Countering ISIL’s oil revenue through financial intelligence

By

Elena Bobocea

Henley-Putnam University

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Professor Gary Bowser, Committee Chair

Dr. Harry Nimon, Subject Matter Expert

Dr. Diane Maye Committee Member

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Abstract

The current strategy to counter ISIL’s revenues from oil sales is inefficient because the U.S. and international coalition has underestimated the interconnected web of oil smugglers, traders, intermediaries and other regional actors who operate outside of the legitimate economy and financial system. The airstrikes campaign and the current imposed sanctions by the U.S and the international coalition have had limited success in combating ISIL’s revenues from oil sales. ISIL has learned quickly to adapt and repair damaged infrastructure. Turkish and Iraqi Kurdish authorities have both made commitments to increase border enforcement to combat the oil smuggling that occurs in their territory. They promised to stop the flow of cross-border oil smuggling routes and to identify those involved in the smuggling networks. Unfortunately, they had only little success in fulfilling their promises. Without restrictions on all financial transactions related to illicit oil sales and other sources of revenue, ISIL will continue to strive and use its funds to finance its terrorist activities as well as to procure weapons and other goods. The thesis demonstrates that current ISIL’s oil revenues are largely unchanged from estimates made by the U.S. Treasury over a year ago. Therefore, the U.S. and the international coalition need to reorganize their strategy and effectively implement financial intelligence.

Keywords: ISIL, Iraq, Syria, smugglers, Hawala, FATF, ICFG, FININT
To my loving husband and my son Alexander who make my life worth living.
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Chapter 1:

Introduction

Overview

The Islamic State in Iraq and the Levant (ISIL) requires a large cash flow, estimated at over $80 million per month, to administer the Caliphate, fund combat operations including paying ISIL soldiers and purchasing weapons, conduct terrorist operations, disseminate propaganda, and support ISIL foreign initiatives (Shatz, 2014; Abbruzzese, 2015). ISIL generates the required cash flow through a number of financing scheme including the illegal sale of oil, taxation, looting captured banks and financial institutions, smuggling, kidnapping, sex slave trafficking, sales of stolen antiquities, donations form radical sympathizers, and various criminal enterprises (Johnston, 2016). To date, the illegal sale of oil provides the primary revenue source for ISIL. This thesis examines the ISIL illegal oil trade and the strategies and tactics the United States employs to disrupt and impede the oil revenues. The thesis discusses the efficacies of the U.S. strategies and tactics and examines additional actions for more effective means to interdict ISIL oil revenues.

For many years, the United States and its allies have tried to degrade and disrupt ISIL through several lines of effort: financial, military and diplomatic. In order to disrupt ISIL’s expansion they had to focus first on undermining its financial foundation. In following their strategy, the U.S. and the international coalition has made tremendous efforts to cut off ISIL’s revenues from oil and refined product sales. They have implemented various sanctions on anyone caught trading in ISIL’s stolen oil and they have started a serious campaign of airstrikes.

Despite the implementations made by the U.S. and the international coalition, ISIL still continues to strive and adapt. Many indicators show that ISIL is continuing to make a significant amount of money selling the oil it extracts from fields within their controlled territory. The main
reason why this is an ongoing problem is because there are no efficient measures implemented to counter the smugglers and the intermediaries who buys the oil from ISIL and who, in turn, transport it outside the borders to sell it to other regional actors such as the Assad regime and Turkey. It is hard to identify these individuals, because they mainly operate outside of the formal financial system.

Therefore, the purpose of this thesis is to show that the U.S. and international coalition are not able to efficiently counter ISIL because ISIL is using unconventional means of moving money. The airstrikes campaign and the current applied financial sanctions have slightly affected ISIL’s oil revenue from oil. The inefficiency of these implemented measures when assessing ISIL’s oil revenues demonstrates that the U.S. and the international coalition will need to reorganize their strategy and make a better use of the financial intelligence.

The thesis focuses on the impact ISIL has on the area it controls, including the economic aspects and the status at the borders, followed by a description of the efforts U.S. and the international coalition have done to disrupt ISIL’s oil revenues. Next, the thesis continues with the literature review, which synthesizes and shows connections of past and current existing sources on the topic in order to prove the thesis. Further, the thesis continues with the methodology, which provides a description of the methods applied to critical evaluate the qualitative and quantitative data published on open source platforms.

In data analysis is discussed how cross border smuggling benefits ISIL’s revenues from oil and how it limits the U.S. and the coalition forces to disrupt ISIL.

Overall, the intent of this thesis is to show that ISIL’s financial flow continues to strive because of the intermediaries and traders who are taking the oil across the border by using unconventional methods of money handling. Currently, there is much work required to deter ISIL’s ability to finance itself through oil sales. Therefore, the findings of the analysis are
intended to aid the U.S. Government’s effort to defeat ISIL and, more daring, to provide a framework for a better implementation of financial intelligence in order to deal with emerging terrorist targets like ISIL.

**Oil Fields under ISIL Control**

ISIL generates millions of dollars in sales each day from the oil fields it controls in Syria and Iraq. Usually, the oil is sold internally, at a price much lower than the world price, and then is either smuggled in Turkey or it is pumped in eastern Syria to support the Assad regime. Unfortunately, Syria and Iraq are not the only oil consumers; the Kurds are also buying the cheap oil and smuggles it across their border (Nakhle, 2015).

**Oil fields in Syria.**

The map in Figure 1, published by Business Insider (2015), is a depiction of the main oil fields ISIL controls in Deir ezzor province, such as Ward, Tank, Taim, Jafrah, and Omar. In Syria, the most important fields with the best quality of extracted oil, under ISIL’s control, are concentrated in Deir Ezzor, Hasaka, Raqqa, and eastern Homs in Badiyet Al Sham desert. ISIL controls the Kuniko gas plant. The plant provides gas and electricity to several provinces in Syria (The Toxic Remnants of War, 2014).

Once the civil war started, the international oil companies that have operated on the Syrian oil fields, such as Shell, Bergomo, Total and Bekten, left and no one remained with enough expertise and experience to operate the wells. The wells shut down and the production stopped because the rebels looted the equipment.

The Assad regime’s control of Syrian oil and gas fields declined to only 8% after more than four years of ongoing war in Syria. Figure 1, also reveals that 80% of the oil and gas fields in Syria are controlled by ISIL while the Kurdish forces, which are mostly located in the west of Kurdistan, is controlling the remaining 12% (EA Worldview, 2015).
From crude oil, ISIL is producing diesel, gas and gasoline through the incineration method. By using the preexisting equipment, ISIL relies on primitive methods to refine the oil. First, ISIL extracts the oil from wells without freeing it from water and gas and then transfers the oil into dirt digs. Next, the workers wait for the water to settle down at the bottom and gas to evaporate at the surface. Once this process is complete ISIL places the oil into reservoirs to be burned in order to produce diesel, gas and gasoline.
To determine the real value of ISIL’s income generated by the Syrian oil trade is very difficult, as many players are involved in the oil trading. To make oil trading even more attractive, ISIL buys the loyalty of the local tribes by offering them small oil wells. Usually, the tribes that live in the ISIL controlled areas are willing to affiliate with the group to get the advantage of purchase; and this way ISIL increases their oil revenues.

**Oil fields in Iraq.**

Before ISIL’s existence, smuggling routes in Iraq existed for decades, and insurgents and criminal gangs have sold stolen oil since 2003. ISIL taps into these smuggling networks, established in the Saddam era, to generate significant revenue. The determination with which ISIL has taken control over the oil infrastructure in Iraq suggests that it was targeting the oil assets capable of sustained production to maintain the constant source of revenue needed to fund its operations.

ISIL controls three major oilfields in Iraq: Ajil, Qayyarah, and Himrin. The map in Figure 2, published by the Securing America’s Future Energy (2014), depicts the areas and oil fields controlled by ISIL in Iraq. After the fall of Mosul in early June 2014, ISIL took over seven oilfields and several small refineries in northern Iraq. The group also began attacking the Bayji oil refinery, Iraq's largest, but after a long period of offensive attacks the Iraqi Security forces retakes it at the end of 2015. ISIL also overran the Najma and Qayyarah oilfields near Mosul and advanced further south toward Tikrit, taking over the Himrin and Ajil fields. Ajil alone produced 25,000 bpd and 150 million cubic feet of natural gas per day. The Kirkuk refinery is a valuable asset. ISIL ships the gas to the Kirkuk refinery (The New York Times, 2015).
The Borders of ISIL’s Territory

Borders of Syria.

There are eight official border crossings between Syria and Turkey and at least three unofficial border crossings known to and monitored by the Turkish government. Of the eight official border crossings, four are in Kurdish areas are frequently subject to attacks by opposition forces and rigid controls by the Turkish government.

Turkey developed a zero point or border assistance system in where Turkish trucks bring goods to the border for transloading to Syrian ones. Some international NGOs complain that
Turkey’s customs regulations make the passing of convoys across difficult, even for supplies bought in Turkey, and that they cannot accompany the shipments over the border. Because of this, some NGOs use unofficial routes.

In early June 2015, the Turkish press reported that "opposite Turkey's 13 border gates on its 911 kilometer border with Syria five different flags are flying: two gates are under regime control, three are controlled by ISIL, five by the PYD\textsuperscript{1}, one by the FSA\textsuperscript{2}, and two by the Islamic Front" (Global Research, 2014).

**Borders of Iraq.**

In conflicts with ISIL, border crossings emerged as strategically important as they allowed the militants greater access to goods, supplies, and weapons. Iraq's border crossings have frequently been the site of skirmishes and battles between the Government of Iraq and ISIL.

As the conflict with ISIL progressed through 2014 into 2015, sections of the border remained unregulated and unmonitored, resulting in a porous border often taken advantage of by smugglers and armed groups trying to enter and leave Iraq; a number of unofficial border crossings arose between Syria and Iraq in particular throughout 2014 (Reuters, 2015).

Iraq's border with Syria is approximately 375 miles long and has four official Iraqi-Syrian border crossings: two in the north, one where the Euphrates River crosses the border, and one in the south near Jordan. The official Iraqi-Syrian border crossings are Al-Qa'im border crossing, Al-Walid border crossing, Peshakapor (Simalka) border crossing, and Rabiah border crossing (Reuters, 2015).

Iraq's border with Turkey is approximately 180 miles long and, as of January 2015, the Ibrahim Khalil (Habur) border crossing was the only official crossing connecting the two

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\textsuperscript{1} The Kurdish Democratic Union Party
\textsuperscript{2} Free Syrian Army
countries. The official Iraqi-Jordanian border crossings are Ibrahim Khalil border crossing and Uzumlu border crossing.

Ibrahim Khalil is located near the tri-border corner with Syria, Iraq, and Turkey. Turkish authorities reported in January 2015, that they would be increasing the number of border crossings with Iraq from one to four to reach desired trade goals. Additional gates opened, specifically the Uzumlu, Derecik, and Ovakoy gates. In addition to the extra crossings, Turkey began the process of building a third bridge at the Ibrahim Khalil border crossing to increase the number of trucks to 4,000 daily. The border crossing at Uzumlu officially opened on 7 May 2015, becoming the second official gate between Turkey and Iraq.

Table 1. The borders of ISIL’s territory (Author, 2016).

<table>
<thead>
<tr>
<th>Neighboring Country</th>
<th>Name of Crossing</th>
<th>Under Control Of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>Uzumlu</td>
<td>Kurdistan Regional Government</td>
</tr>
<tr>
<td>Turkey</td>
<td>Ibrahim Khalil (Habur)</td>
<td>Kurdistan Regional Government</td>
</tr>
<tr>
<td>Syria</td>
<td>Peshakapor (Simalka)</td>
<td>Kurdistan Regional Government</td>
</tr>
<tr>
<td>Syria</td>
<td>Rabiah (al-Ya’arobiyah)</td>
<td>Kurdistan Regional Government</td>
</tr>
<tr>
<td>Syria</td>
<td>al-Qa’im</td>
<td>ISIL</td>
</tr>
<tr>
<td>Syria</td>
<td>al-Walid</td>
<td>ISIL</td>
</tr>
<tr>
<td>Jordan</td>
<td>Turaybil (al-Karama)</td>
<td>Iraqi Government/ISIL</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Ar’ar</td>
<td>Iraqi Government/ISIL</td>
</tr>
<tr>
<td>Iran</td>
<td>Shalemche</td>
<td>Iraqi Government</td>
</tr>
<tr>
<td>Iran</td>
<td>Mehran</td>
<td>Iraqi Government</td>
</tr>
</tbody>
</table>

Iraq's border with Jordan is approximately 120 miles long and has only one official Iraqi-Jordanian border crossing located on the remote western edge of Anbar Province named Turaybil border crossing. After ISIL took control of large areas in Anbar in June 2014, trade between Jordan and Iraq severely declined. Since June 2014, Jordanian exports have traveled to Iraq via trucks in Saudi Arabia instead of using the Iraqi-Jordanian border crossing.
Current Strategy to Counter ISIL’s Revenues from Oil Sales

On October 23, 2014 during his speech at the Carnegie Endowment for International Peace, David S Cohen, the Under Secretary of the U.S Department of Treasury at that time, outlined for the first time the U.S. strategy to counter ISIL’s revenues from oil sales (U.S. Department of the Treasury, 2014).

He acknowledged that in order to financially isolate and undermine ISIL, the U.S. and international coalition had to focus on three core elements, such as: cutting off ISIL’s access to revenue, restricting ISIL’s access to the international financial system, and targeting sanctions against ISIL’s leadership and facilitators (Cohen, 2015).

Besides the three core elements, Cohen referred to other methods of fighting against ISIL, such as: the systemic campaign of airstrikes and the support given on the ground by the Iraqi military, Kurdish forces, and the moderate Syrian opposition (Cohen, 2015).
Chapter 2:

Literature review

Overview

ISIL emergence not only undermines the regional stability in the Middle East, but also threatens the international peace. ISIL’s goal is to hold a large territory from which it can obtain financial and other resources as well as organize and train its fighters and, ultimately, unite the entire Arab world under a violent extremist Islamist caliphate. ISIL draws its strength primarily from its wealth, and contributes to the group’s ability to finance sophisticated military operations and govern the territory it has seized. While ISIL’s funding streams remain fluid, the group’s largest revenue source comes from the illicit oil sale. ISIL’s oil business consist of a large network of extraction, production, refining, smuggling and selling hubs, most of which are external to the organization, but dependent on it to survive.

Countering ISIL’s financial resources has become a significant national security priority for policymakers in the US and across the world. Despite the military and counter-terrorist financing efforts mounted by the US and its allies, the group’s revenue continue to strive.

The lack of efficiency in the current strategy to counter ISIL’s financing from oil sales, requires the US and the international community to rethink the whole counter-ISIL strategy. Part of a more efficient counter-terrorism financial strategy, the financial intelligence can provide the actionable intelligence that will ultimately disrupt ISIL’s oil revenue.

The author assessed and analyzed each source to determine its credibility, reliability, impact on the field of strategic security and purpose. The author organized the sources into three categories: ISIL’s oil business, U.S. and international coalition’s effort to counter ISIL’s revenues from oil sales and current limitations to disrupt ISIL’s financing.
Under each research topic, the author sorted sources chronologically in order to track the evolution of the financial intelligence strategy to counter ISIL’s revenues from oil sales.

References for ISIL’s Oil Business

November 3, 2014.

Giglio, M. (2014). *This is how ISIS is smuggling oil*. Retrieved from http://www.buzzfeed.com/mikegiglio/this-is-how-isis-smuggles-oil#.qr80x4rBW

*Credibility.*

Mike Giglio is a known international reporter who currently works for BuzzFeed News, based in Istanbul. Often sent into war regions to cover the news, he has reported on the wars in Syria and Ukraine and has been a correspondent for Newsweek and The Daily Beast. Due to his position as a western journalist based in Istanbul he is assessed as having a high credibility on issues regarding the current situation at the Turkish-Syrian border.

*Reliability.*

BuzzFeed News is a social news company, which provides breaking news, original reporting, entertainment, and video across the social web. The reliability of the source could be biased because a small portion of their reporting is written by anonymous sources. However, in this case a credible source wrote the article, which uses a lot of evidence to support his reporting.

*Impact on the field of Strategic Security.*

Turkish border is a focal point to counter the oil smuggling. The oil is smuggled from Syria to Turkey through an elaborate process. There are still large areas where Turkish borders are open for smuggling and the Turkish and Syrian border security forces who are in control of the border receive small bribes to let the smugglers pass.
**Purpose.**

This source proves that the coalition air strikes have not significantly influenced the oil trade. The most important factor presented in this source is that the smuggling has been a daily routine and a thriving business for both Turkish and Syrians before the uprising of ISIL.

**December 6, 2015.**

Nakhle, C. (2015). *ISIL sells its oil, but who is buying it?* Retrieved from

http://www.aljazeera.com/indepth/opinion/2015/12/isil-sells-oil-buying

-51206055403374.html

**Credibility.**

Dr. Nakhle is the founder and Director of Crystol Energy. She currently teaches the Economics of International Oil and Gas at the University of Surrey. She has worked on multiple projects and she has experience in energy policy and investment, international petroleum contractual arrangements, world oil and gas market developments. She is also a regular contributor to Geopolitical Information Service, a Program Advisor to the Washington based International Tax and Investment Centre, and a member of the Advisory Council of the Natural Resource Governance Institute. She has also written numerous articles for academic journals, newspapers and magazines and she is also the author of two books: Petroleum Taxation: Sharing the Wealth published in 2008 and re-printed in 2012; and Out of the Energy Labyrinth (2007), co-authored with Lord Howell. From her subject matter expert point of view, she regularly makes comments on energy and geopolitics in the international media. She acts as Expert Reviewer to leading international publishers, such as Cambridge University Press, Routledge and Palgrave and refereed journals (University of Surrey, 2016).
Reliability.

Al Jazeera America is one of the world’s most respected news and current affairs channels, with a New York City headquarters and 3 broadcast centers. According to the Al Jazeera site, their coverage of American news is “unbiased and fact based”. The source is focusing on Dr. Nakhle’s opinion related to who is buying ISIL’s oil (Al Jazeera America, 2016).

Impact on the field of Strategic Security.

Illicit oil trade is supporting ISIL’s survival by giving the organization the revenue to govern the territories under its control, recruit new members, secure arms, sustain its propaganda campaign, and ultimately satisfying its strategic needs. Despite the agreements between coalition countries to deter ISIL’s revenues from oil, there are still black markets with highly organized and corrupt partners and clients who rely on ISIL’s oil for survival. It is also very important to acknowledge, as Dr. Nakhle states that if the confrontation between Turkey and Russia is increasing the likelihood to disrupt the international community’s efforts to fight ISIL (Nakhle, 2015).

Purpose.

This source discusses an overall estimative opinion of daily oil production and also the revenue ISIL is making based on such production. This source compares and analyzes the increase or decrease of oil revenues over time.

December 6, 2015.

Credibility.

During this television broadcast several guests are invited to speak on ISIL’s oil infrastructure. Participants include Shwan Zulal, a managing Director at Carduchi & Associated fellow at the European Centre for Energy and Resource Security (EUCERS), Dr. Nakhle an independent energy advisory and Director of Crystol Energy, and Afshin Shahi a Director at the Center for the study of political Islam and Lecturer in International Relations & Middle East Politics in London.

Reliability.

Al Jazeera America is one of the world’s most respected news and current affairs channels, with a New York City headquarters and 3 broadcast centers. According to the Al Jazeera site, their coverage of American news is “unbiased and fact based” (Al Jazeera America, 2016).

Impact on the field of Strategic Security.

ISIL’s revenues help to fund its war in Syria and Iraq is also used to provide energy to the approximately 10 million people that ISIL have under its control. Despite the coalition’s air strikes, the industry continues to strive and adapt. Some of the oil is reaching international boarders in Turkey and Jordan and the Syrian Government. The importance of controlling the borders will have a great impact on the ISIL’s oil revenues.

Purpose.

The source offers a good description of the main oil centers and how much money each is producing. ISIL’s main oil fields are in the eastern province of Deir Az Zor. The television broadcast talks mainly about the ISIL’s oil industry, such as who is selling the oil, how ISIL’s oil market is formed by engineers, managers and sellers who help distribute the oil across Syria and Iraq and also overseas. ISIL sells oil to the rebels in the northern Syria who are dependent on
the ISIL oil for their survival. These rebels fight against ISIL and are supported by US and Turkey governments, situation which reveals, as previously stated, an interconnected web of users that is depending on the oil market and ultimately rely on ISIL’s controlled areas.

**References for U.S. and International Coalition Strategy to Counter ISIL’s Revenues**

October 23, 2014.


**Credibility.**

David S. Cohen is currently the Deputy Director of the Central Intelligence Agency. When these remarks were posted, David S. Cohen was the Under Secretary for Terrorism and Financial Intelligence at the U.S. Department of the Treasury, a post he assumed in 2011 after being confirmed by the United States Senate. David S. Cohen has served in many positions within the U.S. Treasury and he has a vast experience in many fields related to combat money laundering and financial crime, financial intelligence and matters that are posing a threat to our national security (CIA, 2016).

**Reliability.**

The source encloses David S. Cohen’s remarks given at the Carnegie Endowment for International Peace, which is a nonprofit organization dedicated to advancing cooperation among nations. This source is based on David S. Cohen’s expertise in the field of financial intelligence familiar to the intelligence community, international counterparts and other organizations that are working towards identifying measures to financially isolate ISIL.
**Impact on the field of Strategic Security.**

David S. Cohen decisions and statements ultimately reflect U.S. Treasury’s effort to counter ISIL’s financial strength. Cohen is explaining how the “international community ranging from the Middle East to Europe has come together to stop ISIL” (Cohen, 2014). He also points out that “the Turkish and Iraqi Kurdish authorities have both made commitments to combat the oil smuggling that occurs in their areas” (Cohen, 2014). His testimony is focused on what the United States’ strategy is to defeat ISIL and how, if left unchecked ISIL will become a direct threat to the citizens of the United States (Cohen, 2014).

**Purpose.**

This source provides a clear explanation of the U.S Treasury Department early intentions to develop and deploy financial intelligence to combat terrorist financing. It also explains the strategy applied to disrupt the oil market derived from ISIL’s controlled fields.

**November 13, 2014.**


**Credibility.**

Mathew Levitt is the Director of the Stein Program on Counterterrorism and Intelligence at the Washington Institute for Near East Policy. Dr. Levitt held tenures with the U.S. Department of Treasury as Assistant Secretary for Intelligence and Analysis, and with the State Department as counterterrorism advisor to special envoy for Middle East regional security. During his tenure with the Department of Treasury, Dr. Levitt served as senior official within the department for terrorism and financial intelligence branch and as a deputy chief of the Office for Intelligence and Analysis. Throughout his career in the government jobs, Dr. Levitt played a
central role in efforts to protect the U.S. financial system from abuse and to deny terrorists, weapons proliferators, and other rogue actors the ability to finance threats to U.S. national security (The Washington Institute for Near East Policy, 2016).

In his current position as the Director of the Stein Program on Counterterrorism and Intelligence at the Washington Institute for Near East Policy, Dr. Levitt utilizes his expertise to advance a balanced and realistic understanding of American interests in the Middle East and to promote the policies that secures them.

This source is the testimony of Dr. Levitt before the House Financial Services Committee, which took place on November 13, 2015. Due to the official character the testimony and the author’s expertise, this source is assessed as being highly credible in the field of terrorism financing.

Reliability.

In his testimony before the House Financial Services Committee, Dr. Levitt describes the U.S. Government efforts to counter the Islamic State and provides a review of the U.S. efforts to counter terrorism financing in a post 9/11 world. Dr. Levitt also cites official points of view, such as David Cohen’s remarks in regards with the Treasury Department’s ISIL strategy (Cohen, 2014). While referencing the current government’s strategy to counter ISIL’s finance, Dr. Levitt makes recommendations for further actions and implementations.

Impact on the field of Strategic Security.

In his testimony, Dr. Levitt describes the U.S. Strategy to counter ISIL financing and offers policy recommendations for future action, which helps the House Financial Services Committee to regulate and oversee the U.S. Government’s FININT strategy for countering ISIL’s financing.
Purpose.

According to this source, the U.S. Department of Treasury’s ISIL Strategy focuses on imposing financial sanctions on anyone who trades in ISIL’s stolen oil, targeting external donor networks for sanctions, restricting ISIL’s access to the international financial system, and employing targeted sanctions against ISIL’s leadership and facilitators. Furthermore, in his testimony, Dr. Levitt provides recommendations for the further policy and intelligence action to combat ISIL financing.

2015.


Credibility.

This source is an edited, reformatted and augmented version of David S. Cohen’s testimony published by Nova Science Publishers in one of their multiple journals, named the International Journal of Terrorism and Political Hot Spots. This source is a peer review article written to increase the credibility and maintain quality standards of David S. Cohen testimony.

Reliability.

Nova Science Publisher publishes a wide array of books and journals from authors around the globe. The current President of Nova Publisher is Nadya Columbus. Nova's main areas of publishing are the Social Sciences, Medicine, Biology, Science and Technology. This publishing company “produces over 1,500 new titles by leading researchers each year, and has a network of expert authors, editors and advisors spanning the global academic community in pursuit of advanced research developments” (Nova Science Publisher, 2016).
Purpose.

In his testimony, Cohen is focusing on the U.S. and international effort to counter ISIL’s financial strength. Cohen is emphasizing the importance on why the U.S. and international coalitions need to focus on ISIL, because according to him ISIL has become a serious threat to the allied countries and to the citizens of the United States. Therefore, in order to disrupt ISIL’s expansion, Cohen acknowledges that first the U.S. and the international coalition must focus on undermining ISIL’s financial foundation. This source also marks the establishment of a broad coalition formed by 60 partners, ranging from the Middle East to Europe, which will work towards imposing sanctions and developing lines of effort through military operations such as air strikes to defeat ISIL. Another additional support to defeat ISIL is offered by the Iraqi military, Kurdish forces, and the moderate Syrian opposition. Cohen’s strategy to degrade ISIL’s financial strength depends on working to restrict ISIL’s access to the international financial system and to impose sanctions on their financial facilitators to disrupt their ability to operate (Cohen, 2015).

February, 2015.


Credibility.

The Financial Action Task Force (FATF) is an independent inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The FATF currently comprises 34 member jurisdictions and 2 regional organizations, representing most major financial centers in all parts of the globe. Setting high standards and “promoting effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and
other related threats to the integrity of the international financial system” are the main objectives of the FATF (FATF, 2016).

*Reliability.*

The report represents a snapshot of the revenue sources and financial activities of ISIL up to February 2015. The report recognizes that the insight into ISIL’s oil-related activities is limited because ISIL’s financing is a “constantly changing picture” (FATF, 2015). The report has been prepared under the co-lead of Turkey and the United States and has input from a variety of other delegations within FATF’s global network. The report also recognizes that a significant portion of the data related to this subject was not included in the report due to its sensitive nature (FATF, 2015).

*Impact on the field of Strategic Security.*

The FATF’s purpose is not to create a set of policy options to address counter-terrorist financing efforts against ISIL, but “to bring about national legislative and regulatory reforms” (FATF, 2015). The report’s concluding section looks at issues the FATF should consider further and how to obtain international cooperation. The purpose of this study is to assist the international coalition in the implementation of the FATF standards and support the identification of potential gaps and to identify how the sources of funding represent a threat to the international financial system.

*Purpose.*

This source broadens the overall knowledge on the ISIL’s current oil business and on what has been done to counter ISIL’s revenues from oil sales. This source highlights how ISIL’s oil revenue is made internally and in nearby areas, with the help of the intermediaries and the smugglers who trade and transport the illicit petroleum products for sale to end-users. The report offers an overview of the financial institutions in Iraq and Syria and an overview of the financial
management and expenditure of funds and assets. Lastly, this report points out that despite several improvements many jurisdictions continue to struggle with implementing financial sanctions to freeze terrorist assets and cash related to terrorist financing.

**February 2, 2015.**


**Credibility.**

Jennifer L. Fowler is the Deputy Assistant for Terrorist Financing and Financial Crimes at the U.S. Treasury Department.

**Reliability.**

This source is a statement submitted for the conference “Taking the fight to ISIL: Operationalizing CT lines of effort against the Islamic State Group” at the Washington Institute for Near East Policy. The Washington Institute’s mission is to promote an advanced and balanced understanding of the policies and interests of the U.S. in the Middle East.

**Impact on the field of Strategic Security.**

As the Deputy Assistant for Terrorist Financing and Financial Crimes at the U.S. Department of Treasury, Fowler is explaining the progress done by the U.S. Treasury to counter ISIL’s revenue along with an overview of the steps taken to widen Treasury’s knowledge on ISIL’s financing.

**Purpose.**

This source exists to support the effectiveness of the current strategy to counter ISIL’s oil revenue. This source also supports what measures the U.S. and international coalition needs to
take in order to disrupt ISIL financing and it identifies the need to implement and build on FATF standards to combat terrorist financing.


**Credibility.**

Elizabeth Rosenberg is a senior Fellow and Director of the Energy, Economics and Security Program at the Center for New American Security. From 2009 to 2013, Ms. Rosenberg served as a Senior Advisor at the U.S. Department of Treasury, to the Assistant Secretary for Terrorism Financing and Financial Crimes, and then to the Under Secretary for Terrorism and Financial Intelligence. In these senior roles she helped to develop and implement financial and energy sanctions. She also helped to formulate anti-money laundering, and counter-terrorist financing policy, and oversee financial regulatory enforcement activities. Due to the high expertise of Ms. Rosenberg in financial related activities this report is consider highly credible.

**Reliability.**

This source is a statement submitted for the conference “Taking the fight to ISIL: Operationalizing CT lines of effort against the Islamic State Group” at the Washington Institute for Near East Policy. The mission of The Washington Institute is to advance a balance and realistic understanding of U.S. interests in the Middle East and promote the policies that secure them.

**Impact on the field of Strategic Security.**

In her statement, Ms. Rosenberg offers an in-depth description of ISIL’s oil revenue correlated with territorial expansion. She describes the ISIL’s means of production, processing and transport, as well as the existence of a network of intermediaries who take the oil from ISIL
to and then sold to end users. In her opinion, any counter-financial effort against ISIL’s oil revenue should focus on identifying the individual intermediaries and their financial transactions, where they incorporate their business and with whom they insure their trucks and storage facilities. In addition, she underlines the risk that the current strategy against ISIL’s oil revenue poses to the long-term regional stability. By causing major damage to the oil fields or major energy infrastructure, the international coalition might be able to reduce the ISIL’s fundraising but, for long term, the Iraqi government would face difficult conditions to rebuild in a post ISIL era (Rosenberg, 2015).

**Purpose.**

This source supports the evaluation of the current strategy against ISIL’s oil revenue. Ms. Rosenberg offers an alternative to the coalition airstrikes against the oil infrastructure under ISIL’s control. According to Ms. Rosenberg, destroying major energy infrastructure in ISIL’s territory is not an optimal strategy for degrading ISIL finances because of the tremendous costs to the Iraqi government and the significant economic handicap that will affect any reconstruction effort when ISIL is defeated. This source supports the thesis. The source underlines the lack of efficiency of the current strategy to degrade ISIL’s ability to raise oil revenue. Ms. Rosenberg’s suggestions for a counter-finance strategy against ISIL support the research. She suggests that the United States should enhance work with Turkey and the KRG to better monitor borders and help create a much greater banking and financial regulatory oversight for those who may trade oil with ISIL. In addition, she underlines the importance of targeting the intermediaries and creating legal and monetary penalties for those individuals who traffic illicit oil. Another key point in rethinking the FININT strategy advanced by Ms. Rosenberg in her statement is the international coalition effort to work with Turkey to expand the supply pool of oil in Eastern Turkey making it less attractive to the illicit oil trade (Rosenberg, 2015).
March 20, 2015.


**Credibility.**

On January 2015 a group of counter-ISIL Coalition members reached consensus at the ministerial level on developing a working group to focus on the counter-finance strategy against ISIL. This source is a report of the Counter-ISIL Finance Group (CIFG) after the first meeting held in Rome, Italy on 19 and 20 March 2015. This report, published by the Italian Ministry of Foreign Affairs and by the U.S. State Department, gives the source a high credibility due to the official character of the publishing sources.

**Reliability.**

The CIFG, co-led by Italy, United States and Saudi Arabia, includes participants of 25 additional members. The work group acts in complete compliance with the United Nations Security Council Resolutions concerning ISIL and other terrorist groups such as Al-Qaeda and Al-Nusra, active in Iraq and Syria. The Establishment of the CIFG falls within the framework of anti-ISIL coalition efforts to strengthen coordination among member states along a series of strategic lines of action such as military, foreign fighters, counter-messaging and stabilization.

**Impact on the field of Strategic Security.**

This source describes the CIFG goals, action plan and its organizational framework. The CIFG goals are to prevent ISIL’s use of the international financial system, deny ISIL’s access to revenue resources, interrupt the flow of funds from abroad, and impede ISIL’s ability to access financial support from other terrorist groups. The CIFG action plan identifies and establishes steps that coalition members should take to disrupt ISIL’s sources of funding, movement of funds, and its overall economic sustainment.
Purpose.

This source offers an overview of the CIFG action plan and steps taken by the international coalition in order to counter ISIL’s financing. According to this source, the CIFG action plan consist of four key lines of activity: prevent ISIL’s use of the international financial system, counter the extortion and exploitation of economic assets and resources, deny ISIL’s funding from abroad, and prevent ISIL from providing financial or material support to foreign affiliates (U.S. Department of State, 2015).

Furthermore, the CIFG action plan promotes immediate actions for countering the ISIL’s revenue from oil sale. First, the CIFG intends to work with energy traders and buyers to enhance due diligence and strengthen existing authorities to prevent illicit economic assets, such as oil and fuel from reaching markets. Another immediate action proposed by CIFG is to engage manufacturers of infrastructure and industrial materials necessary for oil production and refining to prevent the direct and indirect sale of parts and equipment to ISIL and its affiliates. Lastly, the CIFG aims to identify oils smuggling routes, smuggling networks, facilitators, intermediaries, and beneficiaries (U.S. Department of State, 2015).

April 10, 2015.

Credibility.

Carla E. Humud is an analyst in the Middle Eastern and African Affairs. Robert Pirog is a specialist in energy economics, and Liana Rosen is a specialist in International Crime and Narcotics. They are all competent and highly credible in their areas of expertise.
Reliability.
This source is a Congressional Research Service Report prepared for members and committees of Congress. The Congressional Research Service is one of the most respected research and analysis institutions in the United State, which has reports on national security and foreign policy.

Impact on the field of Strategic Security.
The source shows the U.S. implications to counter the financial resources of the Islamic State, which has become a significant national security priority for policymakers, including Members of Congress.

Purpose.
This source supports the analysis of ISIL’s oil sector. This source shows how the damage made by the coalition air strikes impacted ISIL’s revenues from oil sales and what impact these air strikes can have on civilians.

October 23, 2015.

Credibility.
Daniel L. Glaser is the Assistant Secretary for Terrorist Financing in the Office of Terrorism and Financial Intelligence at the U.S. Department of Treasury.

Reliability.
This source is relating the conclusion of the third meeting of the Counter ISIL Finance Group (CIFG) which was given at the U.S Treasury.
Impact on the field of Strategic Security.

The CIFG, which the United States co-chairs with Italy and Saudi Arabia, is a key component of the Global Coalition to Counter ISIL, which is a broad international group formed to degrade and ultimately defeat ISIL. CIFG was established in January 2015 and its mission is to disrupt ISIL’s sources of revenue and its ability to move and use funds to wage its campaign of terror (U.S. Department of State, 2015).

Purpose.

This source shows the status of the U.S. Treasury’s terrorism and financial intelligence branch along with their projects and intentions to degrade and defeat ISIL. In addition, this source offers a review of the CIFG’s action plan upon its implementation at the beginning of 2015.

References for Current Limitations to Disrupt ISIL Financing

November 13, 2014.


Credibility.

Patrick B. Johnston is currently an Associate Political Scientist at the RAND Corporation. Johnston has a Ph. D from Northwestern University and his field of expertise is in counterinsurgency and counterterrorism, with a particular focus on Afghanistan, Iraq, and the Philippines (ESOC, 2016). Patrick B. Johnston’s testimony is part of the RAND Corporation testimony series, presented before the House of Financial Services Committee.
Reliability.


Impact on the field of Strategic Security.

This testimony is given before the Committee of Financial Services, United States House of Representative and is focused on how ISIL raises its money and what challenges the U.S. will have to face to counter its funding.

Purpose.

This testimony offers insight into the U.S. strategy to disrupt ISIL finances by focusing on opportunities and limitations. Johnston is acknowledging that to disrupt ISIL’s funding the U.S. and international coalitions need to develop the capacity of Iraqi and regional partners to develop better financial intelligence to block the various mechanisms by which ISIL raises money. Johnston points out that those attempts to restrict ISIL’s access to international financial system faces major challenges.

Most of the banks in Northern Iraq that are under ISIL’s control have no interests to comply with any regulatory policies. Johnston states “little can be done to prevent ISIL from using the banks to exert financial control over the local formal economy and as a means of generating revenue” (Johnston, 2014). Imposing sanctions on ISIL’s leadership is hard, because ISIL depends on complex management networks and professional administrators who allocate and monitor the group’s money. This financial structure is much different from Al-Qaeda’s and
targeting it for sanctions may not harm ISIL as much (Johnston, 2014). ISIL also exerts violence among those who refuse to cooperate with the group; as a result, United States’ struggle to gain cooperation with those banks in Iraq and Syria that are under ISIL’s control, is in vain. In addition, it is very hard for the intelligence authorities to penetrate those informal-value transfer institutions, such as networks of hawalas, which can move ISIL money in Iraq, Syria and abroad (Johnston, 2014).

February 2, 2015.


**Credibility.**

Mathew Levitt is the Director of the Stein Program on Counterterrorism and Intelligence at the Washington Institute for Near East Policy. Dr. Levitt held tenures with the U.S. Department of Treasury as Assistant Secretary for Intelligence and Analysis, and with the State Department as counterterrorism advisor to special envoy for Middle East regional security. During his tenure with the Department of Treasury, Dr. Levitt served as senior official within the department for terrorism and financial intelligence branch and as a deputy chief of the Office for Intelligence and Analysis. Throughout his career in the government jobs, Dr. Levitt played a central role in efforts to protect the U.S. financial system from abuse and to deny terrorists, weapons proliferators, and other rogue actors the ability to finance threats to U.S. national security (The Washington Institute for Near East Policy, 2016).

In his current position as the Director of the Stein Program on Counterterrorism and Intelligence at the Washington Institute for Near East Policy, Dr. Levitt utilizes his expertise to
advance a balanced and realistic understanding of American interests in the Middle East and to promote the policies that secures them.

Reliability.

This source is a statement submitted for the conference “Taking the fight to ISIL: Operationalizing CT lines of effort against the Islamic State group” at the Washington Institute for Near East Policy. The mission of The Washington Institute is to advance a balance and realistic understanding of U.S. interests in the Middle East and promote the policies that secure them.

Impact on the field of Strategic Security.

By representing the Stein Program on Counterterrorism and Intelligence at the Washington Institute, Matthew Levitt is putting an emphasis on the fact that oil has been the major source of funds for ISIL. Stopping the flow of these funds is complicated because there are no finance cells to collect financial intelligence in order to target the ISIL financiers (Levitt, 2015).

Purpose.

This source demonstrates that there is a need to implement finance intelligence to constrict ISIL’s ability to finance itself through illicit oil sales. According to Levitt there are certain limitations to disrupt ISIL’s financing. Going after ISIL’s smuggling networks will be difficult, because those smuggling networks are not necessarily affiliated with ISIL. Those smuggling networks were pre-existing from the Saddam-era that date back to the 1990s, and ISIL only pays the workers to remain and maintain the oil fields. Ultimately, this agreement results from a mutual dependence between ISIL and the Iraqi employees, which creates a big issue for U.S. strategy to destroy the oil facilities.
March 25, 2015.


*Credibility.*

Mathew Levitt is the Director of the Stein Program on Counterterrorism and Intelligence at the Washington Institute for Near East Policy. Dr. Levitt held tenures with the U.S. Department of Treasury as Assistant Secretary for Intelligence and Analysis, and with the State Department as counterterrorism advisor to special envoy for Middle East regional security. During his tenure with the Department of Treasury Dr. Levitt served as senior official within for terrorism and financial intelligence branch and as a deputy chief of the Office for Intelligence and Analysis. Throughout his career in the government jobs, Dr. Levitt played a central role in efforts to protect the U.S. financial system from abuse and to deny terrorists, weapons proliferators, and other rogue actors the ability to finance threats to U.S. national security.

In his current position as the Director of the Stein Program on Counterterrorism and Intelligence at the Washington Institute for Near East Policy, Dr. Levitt utilizes his expertise to advance a balanced and realistic understanding of American interests in the Middle East and to promote the policies that secures them.

*Reliability.*

In this article, Dr. Levitt describes ISIL’s access to the regional and international banking system. In addition to his expertise, Dr. Levitt brings multiple official sources in order to support his points. He offers an analysis of the efforts of the CIFG to counter ISIL’s access to the local banking system and cites the FATF reporting in regards with ISIL’s access to banks in Syria and Iraq. Dr. Levitt also cites the Undersecretary of the Treasury, David Cohen, when explains that
ISIL’s ability to use the funds it raises depends on its access to the banking systems from Syria and Iraq.

**Impact on the field of Strategic Security.**

This article offers important information in regards with ISIL’s access to the regional banking system. According to Dr. Levitt, ISIL is still netting many millions from banks and informal money remitters in areas under its control or just nearby.

**Purpose.**

The information provided in this article about ISIL’s access to the regional banking system was utilized in order to establish possible connections between the oil sales and the funds flow through various banking system. Dr. Levitt also offers few suggestions for a FININT strategy in regards with ISIL’s access to the banking system in the periphery of its territory. According to Dr. Levitt, the goal should be strict regulations and transparency, not eliminating all money flows into these areas, as this would lead to a collapsed economy and would worsen the humanitarian crisis. Limitations exist, because according to Dr. Levitt “in Syria, the Assad regime allows banks to continue servicing branches in ISIL’s held areas and also use the services to further its own business interests with the Islamic State” (Lewit, 2015). Dr. Levitt points of view support the evaluation of the current strategy to counter ISIL financing.

**October, 2015.**


**Credibility.**

Financial Action Task Force (FATF) is an independent inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The FATF currently comprises
34 member jurisdictions and 2 regional organizations, representing most major financial centers in all parts of the globe. Setting high standards and “promoting effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system” are the main objectives of the FATF (FATF, 2016).

**Reliability.**

The main objective of this report is to analyze the terrorist financing methods up to October 2015. The project benefits from the involvement of national experts from FATF’s entire global network, including law enforcement, intelligence agencies and Financial Intelligence Units. This report has been prepared under the co-led of France and the United States. The observations contained in this paper are also based on available open source material and “experience and knowledge provided by delegations’ participation in the Joint Experts’ Meeting on Terrorist Financing in September 2015” (FATF, 2015).

**Impact on the field of Strategic Security.**

The use of national risk assessments to conduct strategic analysis of current terrorist financing will help inform policy makers to implement the necessary legal and operational measures. This source explains that anti-money laundering and countering the financing of terrorism systems are still infective because terrorist organizations as ISIL adapt quickly.

**Purpose.**

This report was used to explain how terrorist groups would often rely on terrorist financial managers to accumulate revenue, establish bank accounts, front and holding entities and oversee financial disbursements. This report also offers a variety of case studies, especially one on financing terrorist case involving oil.

*Credibility.*

This source is an edited, reformatted and augmented version of Jimmy Gurule’s testimony in front of the House Committee on Financial Services, published by Nova Science Publishers in one of their multiple journals, such as the International Journal of Terrorism and Political Hot Spots. This source is a peer review work used to increase the credibility and maintain quality standards of Jimmy Gurule’s testimony who is an American attorney and an academic and government official. From 2001 until 2003, nominated by President George W. Bush and confirmed unanimously by the United States Senate as the United States Department of the Treasury's Under Secretary of the Treasury for Terrorism and Financial Intelligence, serving as Under Secretary for Enforcement. Gurulé provided oversight, policy guidance to the Internal Revenue Service's Criminal Investigation. He is also the author of several books on terrorist financing and counter-terrorism strategy (National Academy of Public Administration, 2016).

*Reliability.*

Nova Science Publisher publishes a wide array of books and journals from authors around the globe. The current President of Nova Publisher is Nadya Columbus. Nova's main areas of publishing are the Social Sciences, Medicine and Biology and Science and Technology. This publishing company “produces over 1,500 new titles by leading researchers each year, and has a network of expert authors, editors and advisors spanning the global academic community in pursuit of advanced research developments” (Nova Science Publisher, 2016).
**Impact on the field of Strategic Security.**

Jimmy Gurule’s statements have great importance in the field of terrorist financing and counter-terrorism strategy, and in the U.S. policymaking process. His recommendations come as a good aid for the United States and the international coalition in their effort to undermine ISIL’s financial strength.

**Purpose.**

This source explains the current limitations to disrupt ISIL’s financing. According to Gurule, the Treasury Department fails in maintaining a close relationship with the Department of Justice to share financial intelligence information to increase the number of successful terrorist financing prosecutions and criminal convictions for providing funds and financial assistance to ISIL.

**Summary**

Following the chronological order of the sources, Giglio (2014) is the first author who writes about the entire process through which the oil is smuggled from Syria to Turkey. ISIL drilling the oil inside Syria and then pumps it into pipes buried underground. Al Jazeera (2015) offers a good description of the main oil centers and how much money each is producing. The television broadcast shows details on ISIL’s main oil industry, such as who is selling the oil and how ISIL’s oil market is formed by engineers, managers and sellers who help distribute the oil across Syria and Iraq and also overseas.

According to Nakhle (2015), the illicit oil trade is supporting ISIL’s survival by giving the organization the revenue to recruit its members, secure arms, sustain its propaganda campaign and ultimately satisfying its strategic needs.
In his testimony, before the House Financial Services Committee, Dr. Levitt (2015) offers a description of ISIL’s illicit oil trade as a source of revenue and writes about the importance of the intermediaries and collateral criminal smuggling enterprise.

Overall, Humud, Pirog & Rosen (2015), Nakhle (2015) and Rosenberg (2015) offer a significant amount of statistical data in regards with ISIL’s oil revenue.

The second research topic aims to provide an evaluation of the effectiveness of the U.S. Treasury and international effort to counter ISIL’s revenues from oil sales. This topic is best suited to demonstrate what occurred so far to counter ISIL’s revenues from oil sales in relation to the already mentioned current situation, i.e. ISIL’s current oil business.

Testimony on “Attacking ISIL’s financial foundation” made by David S. Cohen, before the House Financial House Services Committee, who at the time of the testimony was the Under Secretary for Terrorism and Financial Intelligence represents a milestone for the thesis and for the entire intelligence community. Cohen’s decisions and statements reflect the U.S. effort made to counter ISIL’s financial strength.

Cohen (2014) puts an emphasis of the fact that it is important to focus on ISIL, not only because it threatens regional allies, but also because it could pose as a direct threat to the United States. Cohen (2015) also marks the establishment of a broad coalition formed by 60 partners, ranging from the Middle East to Europe, which will work towards imposing sanctions and developing lines of effort through military operations such as air strikes to defeat ISIL. Overall, Cohen (2015) describes the need for an international consensus on the counter-financial strategy against ISIL and the upcoming steps to take in order to counter-finance ISIL’s oil revenue.

Both Levitt (2015) and Flower (2015) refer to the current government’s strategy to counter ISIL’s financing. Their statements are supported by David Cohen’s remarks in regards with the Treasury Department’s ISIL strategy. They both state that the U.S. and the international
campaign is focused on imposing sanctions on anyone who trades in ISIL’s stolen oil, on targeting external donor networks for sanctions, on restricting ISIL’s access to the international financial system, and employing targeted sanctions against ISIL’s leadership and facilitators.

The Department of State (2015) and Glaser (2015) offers details of the international coalition action plan to counter ISIL’s oil revenue upon the establishment of the Counter-ISIL Finance Group (CIFG).

Department of State (2015) describes the CIFG’s goals, action plan and its organizational framework. The CIFG goals are on the same lines with David S. Cohen’s initial guidance and also with both Levitt (2015) and Flower (2015). These goals are to prevent ISIL’s use of the international financial system, deny ISIL’s access to revenue resources, interrupt the flow of funds from abroad, and impede ISIL’s ability to access financial support from other terrorist groups.

Furthermore, the CIFG action plan promotes immediate actions for countering the ISIL’s revenue from oil sale. First, the CIFG intends to work with energy traders and buyers to enhance due diligence and strengthen existing authorities to prevent illicit economic assets, such as oil and fuel from reaching markets. Another immediate action proposed by CIFG is to engage manufacturers of infrastructure and industrial materials necessary for oil production and refining to prevent the direct and indirect sale of parts and equipment to ISIL and its affiliates. Lastly, the CIFG aims to identify oils smuggling routes, smuggling networks, facilitators, intermediaries, and beneficiaries (U.S. Department of State, 2015).

The third research topic focuses on limitations of the current strategy to disrupt oil strategy. Johnston (2014) is acknowledging that to disrupt ISIL’s funding the U.S. and international coalitions need to develop the capacity of Iraqi and regional partners to develop better financial intelligence to block the various mechanisms by which ISIL rises money.
Johnston points out that those attempts to restrict ISIL’s access to international financial system faces major challenges. Most of the banks in Northern Iraq that are under ISIL’s control have no interests to comply with any regulatory policies. Johnston states that “little can be done to prevent ISIL from using the banks to exert financial control over the local formal economy and as a means of generating revenue” (Johnston, 2014). Imposing sanctions on ISIL’s leadership is hard, because ISIL depends on complex management networks and professional administrators who allocate and monitor the group’s money. This financial structure is much different from Al-Qaeda’s and targeting it for sanctions may not harm ISIL as much (Johnston, 2014).

Another challenge is ISIL’s violence exerted towards those who refuse to cooperate with the group; as a result, United States’ struggle to gain cooperation with those banks in Iraq and Syria that are under ISIL’s control is in vain. In addition, it is very hard for the intelligence authorities to penetrate those informal-value transfer institutions, such as networks of hawalas, which can move ISIL money in Iraq, Syria and abroad (Johnston, 2014).

According to Levitt (2015) and Rosenberg (2015), counter-financial effort against ISIL’s oil revenue should focus on identifying the individual middlemen and their financial transactions, but going after ISIL’s smuggling networks will be difficult, because those smuggling networks are not necessarily affiliated with ISIL. Those smuggling networks were pre-existing from the Saddam-era that date back to the 1990s, and ISIL only pays the workers to remain and maintain the oil fields. Ultimately this “agreement” between ISIL and the Iraqi employees is governed by a mutual dependence which creates a big issue for U.S. strategy to destroy the oil facilities. Gurule (2015) describes how the Treasury Department fails in maintaining a close relationship with the Department of Justice to share financial intelligence information to increase the number of successful terrorist financing prosecutions and criminal convictions for providing funds and financial assistance to ISIL.
Counter financial limitations exist, according to Dr. Levitt, because “in Syria, the Assad regime not only allows banks to continue servicing branches in ISIL’s held areas, but it also appears to use these services to further its own business interests with the Islamic State” (Lewit, 2015).

Compared to Al-Qaeda, ISIL’s financing structure is different, because its members do not depend on moving money across international borders and imposing sanctions on them may not harm them as much as past sanctions harmed Al-Qaeda.

ISIL’s control of territory gives it access to banks, which it can control and exploit in order to conduct international transactions. Without restrictions on financial institutions, ISIL is able to receive easily foreign funds to finance its activities. The relationship between the U.S. and the domestic and foreign partners is made to exchange information to identify illicit financial networks and revenue streams supporting ISIL (Fowler, 2015).

Several measures have been implemented by the Government of Iraq, for example: issuing national directives to its banks to prevent wire transfers to and from banks in territories where ISIL operates. This restriction desires to prevent an ISIL-affiliated individual or entity from using a bank to transact through the domestic or international system (Fowler, 2015). The Central Bank in Iraq has instructed financial institutions to prevent wire transfers to and from banks located in ISIL held areas, while international banks with regional branches in these areas have relocated their staff. Despite these efforts, ISIL still has access to banking services.

One case study cited in the FATF report highlighted the group's continued ability to receive money transferred to nearby areas or to designated individuals, whether through bank-issued electronic funds transfers (EFTs) or alternative money transfer systems. According to sensitive financial information collected by U.S. authorities, these transfers were often received in areas known to be a funding, logistical and smuggling hub for foreign terrorist fighters and
terrorist organizations (FATF, 2015). In other cases, excessive cash deposits were placed into U.S. accounts and then sent via bank wire transfers to recipients near areas where ISIL operates. Unknown persons have also made foreign cash withdrawals via ATMs in such areas, obtaining money from U.S.-based bank accounts using check cards. In some cases these transactions were closely coordinated, with large deposits to the accounts followed by immediate withdrawals from ATMs near ISIS territory (FATF, 2015).

So far, few sanctions exist and only few arrests have been made. ISIL’s financing scheme is different from al-Qaeda’s, and targeting ISIL’s leaders and facilitators may harm ISIL less than past sanctions harmed al-Qaeda (Johnston, 2014).

In theory, all U.S. intentions to counter ISIL’s revenues from oil sales are promising, but are the implementation of those measures done effectively enough to degrade ISIL’s oil wealth? Developing the capacity of Iraqi and other regional partners to target ISIL financial facilitators and their revenue from oil sales is of great importance. This can be achieved by supporting partner forces taking back the territories that ISIL has occupied. In order to achieve this goal the U.S government along with the international coalition must work together to develop better financial intelligence on ISIL, and block the various mechanisms by which ISIL raises money (Johnston, 2014).
Chapter 3:
Methodology

Initially, all the data resulted from the research supports a qualitative evaluation. Multiple primary and secondary sources exist to supporting the problem statement. A substantial amount of information was found to explain how the smuggling networks work, ISIL’s entire oil business and area of operation, and more importantly the approach the U.S. and the international coalition is taking to counter ISIL’s financing from oil sales.

Extensive research conducted primarily on open source platforms where mainly Government reports, official conferences and press releases were found. Additional sources were found in the academic findings available in Henley Putnam University library sources and on the open web. The various sources were organized based on their credibility, reliability and their impact on the research question.

The various data on ISIL oil revenues and oil financial transactions are drawn from open source references. The data may be incomplete, and suspect as to accuracy. The data found on open source pertaining ISIL’s oil revenue over the last two years was analyzed to identify if there was an increase or decrease since U.S. and international coalition implemented their strategy. At the same time, ISIL expenditures confirm that oil revenues contribute significantly to an ISIL cash flow to support its operations. The hawala system is an effective tool for ISIL to mask the transactions and money flow.

In data analysis, the current strategy implemented by U.S. and international coalition strategy to counter ISIL’s revenue from oil sales will be analyzed to show its level of efficiency. The time factor is considered and all the sources were arranged chronologically to create a timeline of events.
Each element of the current strategy is analyzed by purpose, known aspects before implementation, assumptions, intended action, and limitations. Then, the analysis follows an ample explanation of why the limitations exist and why the U.S. and international coalition current strategy is not efficient against ISIL’s oil revenue.

Analysis of the Hawala financial system, smuggling link analysis, smuggling routes and the current economic interests illustrates why the current strategy to cut off ISIL’s access to revenue from oil sales has limitations.

The analysis of the military operations conducted by the international coalition against ISIL highlights the relationship between non-lethal means of deterring ISIL finance system and lethal military operations.

The oil fields distribution maps of Syria and Iraq, ISIL territorial gains and losses map, the smuggling routes map, the hawala transfer scheme, the link analysis and the chart of the analysis of oil production versus price are all examples of conceptual models which are extensively used in intelligence by analysts when dealing with complex targets such as ISIL. These conceptual models allows the analyst to describe things or situations in abstract terms both for estimating current situations and for predicting future ones. The purpose of the models used is to help answer the problem. For example, the link and network modeling is one of the most powerful tools an intelligence analyst can use (Clark, 2013).

While proposing a new organizational framework for the intelligence community to counter ISIL financing, this research does not address two inherent factors of any organization: budget and personnel. Information concerning these factors is not available on open it does not serve the academic work. Another limitation is that this research is at unclassified level, whereas most of the information regarding the intelligence strategies to counter ISIL financing is highly classified.
Chapter 4:

Data analysis

Overview

As mentioned briefly in the introductory chapter, the U.S. and the international coalition strategy to counter ISIL’s revenues from oil sales is implemented through the deployment of financial tools and the systemic campaign of airstrikes. The implementation of the financial component involves three supportive elements: cutting off ISIL’s access to revenue, restricting ISIL’s access to the international financial system, and targeting sanctions against ISIL’s leadership and facilitators (Cohen, 2015). The systemic campaign of air strikes began, as currently, there are no large U.S. combat units deployed to Syria. Therefore, deliberate targeting is used and various forms of intelligence are brought together to help analyze the entire ISIL’s area of operation and determine where strikes will have the most effect (U.S. Department of Defense, 2016)

Next, each of the three supportive elements of the financial component along with the air strikes campaign will be analyzed in terms of their purpose, known aspects before implementation, assumptions, intended action, and limitations. Then, the analysis provides an ample explanation of why the limitations exist and why the U.S. and international coalition current strategy is not efficient against ISIL’s oil revenue.

Analysis of Element 1: Cutting off ISIL’s Access to Revenue from Oil Sales

Purpose.

The U.S. and the international coalition’s plan to cut off ISIL’s access to revenue from oil sales involve:

- Targeting for sanctions all the facilitators involved in ISIL’s illicit oil trade “who are operating in the legitimate economy and who makes use of the financial system” (Cohen, 2014).
- Cutting off all the facilitators involved in ISIL’s illicit oil trade from the U.S. financial system and freezing their assets

- Imposing banks around the world to limit the processing of any financial transactions involving any known ISIL affiliated facilitators (Cohen, 2014).

**Known aspects.**

When implementing Element 1: Cutting off ISIL’s Access to Revenue from Oil Sales, the U.S. and the international coalition was aware that ISIL’s oil moved through illicit networks. They were also aware that the structure of the illicit networks was mainly operating outside of the formal economy, through smuggling (Cohen, 2014).

**Assumptions.**

Someone who operates in the legitimate economy and has a bank account will purchase the U.S. and the international coalition assumed that at some point ISIL’s oil. They also assumed that they had the right tools to stop them (Cohen, 2014).

**Intended action.**

Waiting for the facilitators to use the legitimate financial system to identify them, and stop them from using or accessing their money.

**Limitations.**

The entire network of facilitators aiding ISIL’s oil trade was and is underestimated. Also, the entire network of facilitators aiding ISIL’s oil trade is not targeted outside of the legitimate economy and financial system.

**Explanation.**

According to the research, most of the facilitators aiding with ISIL’s oil trade do not use the U.S. financial system or the bank systems. If financial system is used, it is only internally through ISIL’s banking system and most importantly using the hawala system.
The Hawala system.

The hawala system is one of several informal financial transfer systems that have their roots in the cultures of South and East Asia. The weak regulations regarding the hawala system and the vast amount of unregistered hawaladars that are not tracked by the government helps anyone trying to hide the source or destination of illegal money transfers.

Hawala can be illegally exploited for circumventing capital and exchange controls, tax evasion, narcotics trade, but most importantly for smuggling, money-laundering and terror financing. Although existing regulations require hawaladars to flag suspicious behavior, no suspicious activity reports exists against a hawaladar due to corruption (U. S. Department of the Treasury, 2013).

Hawala offers multiple benefits to consumers over traditional banking. Besides speed and cost of fees, reliability is the most important benefit. When a trusted hawaladar is used, transaction reliability can be greater than at a conventional bank. While a bank may have to involve multiple parties to complete an international transaction, such as a local branch, correspondent banks, destination bank back offices, and the branch at the overall destination. A hawala transaction usually involves only the initiator, his local hawaladar, the hawaladar at the destination, and the beneficiary (U.S. Department of State, 2016).

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3 The hawaladars profit from charging a fee for the service, or by adding margin into the spread on the foreign exchange rates in cases when the transaction is between two currencies.
Figure 3 depicts a hawala transaction between an ISIL member from Iraq to an ISIL member in Syria. The ISIL member from Iraq wants to send to the ISIL member from Syria an X amount of Iraqi dinars. The ISIL member could access a bank, but the bank more than likely would want him to open an account, which will also charge him to change and send the money. Instead, the ISIL member from Iraq chooses a hawala dealer. They negotiate a fee and exchange rate and then will give the Hawaladar from Iraq the X amount of Iraqi dinars and his fee. Then the Hawaladar from Iraq will call, fax, or send an email to the Hawaladar from Syria. The Syrian Hawaladar will arrange to have the equivalent of the X amount of Iraqi dinars delivered in Syrian pounds. The transaction usually happens very quickly. The Syrian Hawaladar will carry the debt until he needs to send money to Iraq. Eventually, the books of the two Hawaladars should balance. In the end, the ISIL member from Iraq has sent the money more quickly and cheaply.
than through a bank. The ISIL member from Iraq also avoided the complications inherent in a overseas bank transaction.

There is a culture of trust and honor involved in hawala, and scrupulous hawaladars know that if they break that trust, they will be blacklisted from the system. The money exchange union polices itself to ensure the viability of the system. ISIL’s facilitators trust hawaladars, and the same cannot be said of banks.

The anonymity of the hawala system has attracted criminal customers, such as those trying to launder money or move drug money. Unregistered hawaladars do not have their books inspected. Other than providing a remittance passcode, the beneficiary may not have to provide any other forms of identification. After the transaction completes, records no longer required for funds settlement may be destroyed, eliminating a paper trail (U. S. Department of the Treasury, 2013).

**Analysis of Element 2: Restricting ISIL’s Access to the International Financial System**

**Purpose.**

The U.S. and the international coalition’s plan to restrict ISIL’s access to the international financial system involve:

- Cooperation with the Iraqi authorities, bank headquarters, and the international financial community to limit ISIL’s ability to transact through the Iraqi, Syrian, and international banking system (Cohen, 2014).

**Known aspects.**

When implementing Element 2: Restricting ISIL’s access to the international financial system, the U.S. and the international coalition was aware that ISIL’s oil transactions are mainly effectuated in cash and also that a group of bank branches are located in territories ISIL operates (Cohen, 2014).
**Assumptions.**

The U.S. and the international coalition assumed that at some point ISIL will have logistical issues due to operating mainly in cash. They assumed that ISIL’s ability to make the most effective use of money is through its access to the international system and the banking system in Syria and Iraq. They also assumed that ISIL would experience a hard time funding their external operations without access to the international financial system. Most importantly, they assumed that the cooperation with the Iraq authorities would be efficient (Cohen, 2014).

**Intended action.**

The U.S. and the international coalition action is to wait on the facilitators to use the international banking system and the banks from Syria and Iraq. In addition, to wait for response from Iraqi authorities, bank headquarters, and the international financial community when illicit financial transactions connected to ISIL happen.

**Limitations.**

The entire network of facilitators aiding ISIL’s oil trade is underestimated and is not targeted outside of the legitimate economy and financial system. The U.S. and international coalition base their actions on Bank Secrecy Acts reports filed with the Treasury by other financial institutions.

**Explanation.**

According to the research, most of the facilitators aiding with ISIL’s oil trade do not use the U.S. financial system or the bank systems. If financial system is used externally, it is used via money laundering. Money laundering facilitates by the hawala system.
Money laundering.

Through the trustful network of hawaladars, front organizations, shell companies and exchange houses, ISIL’s financiers launder ISIL’s money. Without using the normal banking system, they transfer millions of dollars in cash in and out of the ISIL controlled territory to settle their accounts with recipients located at hundreds of kilometers apart.

The cash that travels often through the war zones must go through several stops. In order for a smuggler to be able to use one of the exchange houses a 2% tax on cash must be paid before entering ISIL’s territory. The Iraqi Kurdish fighters also impose a fee. Flat fees from $1,000 to $10,000 must be paid to allow the cash shipments across their frontlines into militant areas near Mosul (The Wall Street Journal, 2016).

Several cash routes connect Turkey and Jordan with Iraq and Syria through which money transfers continuously. One cash route used transfers money from Istanbul to Mosul, via Iraqi Kurdish towns. Another is from Amman to Baghdad and parts of Iraq’s Anbar province. A third cash route used connects Raqqa, the administrative capital of Islamic State’s caliphate with Gaziantep, Turkey (Newsweek, 2014).

Through these money travels quickly with the aid of shell companies and other logistical networks that ship goods in return.

Analysis of Element 3: Sanctions against ISIL’s Leadership and Facilitators

Purpose.

The U.S. and the international coalition’s plan to impose sanctions against ISIL’s leadership and facilitators involve:

- Targeting ISIL leadership, supporters, and financial facilitators.

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4 A shell company is an entity that exists mainly on paper, without assets or independent operations, as a legal entity through which another company or corporation can conduct various illicit dealings such as money laundering.
- Identifying the individuals that make up the networks and expose them (Cohen, 2014).

**Known aspects.**

When implementing Element 3: Sanctions against ISIL’s leadership and facilitators, the U.S. and the international coalition was aware that ISIL’s oil revenues are also facilitated by supporters outside of their controlled area.

**Assumptions.**

The U.S. and international coalition assumed that ISIL depends on complex management networks, with CFO-like figures at the top. They also assumed that sanctioning top officials and making an example out of them will make it harder for ISIL to conduct commercial and financial activity (Cohen, 2014).

**Intended action.**

The U.S. and the international coalition action is to sanction high profile individuals affiliated with ISIL.

**Limitations.**

When it comes to ISIL’s oil revenues, there are many high interests that are coming from the neighboring countries, such as Turkey, Jordan and the Assad regime.

**High interests.**

ISIL and the Syrian regime reportedly trade oil and gas through the Conoco plant and the Jandar power station, using a 400kv transition line. There have also been claims that the regime gets oil through the T2 pumping station; however, none of these reports have confirmation. George Haswani, an accused Syrian-Russian executive, sanctioned by the EU, purportedly facilitated the trading process (The Wall Street Journal, 2015).

Syria and Russia have cooperated to circumvent American sanctions, in particular on Syrian state banks and on the wider financial system. Part of Syrian success can be attributed to
centralization government in regards to foreign transactions, international assistance and the presence of private banks. Despite continuous destruction, lack of foreign investments and international sanctions, the Syrian Government has been able to keep all six of the Syrian National Banks open (U.S. Department of the Treasury, 2015).

In December 2011, a few weeks after the announcement of these sanctions, the Central Bank of Syria opened several rouble accounts at Russian banks and Gazprombank. The Bank of Syria uses the rouble accounts to deposit the assets that Syrian state banks had to withdraw from European institutions (Reuters, 2013).

According to Rashad al-Kattan, the Assad regime allows banks to continue servicing branches in ISIL-held areas. According to Rashad al-Kattan, there are 14 private banks that operate in war-torn Syria, that are "subsidiaries to regional Arab banks in Lebanon, Jordan, Qatar, Saudi Arabia, Kuwait and Bahrain" (Al Bawaba, 2015).

These banks are robbed, physically destroyed and must tighten their operation in fear of embezzlement. The European Union and the US have further tried to break up joint business ventures and inter-family marriages through sanctions, but have been unsuccessful. These banks will more than likely continue operations, because shareholders, board members and businessmen investments in Syria outweigh their "overseas assets and commercial interests" (Al Bawaba, 2015).

Analysis of the coalition airstrikes

Purpose.

The purpose of the coalition airstrikes is to target the oil extraction process, the vehicles operating at the oil fields, and facilities for pumping or moving oil (BBC News, 2016).

Known aspects.
Before implementing the air strikes, the surveillance and reconnaissance sorties in Iraq and Syria since gave constant targeting reports on what areas to strike. The U.S. and the international coalition were aware of the oil wells, refineries and tanker trucks controlled by ISIL.

**Assumptions.**

The U.S. and international coalition assumed that using the systemic campaign of airstrikes they will “disrupt, degrade and ultimately defeat ISIL” (Cohen, 2014).

**Intended action.**

To attack critical areas controlled by ISIL.

**Limitations.**

Also, the civilian presence in the area limits the use of airstrikes. The civilians make use of the oil infrastructure as well; therefore, the entire infrastructure cannot be destroyed. The population depends on ISIL’s oil to survive.

**Explanation.**

According to the research conducted, the U.S. and the international coalition underestimated ISIL’s ability to adapt. ISIL is still making money out of the oil trade because of the high demand.

**Impact on production and sales.**

The oil flow starts deep into ISIL’s controlled territory, where the oil wells have the ability to extract a great amount of barrels of crude oil per day. The main regions that produce the most oil are in Syria’s eastern Deir Ezzor province, where production is somewhere between 34,000 to 40,000 barrels a day and Qayyara field near Mosul in northern Iraq which produces about 8,000 barrels a day (The Financial Times, 2015). Oil production and quality differs from one place to another.
As shown in Figure 4, the price of the oil depends on its quality. Some fields charge about $25 a barrel, while others, like al-Omar field, one of Syria’s largest, charges $45 a barrel. For example, examining the al-Tanak and al Omar refineries, they have a daily production difference of approximate 3,000 barrels, but their revenue is almost equal due to price. Even
though al-Omar is producing less its revenues are almost as much as the revenues of al-Tanak. Overall, ISIL earns between $1 to 3 million a day from the oil business (The Financial Times, 2015).

*ISIL is still striving.*

ISIL’s oil business continues to strive despite the coalition airstrikes. ISIL’s controlled territory produces over 34,000-40,000 bpd of crude oil. ISIL continues recruitment of skilled workers, engineers, technicians, and managers to help with the crude oil production and ship the oil to market. Because they have a huge demand in Syria and Iraq, ISIL does not depend on wealthy foreign donors. Even without having to export the oil ISIL has derived its financial strength from its status as monopoly producer.

According to Financial Times (2015), to decrease the damaging impact of the coalition airstrikes on their distribution network, ISIL has developed a new and effective method. As depicted in Figure 5, published by Financial Times (2015), ISIL has developed a system where the truck drivers have to present a document with their license plate number and tanker capacity to be entered by ISIL officials into a database and assign them a number (The Financial Times, 2015).

Once they are introduced into the database, the traders leave and come back to the site every few days to check up on their vehicles or wait on their turn. Once they fill up their truck with oil, they transport it to local refineries or sell it at a higher price to intermediaries to transport it to other areas (The Financial Times, 2015).
According to an analysis made by Cameron Glen of the Central Command data which has been tracking Operation Inherent Resolve airstrikes in Syria and Iraq since fall 2014, airpower alone cannot destroy Islamic State (The Wall Street Journal, 2015).

As shown in Figure 6, the airstrikes progress has varied significantly between the campaigns in Syria and Iraq (The Wall Street Journal, 2015). In Syria, ISIL has gained territory over the past year and beyond, despite more than 2,500 airstrikes by the United States and seven other nations, whereas in Iraq by contrast, ISIL can no longer operate in 25% of populated areas that it once held, largely thanks to the more than 4,300 strikes by the United States and its partners. The Operation Inherent Resolve costs about $10 million a day, and shows limited progress in defeating the extremists (The Wall Street Journal, 2015).
Figure 7, provided by the U.S. Department of Defense, is another good example that ISIL, despite the numerous coalition airstrikes continues to strive. ISIL has lost a great amount of territory in the Northern areas of Syria and some in Iraq. ISIL controls a large amount of territory, gained a bit more in the center of Syria and close areas of Lebanon. The territory losses may hinder ISIL’s plan to acquire as much territory as possible, but when analyzing Figure 7 certain aspects require in consideration. ISIL’s controlled territory involves major populated areas in Syria and Iraq, they have access to the borders of Turkey, Lebanon, Jordan and possibly Israel, and they have control over major rivers and cities which large infrastructures.
Other Aspects

Each of the three supportive elements of the financial component along with the air strikes campaign have been analyzed in terms of their purpose, known aspects before implementation, assumptions, intended action, and limitations, but there are other aspects that are directly impacting the efficiency of the current strategy to counter ISIL’s revenues from oil. The smuggling networks along with the smuggling routes and open borders are the main factor responsible for the inefficiency of the U.S. and the international coalition strategy.
Smuggling network analysis.

ISIL oil business is based primarily on cash, hawalas, and money laundering. As shown in Figure 8, besides their internal transactions involving oil, ISIL also gains most of its revenue from trafficking illicit oil in the neighboring areas. The entire process is enabled by an elaborated network of oil smugglers, traders and intermediaries who take advantage of the fluid borders.

Figure 8. Link analysis on oil smuggling (Author, 2016).

ISIL is trafficking oil into Turkey, Iraq, Kurds rebel areas and Jordan, where the demand is high (Nakhle, 2015). This network operates outside ISIL’s controlled areas and utilizes the international banking systems to support its business through money laundering.

Interrupting the oil and financial flow that feeds ISIL’s revenue is the key in disrupting the group’s ability to support itself, but according to Dr. Nakhle: “The grim reality is that black
markets have a highly organized and extensive web of shadow partners and clients, who are attracted by the dollar sign…” The rebels, ISIL’s enemies, are also aiding the financial flow because they need ISIL’s oil for their survival. (Nakhle, 2015).

A small part of the oil extracted from ISIL’s controlled oil fields is processed in local refineries, and is routed to the local population through a network of oil traders. With severe limitation in processing the crude oil, ISIL’s is directing the flow to the neighboring areas where the demand is high and further processing capabilities exist.

The middlemen or local business men buy the crude oil from ISIL’s oil wells and sells it to oil smugglers, which in turn, through small shipments and with the support of border security forces, transports the crude oil over the borders into countries such as Turkey or Jordan.

The Turkish border is a focal point to counter the oil smuggling. The oil is smuggled from Syria to Turkey through an entire process. Despite the fact that the government has promised to stop the illicit oil and target smuggling routes to seize oil drums evidence a large area where the Turkish borders are open for smuggling. The process starts first with ISIL who is drilling the oil inside Syria and pumps it into pipes buried underground, then the intermediaries delivers it to the Syrian border by smuggling it to local Turkish businessmen who further sell it illegally to gas stations. This process happens with the help of the Turkish and Syrian border security forces that controlling the border in exchange for small bribes (Giglio, 2014).

Beside the public accusations of Russian president in regards with a possible sponsorship of Turkish Government for the illicit oil sales, there are no reports of a state sponsorship of this business (Al Jazeera, 2015). However, the business strives because of the fluidity of the borders and the high demand from those areas.

Ultimately, as we can observe in Figure 2, the oil flow appears connected with a reverse financial flow that indirectly supports the terrorist group. That financial flow needs to be
interrupted in order to affect ISIL's ability to financially support itself. A high emphasis must be put on the dependence of the oil business on the international banking system, which is being used through money laundering.

**Border smuggling.**

Many of the routes, individuals, families and organizations that allow oil smuggling beginning during the Saddam Hussein regime, which smuggled Iraqi oil to avoid Western sanctions. Figure 9, provided by Financial Times (2015), is depicting the main oil fields controlled by ISIL along with the three smuggling routes they use.

Oil from Qayyarah oil field is smuggled through Mosul and on to the Sinjar area, and from there enters Syria or Turkey. Oil from the Ajil and Hamrin oil fields is smuggled to Tuz Khormato, Albo Najm, into Kirkuk, and transported from there into Al-Sulaymaniyah and onto Iranian dealers. Oil has also been smuggled to Qoshtapa, south of Arbil. ISIL oil in Qoshtapa will either be refined in Kurdish oil refineries or continue into Turkey via Dahuk. From early July 2014 until late October 2014, most oil that was smuggled went to Iraqi Kurdistan. ISIL sells oil to Kurdish traders at a major discount and then the Kurdish sells the oil to Turkish and Iranian traders (Business Insider, 2015).
One method used by the jihadist group was boring holes in oil pipelines and then pumping the crude oil into trucks. ISIL would first create a large pit near the pipeline to store the oil before poking holes and selling the oil to local truck drivers. The trucks would then smuggle the crude oil into Kurdistan where it would be refined. This version of events, according to the Iraq Oil Report corroborates information between various sources. According to Kurdish Peshmerga officers, oil began to be smuggled from ISIL-controlled to Kurdish territory in early June 2013. The initial point of entry used by smugglers was Tuz Khurmatu, a primarily Turkmen town situated on the highway to Tikrit (Iraq Oil Report, 2014).
Oil police.

In 2007, a paramilitary force formed to protect Iraq's refineries and infrastructure. The force had almost 30,000 members and had its own intelligence department by the time the US withdrawal. About 7,200 km of pipelines, gas and oil fields, and tanker lanes were supposed to be protected. The advent of the oil police was also important for limiting Iraqi dependence on foreign security firms, such as Blackwater, which had developed a tarnished reputation in the country (Al Jazeera, 2014).

In May 2014, General Hamid Abdullah Ibrahim, the commander of the Iraqi Oil Police, stated that the oil police was in need of advanced training and weaponry to battle ISIL. Their training sometimes involved plastic guns. The lack of proper equipment put them far from being able police properly the oil fields. One Iraqi security official estimated that that about 10,000 more men are also required for the force to operate effectively (Al Jazeera, 2014).

Summary of Results

Overall, the data analysis provides enough evidence to support that the current U.S. and international coalition strategy to counter ISIL’s oil revenues is inefficient. The results show that there is no specific guidance and exact steps on what needs done. The goals are too broad and do not offer specific guidance and reasons why they are implementing those measures. There has never been an exact assessment of the situation.

The analysis of Element 1 demonstrates that the assumptions of the U.S. and international coalition and their current actions taken to cut off ISIL’s access to revenue from oil sales are not efficient. Instead of focusing only on those who are using the legal financial system, their main effort should be on implementing measures against the hawala transactions and the unregistered hawaladar that are facilitating ISIL transactions. The reason why is very hard to estimate the
exact amount of money ISIL is making is because that the transactions are made through the hawala system.

The analysis of Element 2 demonstrates that the assumptions of the U.S. and international coalition and their current actions taken to restrict ISIL’s access to the international financial system are not efficient. Instead of relying solely on the Iraqi authorities or other supportive countries’ cooperation, they should focus on finding ways to target the organizations and facilitators involved in money laundering. Neighboring governments have made commitments to fight ISIL and help investigate those who are involved in money laundering and other illicit dealings; however, ISIL’s cash flow continues.

The analysis of strategy Element 3 demonstrates that the assumptions of the U.S. and international coalition and their current actions taken to sanction against ISIL’s leadership and facilitators are not efficient. At this point ISIL is controlling a sophisticated smuggling machine, which continuously exports illegal oil to Turkey, Jordan and Iraqi Kurdistan. In Syria, despite multiple attempts to cut off personal banks, the US has failed because those investors have financial incentive to support the regime and strong family ties.

The analysis of the coalition airstrikes demonstrates that the effects of the coalition strikes are starting to have an impact on the economy and civilians. The airstrikes have caused ISIL to reduce soldier pay as well reduce services for civilians in their areas ISIL controls. Despite the fact that the strikes are meant to target the oil extraction process, the vehicles operating at the oil fields, and facilities for pumping or moving oil ISIL have the capacity to adapt, because the economy and the survival of the locals is entangled with that of ISIL’s finances.

There are many factors existing in the oil black market, which remains undeterred by the coalition strikes without completely disabling the entire oil industry. The borders are still open
to oil smugglers who are trying to smuggle the oil so they can provide for their families. Most important is that the smuggling has been a daily routine and a thriving business for both Turkish and Syrians before the uprising of ISIL. The Turkish border security forces are used to help the smugglers in exchange for bribes; therefore, it is a win-win situation for both sides.
Chapter 5:
Conclusion

The United States and the international coalition have made tremendous efforts to develop some form of meaningful strategy to cut off ISIL’s revenues from oil and refined product sales. The Financial Action Task Force (FATF) and ISIL Counter-Financing Work Group (ICFG) have continuously coordinated their efforts to counter the terrorist organization’s financial and economic activities. Various sanctions exist on anyone caught trading ISIL’s oil by transferring funds through the international financial system.

Despite the implementations made by the U.S. and the international coalition, ISIL continues to strive and adapt. Many indicators show that ISIL is continuing to make a significant amount of money by selling the oil it extracts from fields within their controlled territory.

The analysis of the financial component with its three supportive elements and the systemic campaign of airstrikes demonstrate that the assumptions of the U.S. and international coalition and their actions taken to cut off ISIL’s access to revenue from oil sales are not efficient. The interconnected web of oil smugglers, traders, intermediaries and other underestimated regional actors, the airstrikes campaign and the current imposed sanctions by the U.S and the international coalition have had limited success in combating ISIL’s revenues from oil sales.

The actions taken to cut off ISIL’s access to revenue from oil sales have not been effective because they are unfocused against the hawala transactions and the unregistered hawaladars that are facilitating ISIL transactions.

The actions taken to restrict ISIL’s access to the international financial system have not been efficient because instead of relying solely on the Iraqi authorities or other supportive
countries’ cooperation, they should focus on finding ways to target the organizations and facilitators involved in money laundering.

The actions taken to sanction against ISIL’s leadership and facilitators have not been efficient because at this point ISIL is controlling a sophisticated smuggling machine, which continuously exports illegal oil to Turkey, Jordan and Iraqi Kurdistan.

The analysis of the coalition airstrikes demonstrates that the effects of the strikes are starting to have an impact on the economy and civilians and much less on stopping ISIL’s revenues from oil. There are many factors involved into the oil black market, which cannot be deterred by the coalition strikes without completely disabling the entire oil industry.

The main reason why this is an ongoing problem is because there are no efficient measures implemented to counter the smugglers and the intermediaries who mainly operate outside of the formal financial system. The data analysis results show that the U.S. and international coalition has struggled in giving an exact assessment of their progress. Their strategy goals are broad and fail to offer some degree of transparency and credibility the American people, to our strategic partners, and the media.

Without restrictions on all financial transactions related to illicit oil sales and other sources of ISIL revenue, ISIL will continue use its funds to finance its terrorist activities as well as to procure weapons and other goods.

First, the U.S. and the international coalition need to establish adequate legal framework for finding, tracking, and freezing terrorist funds and implement adequate controls for cross-border cash transactions. While implementing these measures, the goal should be strictly oriented towards regulations and transparency, and not eliminating all money flows into these areas, as this would lead to a collapsed economy and would worsen the humanitarian crisis (Levitt, 2014).
The U.S and Turkey co-leading Financial Action Task Force (FATF) should further develop international efforts to counter ISIL’s financial activities by helping the Iraqi government. Install real political reforms and create a credible, trusted enforcement body able to move in to liberated areas and other areas under government control and investigate and prosecute the criminal enterprises, ISIL and illicit actors.

Second, the U.S. and the international coalition need to implement adequate anti-money laundering programs to target the organizations and facilitators involved in money laundering. In addition, the coalition should implement adequate procedures for the confiscation of money laundering-related assets.

Third, the U.S. and the international coalition need to pressure Turkey and the Kurdish government in northern Iraq to stop the oil smuggling. As Johnston (2014) stated, ISIL accumulated its wealth by taking advantage weak governance and exploiting political sectarian grievances, in addition to exploiting the ongoing instability in Syria. In short, cutting off ISIL’s finances is unlikely without rolling back its territorial control, and the Iraqi, Kurdish, and other partner security forces will have to do this with U.S. advice and assistance in lieu of a U.S. ground combat role (Johnston, 2014).

In essence, the implementation of FININT is the best solution to collect, analyze and provide accurate non-lethal targeting information on the network of middlemen, smugglers and traders and their financial transactions. FININT must be used as the primary driver in support of a comprehensive strategy implemented to fight all ISIL’s primary funding sources.
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