating at low capacity, which represents a waste of national wealth and a loss of investment opportunities that could have saved billions of dollars on the import bill.

Scope and objectives of the analysis

The scope of this regulatory analysis covered all legislative, financial and operational aspects relating to the lifecycle of petroleum products within the country, from the identification of needs through to external and domestic supply, and on to transport, storage and revenue collection. The scope of the work was divided into six main themes covered by the detailed chapters of the report. The first theme addressed financial allocations and the legislative framework governing support for petroleum products in the general budget, with a focus on the absence of earmarked items and the impact of this on financial transparency. The second area analysed the methodologies used to determine market needs and their alignment with actual consumption patterns, whilst examining the discrepancies between target quantities and those actually distributed across the various sectors.

The scope of the analysis was expanded to include external procurement processes in the third pillar, where contracts concluded with foreign suppliers were examined, the qualification criteria applied were assessed, and pricing structures and premiums were analysed against international standards. In the fourth pillar, attention was directed towards domestic supply and the operation of national refineries, by studying theoretical versus actual refining capacities, analysing the economic viability of domestic refining compared to imports, and identifying the reasons for the shutdown or reduced efficiency of major refineries such as the Ras Lanuf and Zawiya refineries. The scope also covered supply chain operations in the fifth section, including transport, receipt and storage, with a detailed examination of

measuring devices, monitoring systems and stock levels in main depots across different geographical regions.

The sixth and final pillar focused on revenue management and the collection of financial dues arising from the sale of petroleum products, including an analysis of distribution margins, the allocation of quotas among sovereign entities, and actual collection rates compared to amounts due, as well as monitoring the volume of accumulated debts owed by public and private entities. The objectives of the analysis were to identify legislative loopholes that allow for financial waste, accurately pinpoint indicators of financial and administrative corruption, measure the scale of financial losses resulting from mismanagement, and assess the level of energy security and the extent of reliance on external sources. The analysis also aimed to provide actionable strategic recommendations to reform the system, ensure the protection of public funds, improve operational efficiency, and achieve transparency at all stages of oil sector management, thereby contributing to the stability of the national economy and curbing illegal practices.

The methodology

The team tasked with preparing this report adopted a comprehensive, multi-dimensional analytical methodology, combining a documentary review, quantitative analysis and field research, to ensure the accuracy and objectivity of the findings. The methodology began with a comprehensive review of the legislative and legal framework governing the work of the National Oil Corporation, the Brega Oil Marketing Company and related bodies, including the National Oil Corporation Law, Cabinet decisions and resolutions issued by the relevant committees. These texts were analysed to identify legal loopholes and conflicts of authority between the relevant bodies, and to determine the extent of compliance with the provisions in force in practice.

From a financial and quantitative perspective, the methodology relied on an analysis of official data published by the Ministry of Finance, the National Oil Corporation, the Brega Oil Company and other relevant bodies, covering the period from 2021 to 2024. The analysis included a comparison of budgeted allocations with actual expenditure, an examination of the volume and value of products sourced externally and domestically, and an analysis of price structures and mark-ups compared with global indices. Comparative analysis methods were also used to measure the gap between the design capacities of refineries and their actual capacities, and to calculate operational efficiency indicators such as fuel consumption versus energy production in power stations compared to international standards.

The methodology also involved conducting on-site inspections of key storage depots in various regions to verify the condition of measuring devices and monitoring systems, and to reconcile book inventory records with the physical stock. Benchmarking against international best practices was also utilised. Statistical analysis tools were employed to detect abnormal patterns in consumption and distribution, such as sudden spikes in withdrawals from specific sectors, or unexplained fluctuations in quantities distributed across geographical areas. Finally, all findings were consolidated into a unified analytical framework linking the root causes of the imbalance to their financial implications, to ensure that the resulting recommendations were practical and measurable.

Chapter One: **Financial Allocations for the Fuel Sector in the Libyan Market**

Introduction

Libya's fuel subsidy system suffers from serious gaps and shortcomings, particularly with regard to the legislative framework and the financial governance system, which has resulted in a lack of transparency, a lack of legally mandated financial allocations for the system, reliance on an opaque barter system in which crude oil is exchanged for petroleum products outside the state's official budget, and poor collection of financial revenues. All of this has led to accounting irregularities, a waste of public resources, and an inability to plan or monitor support programmes in a sustainable manner.

1. Legislative vacuum: the absence of a regulatory financial framework for fuel subsidies

Legislative analysis reveals that the financial system dedicated to fuel subsidies in Libya suffers from a glaring legislative vacuum, as there are no clear legal provisions governing this sensitive item in the general budget, leaving the door open to administrative discretion and ill-considered decisions that negatively impact financial transparency and the sustainability of subsidies, despite the fact that fuel subsidies are one of the most significant items of expenditure in the general budget.

1.1 The absence of any explicit reference to fuel subsidies in the Financial System Act

The State Financial System Law and its amendments provide for the establishment of six main government accounts (the General Account, the General Reserve Account, the Development Account, the Public Debt Account, the Trust Account and the Emergency Account), without explicitly mentioning a fuel subsidy account amongst these. Although the law grants the Council of Ministers the authority to open other government accounts upon the proposal of the Minister of Finance, this authority has not been exercised to regulate fuel subsidies within a clear and stable legal framework.

This legislative gap gives rise to several fundamental risks:

- **The lack of a legal framework to protect support allocations from arbitrary financial transfers.**
- **The absence of binding oversight mechanisms to monitor the disbursement of these allocations.**
- **The conversion of fuel subsidies into an executive decision subject to change with each government, thereby undermining financial stability.**

1.2 Weaknesses in the regulatory framework of the Budget, Accounts and Stores Regulations

The Budget, Accounts and Stores Regulation reveals a critical legislative loophole, as Article 11 stipulates that the General Budget Directorate at the Ministry of Finance is responsible for forwarding the estimates received from ministries and departments to the Finance Committee after studying and reviewing them, whereupon the Minister of Finance submits the draft budget to the Council of Ministers for approval. However, the regulations do not clearly specify the mechanism by which fuel subsidy estimates are prepared, nor do they indicate the body responsible for preparing these estimates or the basis on which they are made. This ambiguity leads to:

- **There is no clear definition of which body is responsible for preparing fuel subsidy estimates** (the Ministry of Finance, the National Oil Corporation, or the Brega Oil Company).
- **The lack of standardised criteria for calculating subsidy requirements** (based on volumes, international prices, and cost differentials).

1.3 Failure to include fuel subsidy allocations in the budgets

As a result of the National Oil Corporation's adoption of a barter system for fuel supply, the government has failed to include fuel subsidy allocations in the approved budgets over the past two years, whereby:

- The Council of Ministers of the Government of National Unity issued Decision No. (425) of 2022 approving fuel subsidy allocations amounting to 5,281,840,000 Libyan dinars, following a budget transfer of 2,675,300,000 dinars.
- Cabinet Decision No. (254) of 2023 was issued approving government expenditure for the 2023 financial year without including any allocations for fuel subsidies.
- Cabinet Decision No. (828) of 2023 was issued regarding the opening of provisional monthly appropriations for all budget chapters for the 2024 financial year, without including fuel subsidy allocations. The table below summarises the inclusion of fuel subsidy allocations over the three years:

Table 1: Fuel subsidy allocations from 2022 to 2024

Financial Year	Decision	Allocation (Appropriation)
2022	No. (425) then (791)	5,281,840,000 LYD
2023	No. (254)	Not listed
2024	No. (828)	Not listed

The failure to approve funding for the fuel subsidy is a clear violation of the principle of financial transparency, and deprives the state of the ability to undertake long-term financial planning to meet the domestic market's fuel needs in accordance with pre-determined allocations designed to control and limit expenditure, whilst also misrepresenting public expenditure as off-budget spending.

1.4 Lack of coordination between the relevant authorities in preparing estimates

Actual procedures reveal a complete lack of coordination between the three main bodies responsible for preparing fuel subsidy estimates:

- Ministry of Finance: the body responsible for drawing up the budget.
- National Oil Corporation: the body responsible for procurement operations.
- Brega Company: the body responsible for distribution and revenue collection.

There is no formal mechanism for data exchange between these bodies, which leads to:

- Inaccurate estimates of the domestic market's fuel requirements.
- Supplied quantities not matching actual requirements.
- Delays in revenue collection and transfer to the Ministry of Finance.

2. Lack of transparency: the glaring discrepancy between budget allocations and actual expenditure

The actual financial data reveals an alarming financial reality that reflects a lack of transparency and oversight in the management of fuel subsidies, showing a huge gap between the budgeted allocations and actual expenditure, with total reliance on the barter system as an alternative to financing the cost of fuel supply and poor collection of revenue from fuel sales in the domestic market.

2.1 Fluctuations in financial allocations and total reliance on the barter system

The data reveals sharp fluctuations in financial allocations for fuel subsidies, as shown in Table 1 above, reflecting a lack of strategic financial vision and a complete reliance on a barter system that shifts the burden of financing from the public treasury to the National Oil Corporation through the exchange of crude oil for fuel outside the state budget, this volatility and total reliance on bartering have several negative consequences:

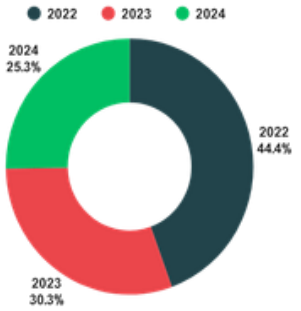
- The swap gave the National Oil Corporation free rein to supply fuel without restrictions or specific quotas in line with pre-planned targets, resulting in large quantities of fuel being pumped into the country in response to artificial demand.
- The National Oil Corporation's use of oil resources to supply fuel contravenes Libyan law, as the State Finance Act designates the Ministry of Finance as the competent authority for the management of public funds, and the Act also sets out controls on their use, expenditure and collection through the general budget.
- Distortion of the state's financial data and the misrepresentation of its true state, as the state's revenue and expenditure have been reported in the official data issued by the Ministry of Finance and the Central Bank of Libya at between 30% and 35% below their actual values.
- The failure to include revenue and expenditure relating to barter trade in the Ministry of Finance's reports will create significant problems in the preparation and finalisation of the state's final accounts and in presenting them accurately.

- A lack of transparency in fuel supply operations, as the entire process is handled by the institution and the same individuals; furthermore, it is difficult to track the financial values used in the barter system as they are managed outside the banking system.

2.2 Poor collection from distribution companies and a lack of financial accountability (transferred to the revenue chapter)

The data reveals a glaring shortfall in revenue collection from distribution companies, with the total amount actually collected in the Ministry of Finance's accounts during the financial years 2022, 2023 and 2024 amounting to just 596,669,896 Libyan dinars, broken down as follows:

Illustrative Figure 2: Distribution of Revenues Collected from 2022 to 2024



This weakness in revenue collection indicates:

- **Lack of debt collection policies:** the absence of strict mechanisms for collecting outstanding payments from distribution companies.
- **Accumulation of debts:** The accumulation of debts by distribution companies without effective enforcement measures being taken.
- **Impact on liquidity:** Reduction in revenue available to the Treasury to cover operating expenses.

3. Roadmap: A comprehensive reform plan

The financial shortfall in the fuel subsidy sector cannot be addressed without a comprehensive reform plan based on four key pillars: legislation, institutions, oversight and technology. The absence of a clear legislative framework, weak institutional structures, a lack of financial oversight, and outdated technological systems are all factors contributing to continued financial waste and a lack of transparency. The proposed roadmap aims to transform the management of fuel subsidies from an ad hoc process reliant on barter into a transparent financial system based on fixed allocations, effective collection and continuous oversight.

3.1 Mandating the inclusion of fuel subsidy allocations in budgets and enhancing transparency.

This mechanism aims to prevent the recurrence of fuel subsidy allocations not being specified in future budgets, by:

- Amending the State Finance Law and its regulations to include a mandatory provision for fuel subsidies, setting out the procedures for its management and the mechanism for its disbursement, even in cases of provisional or monthly appropriations.

- Setting a minimum level for allocations as a percentage of total government expenditure, linked to changes in global prices.
- Require the Ministry of Finance to review fuel subsidy estimates separately before the final budget is approved.
- Link the bank account for fuel subsidies to an online platform that displays deposit and withdrawal transactions in real time.
- Require the National Oil Corporation and the Brega Company to submit and publish detailed monthly reports on quantities supplied, received and distributed.
- Require the Ministry of Finance to publish a monthly report on fuel subsidy allocations.

3.2 Improving collection mechanisms from distribution companies (transfer to revenue chart)

This mechanism aims to improve collection efficiency from distribution companies by:

- Requiring distribution companies to transfer revenues to the Ministry of Finance's account within 48 hours of receiving the quantities, in accordance with Articles 64–71 of the Budget, Accounts and Stores Regulations.
- Imposing a late payment penalty of 0.5% per day of the value of arrears, to be automatically deducted from future quantities authorised for distribution to the company in arrears.
- Linking distribution to payment: Prohibiting the distribution of any new quantities to a company whose debt is more than 30 days overdue.
- Establish a rating system for distribution companies based on their payment compliance, giving priority in distribution to compliant companies.

Chapter Two: **Determination of Requirements**

Introduction

A comprehensive analysis of the fuel sector has revealed that the methodology used to determine Libya's oil requirements lacks the scientific basis and objective indicators needed to ensure its accuracy and alignment with actual market needs. Whilst estimates tend to point towards an unjustified increase in the quantities required, particularly in sectors experiencing exceptional growth, the reality reveals a waste of resources and misuse of the quantities distributed, which has a negative impact on the national economy and social stability.

The analysis also revealed shortcomings and legislative gaps in the methodology for determining oil requirements, particularly the conflict between existing laws—such as Articles 131/2011 and 411/2017—and practices on the ground. This has resulted in the distribution of powers amongst multiple bodies: The National Oil Corporation and the Brega Oil Company, which has weakened the oversight system and created an environment conducive to waste and corruption, in addition to inefficiency in the management of the country's oil wealth.

1. Legislation and Powers: The Legal Basis for Determining Oil Requirements

The importance of this aspect is highlighted by the findings of the regulatory audit, which revealed inconsistencies and structural flaws in the mechanisms for determining local market needs; this necessitates a detailed examination of the legal and regulatory aspects governing these sensitive processes.

1.1 Compliance with the provisions of General People's Committee Decision No. (131) of 2011

General People's Committee Decision No. (131) of 2011 is one of the key legislative references governing the operations of the Brega Oil Marketing Company. The Decision established a set of provisions defining the company's remit and operating mechanisms, including the determination of the local market's oil requirements, and the resolution represents the primary legislative body regulating this aspect.

However, the audit revealed a lack of effective compliance with these provisions, as it was found that:

- **No concrete mechanisms are in place for the relevant supervisory bodies to monitor the implementation of the decree's provisions.**
- **There is an absence of regulatory controls to ensure the implementation of decisions issued regarding the determination of oil requirements.**
- **There has been a failure to update this legislation in line with the economic and technical changes that have occurred in the hydrocarbons sector.**

It should be noted that these shortcomings in implementation arise against a backdrop of a lack of regular assessment of the decision's effectiveness, which has led to the erosion of its legal and regulatory substance in practice. Whilst the decision sets out clear mechanisms for the allocation of responsibilities, practical implementation lacks these mechanisms, creating a legal vacuum in the management of oil requirements.

1.2 Presidential Council Decision No. (411) of 2017: Restructuring the Remits of the Brega Company

Presidential Council Decision No. (411) of 2017 restructured the remit of the Brega Oil Marketing Company, stipulating in its second article that the company's objectives include: **"the purchase and import of petroleum products for which it is responsible for marketing, distribution and sale domestically, and the ownership and management of petroleum product transmission and distribution networks with the aim of meeting the needs of the local market".**

The decision clearly outlines the company's remit through the following points:

- **Owning and managing the main storage facilities for petroleum products, including aviation fuel depots and ship bunkering.**
- **Ownership and management of petrol stations.**
- **Own and manage a fleet of road transport vehicles.**
- **Chartering maritime transport to meet the needs of the local market.**

However, the regulatory audit revealed a discrepancy between these theoretical responsibilities and the practical reality, as:

- **It is the National Oil Corporation that actually carries out the contracting process for the purchase of petroleum products both domestically and abroad, even though the decision assigned this task to the Brega Company.**
- **The absence of a clear legal framework for the allocation of planning and supply responsibilities between the National Oil Corporation and the Brega Company.**
- **Failure to implement the executive aspect of the decision regarding the company's ownership of the management of transmission lines and storage facilities, as these facilities remain under the management of other bodies.**

1.3 Discrepancy between legal provisions and practical application in determining requirements

Whilst legislative decisions clearly define the mechanisms for determining requirements, these mechanisms are lacking in practice, leading to ill-considered decisions regarding requirements. This discrepancy is evident in the following points:

- **Needs assessment:** The audit revealed that Brega Oil Company relies on previous distribution volumes as a rough basis for determining needs, without any scientific consumption studies to support these estimates, which runs counter to the spirit of the decisions requiring needs to be determined on objective grounds.
- **Financial responsibilities:** Whilst Decision No. 411 stipulates that the Brega Company is responsible for purchasing petroleum products, it is the National Oil Corporation that fulfils this role in practice, creating a situation of overlapping responsibilities.

- **Regulatory controls:** There is a lack of effective oversight mechanisms to ensure clear monitoring.

1.4 Legislative gap in the distribution of responsibilities between the National Oil Corporation and the Brega Company

The legislative gap regarding the division of responsibilities between the National Oil Corporation and the Brega Company is one of the most significant challenges identified by the audit. Whilst the company is assigned clear responsibilities for determining requirements and purchasing petroleum products, the reality on the ground confirms that the National Oil Corporation is the body actually carrying out these tasks. It should be noted that this gap is not merely an administrative issue, but has serious legal implications, as:

- **Overlapping responsibilities:** The lack of a clear definition of responsibilities creates a situation of overlapping and confusion regarding the respective powers of the two bodies.
- **Financial responsibility:** There are no clear mechanisms for defining the financial responsibilities of each party in the process of buying and selling petroleum products.
- **Oversight and accountability:** Weak internal oversight mechanisms due to overlapping responsibilities and a lack of clarity regarding which body is responsible for each process.
- **Transparency:** The lack of transparent channels for the flow of information between the two bodies, which hinders the process of monitoring and continuous evaluation.

1.5 Recommendations for reforming the legislative framework

Based on the above, the following recommendations can be made to address the shortcomings in the legislative framework:

- **Conduct a comprehensive legislative review of all decisions relating to the determination of oil requirements, with a focus on resolving conflicts between them.**
- **Enact a unified law regulating the process of determining oil needs and clearly allocating responsibilities amongst the relevant authorities.**
- **Strengthen internal and external oversight mechanisms to ensure compliance with legislation, whilst defining clear responsibilities for each body.**
- **Developing the organisational structure of the National Oil Corporation and the Brega Oil Company to align with their legally defined remit, whilst strengthening professional and technical capabilities.**

2. Legislation and Powers: The Legal Basis for Determining Oil Requirements

Oil demand forecasting in Libya is currently conducted using traditional methods that lack the scientific analysis required to keep pace with demographic, economic and operational changes among consumer sectors. The analysis carried out for this report is of paramount importance given that the oil import bill has risen to unprecedented levels despite falling global prices.

2.1 Methodology for determining requirements: reliance on distributed quantities as a basis for estimation

Official documents reveal that the Brega Oil Marketing Company has relied on a simplistic methodology to determine the needs of the domestic market, based primarily on the quantities distributed in previous years, without any in-depth consumption analysis or demographic and economic indicators to support these estimates. Despite attempts to improve this mechanism, the audit confirmed the persistence of this approach, which lacks scientific rigour and creates a fertile environment for discrepancies in estimation processes.

This approach highlights several serious shortcomings:

- Determining future requirements based on previously allocated quantities without a thorough analysis of the reasons behind these quantities or their suitability for actual needs.
- Lack of a precise classification of the needs of each sector (electricity, transport, industry, etc.) based on measurable performance indicators.
- Failure to adopt forecasting models that take into account population and economic growth and changes in the global market.
- Lack of an effective monitoring mechanism to verify that estimated quantities match actual needs after allocation.

The documents show that officials at the Brega Company openly admitted to the lack of reliable data analysis for estimating oil requirements, reflecting a state of institutional negligence in the management of this vital sector.

2.2 Quantitative analysis of fuel allocations for the years 2021–2022–2023

A quantitative analysis of fuel distribution over the past three years reveals a rising trend in demand, with clear variations between different products. Whilst all products have seen an increase in the quantities distributed, this rise has not been commensurate with population or economic growth, which calls for an investigation into the reasons behind this unjustified increase. The following tables illustrate the shortcomings and deficiencies in the current mechanism:

Table 2: Target quantities of fuel to be distributed

Statement(M.T)	2022	2023	2024
Petrol	4,573,412	5,260,000	5,146,234
Diesel	5,680,587	6,186,822	5,948,037
Heavy oil	1,646,667	1,723,900	1,269,570
Liquefied petroleum gas	317,519	329,000	343,739
Aviation kerosene	190,000	172,305	208,039
Kerosene	101,000	101,000	24,242
Total	12,509,185	13,775,050	12,941,885

Table 3: Quantities of fuel distributed

Statement(M.T)	2021	2022	2023	2024
Petrol 95	4,574,419	4,982,844	5,176,683	5,495,034
Diesel	3,575,816	4,795,838	5,997,345	6,271,774
Heavy oil	1,179,839	1,134,942	1,309,675	1,747,444
Liquefied gas	312,204	323,055	344,050	
Domestic kerosene	35,208	37,097	24,898	51,150
Aviation kerosene	141,697	156,197	209,288	255,679
Total	9,819,183	11,429,973	13,061,939	13,821,081

By comparing the data from the Statistics Department (targets) in Table 2 with the data from the Planning Department (actual allocations) in Table 3, significant discrepancies emerge between theoretical planning and practical implementation.

Table 4: Targeted growth and actual distribution quantities of petrol (M.T)

Year	Target	Actual distribution	Difference	Target growth rate	Actual distribution rate
2022	4,573,412	4,982,844	409,432	-	-
2023	5,260,000	5,176,683	-83,317	15%	4%
2024	5,146,234	5,495,034	348,800	2%–	6%
Total	14,979,646	15,654,561	674,915	-	-

Table 4 shows that a growth target of 15% was set for 2023, but in the very next year (2024) the target was reduced by 2%. This shift from high growth to a projected decline within a single year reflects the unrealistic nature of the demand estimates; furthermore, a 15% growth target is considered a 'huge leap' and is abnormal compared to international growth rates, which range between 1% and 1.5% annually.

Table 5: Targeted growth and actual distribution quantities of diesel fuel (M.T)

Year	Target	Actual	Difference	Target growth rate	Actual distribution rate
2022	5,680,587	4,795,838	-884,749	-	-
2023	6,186,822	5,997,345	-189,477	9%	25%
2024	5,948,037	6,271,774	323,737	4%–	5%
Total	17,815,446	17,064,957	-750,489	-	-

In Table 5, we see that the target volume has followed a contradictory trajectory; a growth rate of 9% was targeted for 2023, then the target fell to -4% in 2024. A 9% growth target for diesel is a very high rate, more than nine times the global average, which ranges between 0.5% and 1%, indicating a lack of a clear vision for determining needs, and a likelihood that significant quantities of diesel were not provided to their official recipients.

Table 6: Targeted growth and actual distribution quantities of heavy fuel oil(M.T)

Year	Target	Actual	Difference	Target growth rate	Actual distribution rate
2022	1,646,667	1,134,942	-511,725	-	-
2023	1,723,900	1,309,675	-414,225	5%	15%
2024	1,269,570	1,747,444	477,874	26%–	33%
Total	4,640,137	4,192,061	-448,076	-	-

Heavy fuel oil, Table 6 (the most volatile): the data shows a growth target of 5% for 2023, followed by a sharp and sudden drop in the target to -26% for 2024. This significant projected contraction is not economically justifiable unless there is a comprehensive energy transition plan. Globally, this product is experiencing a decline or stabilisation of between -1% and 1%.

Table 7: Targeted growth and actual distribution quantities of petroleum gas(M.T)

Year	Target	Actual	Difference	Target growth rate	Actual distribution rate
2022	317,519	323,055	5,536	-	-
2023	329,000	344,050	15,050	4%	6%
2024	343,739	—	—	4%	-
Total	990,258	667,105	20,586	-	-

Table 8: Targeted growth and actual distribution quantities of kerosene (residential) (M.T)

Year	Target	Actual	Difference	Target growth rate	Actual distribution rate
2022	101,000	37,097	-63,903	-	-
2023	101,000	24,898	-76,102	0%	33%-
2024	24,242	51,150	+26,908	76%	105%
Total	452,484	261,498	-190,986	-	-

Table 8 shows a clear shortfall in distribution compared to the target, with the exception of 2024, when more than planned was distributed.

Table 9: Targeted growth and actual distribution quantities of aviation kerosene

Year	Target	Distributed	Difference	Target growth rate	Actual distribution rate
2022	190,000	156,197	-33,803	-	-
2023	172,305	209,288	+36,983	9%-	34%
2024	208,039	255,679	+47,640	21%	22%
Total	190,000	156,197	-33,803	-	-

The volatility in the aviation fuel growth target shown in Table 9—ranging from a contraction of 9% to a surge of 21%—reflects a lack of a rigorous forecasting methodology, as this target exceeds sustainable global rates (5%) by a factor of four, indicating high risks in estimating financial allocations and meeting operational requirements.

Based on the above, we also note the following:

- A significant surplus in the quantities of petrol and diesel distributed compared to targets, which is an indication of increased consumption or poor control over distribution.
- Fluctuations in the target and allocated quantities of heavy fuel, ranging from deficits to surpluses, according to an analysis of the years
- Discrepancies in the data on quantities distributed between departments (Statistics and Planning), indicating a gap in institutional coordination or differences in data preparation and compilation methods.

2.3 Consumption patterns by geographical region (Western and Southern, Eastern and Central)

An analysis of fuel distribution reveals clear disparities in consumption patterns across different regions of Libya. Whilst the largest quantities are concentrated in the western and central regions, which have the highest population and economic density, the southern and eastern regions exhibit different patterns that warrant further study.

2.4 Sectoral distribution analysis: public authorities, the army, electricity, and public security

A sectoral analysis of fuel demand is one of the key indicators revealing systematic discrepancies in the estimation of oil requirements. Whilst demand is expected to grow in key sectors such as electricity and transport, the data reveals exceptional increases in specific sectors that are not consistent with the growth of those sectors.

Table 10: Sectoral Distribution Analysis

Year	Public Security			Armed Forces			Electricity Sector			Oil Companies		
	petrol	Diesel	Heavy oil	petrol	Diesel	Heavy oil	petrol	Diesel	Heavy oil	petrol	Diesel	Heavy oil
2021	820	264	0	53,543	44,305	0	2,851	1,537,317	950,425	9,661	63,254	15,066
2022	600	121	0	60,684	218,194	0	2,522	2,266,271	878,943	9,905	52,661	26,081
2023	4,305	927	0	62,384	689,882	0	3,031	2,990,347	1,001,074	10,980	72,133	0
2024	5,095	1,165	0	69,877	676,751	9,915	9,337	3,113,557	1,185,275	13,841	110,820	33,957

2.5 Unexplained consumption discrepancies: sectors with exceptional growth rates

The data reveals clear discrepancies in consumption within certain sectors that cannot be justified by actual operational needs, suggesting that these quantities may be subject to misuse or wastage. These indicators are among the most pressing issues requiring immediate investigation and resolution. Analysis of the data reveals massive increases in withdrawals by key entities, as illustrated by the following points:

- **Public Security Sector:** There has been a massive and worrying rise in petrol (95 octane) withdrawals, with the increase exceeding 621% in 2024 compared with 2021. Diesel withdrawals for the same sector also rose by nearly 441% over the same period.
- **Armed Forces Sector:** The data showed a significant rise in diesel consumption, with an increase of 1,527% compared to 2021, and a 131% increase in petrol consumption compared to 2021 levels. During 2024, the Armed Forces were supplied with quantities of heavy fuel oil that had not been part of their requirements in previous years, with the total volume received amounting to 9,915 metric tonnes.
- **Electricity sector:** Diesel consumption saw a significant increase of around 203% compared to 2021, placing an additional burden on the import bill. The increase in petrol consumption was 138%, and the increase in heavy fuel oil was 125%.
- **Oil companies:** Withdrawals of petrol rose by 143%, diesel by 175%, and heavy fuel oil by 225% between 2021 and 2024.

These inflated figures make it essential to verify that the quantities withdrawn correspond to the actual operational requirements of these entities; furthermore, these excessive growth rates raise several questions regarding:

- **The extent to which these quantities correspond to the actual operational needs of the entities concerned?**

- **The efficiency of the use of these quantities and their impact on the operational performance of these entities?**
- **The existence of effective monitoring mechanisms to track the use of these quantities and ensure they are not spent on purposes other than those for which they were allocated?**

3. A Roadmap for Correction: Towards an Objective Mechanism for Determining Fuel Requirements

In light of the findings of the task force, there is a clear need for a comprehensive overhaul of the system for determining fuel requirements in Libya, in order to address the shortcomings that have led to the waste of public funds and a lack of transparency in the requirements-setting process. The greatest challenge lies in transforming these needs from subjective estimates based on previously distributed quantities into a scientific mechanism based on objective and measurable indicators, whilst ensuring the use of modern technology to enhance efficiency and accountability. In this context, a practical roadmap comprising seven key pillars will be presented, which together form an integrated methodology for reforming this vital sector.

3.1 Recommendations for institutional and procedural reform

Institutional reform is the cornerstone of any corrective process within the needs assessment system and centres on the following:

- Launching a national digital platform for identifying oil requirements that links relevant government and private sector bodies (electricity, the military, health, public security, industry), and enables the submission of requirements via standardised, approved templates, with supporting documents attached (such as operational plans, technical specifications, and previous reports).
- Adopting a scientific methodology for estimating requirements, based on:
  - Consumption indicators for each sector based on operational criteria (e.g. fuel consumption per megawatt in power stations).
  - Linking to demographic, economic and climate data (e.g. population growth, GDP, temperatures).
  - Developing multiple scenarios (optimistic, realistic, pessimistic) whilst specifying reserve stock levels.
  - Establishment of a mandatory system for major consumers, requiring the submission of annually approved operational plans, and making the quantities allocated binding on these plans.

3.2 Fuel Distribution Management and Tracking Project: Towards the Digitalisation of Operations

Digital transformation is one of the key components of the roadmap, aimed at enhancing transparency and accountability through:

- Implementing a national project for the management and tracking of fuel distribution, in partnership between the Ministry of Finance, the National Oil Corporation and the Brega Company.
- Equipping main and secondary storage tanks and pipeline receiving points with quantity sensors, as well as transport lorries with GPS systems and quantity sensors, and linking these to the national platform, thereby enabling the monitoring of:
- Fuel levels received and distributed at the tanks.
- Quantities received at the pipeline delivery points between the Brega Company and the Electricity Company.
- Actual shipping routes versus planned routes.
- Quantities loaded, transported and received.
- Delivery times and unjustified delays.

3.3 Matching quantities sold with the actual needs of consumers

The data reveals serious discrepancies between the quantities sold and the actual needs of many entities, particularly in the public sector, which necessitates:

- Form specialised technical committees for each key sector (electricity, transport, industry, etc.) to identify actual needs based on measurable performance indicators, such as:
- Electricity sector: fuel consumption per megawatt-hour by turbine type.
- Transport sector: Fuel consumption per kilometre, taking into account the type of vehicles and their technical condition.
- Industry sector: Fuel consumption per unit of production by industry type.
- Set maximum consumption limits for each sector based on technical studies, whilst establishing flexibility mechanisms for emergencies, subject to clear conditions and approvals.

3.4 Investing in transparency to protect national resources

The proposed reforms are not merely technical measures, but a strategic investment in Libya's future, given that hydrocarbons form the backbone of the state's economy. The shift from opaque discretionary mechanisms to a system based on objective data, effective oversight and digitalisation will contribute significantly to:

- Reduce the quantities required by an estimated 25–30% within a short period.
- Improve the efficiency of resource use and direct them to those who truly deserve them.

Chapter 3: **Outsourcing**

Introduction

A comprehensive analysis of the legal framework for securing oil supplies from abroad reveals a legislative system characterised by a concentration of powers, a lack of qualification criteria, and irregularities in contractual procedures. Decree No. (616) of 2022, despite its importance, has failed to establish a sound contractual mechanism due to poor regulatory design and the absence of adequate controls on powers.

There is an urgent need for a comprehensive audit of the legislative framework governing the external supply of fuel, with a focus on:

- Separation of powers and avoidance of concentration of power in the hands of a single individual
- Establishing clear and robust criteria for the pre-qualification of suppliers
- Enhancing transparency in selection and negotiation processes
- Imposing strict controls on abuses of administrative power

Public funds in the hydrocarbons sector cannot withstand further waste and manipulation, particularly given the difficult economic conditions the country is currently facing.

1. Legislation and Powers: The legal framework for securing petroleum products from external sources

The audit revealed fundamental legislative loopholes, overlapping powers, and irregularities in the processes of selecting and negotiating with external suppliers, which led to a rise in the import bill and an unprecedented erosion of state resources, as we shall demonstrate.

1.1 Decision of the Chairman of the Board of Directors No. (616) of 2022: Reorganisation of the Fixed-Term Contracts Committee

Chairman's Decision No. (616) of 2022 serves as the primary legislative framework governing the procurement of petroleum products for the domestic market from external sources; Article 2 of the Decision provides for the formation of a Forward Contracts Committee, However, an analysis of the Committee's tasks as set out in Article 2 of the Resolution reveals fundamental flaws in the regulatory design, as Article 2 stipulates that the Committee's task is to:

- To assess clients and specialist firms with whom we intend to negotiate and enter into contracts over the coming year.
- Negotiating with the selected companies and finalising the terms of the contract with them.

The audit revealed that these powers were not exercised properly, as the committee limited itself, in the 2023–2024 tenders, to implementing the instructions of the Chairman of the Board of Directors, rather than acting independently in selecting and negotiating with suppliers based on their competence and capabilities.

For example, the committee did not evaluate and exclude previous suppliers to prevent manipulation, as it should have done, but instead relied on a list selected by the Chairman of the Board without objective criteria.

The audit and review revealed that, during 2023, the committee held a total of only nine meetings regarding contractual procedures with all supplier companies.

1.2 Conflict of powers and responsibilities in the mechanisms for selecting and negotiating with suppliers

The current organisational structure reveals a glaring conflict of powers and responsibilities: whilst the regulations stipulate that tasks should be delegated to specialist committees, in practice there is a dangerous concentration of powers in the hands of a single individual. The Director General of International Marketing, who chairs the committee on time contracts for the supply of petroleum products to the domestic market, also chairs most of the other committees concerned with petroleum contracts, as shown in the following table

Table 11: Committees Concerned with Oil Contracts

no	resolution no	year	statement	head of committee
1	616	2022	Formation of the Committee for Term Contracts for the Purchase of Products Required for the Local Market	Marketing general manager
2	613	2022	Formation of the Committee for Spot Contracts for Crude Oil	Director of natural gas and crude oil department
3	800	2022	Formation of the Committee for the Pricing of Crude Oil	Marketing general manager
4	42	2011	Formation of the Committee for Term Contracts for Crude Oil	Marketing general manager
5	43	2011	Formation of the Committee for Term Contracts for Petroleum and Petrochemical Products	Marketing general manager
6	44	2011	Formation of the Committee for Spot Contracts for Petroleum Products	director of products department
7	610	2022	Formation of the Committee for Spot Contracts for the Purchase of Products Required for the Local Market	director of supplies department
8	57	2011	Formation of the Committee for Time Charter Contracts	Marketing general manager
9	21	2018	Formation of the Committee for Tanker Charter Contracts for Single Voyages	director of maritime transport department

This concentration of powers constitutes a violation of the principles of good governance, which require the separation of functions and the distribution of responsibilities amongst a group of individuals or departments, with the aim of ensuring the smooth running of operations, minimising the risks of administrative and financial corruption, and dispelling any suspicion. Concentrating powers in the hands of a single individual creates a fertile environment for abuses of power and the making of personal decisions that are not subject to objective controls and standards.

Analyses have revealed that this concentration of powers has led to poor selection of suppliers, as the technical and financial soundness of companies was not assessed with sufficient care, nor were governance principles taken into account when selecting suppliers.

1.3 Absence of pre-qualification criteria for suppliers in the legislation in force

The Libyan legislative framework suffers from a serious legislative gap, namely the absence of clear criteria for the pre-qualification of suppliers. Although Decision No. 616 of 2022 stipulates that the committee is tasked with "assessing clients and specialist companies with whom it deems it appropriate to negotiate", it did not specify clear criteria for this assessment, leaving the door open to personal discretion and subjective decisions. An analysis of the companies contracted during the years 2023–2024 reveals fundamental problems in the qualification process, as:

- **Six** out of eight companies (75%) are start-ups (established after 2017)
- **Five** companies (62.5%) do not own refineries or production infrastructure
- **Three** companies (37.5%) have a capital of no more than AED 55 million (LYD 95 million)
- **Seven** companies (87.5%) operate in the trading sector rather than production or refining

The data reveals that these companies, which account for 99% of the value of foreign contracts ($8.56 billion in 2023 and $9.22 billion in 2024), were not subject to prior professional qualification criteria to ensure their ability to execute contracts efficiently and to a high standard. The absence of these standards has led to engagement with companies that lack operational experience and do not possess the necessary infrastructure, which has directly contributed to higher procurement costs and a loss of economic efficiency in procurement operations.

An analysis of the legal and financial records of the contracted companies reveals clear instances of fraud, with some companies providing misleading information in their registration forms. For example, (E)stated in its registration form that it was "not owned by any Libyan national or entity", whilst documents indicate that the form actually belonged to a second company (G), revealing clear manipulation of documents.

1.4 Exceeding of the committees' powers by the Chairman of the Board

The Chairman's overstepping of the powers set out in the legislation constituted a serious breach of the principles of corporate governance and the separation of powers. On 24 January 2023, the Chairman of the Board of Directors wrote to the General Manager of International Marketing in letter No. (556) regarding the supply of fuel and the preparation of tender specifications for the qualification of companies, with clear instructions to exclude suppliers who had supplied fuel in the previous period, and to include specific companies in the tender, in a clear breach of the provisions of Article 2 of Decision No. (616), which granted these powers to the Committee and not to the Chairman of the Board in his individual capacity. The audit and review reveal a number of other breaches, as follows:

- Contracts with reputable international companies have been terminated: the organisation has severed ties with 11 international companies with which it had been working during 2022 (17 companies compared to 6 in 2023), most of which are international firms that own oil refineries and have extensive experience in the market.
- Dealing with newly established companies without justification: (T), which was founded on 25 April 2023, was included in the list of suppliers without any technical or economic justification, raising doubts about the integrity of the selection process.
- Concentration on a single supplier: 43% of the contract value was allocated to one company during the year 2024 ($3.98 billion), in breach of the principle of diversifying supply sources, which ensures continuity and mitigates risks.
- Extension of contracts without price review: The contract period with supplier companies has been extended to cover the period from January to December 2025 at the same premium rate agreed in 2024, despite the provision in Article 8(D) of the contracts stating that "the Corporation has the right to review the premium rate during the contract period".

2. Reality and challenges: a quantitative and qualitative analysis of fuel supplies from external sources

Given the vital importance of meeting the Libyan market's fuel needs, a quantitative and qualitative analysis of supplies from external sources emerges as a key tool for understanding the challenges facing the sector. Whilst foreign imports form the backbone of Libya's oil supply following the decline in domestic production, the lack of transparency and the absence of genuine competition transform this process from a routine economic mechanism into a breeding ground for financial waste and the squandering of national resources. This analysis is based on accurate and comprehensive data for the period 2022–2024, revealing shocking facts that call for urgent intervention to reform the entire system.

2.1 Volume and value trends for fuel supplies during the period (2022–2023–2024), plus 2025

Official data reveals worrying shifts in the volumes and values of fuel imported from abroad, with total imports in 2024 amounting to (11,172,397 metric tonnes) with a total value of $9,225,607,987 billion, compared to 8,069,883 metric tonnes worth $8,510,345,110 billion in 2022, representing an increase of 38.4% in volume and 8.4% in value. It appears that this increase is not driven by actual market needs, but rather by changes in the supplier structure and contracting methods, which have led to a waste of resources without achieving optimal returns.

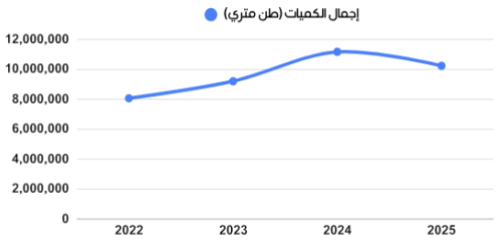
Product	2022			2023			2024			2025		
	Quantity (metric tonnes)	Value (USD)	Average Price (dollars per tonne)	Quantity (metric tonnes)	Value (dollars)	Average Price (dollars per tonne)	Quantity (metric tonnes)	Value (dollars)	Average Price (dollars per tonne)	Quantity (metric tonnes)	Value (dollars)	Average Price (dollars per tonne)
Petrol	4,605,462	4,803,567,732	1,043	4,715,555	4,484,746,732	951	5,043,526	4,422,375,754	877	4,858,754	3,828,222,657	787.9
Diesel	3,261,440	3,567,169,714	1,094	4,402,869	3,978,364,399	904	4,906,877	3,951,664,667	805	5,074,708	3,842,550,683	757.2
Heavy oil	181,687	110,364,876	607	30,000	19,461,582	649	304,157	177,174,245	583	212,229	115,600,268	544.7
Petrol Additive	21,294	29,242,787	1,373	63,288	77,892,283	1,231	46,316	49,021,858	1,058	49,048	47,043,989	959.14
Natural gas							258,999	199,122,258	769			
Naphtha							567,467	390,966,544	689	46,649	33,489,114	717.89
Kerosene							45,056	35,282,660	783			
Total	8,069,883	8,510,345,110	1,055	9,211,712	8,560,464,997	929	11,172,397	9,225,607,987	826	10,241,388	7,866,906,711	768.15

The detailed data (Table 13) reveal the following facts:

- A sharp increase in diesel volumes: Diesel imports rose by 50% in 2024 compared with 2022, reaching 4,906,877 metric tonnes compared with 3,261,440 metric tonnes, whilst petrol imports saw a less pronounced increase of just 9.5%.
- Changes in the structure of imported products: the emergence of new products on the import list in 2024, such as natural gas (258,999 metric tonnes) and naphtha (567,467 metric tonnes), indicating an expansion of contracts without a thorough assessment of actual needs.
- Decline in average purchase prices: Despite the increase in volumes, average prices fell significantly, with the average price per tonne of petrol dropping from $1,043 in 2022 to $877 in 2024, and the price per tonne of diesel falling from $1,094 to $805. This decline did not have a positive impact on the general budget due to the inefficient contract structure. The charts below illustrate this: 2.2 Supplier structure: Analysis of new versus old supply companies: The supplier structure has undergone a radical transformation in the management of Libya's hydrocarbons sector, with 2023 seeing a sharp reduction in the number of suppliers from 17 companies in 2022 to just 6 companies in 2023–2024. This extreme concentration in the supplier base is not based on objective technical or economic criteria, but rather reflects questionable selection processes that have weakened competition and undermined the efficiency of the system as a whole.

Illustrative Figure 3: Value of Quantities Supplied from 2022 to 2025

Illustrative Figure 4: Quantities Supplied from 2022 to 2025



2. Supplier Structure: An Analysis of New versus Old Suppliers

The structure of the supplier base has undergone a radical transformation in the management of Libya's hydrocarbons sector, with 2023 seeing a sharp reduction in the number of suppliers from 17 companies in 2022 to just six companies in 2023–2024.

Company	2022		2023		2024	
	Import Value $	Import percentage	Import Value $	Import percentage	Import Value $	Import percentage
M	967,626,565.66	11.40%				
S	1,126,271,999.43	13.30%				
S	574,281,642.34	6.80%				
L	643,037,564.49	7.60%				
O	158,841,919.93	1.90%				
B	1,844,508,104.00	21.70%	16,517,492.32	0.20%		
B	857,075,063.78	10.10%				
M	353,527,299.10	4.20%	19,461,582.14	0.20%	664,046,215.23	7%
P	233,866,728.16	2.80%				
C	236,185,046.44	2.80%	485,096,856.83	5.70%	3,983,062,853.00	43%
T	29,643,244.30	0.30%				
I	300,760,148.50	3.50%				
B	110,960,051.62	1.30%	569,578,445.02	6.70%		
G	337,714,830.85	4.00%	2,675,232,766.15	31.30%	1,120,634,405.98	12%
E	414,796,965.52	4.90%	2,014,487,114.81	23.50%	931,041,735.14	10%
P	302,064,387.84	3.60%	2,313,309,390.88	27.00%	1,323,872,753.34	14%
T			466,781,357.13	5.50%	1,202,950,023.92	13%
Total	8,491,161,561.96	100.00%	8,560,465,005.28	100.00%	9,225,607,986.60	100

* Company names are anonymized

This extreme concentration in the supplier base is not based on objective technical or economic criteria, but rather reflects questionable selection processes that have weakened competition and undermined the efficiency of the system as a whole.

The analysis (Table 13) reveals that the companies currently contracted do not possess sufficient technical and financial qualifications, as:

- 6 out of 7 companies are start-ups (established after 2017)
- 7 companies that do not own refineries or production infrastructure
- 4 companies with capital not exceeding 15 million USD

Table 14: Comparison of Previous Suppliers with Current Suppliers

Criteria	Old suppliers	New suppliers
Number	13 companies	6 companies
Trusted global companies	11 companies	1
Companies that own refineries	3 companies	0
Operational efficacy average	15 years	4 years
Dependency on newly established companies	2 companies (12%)	5 companies (100%)

Among the most significant and serious changes, as shown in (Table 14):

- The termination of the organisation's relationships with 11 international companies (such as TOTAL, SARAS, MOTOR OIL, LITASCO and BB ENERGY) with which it had been working during 2022, most of which are international firms that own oil refineries and have extensive experience in the market.
- Severe Supplier Concentration: A critical concentration was observed within the Supplier base during 2024, where a single contractor was awarded 43% of the total contract value (amounting to $3.89 billion), with the remaining 57% distributed across the rest of the approved Suppliers.
- The inclusion of new companies without justification: for example, (T), established on 25 April 2023, was included in the list of suppliers without any technical or economic justification, raising doubts about the integrity of the selection process.

2.3 Analysis of prices and mark-ups: excessive pricing and a lack of genuine competition

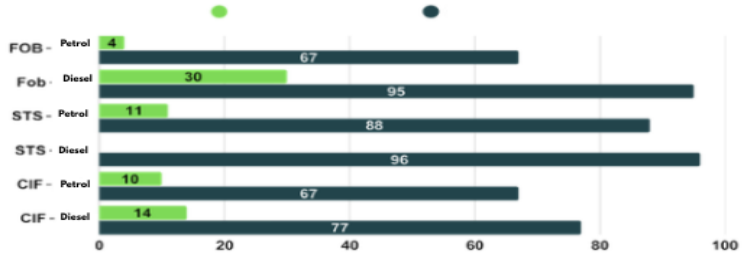
An in-depth study of the fuel pricing mechanism has revealed significant mark-ups on base prices, with these mark-ups rising unjustifiably after 2022, despite falling global prices.

Table 15: Change in the Value from 2022 to 2024

product	delivery term	mark-ups value		Change rate		The quantity supplied during the year 2024	Total up-marks difference in USD (Difference in quantity)
		2022	2024	difference	percentage		
Patrol	Fob	4.05	67	62.95	1554%		
Diesel	Fob		95	95	-		
Patrol	STS	11	88	77	700%		
Diesel	STS		96	96	-		
Patrol	CIF	10	67	57	570%	5,043,526	287,480,982
Diesel	CIF	14	77	63	450%	4,906,877	309,133,251
Total							596,614,233

The data (in Table 15) highlights several serious indicators:

- A 1,554% increase in premiums for petrol: from $4.05 per metric tonne in 2022 to $67 in 2024 on a Free On Board (FOB) basis.
- A 450% increase in premiums for diesel: from $14 to $77 per metric tonne on a CIF basis.
- This huge discrepancy demonstrates the inaccuracy of the criteria set by the Product Insurance Committee and suggests that the bids submitted by supplier companies have been deliberately inflated.
- Failure to review allowances periodically: Although Article 8(D) of the contracts stipulates that 'the organisation has the right to review the allowance rate during the contract period', the committee responsible has not carried out any review of these rates despite changes in the factors affecting pricing. As a result of the unjustified excessive increase in surcharges, the public treasury incurred losses amounting to $596,614,233 annually. The chart below (Figure 5) illustrates the scale of the additional cost:



2.4 Findings of the audit and review: Suspicions of manipulation and fraud in tendering

The results of the examination and audit revealed strong suspicions of manipulation and fraud in the tendering process, as evidenced by:

- Similarities in signatures between different companies:

Similarities were observed in the signatures of representatives of the companies (M) and (P) on contracts concluded during the period (2022–2024), despite differences in the signatories' names and job titles. This similarity appears in several significant contracts, including:

- Diesel purchase agreement for June 2022 with (M)
- Petrol purchase agreement for January 2023 with(P)
- Several contracts to cover the needs of the domestic market in 2024
- Coincidence of email responses:

Review of electronic correspondence between the suppliers and the National Oil Corporation (NOC) revealed **suspicious synchronization** in the timing of responses. On November 28, 2022, three companies submitted their bids in **consecutive minutes**:"

- G: 12:44 pm
- E: 12:49 pm
- P: 12:56 pm
- Fraud in company registration forms:

Audit revealed fraud in the registration form of the company (E), where the company stated that it was "not owned by any Libyan national or entity", whilst the form itself refers to another company (G), which was itself among the supplier companies during the same period.

2.5 Irregularities in the selection and evaluation process for foreign suppliers

A systematic review of supplier selection processes has revealed serious systemic flaws in the procurement process, leaving it vulnerable to manipulation and corruption. Among the most notable manifestations of this failure are:

- **The absence of a pre-qualification committee:** despite the importance of a pre-qualification committee as the first step in the contracting process, the National Oil Corporation never established such a committee, thereby allowing unqualified companies to enter the tendering process, such as (T), which was established in April 2023 and was contracted in the same year.
- **Lack of objective selection criteria:** The Contracts Committee relied on unclear and non-objective criteria when selecting suppliers; it excluded international companies with extensive experience (such as EXXONMOBIL) whilst accepting start-ups (such as T) without any clear technical or economic justification.
- **Interference by the Chairman of the Board in the committee's decisions:** Correspondence revealed that the Chairman of the Board interfered directly in the committee's decisions, writing to the General Manager of International Marketing on 24 January 2023 in correspondence No. (556) to "exclude suppliers who supplied fuel during the previous period", and to "include new companies", which constitutes a flagrant violation of the principles of governance and the separation of powers.
- **Failure to assess technical and financial capacity:** The committee did not assess the technical and financial aspects of the applicant companies. For example: (T), established in April 2023 with a capital of just 50,000 UAE dirhams (approximately $13,600), was contracted to supply fuel worth $1.2 billion in 2024.

2.6 Key findings and indicators of corruption

Based on this comprehensive analysis, it can be concluded that the system for sourcing fuel from external suppliers suffers from serious structural imbalances that threaten economic transparency. The most notable of these indicators are:

- A dangerous concentration in the supplier base: from 17 companies in 2022 to 6 companies in 2024, most of which are newly established and unqualified.
- An unjustified rise in mark-ups: a 191% increase in petrol mark-ups and a 28% increase in diesel mark-ups, despite falling global prices.
- Clear signs of manipulation: identical signatures across different companies, synchronised responses, and false information in company registration documents.
- Absence of qualification and oversight mechanisms: lack of a pre-qualification committee, absence of objective criteria for selecting suppliers, and interference by the executive authority in the selection process.
- Significant financial waste: had these contracts been evaluated in line with global market practices, the expected financial savings for the public budget would have reached $2 billion in 2024 alone.

These indicators do not merely represent administrative errors or inefficient practices, but constitute preliminary evidence of the existence of networks of financial and administrative corruption that require the implementation of radical reforms.

3. Roadmap: Towards an efficient and cost-effective external fuel supply system

Following an in-depth analysis of the legal framework and data relating to fuel import operations, it is clear that the greatest challenge lies in establishing transparent and robust oversight mechanisms aimed at radically reforming the import system.

3.1 Restructuring the committees responsible for foreign contracts and separating their remits

The in-depth audit revealed that one of the main root causes of the problems in the external supply system is the dysfunctional structure of the committees and the conflict of authority. The excessive concentration of powers in the hands of specific individuals, particularly the Director of International Marketing who chairs most of the key committees, constitutes a breach of good governance principles and exposes operations to interference and misuse. We recommend the following measures:

- Abolish the current committee structure and establish a new structure that ensures the separation of powers and prevents conflicts of interest.
- Form a specialised main committee for external contracts comprising:
  - An independent chair who holds no other position within the organisation (an international expert in the field of oil contracts).
  - Technical and financial members from the National Oil Corporation and the Ministry of Oil and Gas.
  - A representative of the regulatory authorities.
- A specific term of office for committee members to avoid excessive stability and to facilitate the exchange of expertise, subject to specific selection criteria.

3.2 Establishment of a pre-qualification committee for suppliers in accordance with international standards

The data revealed that one of the biggest shortcomings in the external procurement system is the absence of an effective pre-qualification committee, as companies that had not undergone the basic pre-qualification stages or lacked sufficient experience and financial standing were invited to tender, leading to higher costs and reduced efficiency. This issue highlights the need to establish an independent pre-qualification committee that applies strict international standards, including:

- Operational experience: At least 10 years in the fuel supply sector, with supporting documentation of previous operations.
- Financial solvency: Capital of at least US$100 million, with audited financial statements for the last three years.
- Operational capacity: Ownership of infrastructure (refineries, tankers, storage facilities) or proven relationships with the owners of such infrastructure.
- Ethical reputation: A clean record free from any history of corruption or manipulation, with certificates from independent bodies.
- Institutional stability: a clear ownership structure and professional management.

3.3 Diversifying the supplier base and engaging experienced international companies

The analysis reveals that the current focus on six start-up companies reduces efficiency and increases costs. To address this issue, the following recommendations should be implemented:

- Develop a phased plan to expand the supplier base to 15 qualified international companies by 2026.
- Strategically categorise suppliers into three categories:
- Strategic suppliers (60% of volumes): major companies with refineries and a strong reputation (such as TOTAL and SHELL).
- Regional suppliers (40% of volumes): regional companies with solid experience in the Mediterranean region.
- Dealing directly with refineries rather than trading companies, in order to ensure quality and minimise intermediaries.

3.4 Discontinuing dealings with companies of questionable integrity and launching a public tender in 2026

Investigations have revealed strong evidence pointing to the manipulation and joint management of several companies (such as M and P) by the same parties, as well as evidence of false information being provided in documents (such as the company registration form for E). Correspondence has also revealed that some companies submit their bids in close succession (within minutes of one another), indicating unlawful coordination between these entities. The following recommendations must be implemented:

- **Termination of engagements with the following firms immediately, based on the findings and evidence provided:**
  - M and P (due to similarities in signatures and documents).
  - E (due to forged registration documents).
  - T (due to its recent establishment and lack of sufficient experience).
  - **Announce a public tender for 2026 in accordance with the procedures previously outlined.**

Chapter Four: Local Supply

Introduction

Libya is a major oil producer; yet, paradoxically, it imports most of its fuel requirements at a very high cost from abroad. This is because its refining sector is in a very poor state due to legislative inconsistencies and legal chaos, unresolved disputes with foreign partners, outdated legislation that fails to keep pace with the times and changing circumstances, operational mismanagement, and the closure of its largest oil refining asset (the Ras Lanuf refinery). This is not a technical or financial problem, but a strategic crisis threatening the stability of the Libyan economy, the country's energy security and national sovereignty. The solution requires not only the repair and rehabilitation of the refineries, but also a legal and strategic restructuring of the entire sector.

1. Legislation and Powers: The Legal Framework for the Operation of National Refineries

The legislative framework governing the operation of oil refineries in Libya is one of the fundamental pillars for ensuring energy independence and promoting self-sufficiency in petroleum products. The absence of clear and up-to-date legislation, conflicting powers among the relevant authorities, and unresolved legal disputes with foreign partners have transformed refineries from vital production facilities into centres of administrative and financial conflict. This challenge is clearly evident at the Ras Lanuf refinery (the largest in Libya with a capacity of 220,000 barrels per day), which has been shut down since 2013 due to legal disputes with the foreign partner, resulting in the state losing the equivalent of 58% of its refining capacity. This section presents a comprehensive legal analysis of the governing legislative framework, focusing on the loopholes that prevent this national infrastructure from being utilised to serve the Libyan economy.

1.1 Legal provisions governing the operation of Libyan refineries

The operation of oil refineries in Libya is governed by a body of legislation and legal decisions, the most notable of which are:

- Law No. (24) of 1974 on the establishment of the National Oil Corporation, which is considered the primary legislative reference for the regulation of the Libyan oil sector and defines the Corporation's tasks as 'the management and operation of oil facilities, including refineries'.
- Law No. (11) of 1973, as amended by Law No. (5) of 1988, which regulates refining activities and sets out the conditions for granting licences to companies operating in this sector, with an emphasis on giving priority to the Libyan partner in joint ventures.
- General People's Committee Decision No. (131) of 2011, which restructured the National Oil Corporation and defined its responsibilities in the operation of refineries, with particular reference to the activation of local refining capacities as a strategic priority.

However, legal analysis reveals several critical loopholes:

- **Legislative obsolescence:** most legislation has been in force since the 1970s and 1980s and has not been updated to keep pace with modern technical and economic developments.
- **Contradictions between texts: There is** a clear conflict between Decree No. (131) of 2011 (which grants the National Oil Corporation the powers to operate refineries) and the Ras Lanuf Agreement (which gives the foreign partner the right to operational management).
- **Lack of governance:** There are no legal mechanisms to review refinery performance or to define key performance indicators for optimal operation.

1.2 Distribution of responsibilities between the National Oil Corporation and the Zawiya Oil Refining Company

The audit revealed a glaring discrepancy in the distribution of responsibilities between the National Oil Corporation and the Zawiya Oil Refining Company, as Article 4 of the management agreement concluded between the two parties in 2010 stipulated that:

- The National Oil Corporation is responsible for supplying crude oil to the refinery, marketing refined products, and providing the necessary funding for routine maintenance.
- Zawiya Oil Refining Company is responsible for operating the production units, the day-to-day maintenance of assets, and the management of technical and operational staff.

However, the practical reality reveals a different situation, as Zawiya Company is facing a financial deficit and the National Oil Corporation's failure to provide the agreed funding has led to the accumulation of debt on the company, as well as the deterioration of the operational infrastructure.

1.3 Legal challenges regarding the ownership and operation of the Ras Lanuf refinery

The Ras Lanuf refinery (accounting for 58% of national refining capacity) has been shut down since 2013 due to legal disputes with the foreign partner, resulting in the refinery's assets being frozen and its infrastructure deteriorating as a result of the prolonged shutdown.

1.4 Absence of legislation supporting reliance on domestic refining as a strategic priority

Despite the paramount importance of domestic refining in achieving energy security, current legislation does not reflect a clear strategic priority in this area. Whilst the state spends more than $9 billion annually on the supply of petroleum products, there are no legislative incentives to promote reliance on domestic refineries, creating an unfavourable environment for investment in this sector. Among the most significant legislative gaps in this area are:

- The absence of a law governing investment in refining: there is no legislation to encourage investment in domestic refineries, and the state maintains a monopoly on refining activities.
- Lack of a national strategy: There is no approved policy document setting out targets for reliance on domestic refineries over the next five or ten years.

2. The figures: analysis of domestic refinery production and comparison of economic viability

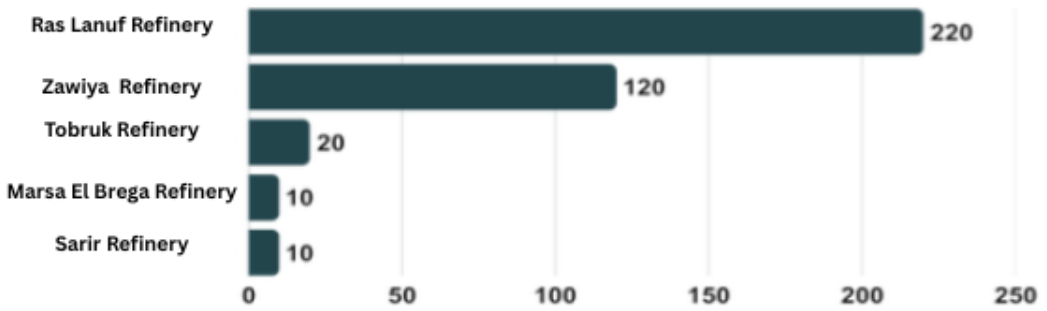
Given the paramount importance of national oil refineries in achieving energy security and reducing reliance on foreign imports, there is an urgent need for a precise and objective analysis of these refineries' capacities and actual productivity compared to their theoretical capacities. Whilst Libya possesses five major oil refineries with a total capacity of approximately 380,000 barrels per day, the reality on the ground reveals a stark disparity between the design capacities of these refineries and their actual operational capabilities, which has a negative impact on the national economy through a rising foreign import bill that reached $9.2 billion in 2024 alone. This section presents a comprehensive analysis of the data relating to the operation of domestic refineries, with the aim of identifying operational and financial shortcomings and providing an objective basis for a strategy to revitalise industry in this vital sector.

2.1 Overview of national refineries: refining capacities and current status

Libya's national oil refineries are spread across five strategic locations, each with its own operational characteristics and production capacities, alongside variations in the age of technical facilities and the quality of manufactured products. The following picture emerges from the operational data of the five refineries:

- Ras Lanuf Refinery: Considered the largest refinery in Libya with a refining capacity of 220,000 barrels per day, it produces naphtha, diesel, kerosene and heavy fuel oil, and is operated within the Ras Lanuf Petrochemical Complex.
- Al-Zawiya Refinery: The second-largest refinery in Libya, with a production capacity of 120,000 barrels per day, it produces petrol, kerosene, diesel, liquefied petroleum gas and bitumen. It was established in 1974 as an independent company and is currently operating regularly, despite challenges regarding the efficiency of its operational units and their advancing age.
- Tobruk Refinery: Established in 1986, it operates at a capacity of 20,000 barrels per day, producing diesel, fuel oil, naphtha and cooking gas. It enjoys relative operational stability, with plans to increase its capacity in the future to meet demand in the Green Mountain region and eastern Libya.
- Mars al-Brega Refinery: One of the oldest refineries in Libya (established in 1962), it operates at a capacity of 10,000 barrels per day, producing petrol, kerosene and diesel. It suffers from recurring technical problems due to the ageing of the facilities and a lack of necessary spare parts.
- Al-Sarir Refinery: Libya's smallest refinery (10,000 barrels per day), established in 1989, producing petrol, diesel and kerosene, whilst facing challenges regarding electricity supply and spare parts.

Illustrative Figure 6: Comparison of the Refining Capacity of Libyan Refineries



2.2 Crude oil volumes supplied to domestic refineries (2022–2023–2024)

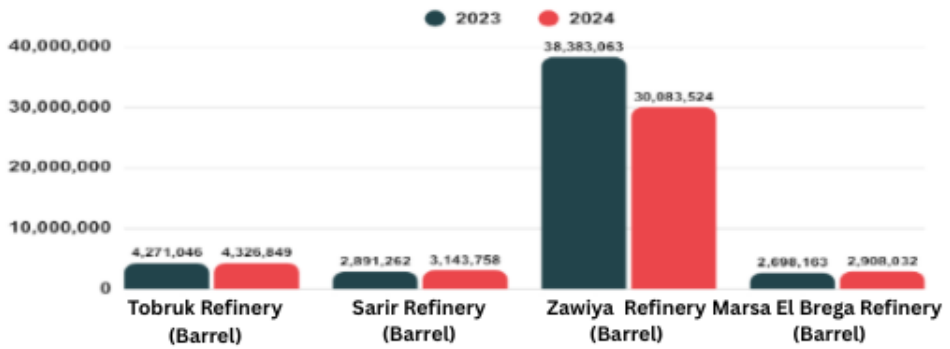
Data released by the Production Department of the National Oil Corporation reveals that volumes supplied to domestic refineries have fluctuated significantly over the past three years, with a clear decline in 2024 compared to the previous two years. Whilst the volumes supplied to all domestic refineries in 2023 amounted to approximately 48.2 million barrels, these volumes

fell to 40.5 million barrels in 2024, a difference of 7.8 million barrels, representing a 16% decrease.

Table 16: Production levels at Libyan refineries from 2023 to 2024

Statement	Tobruk Refinery (barrels)	Al-Sarir Refinery (barrels)	Zawiya Refinery (barrels)	Brega Refinery (barrels)	Total (barrels)
2023					
Refined oil volumes	4,271,046	2,891,262	38,383,063	2,698,163	48,243,534
Average (barrels/day)	11,778	7,877	102,771	7,392	129,818
Percentage	9%	6%	80%	5%	100%
2024					
Volumes of refined oil	4,326,849	3,143,758	30,083,524	2,908,032	40,462,163
Average (barrels/day)	11,822	8,590	82,195	7,945	110,552
Percentage	11%	8%	74%	7%	100%
The difference is huge	55,803	252,496	-8,299,539	209,869	-7,781,371

Illustrative Figure 7: Comparison of the Change in Quantities of Crude Oil Received by Libyan Refineries

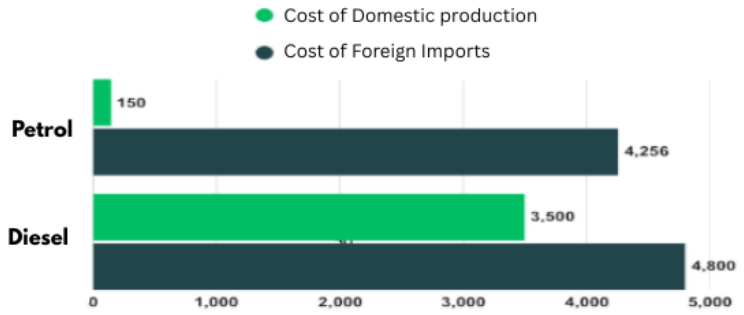


2.3 Analysis of the cost of domestic refining versus foreign imports (petrol, diesel, heavy fuel)

A comparative economic analysis of the cost of domestic refining versus foreign imports reveals a significant cost gap, creating a discouraging environment for reliance on domestic refineries. The total cost of crude oil used in domestic refining for 2023 amounted to $3.968 billion for 48.2 million barrels of various crudes, at an average price of $82.3 per barrel. However, when we analyse the costs in detail for the main products, we note:

- Petrol 95: The cost of domestic production ranges between 117–150 dinars per tonne, whilst imports cost 4,256 dinars per tonne (equivalent to $883).
- Diesel: The cost of domestic refining is around 3,500 dinars per tonne, whilst the cost of imports reaches 4,800 dinars per tonne.
- Heavy fuel oil: This is the only exception, where the cost of local production is slightly higher than that of imports due to the efficiency of international refineries.

Illustrative Figure 7: Comparison of Costs Between Local Refining and Foreign Imports (2023–2024)



A detailed analysis (Figure 7) of the costs highlights that:

- The Zawiya refinery accounts for 80% of the total value of crude oil refining in Libya, with the cost of the volumes processed there amounting to $3.17 billion in 2023.
- Additional operating costs are not limited to the price of crude oil alone, but include operating, maintenance, labour and energy costs, which may add 15–20% to the total cost of refining.
- The rate of return on investment in domestic refineries is significantly lower than global rates, with the return per barrel refined in Libyan refineries being less than $5 per barrel, compared to $10–15 in modern global refineries.
- Local refineries do not factor in the cost of capital (investments in construction and development).
- There is no regular system for updating the return per barrel indicator, with the last update having taken place in 2018.
- Unscheduled maintenance costs represent a significant burden on operating costs, particularly in refineries with a long operational history.

Table 17 Comparison of domestic and international petroleum product refining costs

Product	Domestic cost (KD/tonne)	Foreign cost (JD/tonne)	Financial difference (%)	Notes
Petrol 95	117–150	4,256	96.5% cheaper domestically	Clear economic benefit for domestic refining
Diesel	3,500	4,800	27% lower domestically	Moderate economic benefit
Heavy fuel oil	3,800	3,600	5.5% higher domestically	Import preferred
Kerosene	2,100	3,200	34.4% lower domestically	Significant economic benefit

2.4 Ratios of reliance on domestic versus foreign supply by petroleum product

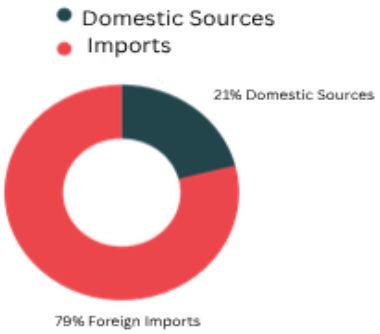
Data for 2024 reveals a significant decline in reliance on domestic sources to meet the Libyan market's demand for petroleum products, with domestic supply accounting for only 24% of total volumes supplied, whilst foreign imports accounted for 76% of demand.

Table 18: Ratios of reliance on domestic versus foreign supply by petroleum product

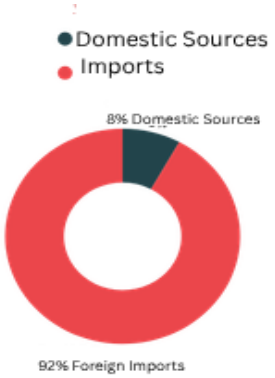
Year	2021/ Imported		Total	2022/ Imported		Total	2023/ Imported		Total
Product	Domestic	External		Domestic	External		Domestic	External	
Petrol 95	8%	92%	4,576,630	7%	93%	4,988,910	9%	91%	5,103,679
Diesel	34%	66%	3,510,590	33%	67%	4,741,082	29%	71%	5,916,926
Heavy fuel oil	71%	29%	1,157,677	84%	16%	1,077,751	98%	2%	1,274,812
Liquefied gas	100%	-	311,500	100%	-	325,039	100%	-	339,923
Kerosene	100%	-	170,152	100%	-	191,961	100%	-	249,235

The detailed analysis (Table 8) by product type shows:

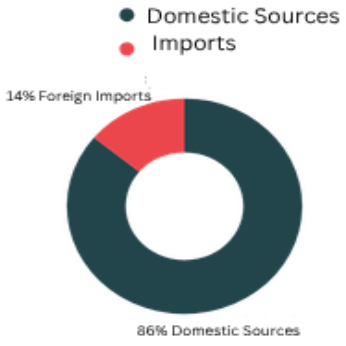
- Petrol 95: Reliance on domestic sources is only 8%, whilst 92% of requirements are met through imports.
- Diesel: Reliance on domestic refineries stands at 21%, compared with 79% from imports.
- Heavy fuel oil: Here, domestic refineries are the main source, covering 80% of domestic demand.
- Kerosene: Domestic production is the primary source, accounting for 86% of the quantities supplied to the market



Illustrative Figure 8: Proportions of Domestic and Foreign Sources – 95 Petrol



Illustrative Figure 9: Proportions of Domestic and Foreign Sources – Diesel



Illustrative Figure 10: Proportions of Domestic and Foreign Sources – Heavy Fuel Oil

Illustrative Figure 11: Proportions of Domestic and Foreign Sources – Kerosene

This analysis highlights fundamental challenges:

- Excessive reliance on foreign imports of petrol and diesel, which are among the most consumed derivatives in the Libyan market.
- The low productivity of the Zawiya refinery, the only facility capable of producing petrol, which produced just 457,386 metric tonnes in 2024, whilst the market requires more than 5.5 million tonnes.

- The stark disparity in the degree of reliance on domestic sources across different products, indicating an imbalance in the national production strategy.
- Waste of resources, as crude oil is exported at a low cost whilst its derivatives are imported at a cost several times higher.

2.5 Return per Barrel Indicator: Delay in Updating Financial Reports

The failure to update the return per barrel indicator constitutes a serious shortcoming in the management of national refineries, as this indicator is the key determinant of the efficiency and economic viability of the refining process. The last update of this indicator was in 2018, meaning that refinery management has lacked accurate and up-to-date information for operational and investment decisions for more than five years.

The audit reveals:

- The absence of an integrated financial system linking operating costs, revenues and return on investment.
- The unavailability of basic data required to calculate return per barrel, such as labour costs, maintenance costs, operational energy costs, and chemical costs.
- Confusion between financial returns and operational returns, with refinery performance being assessed based on volumes produced rather than on profitability or efficiency.
- Neglect of indicators related to quality and environmental suitability in the refining process, which negatively affects the market value of refined products.

The analysis shows that:

- The available financial data focuses solely on the cost of crude oil without accounting for other operating items.
- Management reports do not link investment and maintenance decisions to the financial return on these investments.
- There is a lack of comparison with global indicators for similar refineries, which prevents management from understanding its competitive position.

2.6 The gap between theoretical and effective refining capacities in operating refineries

The gap between theoretical and actual refining capacities represents the greatest challenge facing the Libyan refining sector, as operating refineries currently run at between 30–70% of their design capacity, depriving the national economy of vast resources and imposing significant financial burdens on the public treasury.

The analysis provides a detailed breakdown of this gap:

- Al-Zawiya Refinery: Design capacity is 120,000 barrels per day, whilst actual capacity is 78,000 barrels per day, representing a shortfall of 35%, which translates to a production loss of 42,000 barrels per day.
- Tobruk Refinery: Operating at 70% of its design capacity, with a production shortfall of 6,000 barrels per day.
- Al-Sarir Refinery: Actual capacity does not exceed 30% of design capacity, with a production shortfall of 7,000 barrels per day.
- Marsa al-Brega Refinery: Operating at 40% of its design capacity, with a production shortfall of 6,000 barrels per day.

Table 19: Difference between design capacity and actual production at Libyan oil refineries

Refinery	Design capacity (thousand bpd)	Actual capacity (thousand bpd)	Shortfall (%)	Daily shortfall (thousand barrels)	Financial value of the loss (million dollars/year)
Al-Zawiya	120	78	35%	42	512.4
Tobruk	20	14	30%	6	73.2
Al-Sarir	10	3	70%	7	85.4
Brega	10	4	60%	6	73.2
Total	160	99	38%	61	744.2

The analyses (Table 19) reveal that:

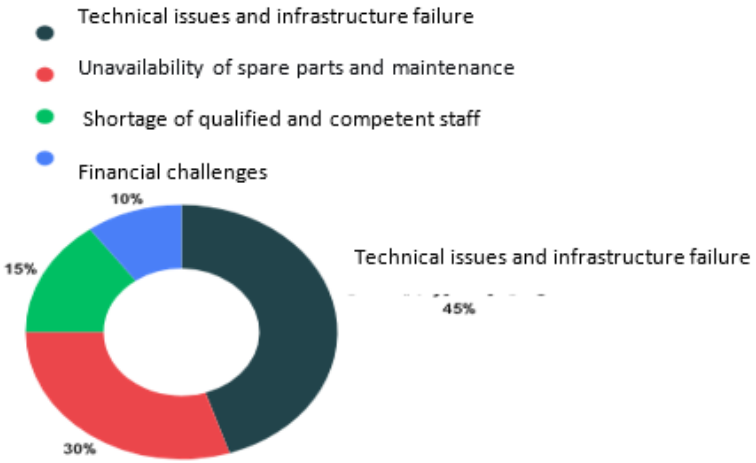
- The total refining capacity gap amounts to 281,000 barrels per day, if we include the Ras Lanuf refinery, which is completely shut down.
- The financial loss resulting from this gap is estimated at around $1.2 billion annually, taking into account current prices for petroleum products.
- The causes of the gap are distributed as follows:
  45%: technical faults and infrastructure deterioration

  30%: lack of spare parts and regular maintenance

  15%: Shortage of qualified labour and technical expertise

  10%: Financial challenges in covering operating costs

Illustrative Figure 11: Proportional Breakdown of the Causes of the Gap in the Refining Capacity of



2.7 Key conclusions and warning signs

Based on this comprehensive analysis, several key findings can be drawn that underscore the urgent need to reform the domestic refining system:

- The shutdown of the Ras Lanuf refinery represents a strategic disaster, depriving Libya of 58% of its refining capacity and increasing the import bill by billions of dollars.
- The gap between theoretical and actual capacity has reached a critical level (38% in operating refineries), indicating poor management and weak strategic planning.
- The absence of up-to-date financial indicators creates a non-transparent environment for investment decisions, with the return per barrel indicator not having been updated since 2018.
- Excessive reliance on foreign imports (76%), particularly of petrol and diesel, poses a threat to Libya's energy security and is depleting the state's financial reserves.
- Operating costs at Libyan refineries are 15–25% higher than the global average, due to ageing and inefficient operating systems.

Chapter 5: **Monitoring of Transport, Receipt and Storage**

Introduction

The petroleum products supply chain suffers from a management and governance system that lacks transparency and efficiency, which allows for abuses including corruption and financial losses in the absence of accurate and reliable data. The country suffers from the absence of a coherent legislative and procedural framework governing the transport, receipt and storage of petroleum products. These shortcomings and their consequences are evident in the prevalence of administrative and financial corruption due to the ambiguity and overlap of authorities and procedures, weak control, governance and documentation mechanisms, as well as significant discrepancies between accounting records and stock inventories, the deterioration of measuring equipment and the failure of some of it to function, the resorting to manual measurement of stock and storage, poor maintenance, weak coordination between the relevant bodies, and suspicions of theft, smuggling and the sale of products on the black market.

1. Legislation and Powers: Foundations for Regulating Transport and Storage Operations

In the absence of precise legal regulation that allocates powers and governs procedures to ensure transparency and integrity in the transport, receipt and storage of petroleum products in Libya, these sensitive operations become fertile ground for financial and administrative corruption, causing a massive waste of public funds. This section reviews the legislative framework governing these operations, focusing on the legal loopholes that have led to weak internal controls, the absence of verification mechanisms, and conflicts of authority between the relevant bodies, necessitating a comprehensive restructuring of the legislative and executive systems.

1.1 Legal provisions governing storage and transport operations

The regulatory framework for transport, receipt and storage operations in Libya is based on two key decisions:

- General People's Committee Decision No. (131) of 2011: which defined the remit of the Brega Company and set out certain provisions regarding its responsibilities in the management of depots and the distribution of fuel.
- Presidential Council Decision No. (411) of 2017: which laid down certain provisions regarding the Articles of Association of the Brega Oil Marketing Company, stipulating in Article 2 that the company's objectives include:
- Owning and managing the main storage facilities for petroleum products, including aviation fuel depots and the fuelling of ships
- Owning and managing fuel distribution stations
- Owning and managing a fleet of road transport vehicles
- Leasing maritime transport to meet the needs of the local market

However, a legislative analysis reveals fundamental challenges:

- **Legislative fragmentation:** the absence of unified legislation to regulate these operations in an integrated manner, leading to overlapping powers.
- **Discrepancy with reality**: Decisions stipulate responsibilities for the Brega Company, yet the National Oil Corporation is the entity that actually controls contracting and monitoring operations.
- **Absence of performance controls:** There are no legal mechanisms to monitor the performance of measuring devices and indicators, or to define responsibilities for the periodic maintenance of these devices.
- **Neglect of quality standards:** There is a lack of legislation clearly and specifically regulating quality standards in storage and transport operations.

1.2 Distribution of responsibilities between the National Oil Corporation and the Brega Company

An executive analysis of the distribution of responsibilities between the National Oil Corporation and the Brega Company reveals a conflict of powers and a lack of clarity in the distribution of tasks, whereby:

- The National Oil Corporation:
    - Effectively handles the contracting process for the purchase of petroleum products, both externally and domestically, in accordance with financial allocations
    - It is responsible for marketing products and setting prices
    - It receives and manages revenues
- Brega Company:
    - Controls the determination of required quantities and their distribution to depots
    - Manages fuel depots and unloading and receiving centres
    - Handles the actual distribution to consumers
    - Responsible for the day-to-day operation of the depots
    - Carries out regular maintenance of measuring equipment

The analysis reveals several serious gaps in this distribution:

- Duplication: similar responsibilities between the two parties without a clear definition of the limits of authority
- Negligence: Neglect of regular maintenance of measuring devices, leading to a loss of measurement accuracy
- Lack of coordination: No clear coordination mechanism between the two parties in the event of emergencies or discrepancies in quantities
- Accountability: Difficulty in determining which party is responsible when discrepancies arise between the quantities received and those distributed.

1.3 Regulations governing quantity measurement and monitoring devices

Transport, receipt and storage operations require accurate monitoring systems to measure quantities and prevent wastage or theft. However, the regulations currently in force suffer from several shortcomings:

- **Lack of standardised criteria:** There are no clear standards for calibrating measuring devices (meters, scales) or specific maintenance schedules.
- **Lack of technological modernisation:** Most of the measuring devices in use are outdated and incompatible with modern technological developments in the field of smart monitoring.
- **Reliance on manual measurement:** Continued reliance on manual measurement in critical areas, which increases the likelihood of errors and a lack of transparency.
- **Lack of early warning systems:** There are no automatic warning systems to detect significant discrepancies in quantities or emergencies.

The field inspection indicates that:

- **Airport Road Depot:** The meter used to measure incoming quantities of petrol has stopped working, and measurements are being taken solely at the Al-Zawiya Refinery depot.

- **Al-Hani Depot:** The scale used to measure incoming quantities of liquefied gas has broken down, with no effective alternative available.
- **South-eastern regions:** Complete reliance on source measurements, with no monitoring systems in place at final delivery points.

1.4 Legal Compliance and Operational Challenges

A comprehensive review of legal compliance in transport, receipt and storage operations reveals fundamental implementation challenges:

- Delays in implementing decisions: Decisions No. (131) of 2011 and No. (411) of 2017, despite their clarity, have not been implemented as required, whether in terms of the allocation of responsibilities or monitoring mechanisms.
- Absence of technical committees: There are no specialised technical committees to monitor the performance of measuring devices and update them regularly.
- Neglect of maintenance: Neglect of regular maintenance of measuring devices and warehouses, leading to leakage of quantities and loss of measurement accuracy.
- Reliance on paper documents: Continued reliance on paper documents for recording quantities, which facilitates manipulation or the entry of incorrect data.

2. On-the-ground reality: Quantitative analysis of petroleum product stocks and operational processes

Given the paramount importance of monitoring and managing fuel stocks, there is an urgent need for accurate analysis of operational data relating to transport, receipt and storage. Whilst these operations form a vital link between the supply of petroleum products and their distribution to consumers, the lack of transparency in stock management and operational data translates into massive financial and operational waste. This section presents a comprehensive analysis of official data released by the Brega Oil Marketing Company, with the aim of identifying the operational and financial shortcomings that hinder these processes.

2.1 Opening and closing stocks for 2024

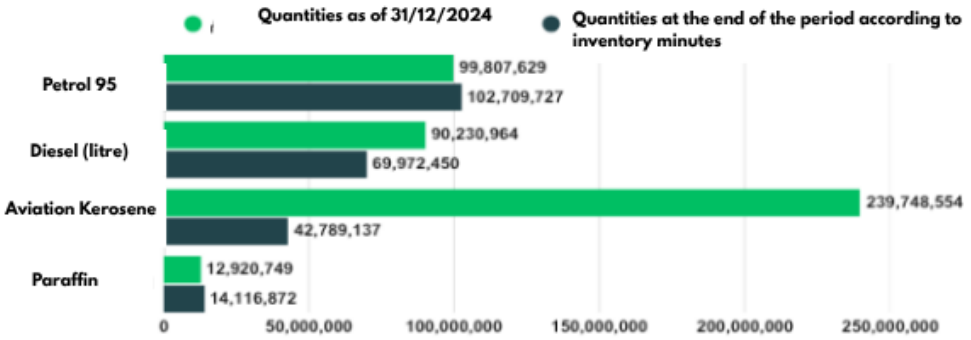
Data released by the Materials and Inventory Department of the Brega Oil Marketing Company reveals that oil product inventories experienced significant fluctuations during 2024, with the extent of these fluctuations varying by product and geographical region.

A reconciliation of end-of-period stocks was carried out based on data from the IT Department and the Materials Department of the Finance Department (for the Western and Southern regions) against the actual stock-taking records (this data does not include end-of-period quantities for the Eastern and Central regions, as the company declined to provide the Committee with the requested data):

Table 20: Difference between quantities received, recorded and targeted

Product	Petrol 95 (litres)	Diesel (litres)	Aviation kerosene (litres)	Domestic kerosene (litres)
Quantities at the end of the period on 31 December 2023	132,768,698	71,599,608	49,559,192	17,724,800
Receipts during 2024	5,223,467,241	4,625,549,218	200,457,094	12,073,949
Total target distribution volume	5,356,235,939	4,697,148,826	250,016,286	29,798,749
Distributions during 2024	5,257,029,230	4,607,322,240	10,267,732	16,888,000
Sales returns	600,920	404,378	0	10,000
Net distributions	5,256,428,310	4,606,917,862	10,267,732	16,878,000
Quantities at the end of the period on 31 December 2024	99,807,629	90,230,964	239,748,554	12,920,749
Quantities at the end of the period according to stock records	102,709,727	69,972,450	42,789,137	14,116,872
Difference	2,902,098	20,258,514 -	196,959,417	1,196,123

Figure 12: Discrepancies Between Records and Inventory Lists of Petroleum Product Stocks



The audit confirms that these apparent discrepancies (in Table 20) above can only be explained by the following circumstances:

- Poor record-keeping: due to reliance on manual systems for recording quantities.
- Manipulation: due to the absence of effective internal control mechanisms.
- Smuggling: due to weak monitoring and security systems in warehouses.

2.3 Discrepancies in quantities distributed and received, and operational issues

Operations management data reveal an unexplained discrepancy in the quantities of petroleum products distributed to and received by power stations and major customers (desalination plants, large factories) between 2021 and 2024, as shown below:

Table 21: Difference between distributed and received quantities

Year	Tripoli Depot			Al-Zawiya Depot						Janzour Depot		Misrata Depot										
	South Tripoli	University District	Beir Al-Asti Milad	Al-Harsha	Desalination Al-Zawiya	Abu Kamash	Al-Zahra	Zawara Desalination Plant		West Tripoli		Al-Khums Al-Ghaziyah		Al-Khums Al-Bukhariya		Iron and Steel	Misrata Gas	Dual	Semno	Al-Khalej Steam	Umm al-Jadwal	Zliten Gas	Obari
	Diesel			Diesel					Heavy oil	Diesel	Heavy oil	Diesel	Marine diesel	Diesel	Heavy oil	Heavy oil	Marine diesel	Diesel	Heavy oil	Diesel	Diesel	Diesel	Diesel
2020	6528	8225	0	144,552	20,270	0	0	50	19,106	42,125	0	7,695	89,348	26,574	512,386	189,496	28,462	19,874	0	61994	497	832	0
2021	3241	1658	27,228	291,093	55,675	0	7694	489	17,557	35,940	33,699	124,131	252,255	77,048	534,696	253,797	26,715	58,617	70,966	0	0	7,872	0
2022	22234	10,977	0	528,670	0	0	38,935	0	0	196,169	0	234,107	310,980	31,343	481,187	278,541	2608	44,844	32,896	287,199	1364	4434	0
2023	47,586	9750	0	565,156	35,558	0	10,712	0	345,797	352,660	11,752	47,142	221,884	189,536	361,232	327,419	212,196	250,447	115,736	172,014	84,428	65,791	2229
2024	59,679	6119		554,828	47,264	5570	42,588	1940		668,012		423,331			655,406			224,429		319,881		6636	1493
Total	139,268	36,729	27,228	2,084,299	158,767	5570	99,929	2479	382,460	1,294,906	45,451	836,406	874,467	324,501	2544907	1049253	269,981	598,211	219,598	841,088	86,289	85565	3722

The data reveals fundamental operational challenges:

- **Lack of planning:** Variations in the quantities distributed without clear operational justifications, indicating weaknesses in planning and forecasting requirements.
- **Weak monitoring systems:** The absence of effective monitoring mechanisms to detect discrepancies between quantities received and distributed.
- **Lack of coordination:** A lack of coordination between the Brega Company and the National Oil Corporation in determining the quantities required for each period and the withdrawals of petroleum products by power stations and major customers (desalination plants, large factories) during the year (2020–2021–2022–2023).
- **Disproportionate increase in fuel consumption:** A marked rise in the electricity sector's diesel fuel withdrawals of 203% compared to 2021, whilst this increase was not accompanied by any corresponding rise in the power stations' actual production capacity. Data on diesel fuel consumption between 2021 and 2023 indicates that:

  West Tripoli Power Station

  The data showed a sharp rise in the station's fuel consumption curve, with reports recording an increase of **881**%. This made it one of the highest growth rates in fuel withdrawals from the Brega Company's depots.

  South Tripoli Station

  The data showed a continuous increase in the quantities of diesel supplied to the station, with consumption rising by **1,368**%. This upward trend reflects a steady increase in the station's daily fuel requirements, which is directly reflected in the total annual allocations received compared to previous years.

  Zliten Gas Station

  The plant recorded a clear increase in fuel consumption rates, with comparisons indicating a **736%** rise in demand. This figure reflects a significant increase in the volume of fuel withdrawn.

  Al-Khums Steam Power Station

  Consumption indicators at the plant showed an upward trend of 146%. Although this growth is less pronounced compared to some other plants, it represents an actual increase in the volume of fuel pumped to operate the plant's units during the years in question.

  Misrata Combined Cycle Power Station

  The data revealed a 327% increase in diesel consumption at the plant. However, this remains an indication of growing reliance on fuel within the plant's operational system.

This discrepancy is a serious indication of:

- **Wasteful fuel consumption resulting from the inefficiency of the operating units.**
- **The possibility of fuel being diverted for smuggling purposes.**
- **The absence of accurate monitoring systems to link consumption figures to actual production.**

- **The gap between consumption and production according to international standards**
  According to international standards (such as those of the International Energy Agency – IEA), the normal rate of diesel consumption in modern power stations ranges between 220–250 g/kWh, whilst Libyan estimates indicate rates exceeding 320 g/kWh.

Table 22: Comparison of the design capacity of Libyan power stations with actual output and internationally expected output

Power station	Design capacity (MW)	Diesel consumption (metric tonnes)	Estimated actual output (MWh)	Internationally projected generation (MWh)	Waste gap (%)
West of Tripoli	1,400	667,012	2,084,412	2,838,348	36%
South Tripoli	500	59,679	186,496	253,953	36%
Misrata Twin	1,300+	250,447	782,646	1,065,731	35%
The Five Steamers	500	189,536	537,543	806,536	37%
Al-Khums Gas Power	530	47,142	147,318	200,604	36%
Al-Khaleej Steamship	1,050	172,014	592,300	731,974	37%

* The figures in the table are approximate estimates, as the General Electricity Company has declined to provide the requested information

The figures in (Table 22) confirm a gap in fuel efficiency, as every additional tonne of diesel consumed without producing equivalent energy translates into a financial loss of $450–500, meaning that annual wastage is estimated at around $180–200 million.

3. A roadmap for reform: towards advanced transport and storage mechanisms

The current system of transport, receipt and storage cannot be rectified without a radical reform plan based on three key pillars grounded in data and facts. Chronic problems with quantity measurement, weak internal control mechanisms, and significant discrepancies in end-of-period stock all require

urgent and systematic intervention. In this section, we present a practical, actionable strategy focusing on three key pillars:

3.1 Updating and maintaining measuring devices and indicators

A field inspection of the company's depots revealed serious issues with the measuring equipment in use, namely:

- The meter measuring incoming quantities of petrol at the Airport Road warehouse has stopped working, with reliance on measurements from the Al-Zawiya refinery warehouse instead.
- The scale used to measure incoming quantities of liquefied gas at the Al-Hani depot has broken down, with no effective alternatives available.

Proposed urgent measures:

- Appoint specialised technical committees to maintain and upgrade all meters and scales at the main depots, giving priority to the main depots, within a maximum period of three months.
- Establish a regular schedule for the calibration of measuring devices, during which the accuracy of these devices is verified and they are calibrated in accordance with international standards.
- Adopt a dual measurement system (at the point of dispatch and on arrival), with all measurements recorded electronically to prevent tampering and allow for verification at any time.

3.2 Activation of internal control and self-regulation mechanisms

Data provided by the Materials and Stock Department revealed significant discrepancies in quantities between the start and end of the period compared to the actual stock-taking records, without convincing reasons or sufficient documentation. The data also reveals serious gaps in internal control mechanisms, particularly during the receipt and distribution stages, indicating weak internal controls.

Proposed urgent measures:

- Issue a standardised procedures manual governing reception, storage and distribution operations, with a clear definition of powers, responsibilities and penalties in the event of violations.
- Define clear responsibilities for each link in the supply chain (receipt, transport, storage, distribution), with these tasks separated between different departments and each granted the necessary powers to exercise mutual oversight.
- Establish an independent internal audit unit within the National Oil Corporation to be responsible for conducting unannounced inspections, tracking the movement of products from receipt to distribution, and preparing periodic reports on any violations or discrepancies in quantities.
- Establish clear penalty mechanisms for offenders, ranging from warnings to termination and criminal prosecution in cases where violations are detected.

3.3 Addressing stock discrepancies and linking them to receipts and sales

An analysis of the closing stock for 2024 revealed significant discrepancies between quantities received and dispatched, without adequate documentation or a convincing explanation.

Proposed urgent measures:

- Form specialised technical committees in each region to investigate the causes of historical discrepancies in end-of-period stock, and establish mechanisms to address these discrepancies and prevent their recurrence.
- Update the electronic recording system to automatically link quantities received to sales, whilst requiring regional managers to submit detailed reports on any discrepancies.
- Conducting spot checks on warehouses during the year, comparing the results with physical records, and preparing detailed reports on the causes of any discrepancies.
- Link stock data directly to a centralised electronic platform that allows regulatory authorities to monitor data in real time, with automatic alerts sent for any significant discrepancies.

3.4 Proposed reforms for the electricity sector

The unjustified increase in fuel consumption at power stations is not merely an operational glitch, but an indication of the collapse of the governance system in the electricity sector. Addressing this challenge requires:

- Radical institutional reform through the restructuring of General Electricity Company of Libya .
- Urgent technical reform through the installation of smart monitoring systems.
- Immediate accountability for those responsible for withholding data.

First: Immediate institutional reform: the separation of the electricity company

The Committee recommends that the General Electricity Company of Libya be split into three independent entities in accordance with international best practice:

- Power Generation Company: responsible for operating power stations and desalination plants.
- Power Transmission Company: responsible for high-voltage transmission networks.
- Energy Distribution and Sales Company: responsible for local distribution networks and bill collection.

This separation achieves:

- Clarity of responsibilities and accountability of each entity for its performance.
- Prevention of conflicts of interest between production and distribution.
- Enhanced transparency in performance and cost reporting.

Second: Urgent Operational Reform

- Installation of smart meters at all power stations.
- Actual quantities of fuel consumed.
- Energy produced in real time.
- Efficiency index (grams/kWh) automatically.
- Link the data directly to an electronic platform operated by the regulatory authorities.
- Commissioning independent technical committees to conduct technical audits of the efficiency of operational power stations.

Chapter 6: **Revenue**

Introduction

A lack of transparency, weak law enforcement and an ineffective revenue collection system in Libya's fuel sector have led to delays in transferring dues from entities and individuals to the Treasury, resulting in the accumulation of massive debts in the public and private sectors between 2018 and 2023, all compounded by legislative ambiguity and the absence of any mechanism for fines or accountability. This situation threatens the country's financial stability and affects the government's ability to meet its obligations.

1. Legislation and Powers: The Legal Framework for the Management of Hydrocarbon Revenues

The legislative framework forms the basis for regulating the collection of revenue from the sale of hydrocarbons in the Libyan market, and aims to ensure transparency in the collection of the financial shares allocated to sovereign bodies (the National Oil Corporation, the Great Man-Made River Authority). However, a legislative analysis reveals critical loopholes that undermine the effectiveness of this framework and expose public revenues to the risks of manipulation and delays in collection.

1.1 Legislation governing distribution and storage margins

Decree No. (907) of 2007 is the primary legislative reference for determining the value of the distribution margin for fuel distribution companies, stipulating the following:

- Determination of the permitted distribution margin for distribution companies.
- The distribution of financial shares among the relevant bodies (Brega Company, National Oil Corporation, and the Manmade River Authority).

However, subsequent decisions have introduced complications into this framework, most notably:

- Cabinet Decision No. (375) of 2025: contained a drafting error, specifying the 'distribution margin' when the intended term was 'storage and handling margin', leading to confusion in the application of the decision.
- Cabinet Decision No. (578) of 2025: contained an error in the determination of the artificial river fee for diesel (0.0200 LD instead of 0.0250 LD), which affects the accuracy of financial accounts.

1.2 Mechanism for distributing revenue shares among sovereign entities

The applicable decisions stipulate the distribution of revenues among three main entities:

- The Brega Company's share: This includes the distribution and storage margin.
- The General Treasury's share: includes the value of petroleum products sold.
- The Manmade River Authority's share: includes specific fees for each product (0.0250 LD for diesel, 0.0200 LD for petrol).

The analysis reveals that:

- The absence of an effective oversight mechanism to verify that invoices match the agreed contracts.
- There are no strict controls to ensure the immediate transfer of shares to the entitled parties.
- Delays in the preparation of periodic financial reports detailing the distribution of shares and their reconciliation with actual revenue.

1.3 Legal compliance in revenue collection and transfer

Audit data reveal fundamental irregularities in the revenue collection process, most notably:

- Delays in transferring shares to the public treasury: although the decision stipulates that transfers must be made immediately, the data show repeated delays of up to several years.
- Absence of monthly financial reconciliations: The failure to carry out periodic reconciliations between the Brega Company, the National Oil Corporation and the Ministry of Finance, leading to the accumulation of unresolved discrepancies.

1.4 Legislative gaps in revenue management

The legislative review reveals four critical gaps:

- Absence of legislation governing overdue debts: There are no legal provisions setting out mechanisms for collecting debts owed by public companies and entities.
- Reliance on administrative decisions: Distribution margins are determined by executive decisions that are subject to change with each government, thereby undermining financial stability.
- Absence of deterrent penalties: There are no financial or administrative penalties for entities that are late in paying their dues.
- Fragmentation of powers: Overlapping powers between the Ministry of Finance, the National Oil Corporation and the Brega Oil Company in revenue management, leading to a lack of accountability.

2.0 The actual situation: analysis of hydrocarbon revenues and debts owed

The actual financial data reveal a worrying financial situation that reflects a lack of transparency and oversight in the management of hydrocarbon revenues, showing a huge gap between estimated revenues and amounts actually collected, with massive debts accumulating on public and private entities without effective collection measures being taken.

2.1 Accumulated debts of public and private entities (2018–2023)

The data reveals the accumulation of massive debts owed to various entities, with total debts amounting to the figures shown in the following table:

Table 23: Accumulated debts of various bodies from 2018 to 2023

Entity		Year 2018	Year 2019	2020	2021	2022	2023
African Airlines		188,468,032.71	187,584,033.81	189,086,560.78	181,656,371.51	196,473,016.80	178,161,756.74
Libyan Airlines		247,306,135.92	247,379,044.06	247,468,349.40	255,385,138.19	264,113,202.97	217,982,836.36
Distribution companies	Western	267,697,664.18	272,686,349.95	258,401,648.67	343,897,013.63	321,587,499.48	295,659,305.98
	Eastern	252,018,181.82	241,427,951.15	248,965,806.42	147,882,075.95	136,945,111.66	132,644,424.66
Airlines	Western	13,313,126.99	7,137,315.19	3,565,731.01	8,035,919.25	14,457,787.75	18,586,283.16
	Eastern	2,075,037.67	2,098,510.10	1,735,869.01	1,459,982.40	1,629,885.81	3,701,618.21
Oil companies	Western	28,130.81	21,545.90	54,320.22	22,488.90	39,089.94	24,282.07
	Eastern	21,922,539.38	22,552,198.14	29,098,656.66	38,250,912.50	46,140,357.21	38,112,364.47
Companies and factories	Western	981,266.29	486,829.79	776,164.14	548,310.46	474,636.17	474,636.17
	Eastern	636,462.33	646,110.33	650,883.60	745,002.33	738,776.33	641,936.33
Iron and Steel	Western	5,524,294.53	3,818,288.60	3,481,771.54	417,245.45	0	0
Public sector	Western	2,098,021.99	2,127,040.99	2,181,202.99	2,142,169.99	2,105,184.49	1,159,570.98
	Eastern	3,449,075.13	147,410.92	147,410.92	10,500.80	10,500.80	9,145,500.80
Grand total		1,005,517,969.74	988,112,628.93	985,614,375.34	980,453,131.35	984,715,049.41	896,294,515.92

This weakness results in:

- **Reduced financial liquidity:** a decrease in the revenue available to the Treasury to cover operating expenses.
- **Accumulation of debts:** the accumulation of debts by public companies and institutions without effective enforcement measures being taken.
- **Absence** of **collection policies:** lack of strict mechanisms for collecting receivables from public companies and institutions.

3. Strengthening financial flows: a roadmap for improving revenue collection

The gaps in hydrocarbon revenue management cannot be addressed without a comprehensive reform plan centred on four main pillars: modernising accounting systems, improving collection mechanisms, enhancing transparency, and strengthening financial oversight. The proposed roadmap aims to transform revenue management from an ad hoc process reliant on barter into a transparent financial system based on effective collection and continuous oversight.

3.1 Modernising the Brega Company's electronic accounting system

This mechanism aims to digitise revenue collection processes to ensure accuracy and transparency, through:

- **Developing a unified accounting system:** linking the systems of the Brega Company, the National Oil Corporation and the Ministry of Finance.
- **Automatic integration with point-of-sale systems:** recording all sales electronically without human intervention.
- **Establishing an electronic dashboard:** displaying key performance indicators (collection rate, debt volume, discrepancies) in real time to regulatory authorities.

3.2 Mechanisms for collecting overdue debts and scheduling repayments

This mechanism aims to improve collection efficiency from debtors by:

- **Classifying debtors:** into three categories (excellent, average, poor) based on payment history.
- **Mandatory repayment schedules:** establishing binding repayment plans for defaulters, with debts spread over 12–24 months.
- **Linking distribution to payment:** Preventing the distribution of any new quantities to entities whose debt is more than 30 days overdue.
- **Imposing late payment penalties: These** are automatically deducted from future allocations.

3.3 Improving mechanisms for collecting contributions from sovereign entities

This mechanism aims to improve the efficiency of financial quota collection through:

- **Automatic transfer:** Linking the accounting system to the accounts of the entities due to receive the quotas to transfer them automatically within 48 hours of receiving the revenue.
- **Mandatory monthly reports:** Preparing detailed reports on the distribution of shares and reconciling them with actual revenue.
- **Penalties for late payment:** Imposing a penalty of 0.5% of the value of the untransferred share for each week of delay.

- **Linking distribution to payment:** Preventing the distribution of any new quantities to companies whose debts are more than 30 days overdue.
- **Establish a rating system for companies based on their payment compliance**, with priority in allocation given to compliant companies.

3.4 Enhancing transparency in oil revenue management

This mechanism aims to build public confidence in revenue management through:

- **Monthly publication of revenues:** Requiring the Ministry of Finance to publish a monthly report on collected revenues and the shares of various entities on its website.
- **Independent annual report:** Preparation of an annual report by the Audit Bureau assessing the efficiency of revenue management and recommending improvements.
- **An online platform for citizens:** Enabling citizens to track revenue and report any financial irregularities.
- **Cooperation with civil society organisations:** Allow monitoring organisations to review financial data (after removing sensitive information).

Chapter 7: **Comprehensive Risk Map**

Summary and Conclusion

Based on the facts and data drawn from the previous chapters, which covered the legislative, financial, operational and institutional aspects of the petroleum products management system in Libya, a clear picture emerges of a set of interrelated risks that threaten economic stability and energy security. The interplay of these risks and the failure to address them thoroughly and swiftly could lead to dire consequences that go beyond the financial sphere to affect the state's sovereignty and its ability to provide essential services to citizens. This map aims to classify these risks according to key themes that highlight the scale of the challenges and their direct impact on public finances and energy security.

These can be summarized in four main points:

1. **Operational collapse:** resulting from the deterioration of infrastructure, the breakdown of oil refineries, the lack of modern measurement tools, unexplained losses in petroleum product stocks, and fuel consumption at power stations (electricity) that is disproportionate to production.
2. **Systematic waste of funds:** due to the absence of a provision for fuel subsidies in the national budget and unjustified increases in petroleum import allowances, coupled with a decline in revenue, low collection rates, and the accumulation of debts and arrears owed to public and private bodies.
3. **Strategic and security risks:** The country relies on imports for 76 percent of its petroleum products, with supply contracts concentrated in the hands of a small number of companies; security and military institutions withdraw fuel without accountability or oversight; and imports are vulnerable to external disruptions in supply chains.
4. **Failure of the governance system:** Legislation governing the work of relevant government institutions is contradictory, with overlapping powers; operationally, these bodies do not coordinate their work and rely on ad hoc decisions and procedures to manage affairs rather than on clear, explicit and coherent legal provisions.

Critical operational risks: infrastructure collapse and lack of control over quantities

Operational and technical data reveal a serious deterioration in the infrastructure for the storage, transport and refining of petroleum products, posing a direct threat to supply continuity and operational efficiency. The greatest risk is the complete shutdown of the Ras Lanuf refinery, the largest in the country with a design capacity of 220,000 barrels per day, since 2013 due to legal disputes with the foreign partner. This shutdown deprives the state of 58% of its total refining capacity, forcing it to make up for this shortfall through costly imports, at a time when the gap between theoretical and actual refining capacity in operating refineries is estimated at around 38%, translating into a daily production loss of up to 61,000 barrels and a financial shortfall estimated at around 1.2$ billion annually.

In addition to the collapse of refining capacity, the measurement and monitoring system suffers from serious flaws that allow vast quantities of products to be wasted undetected. Field inspections revealed the malfunctioning of vital measuring devices, such as the failure of the meter measuring incoming volumes of petrol at the Airport Road depot, and the malfunction of the scale used to measure liquefied gas at the Al-Hani depot, forcing management to rely on inaccurate source measurements or manual estimates that are open to manipulation, as well as the failure and delay by the electricity company to calibrate the measuring devices for several years. This discrepancy was clearly reflected in the latest stock data, as a comparison of materials and stock management data with the actual inventory records for 2024 revealed significant and unexplained discrepancies, indicating a high likelihood of wastage, leakage or manipulation of stock records.

Operational risks are exacerbated on the end-use side, particularly in the electricity sector, which is one of the largest consumers of petroleum products. Technical analysis has revealed significant wastage of generation fuel, with diesel consumption rates rising sharply in fuel demand for power stations in recent years. Consumption at the West Tripoli station increased by 881%, and at the South Tripoli station by 1,368%, whilst other stations saw varying rates of increase. This disparity in efficiency points to technical faults in the generation units or operational mismanagement, particularly given the Electricity Company's failure to provide accurate operational data that would allow verification of actual operating hours and unit efficiency, thereby complicating efforts to rationalise consumption and control expenditure.

Systemic financial risks: systematic financial waste and a lack of transparency in cash flows

The financial system linked to the management of petroleum products is experiencing a state of instability and uncertainty that threatens the soundness of the state's general budget. The primary financial risk lies in the legislative and budgetary vacuum, as allocations for petroleum product subsidies were not included in the approved budgets for 2023 and 2024, having stood at 5,281,840,000 Libyan dinars in 2022. This sharp fluctuation and total reliance on a barter system outside the general budget shifts the financing burden to the National Oil Corporation and distorts the state's financial statements by understating revenues and expenditures by between 30% and 35%, thereby depriving the state of the ability to undertake long-term financial planning and undermining the principle of financial transparency.

The financial crisis is deepening in external supply operations; as comparative studies have revealed unjustified exaggerations in the values of surcharges added to purchase prices. The FOB (Free On Board) surcharge for petrol shipments recorded a massive jump of 1,554%, rising from $4.05 per metric tonne in 2022 to $67 in 2024, whilst the diesel surcharge under the CIF system rose by 450% from $14 to $77 per metric tonne. Despite the fall in global product prices, the Treasury has incurred direct losses estimated at approximately $596,614,233 annually in premium differentials alone, indicating systematic financial wastage.

On the revenue and collection front, the state faces risks due to low collection rates of financial dues and the accumulation of debts by public and private entities. The actual revenue collection rate in the Ministry of Finance's accounts fell from 44% in 2022 to 30% in 2023, then dropped to just 25% in 2024. Conversely, huge debts have accumulated on public bodies. The absence of mandatory collection mechanisms and repayment schedules, coupled with the lack of deterrent penalties for late payers.

Security and sovereignty risks: threats to energy security and dangerous reliance on external sources

The risks in this area go beyond the economic sphere to affect national security and the state's sovereignty over its natural resources, with data revealing an excessive and dangerous reliance on external sources to meet domestic needs. In 2024, dependence on foreign imports of petroleum products reached approximately 76% of total consumption, whilst domestic production accounted for only 24%. This strategic imbalance in the supply balance leaves the domestic market vulnerable to global market fluctuations and disruptions in international supply chains, particularly in the absence of secure strategic reserves to cover needs in the event of a disruption to external supplies.

The risk of external dependence is exacerbated by a radical shift in the structure of international suppliers, with the supplier base shrinking from 17 reliable global companies in 2022 to just six in 2023 and 2024, most of which are start-ups lacking operational experience and production infrastructure. A significant proportion of the contract value was concentrated in a single supplier, with one company securing 43% of the contract value in 2024, equivalent to $3.98 billion, creating a de facto monopoly and increasing the risk of manipulation of prices and terms. Replacing major international companies with decades of

refinery experience with new commercial firms with limited capital puts energy supply security at great risk and exposes the state to potential commercial blackmail.

Furthermore, the data indicates an unjustified rise in withdrawals by security and military bodies, with the public security sector recording a 621% increase in petrol withdrawals in 2024 compared to 2021, and the armed forces sector recording a 1,527% increase in diesel withdrawals over the same period. This massive increase, which is not commensurate with normal operational growth, raises questions about the actual destinations of these quantities and the likelihood that some of them may leak into the informal markets, thereby affecting internal security and the stability of local markets.

Structural institutional risks: collapse of governance and conflict of powers

The institutional and legal framework governing the management of the fuel sector poses a fundamental risk, as there is a legislative vacuum regarding the processes for determining needs, supply and collection. The absence of a clear legal framework defining responsibilities between the Ministry of Finance, the National Oil Corporation and the Brega Oil Marketing Company has led to overlapping of powers and a lack of accountability. For example, although legislative decisions assign responsibility for the procurement of petroleum products to the Brega Company, the reality on the ground confirms that it is the National Oil Corporation that actually performs this role, creating a duplication of responsibilities and making it difficult to determine which body is responsible for any financial or operational irregularities that occur.

The breakdown in governance is clearly evident in the structure of the committees responsible for contracts and procurement, where an unprecedented concentration of powers has been observed in the hands of a single individual, the Director General of International Marketing, who chairs most of the key committees dealing with time and spot contracts, crude oil pricing and tanker chartering. This concentration runs counter to the principles of good governance, which require the separation of powers and the distribution of responsibilities to minimise the risk of corruption, and has created a fertile environment for administrative abuses, such as direct interference by the Chairman of the Board of Directors in committee decisions, the exclusion of suppliers without objective justification, and the inclusion of newly established companies on lists of approved suppliers without prior vetting by a qualification committee, a procedure that has not even been established, despite its paramount importance.

The system also suffers from a lack of institutional coordination between the three main parties involved (the Ministry of Finance, the Foundation, and Brega), as there is no formal mechanism for exchanging data on actual requirements and the quantities supplied and sold. This lack of coordination has led to inaccurate estimates of requirements, a mismatch between the quantities supplied and actual needs, and delays in revenue collection. Furthermore, reliance on temporary administrative decisions that are subject to change with each government, rather than established laws, creates a state of administrative uncertainty and turns the management of the sector into an ad hoc process subject to personal discretion, far removed from established institutional controls, thereby threatening the sustainability of reforms of whatever nature.

Chapter 8: **Defining Responsibilities and Accountability**

Introduction

Based on the data and findings of the comprehensive audit of the oil sector, and the serious legislative, financial and operational loopholes it revealed, there is an urgent need to clearly define responsibilities and establish the principle of accountability as a fundamental pillar for protecting public funds and ensuring the sustainability of national resources. The absence of a specific accountability framework leads to impunity and continued waste; consequently, this chapter aims to detail the types of responsibilities arising from the failures outlined in the preceding chapters, establishing a direct link between the act or omission and the bodies responsible, based on applicable laws and decisions and documented financial statements.

First: Administrative Responsibility

Administrative liability manifests itself in the breach of official duties and failure to comply with the regulations and laws governing work. The analysis revealed the existence of systematic administrative failures that have negatively affected performance efficiency, as follows:

1. **Breach of regulatory decisions:** It was established that there was a failure to comply with the provisions of General People's Committee Decision No. (131) of 2011, and Presidential Council Decision No. (411) of 2017, which regulated the powers of the Brega Oil Marketing Company. The powers granted to the company regarding the determination of requirements and procurement processes were exceeded, creating a situation of duplication and overlap of powers with the National Oil Corporation.
2. **Concentration of powers:** The current organisational structure has demonstrated a violation of the principles of good governance, as contractual powers have been concentrated in the hands of the Director General of International Marketing at the National Oil Corporation, who chairs most of the key committees (the Time Contracts Committee, the Crude Oil Pricing Committee, and others), thereby undermining the principle of separation of powers and increasing the risk of personal interference in administrative decisions.
3. **Failure to provide data:** The Audit Committee noted the General Electricity Company's failure to provide basic operational data (operating hours, maintenance reports, fuel quantities versus production), which constitutes a clear breach of the duty of cooperation and coordination between government institutions, thereby preventing verification of fuel consumption efficiency, which is expected to exceed global rates by between 35% and 38%.
4. **Failure of institutional coordination:** The lack of formal coordination between the Ministry of Finance, the National Oil Corporation and the Brega Company led to inaccurate estimates of requirements, delays in revenue collection, and a mismatch between the quantities supplied and actual requirements.

Secondly: Financial liability:

Financial liability arises from any act or omission that leads to the waste of state financial resources or harm to the public purse, and the audit identified clear indications of serious financial liabilities:

- **Failure to include provisions in the budget:** The Ministry of Finance bears financial responsibility for the failure to include provisions for the subsidisation of petroleum products in the approved budgets for 2023 and 2024 (Cabinet Decisions No. 254 of 2023 and No. 828 of 2023), despite the fact that the allocations had been approved by Decision No. (425) of 2022 in the amount of 5,281,840,000 Libyan dinars. This omission led to reliance on an off-budget barter system, which distorted the state's financial statements and misrepresented expenditure.

- **Losses resulting from excessive allowances: The financial study revealed unjustified** exaggerations in foreign supply allowances, with the FOB petrol allowance rising from $4.05 per tonne in 2022 to $67 in 2024, and the CIF diesel allowance from $14 to $77. This increase resulted in annual losses to the public treasury estimated at US$596,614,233, a direct financial liability borne by the Product Insurance Committee and the contracting parties.
- **Unexplained stock discrepancies:** The end-of-period stock reconciliation for 2024 revealed significant discrepancies between the book records and the physical inventory. These discrepancies represent a direct financial loss for which Brega, warehouse managers and the stock control authorities bear responsibility.
- **Low collection rates:** The actual revenue collection rate recorded by the Ministry of Finance fell to just 25% in 2024, compared to 44% in 2022, indicating a failure in collection mechanisms and financial liability for the accumulation of uncollected funds that were supposed to replenish the public treasury.
- **Accumulation of debts:** The financial management allowed huge debts to accumulate without taking effective collection measures, with debts reaching 5.8 billion dinars, reflecting a failure to monitor financial accounts.

Third: Criminal liability

Based on the evidence derived from the audit documents, there are strong indications warranting a criminal investigation into certain practices that may amount to financial and administrative offences:

- **Suspicions of forgery and document tampering:** The audits revealed forgery in the company registration form (E), where the company stated that it was not owned by any Libyan entity, whilst the documents indicate its connection to another company (G), also registered as a supplier, which may constitute the offence of forgery of official documents submitted to government authorities.
- **Evidence of collusion:** A suspicious coincidence was observed in the electronic bid responses from three supplier companies (G, E) on 28 November 2022, with bids being submitted within minutes of one another (between 12:44 and 12:56), suggesting unlawful coordination that may amount to bid-rigging or bid manipulation.
- **Similarity of signatures:** Similarities were noted in the signatures of representatives from different companies (M and P) on multiple contracts during the period (2022–2024), despite the signatories having different names. This is strong evidence of joint management or impersonation, necessitating a criminal investigation into the identity of the actual signatories.
- **Deliberate waste of public funds:** Contracting with newly established companies that lack the capacity to supply products worth over a billion dollars, whilst qualified international alternatives exist, may be interpreted as gross negligence or deliberate collusion to waste public funds, which is a criminal offence under current laws.
- **Smuggling and illegal consumption:** The significant gaps in oil product stocks and the unjustified 203% increase in diesel consumption in the electricity sector compared to 2021, where a substantial rise in fuel demand for power stations has been observed in recent years, with consumption at the West Tripoli station increasing by 881% and the South Tripoli power station by 1,368%. The remaining power stations saw varying rates of increase without any documented increase in production, which constitutes evidence of the possibility that quantities of fuel have been diverted for illicit purposes or smuggled, acts which entail criminal liability.

Fourth: Contractual liability

Contractual liability relates to breaches of the terms and conditions set out in the contracts concluded between the National Oil Corporation and the suppliers. Clear breaches of the contractual provisions have been established:

- **Failure to review the premium rate:** Article (8), paragraph (D) of the supply contracts stipulates that "the Corporation has the right to review the premium price during the contract period"; however, the committee in charge did not carry out any review of the values despite significant changes in pricing factors and global markets, which constitutes a breach of contract leading to the payment of excessive amounts.
- **Unjustified contract extensions:** The contract period with the supplier companies was extended to cover the period from January to December 2025 at the same premium value agreed in 2024, without subjecting it to competition or reviewing the terms, thereby depriving the state of the opportunity to secure better prices.
- **Contracts with unqualified entities:** Contracts were concluded with companies that do not meet internationally recognised technical and financial eligibility criteria, as the majority of companies contracted in 2023–2024 are newly established (post-2017) and do not own refineries, which constitutes a breach of the efficiency requirements expected in international contracts.
- **Breach of the principle of diversification:** 43% of the contract value was allocated to a single company in 2024, amounting to $3.98 billion, which constitutes a breach of the principle of risk management and diversification accepted in strategic supply contracts, and jeopardises security of supply in the event of the sole supplier's failure.

Table 24: Fifth - Parties responsible for each failure

Type of failure	Primary responsible party	Secondary responsible party
Failure to identify requirements	Brega Company (lack of an objective mechanism)	National Oil Corporation (failure to review estimates)
Failure in external procurement	Chairman of the Board (unlawful interference)	Time Contracts Committee (failure to adhere to terms of reference)
Failure of domestic refining	National Oil Corporation	Ministry of Oil (lack of a national refining policy)
Failure in distribution, transport and storage	Brega Company (poor maintenance and metering)	Ministry of Economy
Failure in financial allocations	Ministry of Finance (failure to include allocations in the budget)	National Oil Corporation (reliance on barter)
Failure in revenue collection	Brega Company (weak collection mechanisms) National Oil Corporation (transfer of collected revenue)	Ministry of Finance (b of collection policies)

Conclusion

Identifying responsibilities is not an end in itself, but rather the first step towards radical reform and the restoration of rights. The financial and administrative irregularities identified, amounting to billions of dinars and dollars, require decisive action to activate accountability mechanisms of all kinds. The protection of public funds requires not merely reform recommendations, but a move towards implementation and accountability, to ensure that such failures are not repeated, and to restore confidence in the ability of national institutions to manage oil resources efficiently and with complete transparency.