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Raqqa's Rockefellers: How Islamic State Oil Flows to Israel

Oil produced by the Islamic State group finances its bloodlust. But how is it extracted, transported and sold? Who is buying it, and how does it reach Israel?

By Al-Araby al-Jadeed staff

December 01, 2015 "Information Clearing House" - "Al-Araby" - Oil produced from fields under the control of the Islamic State group is at the heart of a new investigation by al-Araby al-Jadeed. The black gold is extracted, transported and sold, providing the armed group with a vital financial lifeline.

But who buys it? Who finances the murderous brutality that has taken over swathes of Iraq and Syria? How does it get from the ground to the petrol tank, and who profits along the way?

The Islamic State group uses millions of dollars in oil revenues to expand and manage vast areas under its control, home to around five million civilians.

IS sells Iraqi and Syrian oil for a very low price to Kurdish and Turkish smuggling networks and mafias, who label it and sell it on as barrels from the Kurdistan Regional Government.

It is then most frequently transported from Turkey to Israel, via knowing or unknowing middlemen, according to *al-Araby's* investigation.

The Islamic State group has told al-Araby that it did not intentionally sell oil to Israel, blaming agents along the route to international markets.

Oil fields

All around IS-controlled oil fields in northern Iraq and eastern Syria, there are signs that read: "Photography is strictly forbidden - violators risk their safety." They have been signed in the name of the IS group.

These oil fields are in production between seven and nine hours a day, from sunset to sunrise, while production is mostly supervised by the Iraqi workers and engineers who had previously been running operations, kept on in their jobs by IS after it captured the territory.

IS is heavily dependent on its oil revenues. Its other income, such as from donations and kidnap ransoms has slowly dwindled. Workers in IS oil fields and their families are well looked after, because they are very important to the group's financial survival.

IS oil extraction capacity developed further in 2015 when it obtained hydraulic machines and electric pumps after taking control of the Allas and Ajeel oil fields near the Iraqi city of Tikrit.

The group also seized the equipment of a small Asian oil company that was developing an oil field close to the Iraqi city of Mosul before IS overran the area last June.

IS oil production in Syria is focused on the Conoco and al-Taim oil fields, west and northwest of Deir Ezzor, while in Iraq the group uses al-Najma and al-Qayara fields near Mosul. A number of smaller fields in both Iraq and Syria are used by the group for local energy needs.

According to estimates based on the number of oil tankers that leave Iraq, in addition to *al-Araby's* sources in the Turkish town of Sirnak on the border with Iraq, through which smuggled oil transits, IS is producing an average of 30,000 barrels a day from the Iraqi and Syrian oil fields it controls.

The export trek

Al-Araby has obtained information about how IS smuggles oil from a colonel in the Iraqi Intelligence Services who we are keeping anonymous for his security.

The information was verified by Kurdish security officials, employees at the Ibrahim Khalil border crossing between Turkey and Iraqi Kurdistan, and an official at one of three oil companies that deal in IS-smuggled oil.

The Iraqi colonel, who along with US investigators is working on a way to stop terrorist finance streams, told *al-Araby* about the stages that the smuggled oil goes through from the points of extraction in Iraqi oil fields to its destination - notably including the port of Ashdod, Israel.

"After the oil is extracted and loaded, the oil tankers leave Nineveh province and head north to the city of Zakho, 88km north of Mosul," the colonel said. Zakho is a Kurdish city in Iraqi Kurdistan, right on the border with Turkey.

"After IS oil lorries arrive in Zakho - normally 70 to 100 of them at a time - they are met by oil smuggling mafias, a mix of Syrian and Iraqi Kurds, in addition to some Turks and Iranians," the colonel continued.

"The person in charge of the oil shipment sells the oil to the highest bidder," the colonel added. Competition between organised gangs has reached fever pitch, and the assassination of mafia leaders has become commonplace.

The highest bidder pays between 10 and 25 percent of the oil's value in cash - US dollars - and the remainder is paid later, according to the colonel.

SET B

MASTER'S RECEIPT FOR DOCUMENTS

VESSEL : **LIBYAN STAR**
 BILL OF LADING DATE : 05.06.2015
 SHIPMENT NO : **00000000**
 GRADE : **EXPORT BLEND CRUDE OIL**

The undersigned Master of the above mentioned vessel hereby acknowledges receipt of the following documents:

From	Botas Terminal
At the port of	Ceyhan
For the delivery to the Consignee(s)	To Order
Bill of Lading	2 Copies
Certificate of Quantity and Quality	2 Copies
Certificate of Origin	2 Copies
Cargo Manifest	2 Copies
Time Sheet	2 Copies
Master's Receipt of Samples	2 Copies
Master's Receipt of Documents	2 Copies
Ullage Report	2 Copies

Master of Vessel

[Signature]

Signature
Date : 05.06.2015

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The drivers hand over their vehicles to other drivers who carry permits and papers to cross the border into Turkey with the shipment, the Iraqi intelligence officer said. The original drivers are given empty lorries to drive back to IS-controlled areas.

According to the colonel, these transactions usually take place in a variety of locations on the outskirts of Zakho. The locations are agreed by phone.

Before crossing any borders, the mafias transfer the crude oil to privately owned rudimentary refineries, where the oil is heated and again loaded onto lorries to transfer them across the Ibrahim Khalil border crossing into Turkey.

The rudimentary refining, according to the colonel, is performed because Turkish authorities do not allow crude oil to cross the border if it is not licensed by the Iraqi government.

The initial refining stage is conducted to obtain documents that would pass the oil off as oil by-products, which are allowed through the border.

According to the intelligence officer, border officials receive large bribes from local Iraqi smuggling gangs and privately owned refineries.

Once in Turkey, the lorries continue to the town of Silopi, where the oil is delivered to a person who goes by the aliases of Dr Farid, Hajji Farid and Uncle Farid.

Uncle Farid is an Israeli-Greek dual national in his fifties. He is usually accompanied by two strong-built men in a black Jeep Cherokee. Because of the risk involved in taking a photo of Uncle Farid, a representative drawing was made of him.

Once inside Turkey, IS oil is indistinguishable from oil sold by the Kurdistan Regional Government, as both are sold as "illegal", "source unknown" or "unlicensed" oil.

The companies that buy the KRG oil also buy IS-smuggled oil, according to the colonel.

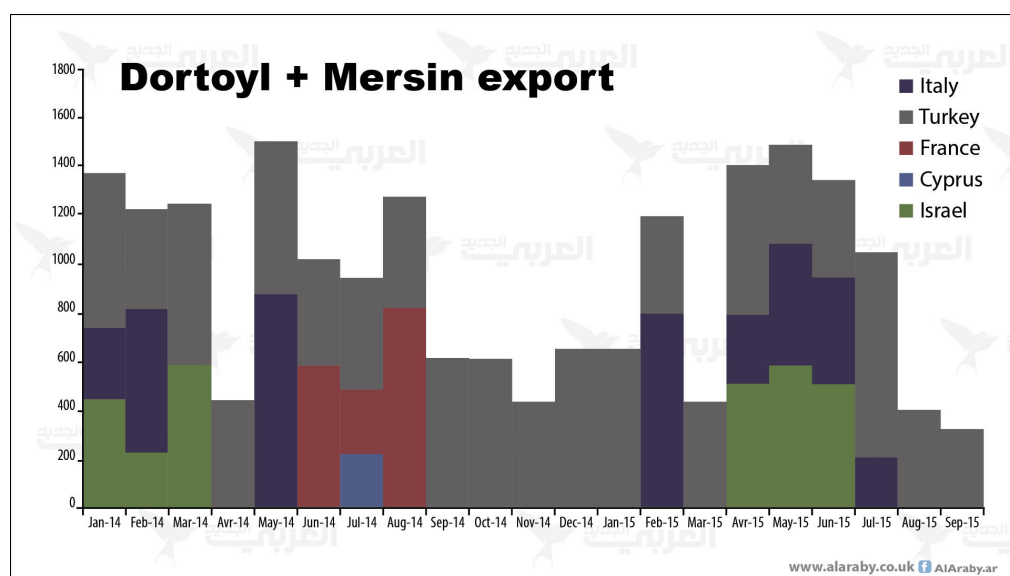
The route to Israel

After paying drivers, middlemen and bribes, IS' profit is \$15 to \$18 a barrel. The group currently makes \$19 million on average each month, according to the intelligence officer.

Uncle Farid owns a licensed import-export business that he uses to broker deals between the smuggling mafias that buy IS oil and the three oil companies that export the oil to Israel.

Al-Araby has the names of these companies and details of their illegal trades. One of these companies is also supported by a very high-profile Western official.

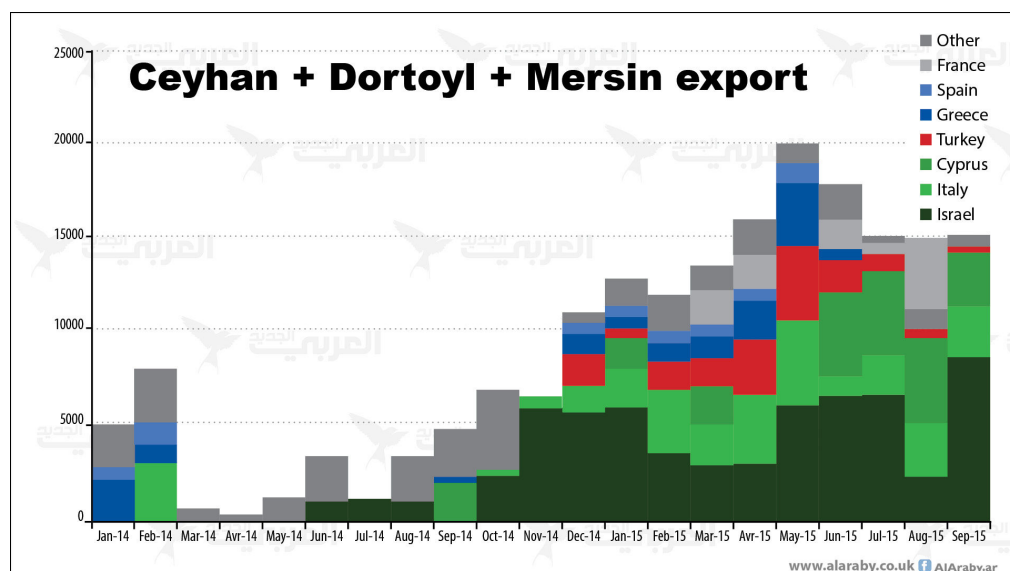
The companies compete to buy the smuggled oil and then transfer it to Israel through the Turkish ports of Mersin, Dortyol and Ceyhan, according to the colonel.



Al-Araby has discovered several brokers who work in the same business as Uncle Farid - but he remains the most influential and effective broker when it comes to marketing smuggled oil.

A paper written by marine engineers George Kiouktsolou and Dr Alec D Coutroubis at the University of Greenwich tracked the oil trade through Ceyhan port, and found some correlation between IS military successes and spikes in the oil output at the port.

In August, the *Financial Times* reported that Israel obtained up to 75 percent of its oil supplies from Iraqi Kurdistan. More than a third of such exports go through the port of Ceyhan.



Kioukstsolou told *al-Araby al-Jadeed* that this suggests corruption by middlemen and those at the lower end of the trade hierarchy - rather than institutional abuse by multinational businesses or governments.

According to a European official at an international oil company who met with *al-Araby* in a Gulf capital, Israel refines the oil only "once or twice" because it does not have advanced refineries. It exports the oil to Mediterranean countries - where the oil "gains a semi-legitimate status" - for \$30 to \$35 a barrel.

"The oil is sold within a day or two to a number of private companies, while the majority goes to an Italian refinery owned by one of the largest shareholders in an Italian football club [name removed] where the oil is refined and used locally," added the European oil official.

"Israel has in one way or another become the main marketer of IS oil. Without them, most IS-produced oil would have remained going between Iraq, Syria and Turkey. Even the three companies would not receive the oil if they did not have a buyer in Israel," said the industry official.

According to him, most countries avoid dealing in this type of smuggled oil, despite its alluring price, due to legal implications and the war against the Islamic State group.

Delivery and payment

Al-Araby has discovered that IS uses a variety of ways to receive payments for its smuggled oil - in a manner similar to other international criminal networks.

First, IS receives a cash payment worth 10 to 25 percent of the oil's value upon sale to the criminal gangs operating around the Turkish border.

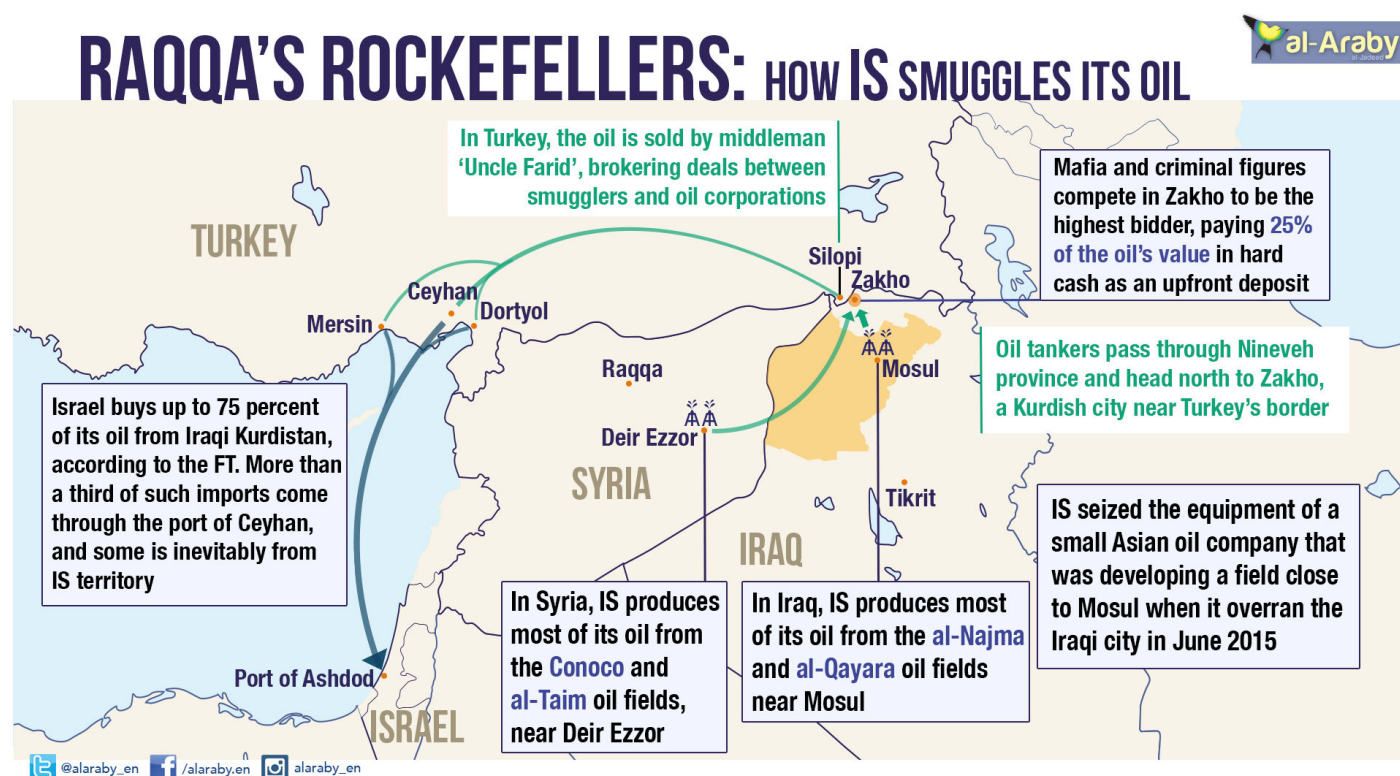
Second, payments from oil trading companies are deposited in a private Turkish bank account belonging to an anonymous Iraqi person, through someone such as Uncle Farid, and then transferred to Mosul and Raqqa, laundered through a number of currency exchange companies.

Third, oil payments are used to buy cars that are exported to Iraq, where they are sold by IS operatives in Baghdad and southern cities, and the funds transferred internally to the IS treasury.

IS responds

Hours before this investigation report was concluded, *al-Araby* was able to talk via *Skype* to someone close to IS in the self-acclaimed capital of the "caliphate," Raqqa, in Syria.

"To be fair, the [IS] organisation sells oil from caliphate territories but does not aim to sell it to Israel or any other country," he said. "It produces and sells it via mediators, then companies, who decide whom to sell it to."



Editor's note: An earlier published version of this article included an incorrect reference to Financial Times reporters describing the port of Ceyhan as a "potential gateway for IS-smuggled crude". Al-Araby al-Jadeed recognises this was reported in error and apologises for any confusion.

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