

# Protecting the Energy Industry in Complex Environments

## Private Security Solutions

By **Alessandro Arduino**

### Series Introduction

The Covid-19 pandemic capped a series of events that made 2020 one of the most disruptive years in the annals of the energy industry, affecting markets, prices and livelihoods. The “Middle East, Asia and Energy Security in the Age of Covid-19” series of *Insights* looks at some of these developments and their impacts, including the astonishingly rapid emergence of the United States as the world’s leading oil and gas producer, the increasingly dire outlook for the member countries of the Gulf Cooperation Council, the role of Asia in resuscitating global oil and gas demand and the increasingly important role of China, among the world’s largest importers of oil and gas, in Middle East affairs.

### Abstract

*The energy industry in parts of the Middle East and North Africa has come under increasing risk of attack by terrorists or other militant forces owing to the outbreak of domestic conflict. This development has provided fertile ground for the proliferation of international, regional and local private security companies. In their midst, a new breed of foreign security companies — the type geared towards furthering their respective governments’ geopolitical agendas in the region — has emerged. Its rise has led to the blurring of the distinction between private security and private military companies and threatens the long-awaited peace process in countries mired in conflict.*

Militant groups and terrorist organisations from the Islamic State (Isis) to Al Qaida have long considered the energy sector in the Middle East and North Africa (Mena) a primary target for attack because of the critical role it plays in the economies of countries in the region.<sup>1</sup> In the early years, security and risk management in the oil and gas industry in the region entailed only safety procedures and the physical security of people, infrastructure and equipment. With the increased sophistication of oil and gas refining and their storage and transport control processes, cybersecurity soon became an integral part of the energy security equation.

### The Evolution of the Private Security Industry

More significantly, recent changes in the Mena region’s security environment, characterised by

---

<sup>1</sup> Lukáš Tichý, “Energy infrastructure as a target of terrorist attacks from the Islamic state in Iraq and Syria”, *International Journal of Critical Infrastructure Protection* 25 (2019) 1–13, ISSN 1874-5482, <http://www.sciencedirect.com/science/article/pii/S1874548217302093>.

domestic conflict in places like Libya and Yemen and the involvement of extra-regional players in such conflicts, have expanded the market for the protection of oil fields and pipeline infrastructure. Today, threats to the oil and gas sector in the region arise not only from terrorist groups and rebel forces but also from criminal organisations and disruptions such as riots arising from friction between local stakeholders over working conditions or the perceived exploitation of the indigenous population by foreign actors. These threats include kidnapping of oil company personnel for ransom, sabotage of oil fields, pipelines and other infrastructure, as well as cyberattacks.

In the recent past, when local governments were not able to guarantee the security of infrastructure and personnel in oil fields and pipelines, the solution lay in the hands of a few international private security companies (PSCs), such as Garda World, G4S and Control Risks. However, the number of PSCs operating has since expanded to include local security companies from the Mena region and, more recently, companies from China, Russia and the United Arab Emirates (UAE) that are geared towards furthering the geopolitical ambitions of their respective governments.

As the security requirements grow, PSCs are required to go beyond basic guarding services, involving checks on workers' identities and protecting equipment against looting, to provide advanced security services. These new requirements involve not only the use of drones but also advanced capabilities such as anti- and counter-surveillance tasks. Despite these changes, PSCs generally still take a passive security stance.

However, with security requirements becoming more complex in circumstances of civil war, as in Libya for example, the line that separates PSCs from private military companies (PMCs) and bands of mercenaries has become increasingly blurred, as will be explored later in the paper. The PMCs serve as force multipliers, providing security training, assistance with weapons platforms and even engage directly in kinetic action. A case in point in terms of such blurred lines is the UAE security firm Black Shield, which deployed armed Sudanese men in Libya as oil field security guards. These men were then allegedly forced to serve as active fighters in support of the self-styled Libya National Army (LNA).<sup>2</sup>

## The Lure of the Energy Industry

Attacks against the energy industry can be distinguished by the type of perpetrators and their strategic goals. The perpetrators can be either state actors, their local proxies, rebel groups, terrorists or criminal organisations. State actors are motivated by the desire to cripple the energy industry of their rivals. This was what drove Iran and Iraq to attack one another's ships in the so-called "tanker war" of the 1980s and Iraq to set Kuwaiti oil fields alight during its invasion of its neighbour in 1990. Criminal groups that sabotage energy infrastructure usually do so with the aim of pressuring energy companies into paying for protection.

In the case of terrorist groups, direct assaults to destroy oil facilities are rare as their main objective is to gain propaganda impact through the killing of oil company personnel or temporary disruption of oil production. For some of these groups, attacking a foreign power or a foreign military base may be beyond their operational reach or capacity. In such cases, an energy company owned by the foreign power or its nationals that is located nearer the groups' operational territory offers a "soft" target.

But some terrorist groups may share the same goals as separatist and other rebel forces. These forces are usually careful about direct assaults on oil and gas facilities as their aim is not to

---

<sup>2</sup> "Sudanese demand UAE apology over Haftar recruitment", Al Jazeera, 15 July 2020, <https://www.aljazeera.com/news/2020/07/sudanese-demand-uae-apology-haftar-recruitment-200714175851614.html>.

destroy energy assets, which they hope to appropriate to boost their own coffers, but rather to destabilise the government by disrupting its energy production.

However, controlling and mustering the resources of an oil facility after a successful attack is another story. This task requires the capability and resources of a state — or at least the connivance of its officials — and an ad hoc logistical network to distribute the appropriated energy resources. Isis’s capture of Syrian oil fields in 2014 is a case in point. During the peak of the terrorist group’s territorial expansion in Syria, the country’s oil production almost collapsed. It is estimated that the fields produced only 30,000 to 40,000 barrels per day (b/d) for local consumption or resale on the black market.<sup>3</sup> The estimated profits, averaging US\$1.5 million per day, constituted a sizeable booty for a terrorist organisation.<sup>4</sup> During its heyday, Isis also attacked pipelines in Iraq not only to hurt the already fragile Iraqi economy and cause a loss in government revenue, but also to siphon off oil and gas for resale on the black market.

### **Iraq’s Energy and the Chinese Private Security Nexus**

The role of Chinese PSCs in Iraq is a good illustration of the trend towards the expansion of the private security sector.

Almost half of China’s crude imports comes from the Middle East. Since early 2018, Iraq’s supply of crude oil has become more important for China as it has plugged the gap arising from Saudi Arabia’s curbs on output and exports and from US sanctions on Iranian crude exports. In 2019, Iraq became China’s third largest source of crude (after Russia and Saudi Arabia), with US\$23.7 billion worth of supplies.<sup>5</sup> In February 2020, Iraq boosted oil sales to China, reaching 1.32 million b/d, due in part to increased productivity from the Kurdish region.<sup>6</sup>

China enjoys oil field concessions in Iraq, and most of these are located in the safer southern part of the country. Through aggressive bidding, Chinese state-owned enterprises have also recently won awards from the Iraqi Ministry of Oil for several development projects and exploration blocks in the less safe northeast. The new projects entail good prospects for oil and gas exploitation but also require a higher level of sophistication in terms of risk prevention and crisis management.

While the defeat of Isis in Iraq has allowed for a fragile stabilisation, Iraq’s energy assets are still considered a desirable target by politically motivated actors in the region, owing to their strategic importance for Iraqi state revenues. Oil sector employees still face a significant threat of kidnapping, both from politically or criminally motivated organisations. Nevertheless, the Iraqi government’s recent requirements for licences and regulatory compliance, as well as the internal regulations and duty of care for employee safety applied by international energy companies, have forced PSCs in the country to develop higher professional capabilities comparable with their peers in other countries, where the demands of providing human security and infrastructure

<sup>3</sup> Justin Higginbottom, “Why Syria’s small oil reserves have become the linchpin for political control in the region”, CNBC, 13 December 2019, <https://www.cnbc.com/2019/12/13/syrian-oil-reserves-now-the-linchpin-for-political-control-in-region.html>.

<sup>4</sup> The price of the oil depends on its quality. Some fields charge about US\$25 a barrel. Others, like al-Omar field, one of Syria’s largest, charge US\$45 a barrel — higher than the international oil price, thanks to the captive local market in Syria’s war-torn northern and eastern regions. Erika Solomon, Robin Kwong and Steven Bernard, “Inside Isis Inc: The journey of a barrel of oil”, *Financial Times*, 29 February 2016, <https://ig.ft.com/sites/2015/isis-oil/>.

<sup>5</sup> Daniel Workman, “Top 15 Crude Oil Suppliers to China”, Worldstopexports.com, 20 August 2020, <http://www.worldstopexports.com/top-15-crude-oil-suppliers-to-china/>.

<sup>6</sup> Anthony Di Paola, “Iraq Boost Monthly Oil Sales to China by a Third Despite Virus”, Bloomberg, 2 March 2020, <https://www.bloomberg.com/news/articles/2020-03-03/surge-in-iraq-oil-sales-to-china-boosts-gulf-exports-amid-virus>.

protection have seen an increase in capabilities, including in risk management and mitigation.<sup>7</sup>

Among Chinese PSCs, the line between public and private is not straightforward. Chinese PSCs operate in the so-called “market with Chinese characteristics”, in which the interaction between public and private entities lacks transparency. Notwithstanding this feature, the Chinese PSC presence in southern Iraq is more in line with the passive stance adopted by similar international firms in the area, which is to protect oil fields or, in the case of a crisis, to evacuate company personnel. Only a handful of Chinese PSCs operate directly in the field — albeit in cooperation with armed Iraqis — to protect personnel and infrastructure.

Indeed, while there are several thousand Chinese PSCs registered in mainland China, only a few of them operate in complex environments with confidence. Hua Xin Zhong An and the Haiwei group are only two of the few dozen Chinese PSCs that are actively operating abroad. Other Chinese PSCs prefer to add several security layers by sub-leasing their contracts to local and international companies that can provide armed security services.

Thanks not only to the aforesaid requirements set by the Iraqi government but also to the Chinese oil and gas sector’s own requirements, Chinese PSCs have gained valuable experience in threat assessment and risk management in Iraq. China National Petroleum Corporation (CNPC) is one of the state-owned enterprises that spearheaded Beijing’s presence in the post-war Iraqi oil industry.<sup>8</sup> CNPC’s requirements for operational compliance and risk management forced several Chinese PSCs to evolve into mature international security providers offering risk assessment and management procedures that have been reverberating across China’s Belt and Road Initiative. In addition, the Chinese PSCs that are venturing abroad are following their Western peers’ footsteps, with the introduction of new standards and with the deployment of unmanned aerial vehicles, tethered blimps for early warning and cameras with facial recognition technology well under way.

## Libya: A Different Breed of Private Actors

In Libya, the role of PSCs in protecting oil fields has been replaced by the influx of new actors that range from PMCs to bands of mercenaries, both serving to fulfil the political objectives of foreign states. Since the ousting of Colonel Muammar Qaddafi in 2011, Libya has been in constant turmoil. The Government of National Accord (GNA), led by Prime Minister Fayez al-Sarraj, has been engaged in a long-standing military confrontation with Field Marshal Haftar’s LNA. Control over Libya’s oil facilities is a key component in assuring the victory of one of the two fighting parties.

Turkey has deployed Syrian mercenaries to Libya in support of the GNA. On the other side, the LNA is supported by a Russian paramilitary force, the Wagner Group, as well as Syrian and Sudanese mercenaries. With this support, the LNA managed to occupy the Libyan port of Sidra and El Sharara oil field in July 2020. According to Libya’s National Oil Corporation, since the beginning of 2020, the LNA’s military blockade and damage to the energy infrastructure led to a fall of almost 90 per cent in oil production, resulting in a meagre output of 100,000 b/d.<sup>9</sup>

<sup>7</sup> “Boots Off the Ground: Security in Transition in the Middle East and Beyond, Episode 2: Transparent and Accountable Private Military and Security Companies with Jamie Williamson (ICOCA)”, Middle East Institute, National University of Singapore, Podcast transcript, <https://mei.nus.edu.sg/event/boots-off-the-ground-security-in-transition-in-the-middle-east-and-beyond-episode-2-transparent-and-accountable-private-military-and-security-companies/>.

<sup>8</sup> Alessandro Arduino, “Protecting Chinese oil: A new breed of private security company expands in Iraq”, *The Arab Weekly*, 8 August 2020, <https://theArabweekly.com/protecting-chinese-oil-new-breed-private-security-company-expands-iraq>.

<sup>9</sup> Salma El Wardany, “Libya blames UAE blockade for latest halt in oil exports”, Bloomberg, 14 July 2020, <https://www.bloomberg.com/news/articles/2020-07-12/libya-declares-force-majeure-on-oil-exports-as-blockade-renewed>.

The use of the Wagner PMC offers plausible deniability to Moscow as it seeks to grow its influence in the region. Moreover, it lowers the Kremlin's cost of intervention while at the same time opening up the promise of future oil revenue. The Wagner group is essentially made up of demobilised Russian army veterans, who share with their counterparts in active service the vision of Russia as a global power. They are essentially taking up a cause they have identified with for much of their professional lives, albeit at a salary that is impossible to achieve back home. For Russia, the increasing presence of Russian private military players in the country is an efficient and economical proxy for its own boots-on-the-ground presence.

The Sudanese mercenary groups, bonded by tribal affiliations, perceive their efforts in Libya as a necessary evil while they gather enough funding and weaponry to take their fight back home against their new government. As for the Turkey-funded fighters fighting on the GNA side, most are veterans of the Syrian conflict and allegedly include radical Islamists. Turkey's deployment of mercenaries in Libya bolsters Ankara's bid for new energy corridors and supports its neo-Ottoman foreign policy involving a more muscular role in the region.

According to a recently released report by a panel of experts appointed by the UN Security Council, the increasing presence of armed groups alone is generating negative ripple effects, with destabilising results well beyond Libya's borders.<sup>10</sup> The report notes that the PSCs that were once contracted to guard the oil fields and wells have been ousted by unscrupulous mercenaries sponsored by the warring parties and rival external players. Sudanese personnel were allegedly recruited as security guards for oil fields by the Emirati company Black Shield Security Services, which then changed their terms of employment, transforming them into active combat forces for the LNA. Although the UAE vociferously denies having misled the Sudanese recruits, it was clear from the start that their role would not be a passive one.

Thus, the line between PSCs and PMCs is becoming dangerously blurred. This blurring is not only happening in Libya, but also in Syria and other areas of the Mena region where there is an increased presence of Russian contractors as well as local PSCs turned private armies.

## **Business Enablers or Threats to Peace?**

The energy sector is critical to development in Mena countries and therefore an important component of their economic security. In countries engulfed in civil strife, the need for highly professional security services extends well beyond the oil and gas sector.

Against this backdrop, the private security market is transitioning from one involving the provision of basic services related to the protection of infrastructure and personnel against looting or riots to one involving a greater degree of professionalism and transparency, with the key players boasting internationally recognised certifications.

PSCs are not only a much-needed requirement in assessing and managing risk from an insurer's perspective; instead, they should be considered business enablers as well, allowing companies to approach new markets that just a few years ago were considered too risky. A competent PSC can provide added value when operating in complex environments through a right mix of country risk analysis, corporate social responsibility and crisis management.

Professional PSCs provide not only access to new markets, but also high-tech security automation that will reduce operational costs in the long run. Moreover, high-tech security solutions ranging from scouting drones and Big Data analysis will shift the energy security sector's posture from a pure passive/reactive stance towards predictive analysis and a higher

---

<sup>10</sup> Michelle Nichols, "Up to 1,200 deployed in Libya by Russian military group: U.N. report", Reuters, 7 May 2020, <https://www.reuters.com/article/us-libya-security-sanctions/up-to-1200-deployed-in-libya-by-russian-military-group-u-n-report-idUSKBN22I2XW>.

degree of preventive solutions.

Professionalisation and active security services will not only benefit the energy companies that contract efficient private security providers; they will also enable closer cooperation with the local government's security forces, international insurance companies, and most importantly, with local stakeholders. Therefore, the adoption of international standards and clear guidelines for PSCs that safeguard local communities is not to be considered an unnecessary cost but an essential pillar for long-term shared prosperity.

On the other hand, the private security market has long been marred by aggressive low-cost bidding practices by companies that provide substandard security officers barely trained to run CCTVs and man fixed guard posts. More significantly, the need for securing the energy industry has given rise to the presence of unaccountable PMCs and mercenaries with loose government affiliations. These operate with little transparency and accountability. They are not only generating negative ripple effects in the energy market; more importantly, they are also a menace to the long-awaited peace process and national reconciliation in conflict-torn countries. Preventing illicit exports of petroleum, both crude oil and refined petroleum products, and prohibiting the use of mercenaries financed via oil revenues are critical steps towards a return to normalcy in these countries.

### **About the Author**

**Dr Alessandro Arduino** is principal research fellow at the Middle East Institute, National University of Singapore. He is also co-director of the Security & Crisis Management International Centre at the Shanghai Academy of Social Science and an external associate at Lau China Institute, King's College London. The author of several books, Dr Arduino has published papers and commentaries in various journals in Italian, English and Chinese. His most recent book is *China's Private Army: Protecting the New Silk Road* (Palgrave, 2018).