



No 426 | DECEMBER 2024 – JANUARY 2025

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Monthly Analysis

Syria's Energy Crossword



Introduction

The dramatic collapse of the 53-year rule of the Al-Assad regime just before Christmas has left Mideast states scrambling to stabilize the new Syria that emerges. The energy sector will be a critical pillar of any future reconstruction efforts to ensure political cohesion and economic viability. But the global upstream landscape has fundamentally changed over the past decade-plus, making the situation in Syria today much different than it was when, for example, the Iraqi sector opened up after the fall of Saddam Hussein.

The current Analysis examines in detail the current energy situation in Syria, its energy prospects following the collapse of the Al-Assad regime, the emergence of a transitional government and the economic and political issues that need to be taken into consideration in terms of shaping the next day in Syria.

Current Oil Status in Syria

Based on data provided by Energy Institute (1), Syria's mature hydrocarbon fields, with current overall output of less than 40,000 barrels per day, shows just how decimated it has become after 14 years of bitter civil war. Any international reconstruction effort will likely rely on the oil and gas sector as a potential revenue source to underpin the new government, but it is uncertain if international oil companies will show interest.

Lifting a complex web of US, EU and UK sanctions on Syria could allow international oil companies to return and invest. Current output could rise back to a pre-war 380,000 b/d and beyond — potentially to 400,000-500,000 b/d. For the nascent Syrian state, this could provide gross revenue of \$10 billion-\$15 billion per year at \$70 per barrel, based on several estimates. Yet it looks unlikely that oil majors will be drawn to a mature play with deeply complex aboveground risk. Both Shell and TotalEnergies are already present in key fields via joint ventures with state General Petroleum Corp. - Al-Furat Petroleum Co. (AFPC) and Deir el-Zor Petroleum Co. (DEZPC) respectively. But neither major has displayed much enthusiasm to resume operations, suspended since 2011. AFPC was pumping 90,000 b/d when the war broke out, while DEZPC was pumping around 20,000 b/d. (2)

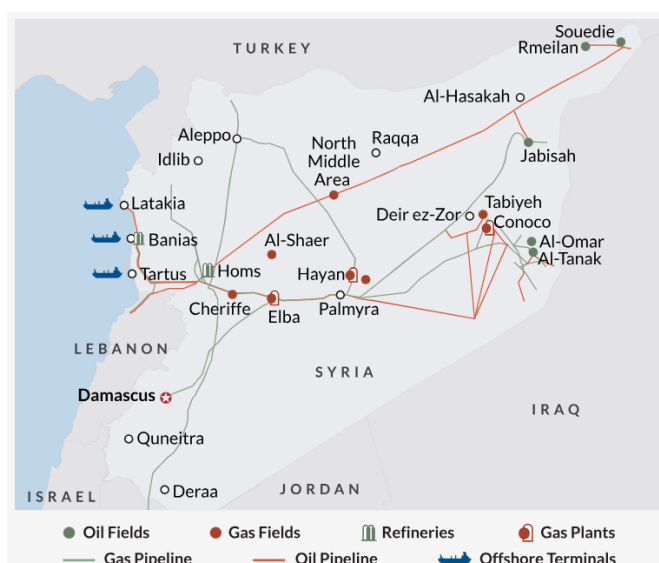
The most immediate concern for the new government in Damascus is replacing Iranian oil imports, which acted as a lifeline to the former regime. Syria is virtually bankrupt and cannot pay for crude or products on the spot market. Hayat Tahrir al-Sham, the rebel group that has assumed power in Syria, has no political links to Iran and will likely need to rely on state aid from neighbor Türkiye and potentially Qatar to receive the products it needs to run the power plants that remain operational. Ankara has a vested interest in stabilizing Syria, as it hosts 3 million Syrian refugees. Türkiye is currently believed to be trucking oil products to power plants in the north, Samir Seifan, a Syrian economist at Istanbul-based consultancy Harmoon, tells Energy

Intelligence. Volumes are unspecified, but the route via Bab al-Hawa is a longstanding one.

Turkish Energy and Natural Resources Minister Alparslan Bayraktar confirmed recently that preparations to support Syria have already begun, despite not yet receiving a formal request for assistance. Iran has provided Syria with regular shipments of crude oil since the uprising in 2011. Iranian crude exports to Syria averaged around 55,000 b/d in January-November 2024, down from 80,000 b/d in 2023 and 72,000 b/d in 2022, according to data from trade analytics firm Kpler. Barrels of Iranian light crude were discharged at Syria’s Mediterranean ports of Tartous and Baniyas and then sent to the state-run 120,000 b/d Baniyas refinery. Syria also has the 100,000 b/d refinery in Homs. Both facilities have suffered serious damaged and attacks in recent years and as a result they are underperforming. In addition, Iraq has decided to stop providing Syria with crude oil starting in December 2024. Syria has been importing some 120,000 barrels of crude daily from Iraq.

The cost of rehabilitating Syria’s economy, including its oil and gas sector, will likely run into hundreds of billions of dollars and will need a group of committed donor nations. In eastern parts of the country, the demise of the Islamic State- and, later, Kurdish-controlled oil fields — now managed by Kurdish-led and US-backed Syrian Democratic Forces (SDF) — has left a patchwork of makeshift refineries and an environmental disaster. Some, like Gulfsands’ Bell, believe Syria still has potential as a hydrocarbons transit hub, but with such an uncertain political outlook, it is unlikely investors will show interest any time soon. Transit fees were possible from the existing Arab Gas Pipeline system, which has remained relatively intact and was set in 2022 to flow Egyptian gas to Lebanon, via Jordan and Syria, to alleviate Lebanon’s electricity crisis before a gas crunch took hold in Egypt and derailed those plans.

Map 1: Syria’s Oil and Gas Infrastructure



Source: Energy Intelligence

For now, the focus will be on using what domestic production there is to supply Syrian power plants and generate some revenue. The SDF, along with some other factions, controls much of Syria's oil wealth, located in the east and northeast, with proven oil reserves estimated at 2.5 billion barrels in 2020. This includes the Soueidieh and Rmelan fields in Al-Hasakah, the Tabiyeh gas field and a nearby gas plant built by ConocoPhillips in the 1970s, as well as the Al-Omar field in Deir el-Zor and smaller satellite fields. ConocoPhillips sold its Syria assets in the early 2000s.

Syria Faces Fuel Supply Conundrum

The overthrow of Syrian president Bashar al-Assad has left the country's trading relationship with Iran on an uncertain footing, putting pressure on the new transitional government to upgrade refining infrastructure and find alternative sources of fuel supply. As the Assad regime's closest ally, Iran has been Syria's main source of both crude and oil product imports since western sanctions were imposed on Damascus in the early stages of its civil war in 2011. The product shipments are difficult to track as they are carried out by Iran's "dark fleet", but consultancy FGE estimates Iran has been sending around 10,000-20,000 b/d to Syria in recent years. Those trade flows are no longer guaranteed, given that Hayat Tahir al-Sham (HTS), the main militant group behind the armed revolt to topple Assad, has close ties to Iran's regional rival Türkiye (3).

Another important issue that should be taken into account is the fact that the United States piled on additional sanctions against Iran targeting 35 entities and vessels that are part of a "shadow fleet of vessels" transporting cargoes of Iranian petroleum to foreign markets. The sanctions are similar to those previously imposed two months ago in response to Iran's October 1 missile attack on military sites in Israel and to its announced nuclear escalations, the US Department of the Treasury recently said in a statement. Iranian oil and petrochemicals are already under heavy US sanctions. (4)

Syria is now likely to import oil products from other local sources, a trading analyst told Argus. Türkiye itself is an option, although one Turkish trader ruled out any immediate business plans to supply Syria. Watad, HTS' affiliated oil trading arm, has previously imported oil and gas from Türkiye and has marketed gasoline thought to have come from Ukraine via Türkiye, according to a regional analyst. Egypt is another possible supplier. It has enough capacity to export refined products to Syria for the time being, according to a refining source in the country. Vortexa data show gasoil was last loaded from Egypt's Sidi Kerir terminal in July.

Syria's transitional government may also attempt to increase domestic supply, although that will require rehabilitating the country's 140,000 b/d Baniyas and 110,000 b/d Homs refineries. Run rates have halved since 2011, the IEA estimates. Only the Baniyas refinery is operating at a reasonable level, according to sources. Iran earlier this year proposed a €140mn revamp of the Homs refinery, which has been operating below capacity for years because of infrastructure damage incurred during the civil war. (5)

A possible solution to Syria’s present crude oil supply impasse is a temporary agreement with Rosneft, Russia’s state-controlled oil company, whereby the Banias refinery is supplied with heavily discounted Russian crude in exchange of Russia maintaining its naval base in Tartus. According to sources in Damascus although the oil-for-bases deal has been discussed between high-ranking officials of the Syrian Salvation Government and Russian diplomats in Damascus, no binding decision has yet been taken. There are indications though that preparations are being made at the Banias refinery to receive its first shipment of crude oil since the start of the year, although its origin is a matter of speculation.

Syrian demand for oil products has seen a structural decline since the civil war, with consumption dropping by around 60% between 2011 and 2022, according to the IEA (6). But with Assad’s overthrow signalling a potential return of refugees from neighbouring Türkiye, Lebanon and Jordan, demand may pick up in the coming months, intensifying pressure on the transitional administration to seek new trade flows and repair the country’s refining infrastructure.

Gas Prospects in Syria and Political Issues

It was a pipe dream for decades, but with the fall of the Assad regime a stable Syria means a pipeline connecting Qatar to Türkiye is possible, which would connect the gas fields of the Middle East to Europe. Qatar is home to a massive 25 trillion cubic metres of gas and has long wanted to build a pipeline connecting its reserves to the lucrative European market. That would transform Syria into a major energy hub. Instability in the region has bottled Qatari gas up and forced the Arab country to ship its gas around the world as more energy-intensive and less profitable LNG. Qatar has enough gas to supply Europe for a century by itself and is already a major player in the global LNG business.

Map 2: The Qatar-Syria-Türkiye Pipeline



Source: Google Maps

Following the demise of the former Syrian president Bashar al-Assad, it remains unclear how the victorious Hayat Tahrir al-Sham (HTS) rebels will govern. They have established an interim government and are now in talks with the major international players and other rebel groups in an effort to effect a smooth transition of power. Syria has been the cork that bottled up the Middle East’s access to the European markets. The Qatar-Türkiye pipeline idea was reportedly rejected by Assad in 2009 and was also opposed by Russia, which at the time dominated piped supplies of gas to Europe. (7)

Russia’s virtual monopoly on gas supplies to Europe was threatened by Qatar and the Kremlin worked hard to prevent the connecting pipelines from being built. Maintaining its influence in Syria to a gas pipeline transiting the country was one of the many reasons for Russia’s support of the Assad regime. But all the geopolitical objections to the Qatar-Türkiye pipeline have now fallen away. Assad is in Moscow and Russian gas supplies to Europe have been all but cut off since the destruction of the Nord Stream 1 & 2 pipelines last year and the termination of gas supplies through Ukraine since January 1. Moreover, building the Qatar-Türkiye pipeline would permanently free Europe from any need to import Russian gas ever again. The pipeline from Qatar would have to run through the Kingdom of Saudi Arabia (KSA) and Syria before reaching Türkiye, which is already connected to the European gas pipeline network via the TurkStream pipeline that delivers Russian gas to the EU.

An alternative route could traverse the KSA, Jordan and Israel before reaching the Mediterranean Sea, and was also mooted as a new India-Middle East transport route connecting India to Europe at last year’s G20 summit, hosted by New Delhi. Running the pipeline via KSA, Kuwait, Iraq and Türkiye has also been considered. (8)

Map 3: Planned Middle East Transport Corridors

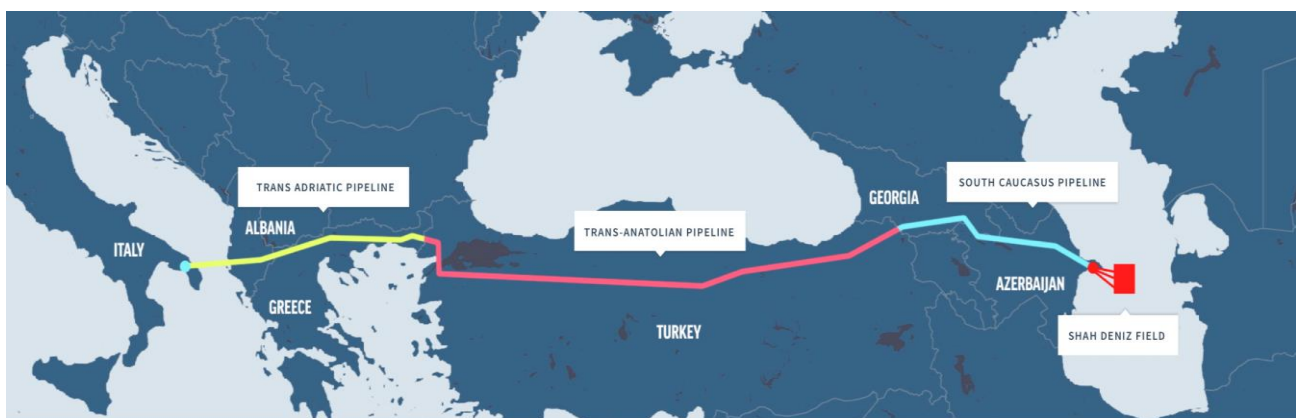


Source: Financial Times

The original concept would cost \$10bn to build a 1,500-kilometre pipeline from Qatar’s part of the vast North Dome/South Pars field in the Gulf, which it shares with Iran, to Türkiye, which aspires to set up a gas hub together with North African and Central Asian producers as well as Russia. Turkish President Recep Tayyip Erdogan said earlier this year the Turkish gas hub could provide Europe with 100bn cubic metres, or two thirds of the volume of gas Russia used to provide to Europe, despite the fact that Türkiye has no gas reserves of its own.

The Trans-Anatolian Natural Gas Pipeline (TANAP) connecting Azerbaijan to Türkiye and Europe already exists and is currently the only competition the Qatar-Türkiye pipeline would face. However, with a total capacity of only 16 bcm a year it remains small and is already fully utilised delivering 13 bcm of Azeri gas to the EU. Azerbaijan has promised to increase its volumes to the EU to 20 bcm a year, but that is dependent on ramping up production at its giant Shah Deniz gas field and expanding the capacity of the Southern Gas Corridor (SGC) that also includes the Trans-Adriatic Pipeline (TAP).

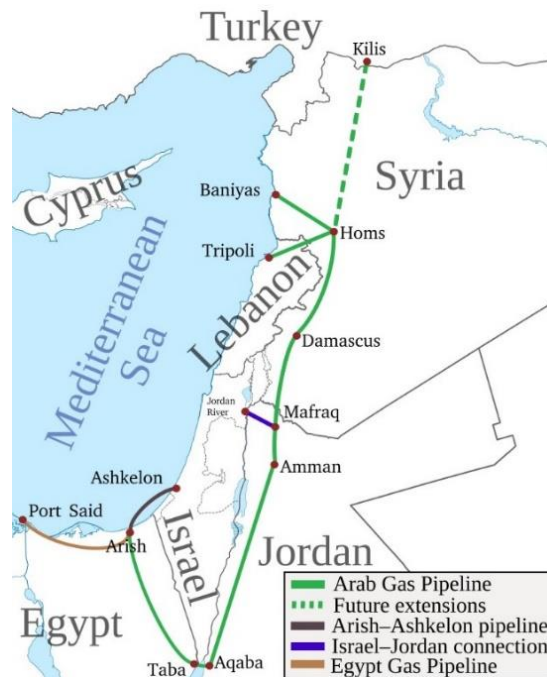
Map 4: The Route of Southern Gas Corridor



Source: Southern Gas Corridor

There is also the 10 bcm Arab Gas Pipeline (AGP) that exports Egyptian gas to Syria and other countries in the region. In theory the pipeline’s flows could be reversed and extended to connect with Qatar and Türkiye. The 1,200-km pipeline originates in El-Arish, Egypt, and travels through Jordan and Syria, with a spur reaching Lebanon and another spur to Israel. Previously there was a plan to connect the AGP to Türkiye but that was interrupted by the outbreak of the Syrian war in 2011. If Syria emerges from the current transition of power to a new stable and internationally recognized government those plans could in theory be reinstated.

Map 5: The Arab Gas Pipeline



Source: EIA

For comparison, both Nord Stream 1 & 2 pipelines had a capacity of 55 bcm each and the Yamal pipeline that runs from Russia’s Arctic gas fields to Poland has a capacity of 33 bcm. In 2023, EU gas consumption fell to 295 bcm, a 15.7% reduction compared with the volume consumed in 2022 of 350 bcm.

Political problems

Even with a stable Syria, there are still major political risks involved with all the alternative route from Qatar to Europe. Iraq has always been unstable and remains so today, especially after the US finally pulled out the last of its troops in November. The Iraq route also runs through the region of Kurdistan in northern Iraq that is less than stable, but would also be a big problem for Türkiye, which has been battling against Kurdish terrorism for years. These problems make the Syrian route much more appealing and an easier sell to Ankara, which remains a key player in this pipeline project.

HTS has been interested in the pipeline and was indirectly backed by Türkiye, so there is already a lot of common ground between Damascus and Ankara to see the pipeline built. HTS also has good relations with Qatar, which was one of the regional powers that was involved in brokering a peaceful departure of Assad in the two days before he fled the country. Russia, KSA and the UAE were also involved in these talks. All these players want to avoid another bloody civil war that would destabilise the whole region. The knot that still needs to be unravelled is winning over KSA to the idea. KSA and Tehran re-established diplomatic relations last year after a seven-year break but the relationship remains prickly.

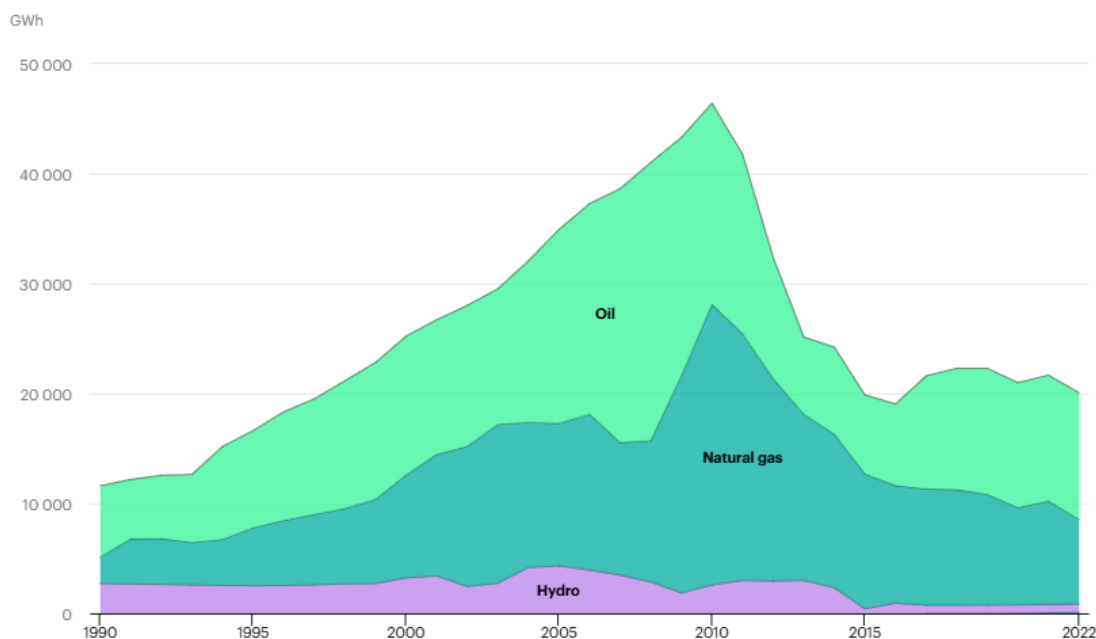
Relations between Riyadh and Doha are also strained. KSA, UAE, Bahrain and Egypt, severed ties with Qatar in 2017, accusing Qatar of supporting terrorism and its close relations with Iran. That led to a blockade, including the closure of borders and airspace. But the rift was patched up in January 2021, thanks to diplomatic efforts by Kuwait and the US, culminating in the Al-Ula Declaration (2021) that resorted full diplomatic relations between Qatar and the blockading nations, with borders and airspace reopening. The Qatari-Saudi Coordination Council was re-established which has helped strengthen bilateral ties and put in place various agreements to enhance trade, security and cultural ties.

Electricity Situation in Syria

Based on IEA’s data, almost all electricity in Syria was generated from oil (11.5 TWh or 57.3%) and gas (7.7 TWh or 38.4%) in 2022, with hydro (754 GWh or 3.8%) mainly covering the remaining needs, as shown in the following Figure. The total electricity generation in Syria stood at about 20 TWh in 2022, significantly lower than the 46.4 TWh in 2010. (9)

Before the conflict, Syria had an installed capacity of 8,500 MW, which has now declined to 3,500 MW. The current energy demand is largely met through generators, underscoring a significant energy deficit and infrastructure gap. Before the conflict, there was a 400-kV high-voltage network from the Birecik hydroelectric power plant, located in the southeastern Anatolia region, along the Euphrates River, to Syria’s Aleppo, but the status of the segment beyond al-Rai town in Syria remains unknown.

Figure: Electricity Generation by Source in Syria, 1990-2022



Source: IEA

Syria's transitional government recently estimated that \$40 billion will be required to address overall damage caused to the war-ravaged country's power infrastructure, Omar Shaqrouq, the electricity minister, told VOA Turkish, citing initial assessments. "The electricity infrastructure as a whole from production to transmission points, high voltage lines and distribution networks is ruined", he said. "The amount produced right now is really low. The amount is 1,500 MW", he added. "Current production can only provide electricity to citizens for two hours a day and sometimes it cannot even provide power for that length of time due to collapses in the electricity grid". The government is presently targeting a capacity expansion to make possible the provision of electricity for eight hours per day. (10)

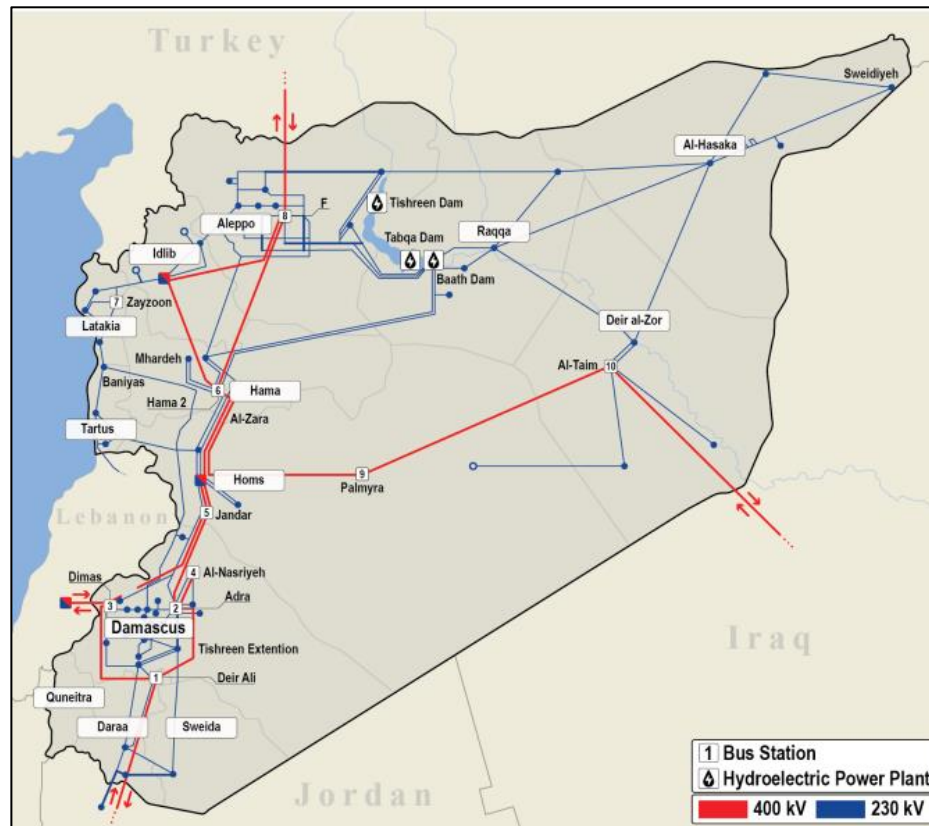
On January 7, Qatar and Turkiye sent two power-generating ships to Syria to help address the energy crisis in the country caused by insufficient electricity supplies. Khaled Abu Di, the director of Syria's Public Establishment for Transmission and Distribution of Electricity, said the floating power plants are capable of generating a total of 800 MW a day, which would increase the amount of electricity generated in the country by about 50%, state news agency SANA reported. (11)

Syria's energy infrastructure was badly damaged during more than a decade of civil war in the country that culminated in the fall of the ruling Assad regime in December. The deterioration resulted in severe power shortages, with many areas receiving electricity for only two or three hours a day. Abu Di said efforts are underway to secure transmission lines to deliver the electricity generated by the ships. He added that his team is also working to repair dozens of damaged conversion plants and connection lines to get the national grid up and running again.

Moreover, Jordan recently announced that it is ready to supply electricity to Syria that is seeking reconstruction after the ouster of Assad regime. In a statement, Jordan's Energy Minister Al-Kharabsheh confirmed that the Kingdom is currently working on the necessary infrastructure to supply the Nasib border crossing with electricity, following a request from the Syrian side. (12)

He stated that the electricity linkage within Jordan is prepared up to the Syrian-Jordanian border. However, he emphasized that the actual provision of electricity to Syria will depend on the Syrian side's readiness to receive the power. The two countries have been electrically connected through a 400-kV transmission line since 2001. However, the link has been out of service since mid-2012 due to technical issues. This development comes as the new Syrian administration, led by Ahmed al-Sharaa, focuses on rehabilitating the country's infrastructure, which has been severely damaged during the civil war against the ousted Bashar al-Assad regime. The Syrian electricity transmission grid is also connected to the Iraqi, Jordanian, Lebanese and Turkish power networks through nine interconnections, as shown in Map 6. (13)

Map 6: Syria's Electricity Transmission Grid



Source: Hatahet, S. and Shaar, K. (2021)

Discussion

After nearly 14 years of civil war, triggered by now-ousted Syrian president Bashar al-Assad’s brutal crackdown on pro-democracy protests, Syria stands at a pivotal crossroads. The conflict has left the nation deeply fragmented, with numerous questions about its future, including the fate of the country’s oil and gas industry. The collapse of Assad’s regime opened up new possibilities and challenges, as the war had devastated Syria’s energy sector with oil and natural gas production declining significantly since 2011, and resources and facilities in the hands of different actors. While Syrians prepare to rebuild their country, its oil and gas industry - once a critical pillar of its economy - faces an uncertain future.

Following the fall of the Assad regime and the temporary appointment of Mohammed al-Bashir to lead a transitional government until 1 March, experts are awaiting clarity from Syria’s incoming administration about the future of oil and gas supplies and the monumental task of rebuilding damaged cities and critical infrastructure, including electricity transmission and distribution, can begin.

However, with strict international sanctions still in place, there have been immediate calls for them to be lifted or eased, though this process could take several weeks or even months. Delaney Simon, a senior

analyst at the International Crisis Group, recently stated that Syria is “one of the most heavily sanctioned countries in the world”, emphasising that maintaining these sanctions would be akin to “pulling the rug out from Syria just as it tries to stand” (14). While Syrians appear optimistic about the future of their country following the fall of the Assad regime, the country faces great uncertainty, as the government still controls every aspect of daily life. Consequently, there is ripe speculation among Syria’s stakeholders and by the international community if the present transitional Syrian Salvation Government will manage to maintain law and order, prevent sectarian conflict and prepare the country for a smooth democratic transition.

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IENE SEE ENERGY BRIEF MONTHLY ANALYSIS - Issue No. 426 – ISSN:179-9163

Contributed by IENE’s Research Team

Monthly Analysis is published by the INSTITUTE OF ENERGY FOR SOUTH-EAST EUROPE (IENE)

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