

Don't Factor Syrian Oil into Market Jitters

By. Daniel J. Graeber of Oilprice.com

Conflicts in the Middle East and North Africa are likely dragging on broader economic recovery as oil prices move to relative highs. In Syria, any recovery in oil production will be inhibited by damage to the country's infrastructure. Foreign energy companies stopped working in Syria earlier this year because of the conflict and this week, a deputy oil minister became the highest-ranking civilian official to defect from the government. While the conflict in Syria contributes to the general unease in the global oil market, its overall energy production is modest and shouldn't have a significant long-term impact.

Of the countries in the eastern Mediterranean, Syria is the only country that has any significant amounts of crude oil. Production peaked in the mid-1990s at around 580,000 barrels per day and had dropped off to around 370,000 bpd by August. Most major oil companies, like Royal Dutch Shell, started leaving Syria last year and by December, the European government was targeting state-owned General Petroleum Corp. with sanctions in response to ongoing violence in the country. By February, Gulsands Petroleum, one of the last company's working in Syria, [said](#) a halt to further exploration was "consistent with the intent of the sanctions" placed on the Syrian government.

Despite the conflict in the country, the U.S. Energy Information Administration [said](#) it expected Syria to produce around 260,000 bpd in 2012, about half its mid-1990's peak. By next year, presumably once the conflict has at least subsided, that production level should recover to around 360,000 bpd, just shy of what it was producing before the conflict began in March 2011.

As of 2011, the country held an estimated 2.5 billion barrels of petroleum reserves. Before the onset of the conflict, the Syrian government was reaching out to its neighbors to discuss transit options for oil and natural gas. The EIA, in its country review, said that while its reserve estimate was modest, the country is strategically situated in terms of transit options.

The United Nations estimates that at least 7,500 people have died as a result of the year-long conflict in Syria. It's increasingly likely that without some sort of foreign intervention, the conflict will escalate into civil war. On Thursday, Syria's Deputy Oil Minister Abdo Hussameddin [announced](#) he was resigning in order to join the opposition. Given the fractured nature of the opposition, it's unlikely his defection will strike anything more than a symbolic blow to the resolve of the government in Damascus. If past civil conflicts are any indication, however, it may be something of a watershed moment.

Last year, the International Energy Agency called for the release of member state's strategic petroleum reserves in an effort to offset market disruptions brought on by the war in Libya. Analysts in mid-2011 had worried that high oil prices could undermine any level of optimism in the broader global economy. Fast forward to spring 2012, and it's again Middle East tensions that are creating jitters in the oil markets. But that's about where the similarities end. Libyan oil production is resuming and any concerns over Yemen were likely erased this week when Total [announced](#) it was entering the oil market there. Hussameddin's defection might signal a turning point in the Syrian conflict, meaning the EIA's predictions might be accurate for oil production. While Middle East tensions are likely to factor into higher oil prices through at least the summer, it's likely that partisan sniping in the United States ahead of November presidential elections will have as much, if not more, to do with tensions in the energy market than any developments in Syria.