Black Gold Under the Black Flag

How Oil Fueled ISIS

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Harsh red brake lights blind the eyes. Horns blare. Traffic is not moving. It’s hopeless. The scene is not rush hour in Manhattan, but the al-Omar oilfield within the Islamic State in 2014. The gridlock is the result of an oil enterprise larger than the GDP of several small nations. At its height, ISIS was likely the richest terrorist group that the world has ever seen. This extensive funding helped ISIS to continue to finance the bureaucracy behind their pseudostate, pay local fighters, and fund terrorist attacks abroad. ISIS was undoubtedly the most dangerous terrorist group in the modern world, creating a number of casualties sixteen times greater than the next leading terrorist group, the Taliban, in 2016. ISIS’s ability to market its oil served to enhance the group’s deadly capabilities. While ISIS territory growth was eventually reversed.
in late 2014, oil revenue mitigated the consequences of those setbacks and prolonged some of the most intense fighting into late 2017.

The ISIS oil enterprise presents a unique case. While terrorist groups have funded their operations by extortion or smuggling illegal materials before, they have not managed natural resources in their territory. By understanding the actions and motivations of all the participants in the ISIS oil enterprise, one gains a better understanding of how a paramilitary outcast group can organize the existing institutions around it for its benefit. Furthermore, by understanding the factors that allowed this system to continue, policy makers and strategists can work to prevent these situations from taking form in the future.

This report seeks to understand how ISIS was able to leverage the regional oil market to their advantage as well as understand factors that allowed them to continue to profit from their control of oil wells despite their status as a terrorist pseudostate. To frame this question, it summarizes applicable existing literature on how large-scale terrorist groups are funded, and why states permit terrorist factions to operate within their sphere of influence. It goes on to provide an in-depth description of the ISIS oil system at its peak, identifying factors contributing to its success and applying relevant theoretical insights. In a similar fashion, it discusses factors that sustained the profitability of ISIS’s oil operation. The report concludes with an examination on what this research suggests for counter-terrorism efforts in the future.

In her book *Funding Evil: How Terrorism is Financed*, terrorism expert Rachel Ehrenfeld explains how groups frequently employ their logistic networks and outlaw status to leverage regulated commodities markets to their advantage through smuggling. She explains that terrorist groups such as the Revolutionary Armed Forces of Colombia (FARC) and Al-Qaeda have used stolen or illegally trafficked precious metals and gems to launder money and make profits. By undercutting the market rate and avoiding regulatory costs, these methods may produce outsized profits. The commodities-marked model for terrorist financing, however, does not completely describe the ISIS oil venture, because an ordinary terrorist group may only loot its controlled territory for commodities over a limited period of time. Drug trafficking, Ehrenfeld states, is a more sustainable source of funding because it provides high returns and the ability to create the product in-house in perpetuity.

This paper’s reasoning for how ISIS was able to leverage the oil market to its advantage lies at the intersection of Ehrenfeld’s points on commodity smuggling and drug trafficking. The ISIS oil operation differed from traditional illicit commodity smuggling in that it controlled a means of production, but diverged from the drug trade because illegal oil could be introduced into a legitimate world market. This distinction made ISIS’s oil enterprise more similar to Iraq’s sanctioned oil business following the Gulf War than to a traditional terrorist group.

Another important factor in ISIS’s profitability was its ability both to protect and market its oil supply, despite being surrounded by ostensibly hostile states and actors. Although ISIS’s main source of funding was no secret to coalition forces, many oil wells continued to flow until early 2017. When looking to understand why a state may tolerate terrorism, one may reference Daniel Byman’s report “Confronting Passive Sponsors of Terrorism.” Byman states that there

Smoke rises from oil wells near Qayyarah, Iraq that ISIS set on fire during their retreat from the area. Wikimedia commons 2016.
are three main reasons a state may “passively support” a terror group operating within its borders.\(^6\)

"Regimes may turn a blind eye for a variety of reasons, including strong popular support for the terrorist group cause, a lack of a direct threat and limited costs to the government that tolerates the terrorists’ activities"\(^7\)

Turkey and Syria both passively supported ISIS to some extent; Turkey’s relatively porous border permitted illegal ISIS oil to be sold in its markets and the Assad regime purchased ISIS oil while simultaneously engaging in armed conflict against the group.\(^8\) Not all relevant countries (i.e. Jordan, Russia and the US) passively supported the ISIS oil enterprise. However, they could have done more to prevent ISIS from profiting at its peak with increased strikes against ISIS’s operations.

While providing a helpful initial framework, Byman’s assessment falls short in regard to ISIS, as his three factors only focus on internal and domestic elements rather than the challenges posed specifically by the transnational nature of ISIS’s funding activities. A terrorist group’s effects on the regional power balance may play a role in a nation’s decision to not fully oppose it. For example, Turkey prefers a Syria in conflict and divided against itself; allowing ISIS to sustain itself through Turkey’s borders is a small price to pay for this objective. This article explores both domestic reasons for a nation’s toleration or passive support that fit into Byman’s framework and foreign considerations that do not.

One may also look to the impact of the natural resource itself when assessing how the ISIS oil enterprise was able to endure. In her article “The Spoils of Nature: Armed Civil Conflict and Rebel Access to Natural Resources,” Päivi Lujala describes two main mechanisms by which resource-rich areas influence insurgent groups. The first is resource rich areas tend to breed weaker economic growth and political institutions. Such nations have higher income inequality and corruption. The second mechanism is the ability for insurgent groups to sustain themselves for prolonged times using resources in the area.\(^9\) These resources have high liquidity and allow insurgent access to hard currency.

Lujala’s mechanisms apply directly to ISIS’s area of operation. Oil revenues from Syria have long propped up a regime that has treated its own citizens brutally, creating a situation where there was no viable alternative power in the region. Resources in the area have prolonged the insurgent conflict because the nature and actions of the weak state have driven supporters to ISIS as well as creating conditions where no country wants to intervene because there is no viable faction to take over.

At its peak, the ISIS oil enterprise was a unique development that presents an opportunity to take Ehrenfeld and Byman’s work a step further. When Ehrenfeld wrote Funding Evil, a terrorist group producing marketable natural resources was unheard of. This study of ISIS reveals that her work now underestimates the capability of terrorist groups to harness resources available to them and smuggle them into legitimate markets. Byman’s reasons for state toleration and passive support for terrorist group are limited to domestic influences, likely because few terrorist groups at the time had such clear control of territory. Theories behind the reasoning for a state to not bring its full might against an external terrorist pseudo state such as ISIS must adapt to account for foreign policy factors.

Lujala’s work on civil conflict is reinforced by the ISIS case study. Lujala claims that resource-rich nations are more likely to experience internal conflict and those conflicts are likely to last longer compared to resource
poor countries. Her work provides a framework to better understand how the oil enterprise sustained the conflict and propped up the Islamic State. As of now, ISIS is a shadow of its former self but it is still a destabilizing force in the region.

The goal of this paper is to synthesize government reports, academic papers and periodicals in order to gain a complete understanding of how ISIS took advantage of available crude oil resources, and how it was able to continue to do so for so long while regarded as a terrorist state. This paper will use reports and firsthand accounts from individuals within the ISIS production system, intermediaries participating in transport and refining, as well as the buyers. Integrating these with macro-data from congressional reports, this paper provides a big-picture result with an appreciation for the micro-drivers of the infrastructure.

The second portion of analysis is primarily coalition-focused. The data supporting this phase of the analysis mainly consists of congressional reports and accounts from individuals within the US military. The accounts and objectives from numerous sources are synthesized to present concise reasoning on why the coalition did not unleash a full scale attack on ISIS assets from 2014 onward. There are significant shortcomings when assessing the restraint on the part of Turkey, as the Turkish government’s actions diverge considerably from the narrative it presents. Only conjecture can be made because it is unclear whether the corruption that permitted ISIS smuggling to prosper was present in the higher echelons of Turkey’s leadership, its middle management, foot soldiers, or all of the above. As the Syrian Assad regime and Russia have been primarily concerned with the rebel factions within the Syrian civil war, as opposed to ISIS, they are not included in this second analysis.

News outlets have often compared ISIS’s oil venture to a state run oil company because of its size and efficiency. ISIS did not earn this flattering comparison by its own merit: the oil fields which it operated were state assets seized from Syria and Iraq. ISIS reaped several benefits by having oil directly under their “state” control. Oil directly benefited their local economies, funded their fighters cheaply, allowed access to hard currency through international smuggling and kept local rivals dependent on their production. They were able to leverage the oil market to their advantage by having both a captive market and undercutting foreign ones.

Oil has been Syria’s lifeblood for almost a century. To many inhabitants, it matters little who is control of the well as long as the oil keeps flowing. Kilometers-long queues of trucks and makeshift towns spring up in the middle of the desert around these oases of commerce. The people that formed such communities under the ISIS caliphate were not necessarily supporters or sympathizers, but rather a vast network of middlemen that brought the oil from the wellhead to refineries, and then on to local and foreign markets. Then, as now, their primary interest was in making money and in maintaining their niche in the oil production process. Their entrepreneurship allowed ISIS oil to spread far beyond its native network.

A barrel of crude oil extracted from an ISIS-controlled oil field had several possible routes to use. First, the barrel was sold to traders directly at the oil well in trucks with up to a 75 barrel capacity. Next, the barrel may have been resold to a trader traveling to rebel-held Northern Syria or ISIS-controlled Eastern Iraq, then sold to a local refinery or immediately brought to a local oil market for a small profit. Most traders opted to offload immediately in order to minimize the risk of being targeted by the coalition or Russia.

The refinery system was also set up to minimize the risk of being targeted. Rather than construct massive tanks and reboilers for their operations, which would be vulnerable to airstrikes, locals set up small roadside “tea kettle” refining operations. Using mobile furnaces and supplies, the refiners were able to move to avoid clear and consistent association with ISIS. A select few large-scale refineries did continue to operate in ISIS held Iraq. Such refineries had previously operated under Sadaam Hussein and the Iraqi Coalition Provisional Government, and their original managers continued to operate these plants in exchange for a cut of the production. Alternatively, the Islamic State taxed the sale of crude oil to the refinery.
Once refined, the oil was diverted to support ISIS military forces, or moved for sale in ISIS-held Syrian and Iraqi fuel markets. From the oil markets in cities such as Raqqa, Mosul and Kafr Halab, the fuel could go to smugglers crossing into Jordan or Turkey, agents of the fuel-starved Assad regime, or civilian consumers. In this way, ISIS’s oil network extended far beyond the terrorist nation’s front lines.\textsuperscript{13}

The ISIS oil enterprise was effective because it was able to operate on a large scale while remaining decentralized. Its few professionally run oil wells were able to produce crude oil at a substantial rate and were not often targeted directly by attacks, for reasons that will be discussed later. Meanwhile, its transportation and refining network was not directly controlled by the caliphate and was difficult to disrupt because of its decentralized nature. The organization and scale of the production and transport system allowed for a constant and relatively reliable supply of oil for ISIS to sell or use itself.\textsuperscript{14}

ISIS profited directly from the sale of crude oil at the wellhead and then again during every transaction thereafter. Regardless of the route it took to market, the Islamic State charged a 2\% sales tax referred to as \textit{zakat}. Additionally, the caliphate charged a 10\% income tax on its citizens.\textsuperscript{15} In 2015, ISIS earned just short of a million dollars a day just on their domestic Iraq oil operation alone.\textsuperscript{16} At its peak in 2014 before coalition bombing campaigns, ISIS sold 80,000 barrels per day for roughly $40 per barrel on the black market.\textsuperscript{17} While representatives of the Islamic State have been less than forthcoming with exact figures it is clear that they were by far the best funded terrorist group in history.

Such high revenues supported ISIS’s civil as well as military foundations. Because the group held the role of a governing body, it claimed responsibility for public administration. ISIS produced media related to its governance and described its investment in public utilities, healthcare, emergency services, education and food for its people. A well-funded government which maintained these sectors of public service may have sustained the terrorist state indefinitely. By maintaining a well-functioning government and decent quality of life within its borders (religious persecution notwithstanding), ISIS succeeded in publicizing its brand and gaining legitimacy for its cause and governance.\textsuperscript{18} High revenue enabled almost every facet of ISIS operations, including propaganda and its internal bureaucracy. This proved dangerous to the coalition members, because as ISIS’s brand was enhanced, the group could elicit heightened support both locally and internationally.

Oil supplies and the revenue they produced were instrumental in supporting the ISIS war machine. Oil revenue helped to pay the salaries of up to 100,000 fighters at the group’s peak in 2014.\textsuperscript{19} While most of the ISIS military equipment in use was looted from Iraqi armories, often stocked with American equipment, ISIS was able to purchase specialized weapons such as surface to air missiles from overseas.\textsuperscript{20} Coalition air support was often hesitant to commit itself to dangerous missions with the knowledge that ISIS had the capability to strike back.\textsuperscript{21} ISIS’s funding and modern equipment did not only serve the group well on the battlefield, but also in its publicity efforts. No longer were jihadists crouching in a dark cave clutching Cold War era Soviet weapons; rather, they could show off the latest and greatest in military hardware to potential recruits and followers abroad.
Easily attainable fuel put ISIS forces at a distinct advantage on their western front, as both the Assad regime and Syrian rebels were dependent on ISIS oil due to embargoes by other nations and the loss of their own oil infrastructure. A report by Erika Solomon for the Financial Times captures the dilemma faced by ISIS’s local rivals:

“It’s a situation that makes you laugh and cry,” said one Syrian rebel commander in Aleppo, who buys diesel from ISIS areas even as his forces fight the group. “But we have no other choice, and we are a poor man’s revolution. Is anyone else offering to give us fuel?”

While the oil passed through the hands of multiple middlemen before it reached government or rebel forces, its origin was unmistakable. ISIS’s rivals were forced to fund the very enemy that they intended to destroy. ISIS’s control of Syrian oil wells placed rival factions at a financial and military disadvantage, but they could not strike against the source for fear that the damage could cause them to run out of fuel altogether. Keith Crane of RAND reported to the Senate Energy and Natural Resources Committee in 2015 that the Assad regime was purchasing up to 20,000 barrels of ISIS oil a day.

These smuggling networks had a connection to the formal ISIS oil business by serving as large volume customers for oil at ISIS held markets. Once the oil was purchased at market, it was moved to one of many towns along Syria’s borders. The oil could then cross the border through several methods. The method that allowed the largest volume was to intercept and mix legitimate Kurdish oil entering Turkey with the ISIS-produced oil. This allowed the oil to cross the border freely and was exceedingly difficult for border officials to detect. The methods of smuggling varied greatly. Large scale operations involved convoy trucks and mixed oil. However, individual smugglers had more diverse means at their disposal. Buried piping, small boats, and even donkeys allowed small groups of smugglers to transport their oil across the border undetected. In some cases, secrecy was not required, as smugglers could pay the Turkish border guards a portion of their proceeds for their complacency.

Exact figures for the size of the smuggling operation are impossible to obtain. However George Kiourktsoglou, a researcher at the University of Greenwich who has studied the ISIS oil business estimates that “[ISIS] exported anywhere from 3,000 to 8,000 barrels a day, about 15 percent of its total production, for sale on the high seas in 2014.” Even this estimate may be low, as one smuggler interviewed in the Turkish border town of Besalan claimed that ISIS had 30,000 barrels of oil per day available for export after meeting its domestic demands in early 2014. In any case, the potential for profit was high once the oil crossed the border. Smuggled oil sold for rock bottom prices between 25 and 60 dollars per barrel in 2014 while the global market price hovered between 80 and 100 dollars. The difference in price incentivized both smugglers and buyers to traffic in illegal ISIS oil. Since 2014 oil prices have declined but illegal oil continued to undercut the global
market. While domestic ISIS oil revenue exceeded foreign sales, international smuggling contributed to ISIS oil profits. The smuggling networks were the intermediaries between ISIS and the global markets which allowed the flow of hard currency into the caliphate.

ISIS smuggling into Turkey provides an interesting supporting case study for Ehrenfeld’s theories in Funding Evil. ISIS is a unique case for a terrorist group because it had full and direct control over a natural resource that it could smuggle and sell below market price, as well as a monopolized market that it controlled. It was both able to produce and sell its products on a large scale. ISIS’s oil enterprise presents an opportunity to expand Ehrenfeld’s theories to include self-produced goods sold at local markets and smuggled to larger foreign markets as a means to fund terrorist groups.

In “The Spoils of Nature” Lujala claims that the effect of the presence of natural resources in an insurgent conflict is twofold. First, the existing government is less stable and more prone to corruption. Second, the terrorist group is better able to sustain itself for a long conflict against the state. The ISIS oil venture provides a clear supporting case study for her work. The Assad regime’s brutal actions and lack of political flexibility had weakened it to the point where it almost completely abandoned Eastern Syria, leaving the oil fields for ISIS. Without the income or oil, the regime was forced to attempt to consolidate its power around Aleppo and Damascus and purchase ISIS oil. The revenue from the oil enabled ISIS to not only fight the security forces of two organized governments on the ground, but to also win and expand.

The Islamic State had an extensive oil enterprise and a cornered market that allowed it to reap profit from production and through every transaction along the way to market. Entrepreneurial individuals refined, transported and smuggled oil throughout the Middle East, which allowed illegal ISIS oil to be sold for a deep discount within domestic and foreign markets. Furthermore, ISIS’s oil monopoly forced its enemies to buy oil from middlemen and perpetuate the conflict. ISIS effectively exploited regional oil markets to their advantage through the combination of these circumstances and individual efforts.

The locations of profitable ISIS oil assets were no secret. Satellite images showed lines of trucks waiting to refuel, as well as flares occurring when the methane in the wells was burned off. Additionally, the scale and profitability of the enterprise could be easily estimated based on publicly available pre-war figures. Despite this, both regional powers and coalition forces proved hesitant to directly attack ISIS-controlled oil infrastructure. A December 2015 Time article described coalition attacks on ISIS oil assets as easily reparable “pin pricks.” Data from the Department of Defense’s Operation Inherent Resolve in April 2017 showed attacks on only 260 oil related targets out of 16,075 total targets. Since then, coalition attacks have increased in intensity and reduced ISIS oil profits but as of late 2016, ISIS oil still flowed to domestic and foreign markets. The reasons for this degree of
restraint included concerns about collateral damage, impact on the local economy, infrastructure, the environment, as well as the political situation in Turkey.

The United States learned from its mistakes during the Iraq War. When former Baathist bureaucrats and soldiers were purged from their positions, they turned to hardline opposition groups for economic opportunity. Similarly, any show of force that killed civilians along with insurgents was portrayed extremely poorly in local media. Such media coverage can turn a population against coalition forces. One possible reason for the lack of a large-scale initiative against ISIS oil fields is that American policymakers were hesitant to make the same mistakes again.

American hesitance to conduct a direct air campaign arose from both financial and humanitarian concerns.. Many thousand people are involved in the ISIS oil enterprise despite not having any formal ties to the group itself. Crude oil has been an integral part of Syria’s economy for many years. The oil industry accounted for 25.1% of Syria’s revenue in 2009. The entire industry sector employed 34.1% of the work force in 2011. While these are outdated statistics, it is clear that crude oil is essential for many Syrians’ livelihoods. United States policy makers were aware of this fact. The Congressional Research Service’s report on ISIS financing cautioned that strikes against the oil enterprise allowed ISIS to “[use sophisticated propaganda to] blame the international community for any economic distress that local populations may experience.” The result of this was an air campaign that targeted oil assets just 1.7% of the time.

The coalition air campaign was risk-averse in targeting civilians as well. The United States military sought to only strike ISIS assets with positive identification from reconnaissance drones or Iraqi security forces in order to avoid civilian casualties. This had the added benefit of not pushing neutral members of the civilian populace towards supporting ISIS due to mistargeting. Air attacks were used conservatively because there were no spotters on the ground to confirm the absence of civilians. ISIS was aware of this and purposely inserted their fighters among the civilian population to avoid being targeted. A major hindrance on the coalition attempts to damage the ISIS oil enterprise was the status of the intermediaries who transported and refined the oil. These individuals were not necessarily affiliated with ISIS itself and would be considered civilian casualties if harmed in an attack. The coalition attempted to mitigate this risk by dropping leaflets on fuel convoys warning of an upcoming strike. While a fair way to warn of an impending attack, this restraint prevented the decisive neutralization of the ISIS oil enterprise.

Omar al-Shimali, a resident of the Aleppo province, commented on the coalition bombing campaign after increased strikes on local oil fields, “This is considered our infrastructure, and destroying it like this...shows that the objective is to kill the Syrian people.” This is precisely the sentiment that the coalition attempted to prevent by avoiding strikes against targets of high economic importance. The degradation of the local economy and risk of hurting civilians caused the coalition to be conservative in their air campaign. This restraint allowed ISIS to profit through the oil venture despite being targeted by several nations at once.

While ISIS certainly presented a substantial threat to stability in the Middle East, the coalition had to...
account for the long-term situation in Syria, after the terrorist group had become a distant memory. Long term concerns about the viability of Syria's industrial infrastructure and environment constitute further reasons why the coalition did not completely destroy ISIS oil assets.

Damage to the oil fields would retard Syria's recovery. Oil infrastructure, such as well heads and pipelines, requires technical expertise, time, and money to repair when damaged. The coalition governments recognized these second-order effects when planning their operations. Colonel Steve Warren, a spokesperson for Operation Inherent Resolve, explained the coalition's strategy in a November 13th, 2015 press conference:

"Our intent is to shut those oil facilities down completely. What we've done here is we've done a very comprehensive analysis of these facilities to determine which pieces of the facility we can strike that will shut that facility down for a fairly extended period of time. Again, we have to be cognizant that there will be a time after the war—the war will end. So we don't want to completely and utterly destroy these facilities to where they're irreparable." 42

While the intent of Operation Inherent Resolve was to completely shut down the oil facilities, they failed to do so. The International Center for the Study of Radicalization and Political Violence estimated that ISIS still made between 200 and 250 million dollars from oil in 2016.43 The United States Air Force certainly had the capability to destroy these assets. However, continued ISIS oil profits indicated that they continued to allow oil well operation in the interest of keeping them operational for future use.

The air campaign was also limited by the risk of environmental damage caused by bombing of the Syrian oil fields. Such environmental damage was seen in the 1991 Gulf War when retreating Iraqi forces set 700 Kuwaiti oil wells ablaze. The resulting oil spills and fires caused ground water contamination, air pollution and serious long term health problems for the local population.44 An indication of a bombing’s potential environmental effects was seen in August 2016, when retreating ISIS militants set fire to oil fields near Qayyara. The local population is still affected by their actions as one in six of the area's livestock has died and local hospitals have filled with patients with respiratory problems.45 Air strikes directly targeting ISIS well heads likely would have resulted in a fire that locals would have been ill-equipped to respond to. Such a blaze could have burned indefinitely and caused long term effects on the population. The coalition command team was aware of this reality. Michael Morell, ex-CIA chief, was quoted in a 2015 The Hill article saying, “We didn't go after oil wells, actually hitting oil wells that ISIS controls, because we didn't want to do environmental damage, and we didn't want to destroy that infrastructure.”46

The coalition's hands were tied. Striking the oil wells themselves could have caused long term and expensive damage to infrastructure as well as the environment. Striking the transportation system could result in death of civilians trying to make a living. Neither option was ideal so the coalition adopted a conservative strategy and ISIS continued to profit.

Coalition nations were not the only powers concerned with the ISIS oil venture. Turkey was the primary avenue for ISIS oil to reach global markets, as the country’s complacent policymakers and weak borders allowed ISIS oil to infiltrate its markets, lining the pockets of everyone involved. A primary reason for Turkey’s reluctance to disable ISIS’s oil ventures land was widespread corruption throughout its government.

"Striking the oil wells could have caused long term damage to the infrastructure and environment. Striking the transportation system could have killed civilians."
It is impossible to know exactly how many Turkish border patrol agents turned a blind eye to ISIS oil crossing the border, but it is no secret among the smuggler community that working with Turkish authorities is essential to a successful operation.\textsuperscript{47} Admittedly, this is a difficult problem to counter when the financial incentives for fraud are high. However, the volume of oil that entered Turkey—far greater than a few corrupt border agents could have allowed—suggests that corruption extended to higher levels of Turkey’s government. In 2016, Wikileaks released correspondence between Turkish officials that implicated Berat Albayrak, Turkish Minister of Oil and son in law of President Recep Tayyip Erdogan, in the purchase of ISIS oil.\textsuperscript{48} Russia has reiterated these allegations and provided satellite pictures of ISIS oil convoys at the Turkish border. In a 2016 letter to the UN Security Council, Russia detailed how ISIS oil was being transported by BMZ Group Sea Transportation and Construction Company, owned by Erdogan’s son Bilal.\textsuperscript{49}

The extent to which Turkish exports benefited ISIS is difficult to gauge. However, researchers George Kiourktsoglou and Alec Coutroubis correlated changes in oil tanker charters from the Turkish port of Ceyhan and ISIS seizures of key oil fields. While not conclusive, their regression analysis pairs ISIS asset seizures with increases in shipments from the port as well as decreases in shipments due to coalition bombing campaign events.\textsuperscript{50} For ISIS oil to reach Ceyhan, it must have flowed through Turkey and through legitimate companies.

Stifling the ISIS oil trade through Turkey was not a priority for the Erdogan administration. Both the Turkish economy and Erdogan’s close family members stood to gain by permitting smuggling. ISIS was also engaged with a protracted ground war against the Kurds, whose aspirations to nationhood are considered a threat by the Turkish regime. While Turkey outwardly supported the coalition mission of destroying ISIS, it did not commit itself to stopping the flow of black gold through its borders and into its ports.

Byman’s reasons for a state tolerating terrorist organizations include popular support, little direct threat and limited costs for the government.\textsuperscript{51} Byman presumes that the terrorist group is domestic and has far less power than the state. His explanation holds up well in regard to Turkey’s complacency toward ISIS’s oil trade through its borders. It appeared, at least initially, that Turkey faced limited costs and a small direct threat from ISIS. Meanwhile, the growth of the radical Syrian opposition, whose membership and objectives overlapped with ISIS, benefited Turkey’s interests by weakening the Assad regime and the Kurds of northern Syria. Numerous powerful government officials likely profited from this trade as well.

However, Byman’s reasons fall short when considering the coalition’s actions. ISIS is a foreign pseudo-state and demonstrated enough power to dissuade policy makers from deploying United States ground forces. The coalition governments would have surely liked to cut off the ISIS oil income stream but were restricted by long term foreign policy and human rights concerns. The restrictions on attacking the ISIS oil enterprise presents a case where a state would like to further intervene but cannot due to situational and environmental second-order consequences.

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ISIS’s oil enterprise continued to profit for years despite the caliphate’s status as a terrorist state. The revenue stream it provided supported ISIS governance capabilities and military operations. This revenue stream, while degraded, was largely operational until early 2017 due to the long term concerns of the coalition. ISIS oil assets were not a priority target for the air campaign and thus remained operational. The primary ISIS export route through Turkey was viable due to lackluster efforts by the Turkish government at closing it. Corruption at all levels of the Turkish government and the profitability of marketing ISIS oil discouraged a crackdown on the terrorist group’s revenue stream. ISIS continued to profit in the face of regional and world powers via its oil wells.

ISIS effectively leveraged the oil market in its favor. It is unique among terror groups in that it has state-like qualities such as natural resource and control over its population. This capacity allowed the caliphate to marry the benefits of being a state entity and an international outlaw. ISIS profited by producing cheap crude oil on a large scale and maintaining a decentralized network of middlemen to transport, refine, sell and smuggle it. By profitably undercutting the regional market and holding a monopoly of its domestic oil markets, ISIS made its captured oil fields into a consistent and abundant source of revenue.

The international community did not immediately move to destroy the Islamic State’s ability to produce oil, resulting in ISIS’s ability to fund their operations. Each nation involved had differing concerns and goals for the region, none of which involved the complete destruction of Syria’s oil infrastructure. From the perspective of the coalition nations, there was concern for what comes after ISIS. Oil will continue to be a staple of the local economy and its destruction could further destabilize the region. For Turkey, the potential for profit was high and the costs are comparatively low thus they largely ignored ISIS’s oil enterprise. While depleted in early 2018, ISIS continues to be a threat to regional stability and international security through its militant actions and terrorist activities despite several setbacks. As both a terrorist group and a governing body, it benefited by controlling and marketing the oil under its control. Ensuring this source of income cannot be regained is key to undermining the caliphate forever.

Endnotes:
2. Indira Lakshmanan, “For ISIS, Diversification Of Funding Is Key,” Here and Now (WBUR, December 1, 2015), http://www.wbur.org/hereandnow/2015/12/01/isis-funding.
5. Ibid. 3-14.
6. Passive support is defined as “A regime can be said to be guilty of passive support if it knowingly allows a terrorist group to raise money, enjoy sanctuary, recruit, or otherwise flourish without interference but does not directly aid the group itself.” See Daniel L. Byman, “Confronting Passive Sponsors of” (Washington D.C.: The Saban Center at the Brookings Institute, February 2005), https://www.brookings.edu/research/confronting-passive-sponsors-of-terrorism/.
7. Ibid. III.
10. Ibid.
11. The reports and data were primarily acquired using an internet database search. The primary shortcoming of this data is a heavy reliance on the full reports of just two investigative journalists because such accounts are so rare.
14. The reliability ISIS fuel supply is degraded during coalition air campaigns. Besides during times of foreign military intervention, the system has provided a constant source of income.
21. Ibid.
22. Solomon, Chazan, and Jones, “Isis Inc.”
29. Giglio, “This Is How ISIS Smuggles Oil.”
37. Opsal, “Why Is the U.S. Reluctant to Bomb ISIS Oil Fields?”
41. Omar al-Shimali quoted in Erika Solomon, Steven Bernard, and Robin Kwong, “Syria Oil Map.”
47. The account of Russia Today likely has a significant amount of bias due to current tensions between Turkey and Russia. However, all investigative reports used in this paper have referenced bribing Turkish border officials as a means to ensure safety through the border. “ISIS, Oil & Turkey: What RT Found in Syrian Town Liberated from Jihadists by Kurds (EXCLUSIVE),” RT International, March 24, 2016, https://www.rt.com/news/336967-isis-files-oil-turkey-exclusive/.