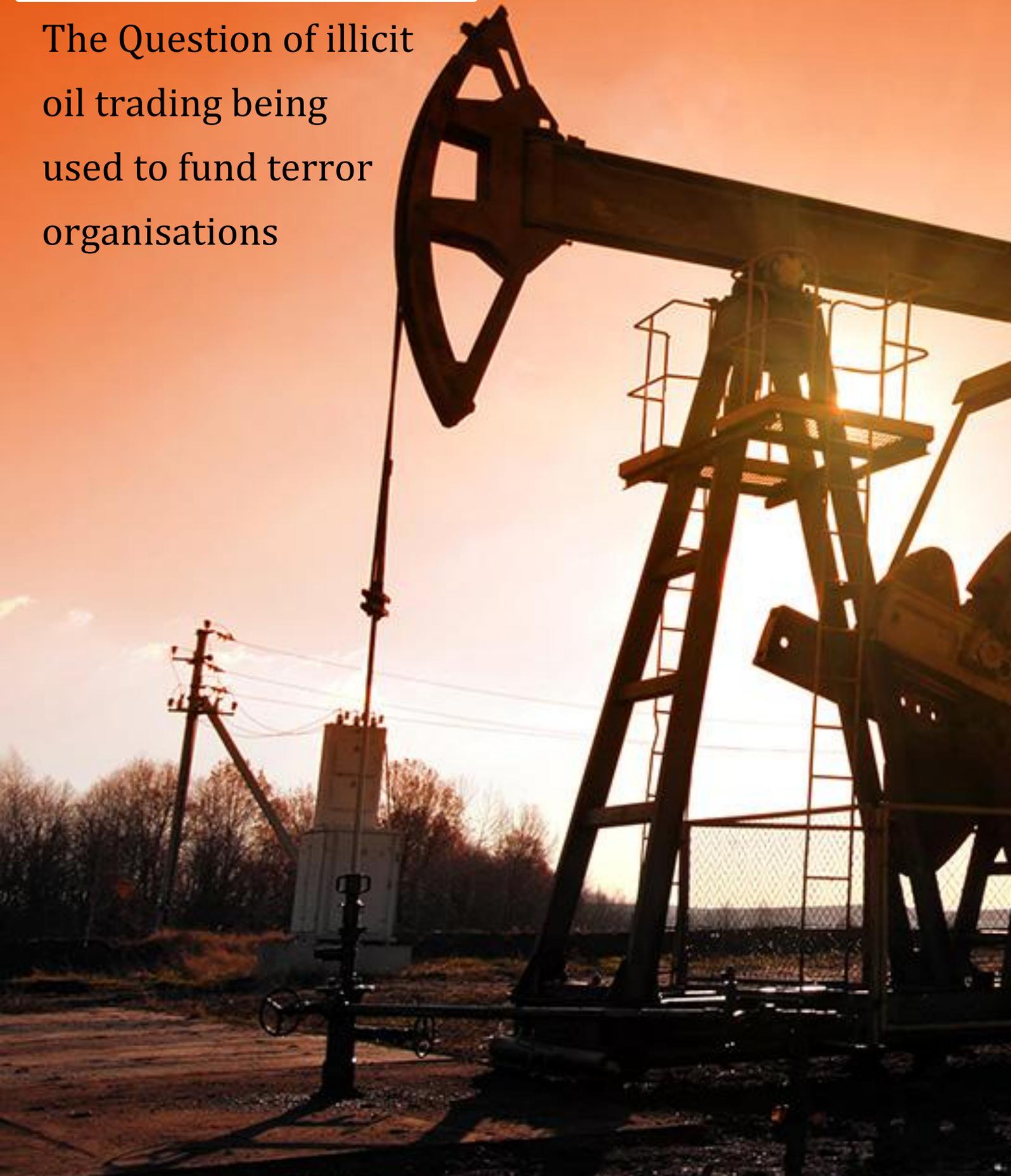




Security Council

The Question of illicit
oil trading being
used to fund terror
organisations



Committee: Security Council

Topic: The Question of illicit oil trading being used to fund terror organisations

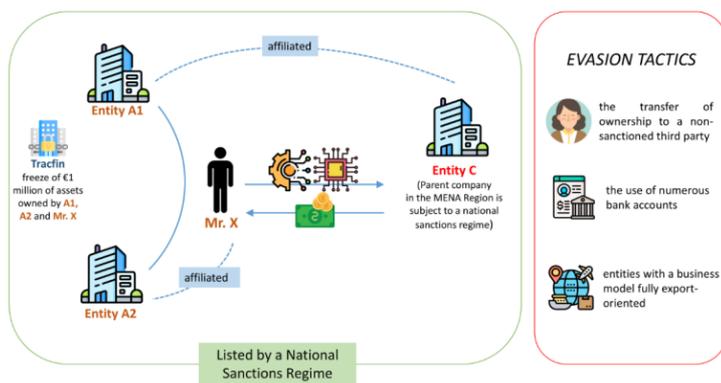
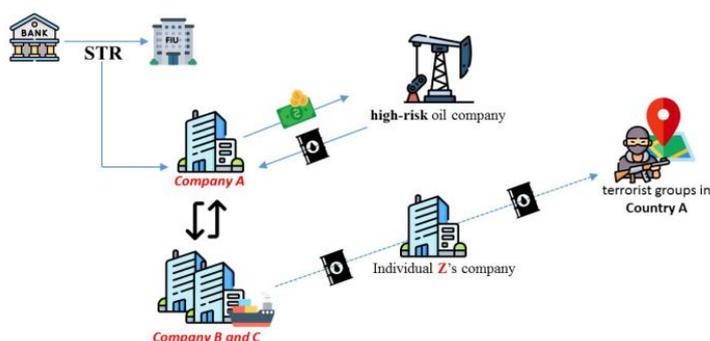
Chair: Ella Mathews and Eloise Tindale

Summary

Any crime which results in a profit can finance terrorism, but the key sources of funding for terror organisations are (but not limited to): kidnapping for ransom, the exploitation of **NPO's**, and the illicit trade of commodities such as charcoal, gold, narcotics, and (most prominently) oil. The UN views the disruption of financing of terror organisations as dire to limit their activities and therefore by disrupting the illicit oil trade that fund terror organisations and trying to understand the funding of previous terror incidents we can help to prevent future attacks.

The illicit trade of oil can occur in many ways. The process of the trade involves a complex web of facilitators, using fraudulent tactics to hide the origin of the oil and avoid international

sanctions. Methods used to hide the origins of the oil are the blending of illicit oil with authorised cargo, the falsification of documents, and many ship-to-ship transfers. Networks of people work together to aid the facilitation of this, such as those employed by inspection companies.



The cash profited from the illicit trade of oil then reaches terror organisations through financial laundering. Money is transported through international financial systems and **'shadow banking'** networks to reach the terror organisations.

Key examples of Terror organisations being financed through the illicit oil trade:

- **ISIS:** Over the years, ISIS has been a leading example of a terror organisation which has been funded by the illicit oil trade. US intelligence officials believed that in 2014 and 2015 ISIS were making as much as 3 million USD per day, mostly from the illicit oil trade. The oil was mainly sourced from the exploitation of oil fields, all of which they lost by 2019, diminished by US led airstrikes targeting ISIS controlled oil installations, and other factors. The oil from these oil fields was sold to locals and smuggled across numerous borders, largely the Turkish border. This contributed massively to the expansion of the ISIS.
- **The Iranian regime:** The regime leverages a 'shadow banking' network, using front companies to sell oil illicitly and evade numerous international sanctions. The profit from this sale is used to finance the Iranian armed forces and support notable terrorist groups like the Houthis and Hezbollah.
- **The Houthis:** The Houthis, who are backed by the Iranian Regime, gains hundreds of millions of USD yearly by smuggling oil across borders and taking oil imports. This money gained is then used to fund their destabilizing activities in Yemen.

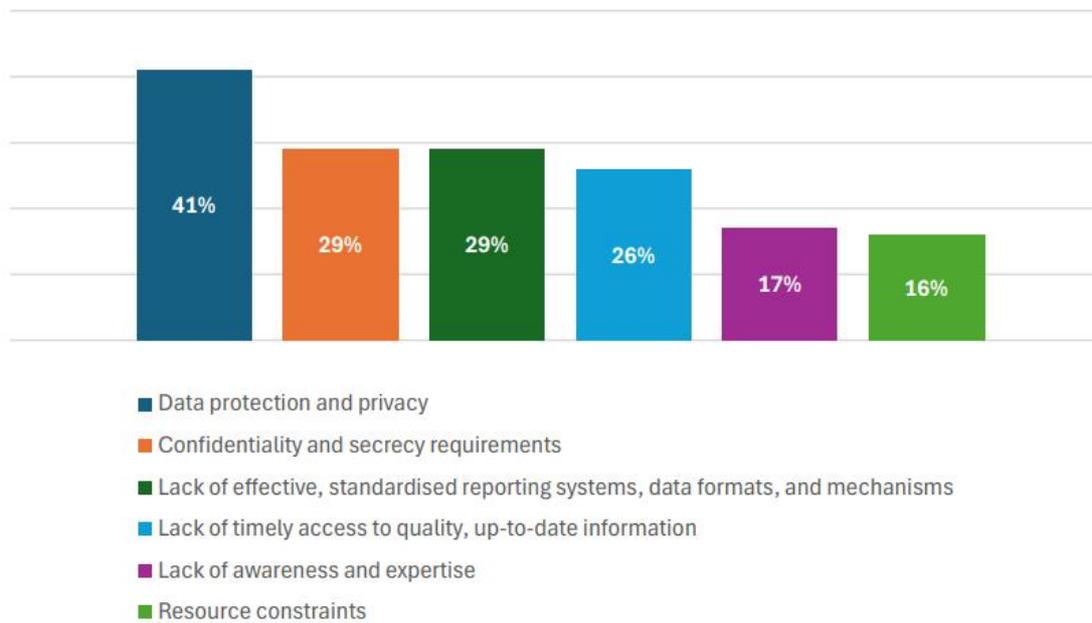
Attempts to prevent the illicit oil trade funding terror organisations:

- **INTERPOL:** INTERPOL works in tandem with numerous bodies to try and drive high-level policies on the illicit oil trade and establish increased cooperation between organisations and nations to counter terror organisation financing. One body INTERPOL works with is the **FATF**, as they aim to strengthen international standards combatting money laundering and the financing of terrorist organisations. There are many other FATF-style regional organisations which INTERPOL works with to increase security standards preventing the illicit oil trade in their respective regions, such as The Egmont Group, which is a network of 159 **FIU**'s operating globally to try and gain information about the illicit oil trade to be shared with other units. INTERPOL still wishes to

encourage further cooperation between these units, as well as cooperation between police forces in member nations to aid the sharing of intelligence and analysis.

- International response:** The UN, Governments, and other international bodies are continually working to try and disrupt the networks that facilitate the illicit oil trade, through the sanctioning of those involved in the trade, intelligence sharing across nations and organisations, and other law enforcement actions. An organisation which frequently announces sanctions against entities, vessels and individuals involved in the illicit oil trade to cut off funding streams is the US Departments of State and the Treasury.

Biggest Problems affecting collaboration between member nations:



Definition of Key Terms

NPOs- Non-Profit Organisations

Shadow banking- Lending and other financial activities conducted by unregulated institutions or under unregulated conditions.

ISIS- The Islamic state (also known as the Islamic state of Iraq and Levant)

The Iranian Regime- Iran’s authoritarian regime that governs the theocratic republic with laws and regulations based on Ja’fari Shia Islam.



The Houthis- A Zaydi Shia Islamist political and military movement in Yemen that controls much of the country

INTERPOL- International Criminal Police Organisation

FATF- Financial Action Task Force

FIU's- Financial intelligence units

State sponsor- A government that repeatedly provides support for international terrorist acts, offering funding, training, weapons, or safe havens to non-state terrorist groups.

Major Countries / Organisations Involved

Iran- A primary **state sponsor** with the National Iranian Oil Company generating significant funds use to finance the military and terror organisations like Hamas and Hezbollah.

Syria and Iraq- Both nations had oil production facilities seized by the ISIS, which became one of the wealthiest terror organisations from illicit oil trades.

UAE- A country where illicit oil trading networks operates on a large scale. The UAE is mainly used for shipping and finance.

China- A country where illicit oil trading networks operates on a large scale. China is mainly used for the purchasing of oil and other supplies needed to smuggle oil, as well as being a hub for illicit oil trading logistics.

USA- Has made previous efforts to diminish the ISIS's actions regarding financing from the exploitation of oil fields, and the US Departments of State and the Treasury has previously shared information to global organisations and other nations with aims to combat the illicit oil trade.

France- Where the headquarters of INTERPOL are located and have made previous efforts to diminish the illicit oil trade financing terror organisations.

ISIS- Exploited oil fields for financing,

Hamas, the Houthis and Hezbollah- Majorly funded by Iran, receiving financing from the illicit oil trade.