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# Isis Inc: how oil fuels the jihadi terrorists

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## Jihadis' oil operation forces even their enemies to trade with them



**O**n the outskirts of al-Omar oilfield in eastern Syria, with warplanes flying overhead, a line of trucks stretches for 6km. Some drivers wait for a month to fill up with crude.

Falafel stalls and tea shops have sprung up to cater to the drivers, such is the demand for oil. Traders sometimes leave their trucks unguarded for weeks, waiting for their turn.

This is the land of Isis, the jihadi organisation in control of swaths of Syrian and Iraqi territory. The trade in oil has been declared a prime target by the international military coalition fighting the group. And yet it goes on, undisturbed.

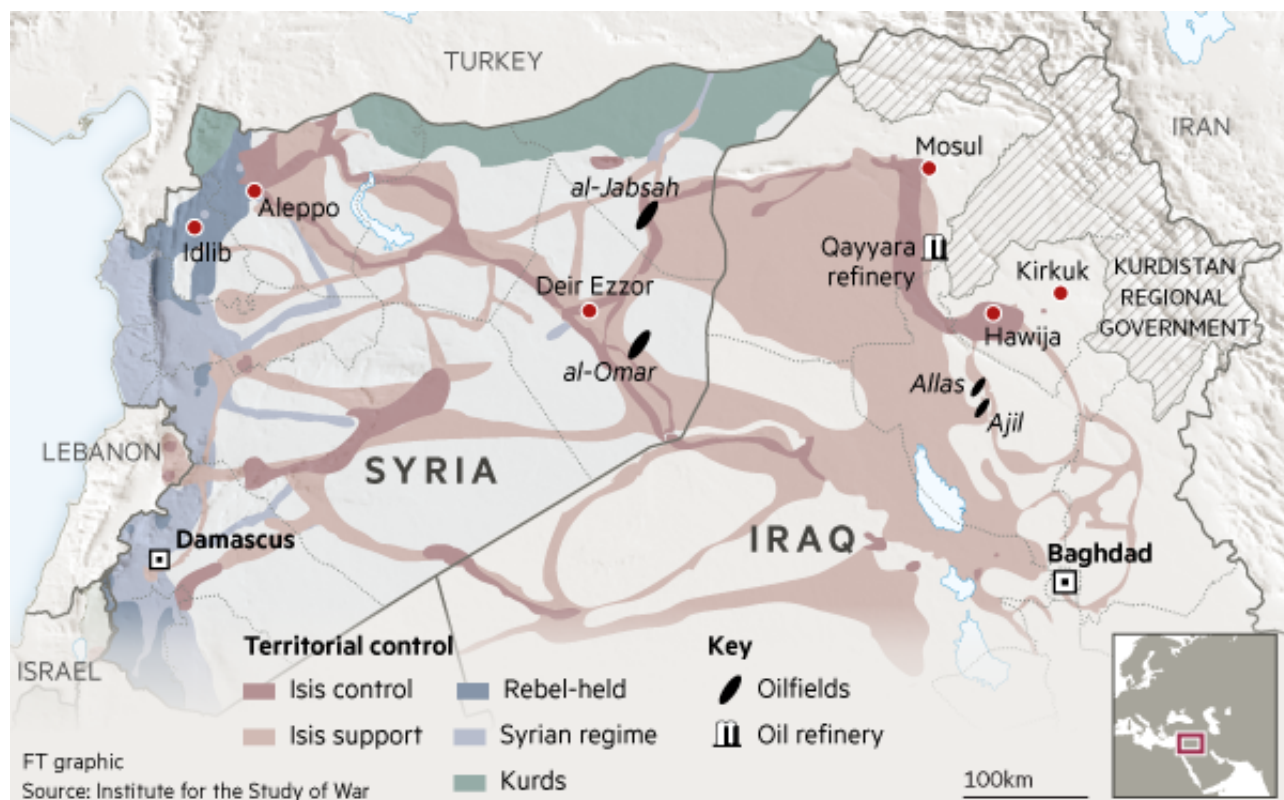
Oil is the black gold that funds Isis' black flag — it fuels its war machine, provides electricity and gives the fanatical jihadis critical leverage against their neighbours.

But more than a year after US President Barack Obama launched an international coalition to fight Isis, the bustling trade at al-Omar and at least eight other fields has come to symbolise the dilemma the campaign faces: how to bring down the “caliphate” without destabilising the life of the estimated 10m civilians in areas under Isis control, and punishing the west’s allies?

The resilience of Isis, and the weakness of the US-led campaign, have given Russia a pretext to launch its own, bold intervention in Syria.

Despite all these efforts, dozens of interviews with Syrian traders and oil engineers as well as western intelligence officials and oil experts reveal a sprawling operation almost akin to a state oil company that has grown in size and expertise despite international attempts to destroy it.

Minutely managed, Isis’ oil company actively recruits skilled workers, from engineers to trainers and managers.



Estimates by local traders and engineers put crude production in Isis-held territory at about 34,000-40,000 bpd. The oil is sold at the wellhead for between \$20 and \$45 a barrel, earning the militants an average of \$1.5m a day.

“It’s a situation that makes you laugh and cry,” said one Syrian rebel commander in Aleppo, who buys diesel from Isis areas even as his forces fight the group on the front lines. “But we have no other choice, and we are a poor man’s revolution. Is anyone else offering to give us fuel?”

## Oil as a strategic weapon

Isis' oil strategy has been long in the making. Since the group emerged on the scene in Syria in 2013, long before they reached Mosul in Iraq, the jihadis saw oil as a crutch for their vision for an Islamic state. The group's shura council identified it as fundamental for the survival of the insurgency and, more importantly, to finance their ambition to create a caliphate.

Most of the oil Isis controls is in Syria's oil-rich east, where it created a foothold in 2013, shortly after withdrawing from the north-west — an area of strategic importance but with no oil. These bridgeheads were then used to consolidate control over the whole of eastern Syria after the fall of Mosul in 2014.

When it pushed through northern Iraq and took over Mosul, Isis also seized the Ajil and Allas fields in north-eastern Iraq's Kirkuk province. The very day of its takeover, locals say, militants secured the fields and engineers were sent in to begin operations and ship the oil to market.

"They were ready, they had people there in charge of the financial side, they had technicians that adjusted the filling and storage process," said a local sheikh from the town of Hawija, near Kirkuk. "They brought hundreds of trucks in from Kirkuk and Mosul and they started to extract the oil and export it." An average of 150 trucks, he added, were filled daily, with each containing about \$10,000-worth of oil. Isis lost the fields to the Iraqi army in April but made an estimated \$450m from them in the 10 months it controlled the area.

While al-Qaeda, the global terrorist network, depended on donations from wealthy foreign sponsors, Isis has derived its financial strength from its status as monopoly producer of an essential commodity consumed in vast quantities throughout the area it controls. Even without being able to export, it can thrive because it has a huge captive market in Syria and Iraq.



Indeed, diesel and petrol produced in Isis areas are not only consumed in territory the group controls but in areas that are technically at war with it, such as Syria's rebel-held north: the region is dependent on the jihadis' fuel for its survival. Hospitals, shops, tractors and machinery used to pull victims out of rubble run on generators that are powered by Isis oil.

"At any moment, the diesel can be cut. No diesel — Isis knows our life is completely dead," says one oil trader who comes from rebel-held Aleppo each week to buy fuel and spoke to the Financial Times by telephone.

## A national oil company

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Isis' strategy has rested on projecting the image of a state in the making, and it is attempting

to run its oil industry by mimicking the ways of national oil corporations. According to Syrians who say Isis tried to recruit them, the group headhunts engineers, offering competitive salaries to those with the requisite experience, and encourages prospective employees to apply to its human resources department.

A roving committee of its specialists checks up on fields, monitors production and interviews workers about operations. It also appoints Isis members who have worked at oil companies in Saudi Arabia or elsewhere in the Middle East as “emirs”, or princes, to run its most important facilities, say traders who buy Isis oil and engineers who have worked at Isis-controlled fields.

Some technicians have been actively courted by Isis recruiters. Rami — not his real name — used to work in oil in Syria’s Deir Ezzor province before becoming a rebel commander. He was later contacted by an Isis military emir in Iraq via WhatsApp.

“I could choose whatever position I wanted, he promised me,” he said. “He said: ‘You can name your salary’.” Sceptical of the Isis project, Rami ultimately turned down the offer and fled to Turkey.

Isis also recruits from among its supporters abroad. In the speech he gave after the fall of Mosul, Isis leader Abu Bakr al-Baghdadi called not only for fighters but engineers, doctors and other skilled labour. The group recently appointed an Egyptian engineer who used to live in Sweden as the new manager of its Qayyara refinery in northern Iraq, according to an Iraqi petroleum engineer from Mosul, who declined to be named.



The central role of oil is also reflected in the status it is given in Isis’ power structures.

The group’s approach to government across the territories it controls is highly decentralised. For the most part, it relies on regional *walis* — governors — to administer territories according to the precepts laid down by the central shura.

However, oil — alongside Isis’ military and security operations and its sophisticated media output — is centrally controlled by the top leadership. “They are organised in their approach to oil,” said a senior western intelligence official. “That’s a key centrally controlled and documented area. It’s a central shura matter,” he added, referring to Isis’ ruling “cabinet”.

Until recently, Isis’ emir for oil was Abu Sayyaf, a Tunisian whose real name, according to the Pentagon, was Fathi Ben Awn Ben Jildi Murad al-Tunisi, and who was killed by US special forces in a raid in May this year. According to US and European intelligence officials, a treasure trove of documentation relating to Isis’ oil operations was found with him. The documents laid bare a meticulously run operation, with revenues from wells and costs



carefully accounted for. They showed a pragmatic approach to pricing too, with Isis carefully exploiting differences in demand across its territories to maximise profitability.



Oversight of the oil wells is carefully controlled by the *Amniyat*, Isis’ secret police, who ensure revenues go where they should — and mete out brutal punishments when they do not. Guards patrol the perimeter of pumping stations, while far-flung individual wells are surrounded by protective sand berms and each trader is carefully checked as he drives in to fill up.

At the al-Jibssa field in Hassakeh province, north-eastern Syria, which produces 2,500-3,000 bpd, “about 30-40 big trucks a day, each with 75 barrels of capacity, would fill up”, according to one Hassakeh oil trader.

### Isis’ distribution network

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But the biggest draw is al-Omar. According to one trader who regularly buys oil there, the system, with its 6km queue, is slow but market players have adapted to it. Drivers present a document with their licence plate number and tanker capacity to Isis officials, who enter them into a database and assign them a number.

## Isis oil: from well to market

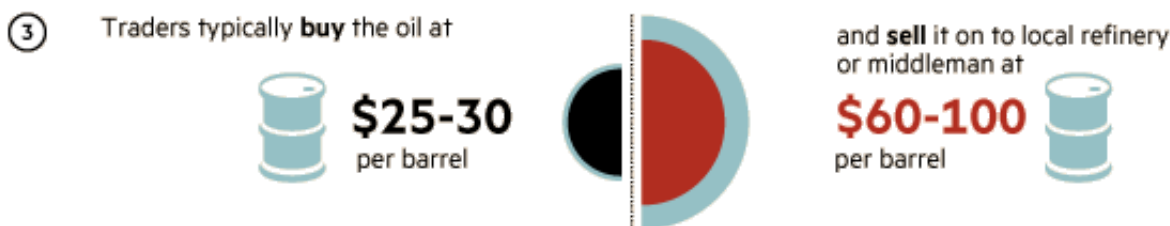


Oil trader arrives at al-Omar, an Isis-controlled oil field and joins a 6km, month-long queue



Trader gives Isis officials a document with his licence plate and tanker capacity

Isis officials enter the details in a database and assign the trader a return date

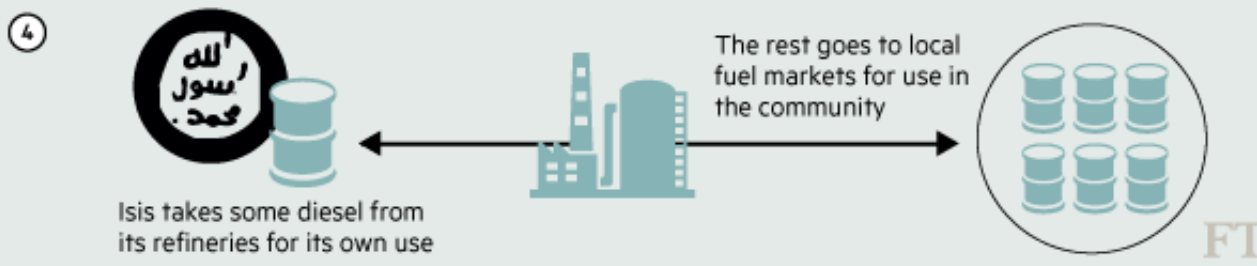


Traders typically **buy** the oil at

**\$25-30**  
per barrel

and **sell** it on to local refinery or middleman at

**\$60-100**  
per barrel



Isis takes some diesel from its refineries for its own use

The rest goes to local fuel markets for use in the community

Most then return to their villages, shuttling back to the site every two or three days to check up on their vehicles. Traders say that towards the end of the month, some people come back and set up tents to stay close to their trucks while they wait their turn.

Once in possession of al-Omar's oil, the traders either take it to local refineries or sell it on at a mark-up to middlemen with smaller vehicles who transport it to cities further west such as Aleppo and Idlib.

Isis' luck with oil may not last. Coalition bombs, the Russian intervention and low oil prices could put pressure on revenues. The biggest threat to Isis' production so far, however, has been the depletion of Syria's ageing oilfields. It does not have the technology of major foreign companies to counteract what locals describe as a slow drop in production. Isis' need for fuel for its military operations means there is also less oil to sell in the market.

For now, though, in Isis-controlled territory, the jihadis control the supply and there is no shortage of demand. "Everyone here needs diesel: for water, for farming, for hospitals, for offices. If diesel is cut off, there is no life here," says a businessman who works near Aleppo. "Isis knows this [oil] is a winning card."

*Additional reporting by Ahmad Mhidi, an independent journalist based on the Turkish*

# border and Geoff Dyer in Washington

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