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Regional conflict elevates Syria's growing appeal as investment destination

The ongoing conflict in Iran has caused significant economic pressures across the globe and once again highlights the critical role of hydrocarbon products to power the world's economies. The impact of the export constraints through the Strait of Hormuz cannot be overstated, with around 25% of the world's seaborne oil trade and over 20% of global LNG trade passing through the Strait in 2025, with the IEA's Executive Director describing the combined impacts as "the greatest threat to global energy security in history.

While the ongoing conflict is having a crushing impact on countries like Qatar and UAE, which rely on the Strait for about 93% and 96% of LNG exports respectively, there is one country in the MEA region that looks well placed to benefit from the consequences of the conflict – and not just in the near-term. That country is Syria, whose oil and gas industry has been held back since 2011 as a result of a serious lack of investment through the political uncertainty of the subsequent civil war. Syria, however, and its perception on the international investment stage is changing dramatically for the better and represents a land of opportunity for credible European E&Ps with the appropriate industry network and risk appetite.

In the backdrop of the Iran conflict, Syria is now presenting itself as a potential energy hub connecting the Middle East and Europe, a hub that could help ease global economies from the inflationary impacts of the Strait of Hormuz blockade by serving as a possible alternative for the oil and gas producers that have no way of getting their products to market. The country's location in the middle of the region and a foreign policy that has deliberately kept it out of the Iran war means the idea is being well received.

The concept is being forged with concrete action, with Syria and Iraq re-opening their border in April so that Iraqi oil tankers could make their way to Mediterranean ports. Indeed, Syria's growing strategic role is not just a matter of regional significance but rather a major international foreign affair. In mid-April, London-based media outlet Al Majalla cited a leaked document that was attributed to Tom Barrack, the US special envoy to Syria, in which he too advocated for an "overland bridge through Syria" which relates to thousands of kilometres of pipelines, which could link Gulf states and Iraq to European markets.

Syria's moment of opportunity, however, should not just be viewed as a short-term logistical fix but rather help shine a light on a confluence of factors that could help propel Syria's oil and gas industry, and consequently its economy, into an new era of prosperity.

Syria's unrealised geological potential, its strategically advantageous location on the east Mediterranean and a pragmatic government that is actively addressing governance and policy to encourage international investment to kick-start its oil and gas industry, all combine to create a compelling window of opportunity for companies willing and able to navigate the residual challenges that remain.

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The dramatic change in narrative from 'state sponsor of terrorism' to 'potential energy hub connecting the Middle East and Europe' is not just idle speak — it's being backed by US diplomatic policy, Gulf capital, and active infrastructure deals – all of which significantly de-risk the country in the eyes of international foreign investment.

The Government of Syria must seize the opportunity to promote its pragmatism and collaborative approach to international investment for the benefit of all stakeholders. Sustained reform, improved governance and the continued forging of a credible investment environment are all required for Syria to realise its full potential.

The founding team at Euphrates Energy know all too well how much unrealised potential resides beneath the surface of Syria's proven onshore basins and as-yet untapped prospective offshore acreage. Euphrates was formed as a vehicle to replicate the success that the same team had in building a UK-listed mid-market full-cycle independent in the early 2000's. The rapid growth trajectory of that company was stalled in 2011 by the outbreak of the civil war, and until that point the company had proved up ~150 million barrels of 2P Reserves and was producing 25,000bopd through its operated activities, and was in commercial discussions with a European IOC regarding the joint exploration of onshore and offshore licences.

Prior to 2011, Syria's oil and gas industry produced nearly 400,000 bpd. Today that production has fallen to under 120,000 bpd as a result of natural decline and lack of investment activity. Therein lies the opportunity for operators to focus on regeneration of proven resources, as well as the ability to discover material new resources through exploration.

With an established office in Damascus, a senior team with deep technical knowledge of the sub-surface and a proven track record for value creation in the country, Euphrates is uniquely well positioned to capitalise on a first mover advantage to obtain a foothold in Syria and play a meaningful role in the redevelopment of its industry and country as a whole.

Investors always focus on risk vs reward and Syria is now at a critical inflection point. While risk certainly remains, as is always the case with industry investment in any jurisdiction, the rewards are simply too great to ignore. International companies and investors who seize the opportunity to obtain an early mover advantage in Syria stand well placed to capitalise on the evident momentum building behind the Syrian energy sector as a compelling investment proposition. If the government play its hand correctly then this momentum should not be short lived but instead accelerate over a sustained long-term period as Syria emerges from its 15 years in the investment wilderness to claim its place as a country of strategic relevance and rich investment opportunity.

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