

## **The U.S. Demarche Regarding the ISIL's Oil Revenue**

- As part of the Counter-ISIL Coalition's effort to degrade ISIL's finances, the Coalition continues to target ISIL's oil infrastructure and transportation networks. This requires close coordination with regional partners to stop ISIL's supply chain and prevent ISIL from benefiting financially from captured energy resources.
- ISIL views control of energy resources as more than a source of revenue. For ISIL, controlling energy resources represents a way to legitimize its governance in the eyes of local populations. Highly centralized management of ISIL's energy assets, along with careful vetting of energy-related personnel, are indicative of the high value ISIL places on its oil and gas operations.
- ISIL's preferred business model is to sell crude oil at the wellhead for cash and use local currency houses to transfer and convert its funds. From the first point of sale onwards, ISIL extorts and taxes the oil transportation and sales network, but it does not directly sell or export its oil out of ISIL territory. The region is home to an extensive and decades-old smuggling network, making it extremely difficult to accurately trace ISIL-produced oil once it is sold at the wellhead.
- In an effort to impede ISIL's ability to derive revenue through oil sales, the coalition has targeted – as part of Operation Tidal Wave II – oil field infrastructure and the hundreds of tanker trucks lining up to buy oil directly from ISIL. However, oil production persists and ISIL is actively adapting to our efforts to mitigate their use of energy infrastructure.
- United Nations Security Council Resolution (UNSCR) 2199 requires all states to prevent any direct or indirect trade with ISIL of any oil and oil products, modular refinery equipment and related material. UNSCR 2199 also emphasizes that all states must freeze all assets of ISIL-related groups, as well as those of associated individuals, groups, undertakings, and entities, including their oil, oil products, modular refineries, and related material.
- The U.S. government has coordinated with industry and Coalition partners to create an illustrative list of drilling and refining equipment thought to be commonly used in ISIL operations. This list is an outcome of the Counter ISIL Finance Group (CIFG) meeting in October 2015, and was discussed by the CIFG intercessional group in December 2015. This list can also help States implement their obligations under UNSCR 2199. The priority items are highlighted in yellow.
- We request you share the list with oil industry representatives, logistics companies, border control authorities, and oil drilling and refining equipment manufacturers, as appropriate, and ask them how they can best work together with the Coalition to halt the purchase, shipment, or transshipment of this equipment to ISIL controlled territory.