



global witness

# CRUDE CALCULATIONS

THE CONTINUED LACK OF  
TRANSPARENCY OVER OIL IN SUDAN

JANUARY 2011

# **CONTENTS**

SUMMARY.....	2
RECOMMENDATIONS.....	7
INTRODUCTION.....	8
EXPLANATIONS FOR THE OIL PRODUCTION DISCREPANCIES.....	9
• SUDANESE GOVERNMENT'S EXPLANATIONS.....	12
• CNPC'S EXPLANATIONS.....	14
TRANSPARENCY COMMITMENTS MADE BY THE SUDANESE GOVERNMENT	
• COMMITMENT 1 - PROCEED WITH A FULL INDEPENDENT AUDIT OF THE PETROLEUM SECTOR.....	17
• COMMITMENT 2 - REGULARLY PUBLISH DAILY PRODUCTION AND REVENUE FIGURES .....	18
• COMMITMENT 3 - INCREASE THE NUMBER OF STAFF FROM SOUTHERN SUDAN IN THE MINISTRY OF PETROLEUM .....	19
• COMMITMENT 4 - HOLD REGULAR MONTHLY MEETINGS WITH THE SOUTHERN MINISTRY OF ENERGY AND MINING .....	20
• COMMITMENT 5 - ENGAGE WITH THE EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE .....	21
CONCLUSION.....	24

## Summary



With a referendum on independence for southern Sudan just days away, oil sector transparency is now more important than ever to preserving the fragile peace between north and south.

© Sven Torfinn / Panos Pictures

With a referendum on independence for Southern Sudan just days away, oil sector transparency is now more important than ever in preserving the fragile peace. Suspicions over the sharing of oil revenues under the current peace deal have greatly added to the mistrust between north and south. Given that north and south are both hugely reliant on oil revenues, the single best way to ensure the stability of the country after the referendum is to put a new transparent and verifiable oil deal in place.

### **The current arrangement and discrepancies**

The 2005 Comprehensive Peace Agreement that brought an end to the war between north and south Sudan contained an innovative oil wealth-sharing deal in which the former foes agreed to split the country's oil wealth.

The \$10 billion that have flowed from north to south as a result have played a large part in keeping the peace. However, that deal comes to an end in a few days time, at the same time that a referendum on independence for Southern Sudan is likely to see a landslide vote in favour of secession.

There has been much mistrust over whether the current revenue distribution system has been implemented fairly. In fact mistrust over the revenue sharing was one of the primary reasons for the south's temporary pullout from the power-sharing arrangement in 2007. Evidence suggests that such concerns are not unfounded. Global Witness' September 2009 report, *Fuelling Mistrust*, identified significant

discrepancies between the oil production figures published by the Sudanese government and those published by the main oil company operating in the country, China National Petroleum Corporation (CNPC).<sup>1</sup> For every oil block in Southern Sudan for which a comparison was possible, the government's oil production figures were smaller than the oil company's by between 9% and 26%, raising the suspicion that the government under-declares the volume of oil produced and therefore shares less oil revenues with the south than specified by the peace agreement.

Global Witness has always emphasised that the discrepancies do not necessarily mean that the Sudanese government is 'cheating' the southern Sudanese government out of oil revenues. What they do mean, however, is that it is currently impossible to know for sure how much oil Sudan currently produces, and therefore impossible to know for sure whether the wealth-sharing agreement is being implemented fairly. This is why transparency is so important.

#### **Transparency seminar in Khartoum**

In August 2010, Global Witness participated in a landmark seminar on oil revenues and transparency in Khartoum hosted by the Sudanese Ministry of Petroleum. The event was organised in response to the transparency concerns we had raised in *Fuelling Mistrust* a year earlier.

The seminar allowed Global Witness the opportunity to present our findings to a wide audience in Khartoum, and for the Sudanese government and CNPC to provide explanations for the oil production discrepancies which we had reported. The Sudanese government and CNPC have so far declined to provide Global Witness with any further data to back up their explanations for the discrepancies, despite originally saying

that this would be possible, and despite considerable efforts by Global Witness to obtain the information.

The Sudanese government also used the seminar to announce five new commitments towards improving oil sector transparency; this report examines these commitments and the explanations provided in further detail. Global Witness publicly welcomed these explanations and commitments.

This report examines the explanations of the oil production discrepancies provided by the Sudanese government and CNPC in more detail to see if they stand up to scrutiny, and also examines the transparency commitments made by the Sudanese government to see the extent to which they have been implemented.

#### **The Sudanese government's and CNPC's explanations of the oil production discrepancies**

At the seminar, the government stated that their figures were lower than the oil company's for two reasons: because their figures represent volumes of oil and water whereas the companies' figures are for volumes of oil only, and because the volumes differ depending on the temperature and pressure at which they are measured. After consultations with industry experts, it is Global Witness' view that neither of these explanations provides a credible justification for the reported oil production discrepancies.

During CNPC's presentation, company representatives stated that their figures were higher than the Sudanese government's for the same reasons presented by the government

as well as two additional reasons: because the oil consortia consume and also lose oil between the oil field and point of export. The company also stated that it is typical for an oil company to consume or lose 5-15% of total oil production. After consultations with respected oil industry experts, it is Global Witness' view these explanations are highly unusual for a major, internationally operating oil company.

### **Status of the commitments made by the Sudanese government to increase oil transparency**

The five commitments to increase oil transparency made by the Sudanese government at the seminar in August were to:

- conduct an audit of the oil sector;
- publish daily production and revenue figures;
- increase the number of southern staff in the federal petroleum ministry;
- hold regular meetings with the southern energy ministry; and
- engage with the Extractive Industries Transparency Initiative.

The implementation of two of these commitments stand out – one good, and one not so good. The federal and southern governments have recently agreed to the Terms of Reference for an audit of the oil sector, something that they have promised to do and for which Global Witness has been calling for more than a year. This is one of the most important commitments that was made by the Sudanese government. In order that the audit facilitates increased transparency and builds trust between north and south, it is imperative that a credible, independent company carry out the audit promptly, and that the results are made public.

Less encouraging is the fact that there has been a substantial decrease in the amount of information available to Sudanese citizens about their oil industry since June 2009, despite promises made by the Ministry of Petroleum that they would “put everything on the internet”.<sup>2</sup> Unfortunately, this is also one of the most important commitments that was made by the Sudanese government, and one that has not been met.

### **The importance of oil revenue transparency**

Under the current circumstances, Sudanese citizens still cannot be sure how much oil their country produces and therefore still cannot be sure that the oil wealth-sharing agreement is being implemented fairly. It is critical that these issues are addressed; a new oil deal between north and south is essential to preventing a return to full-scale war. If the south, as expected, votes to become an independent country in the upcoming referendum, it will take three-quarters of the country's known oil reserves with it. The US Special Envoy to Sudan, General Scott Gration, has stated that without a new oil deal and an agreement on the north-south boundary, the odds of a return to violence are very high. In October 2007, suspicions over whether oil revenues were being shared fairly caused the peace agreement to come close to falling apart with the south temporarily pulling out of the power-sharing government. Global Witness is calling for any new oil deal to make compliance with the deal itself easily verifiable, be regularly validated by an independent monitor, and incorporate a dispute resolution mechanism.

## **Seven major problems with the explanations given by the Sudanese government and CNPC for the oil production discrepancies**

- 1.** A large, internationally-operating oil company such as CNPC is unlikely to quote oil production figures in its annual reports that include water; after all, its customers and shareholders are interested in the number of barrels of oil that they produce, not the number of barrels of oily water they pump.
- 2.** Oil companies operating in Sudan are unlikely to consume or lose 5-15% of the oil that they extract, as claimed by CNPC. If 10% of Sudanese oil was consumed or lost by the oil companies, this implies that the federal and southern governments lost out on approximately \$500 million of oil revenue in 2010. If that is true, then this raises the question of how the government ensures that such losses are being minimised.
- 3.** CNPC's explanation that oil companies regularly consume or lose 5-15% of the oil that they extract cannot account for the fact that there was a 26% discrepancy between the government's and CNPC's oil production figures in 2005.
- 4.** The Sudanese government's argument that the oil company's higher production figures can be explained by the presence of water mixed in with the oil cannot account for the fact that blocks 1, 2 and 4 do not have the largest discrepancies. Blocks 1, 2 and 4 are the longest producing oil blocks in the country. According to oil experts consulted by Global Witness this means one would expect a greater discrepancy between gross and net oil production figures in blocks 1, 2 and 4 than for other blocks. This is not the pattern that was observed.
- 5.** The Sudanese government's argument that the oil company's higher production figures can be explained by the presence of 10% water mixed in with the oil cannot account for the fact that, according to industry experts, only a very small amount of water – much less than 10% - would likely remain after separation in the field facilities.
- 6.** The Sudanese government's statement that the oil volume measurements are made at different temperatures and pressures is an unusual argument to be applied to crude oil. "Standard temperature and pressure" is not a phrase that is normally used with reference to oil volumes; it is used with respect to volumes of gas.
- 7.** The Sudanese government's argument that there are variations in the temperature and pressure at which the oil volumes are measured, cannot account for the fact that there are substantially smaller discrepancies for the production figures from block 6 than for other blocks. According to CNPC, block 6 contains lots of gas, which would imply that its measurements, unlike other blocks, are affected by temperature and pressure.

## **Recommendations**

### **Post-referendum oil deal**

- The north and south negotiating parties – the NCP and SPLM – should agree to the details of how Sudan’s oil will be managed after the referendum on independence for the south as a matter of urgency. Such a deal should be verifiable, simple and should include provisions for independent monitoring and a dispute resolution mechanism. The African Union High Level Implementation Panel should prioritise brokering such an agreement, and other influential parties such as the US, UK and Norway should increase the pressure on north and south to reach an equitable deal.

### **Oil audit**

- Now that the Terms of Reference for an audit of the country’s oil sector have been signed off by the Presidency, the audit should be carried out promptly, by a credible, independent company acceptable to both parties, and with experience of doing such audits. The auditing company should be given full access to government and company accounts and the results and recommendations of the audit should be made publicly available in full.

### **Oil data publication and verification**

- The Sudanese government and the oil companies operating in Sudan should publish all data on the gross and net oil production, broken down by block and by month. The information should include the percentage of water mixed in with the oil at various stages along the pipeline, the volume of oil consumed by the oil companies and the volume of oil lost by the oil companies.

- Sudan’s oil production figures should be regularly verified by an independent company that makes its verification reports available to the public in full. The verification should include on-the-ground investigation, testing of the oil metering system and measuring of the percentage of water in oil samples along the pipelines.
- The Sudanese government should resume publishing the reports of the Joint Technical Committee on Oil Revenue Sharing – the committee set up by the peace agreement to monitor transfers of oil revenue from north to south – and should begin to publish all oil sector data, especially the information which is relevant to any new north-south oil deal.
- The Sudanese government and Government of Southern Sudan should make reports of the Auditors General publicly available, particularly those on oil revenues given the importance of the sector in both economies.

### **Minimising losses**

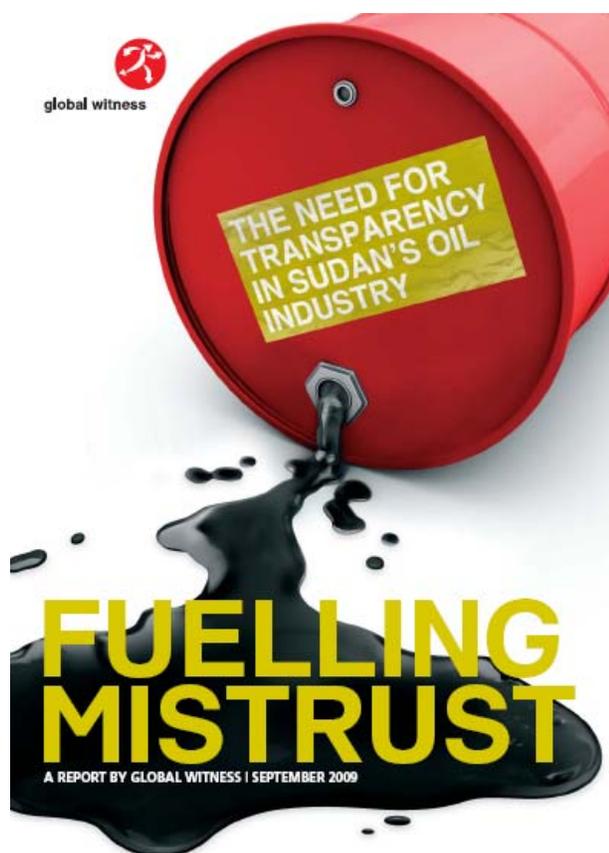
- The Sudanese government should ensure that the oil companies operating in Sudan have an incentive to minimise any consumption or loss of crude oil.

### **EITI**

- Southern Sudan should sign up to the Extractive Industries Transparency Initiative (EITI) if it becomes an independent country. The southern government should also include explicit transparency and accountability requirements in its new petroleum policy. Sudan’s donors should prioritise funding capacity-building programmes in Southern Sudan both within and outside of the government, such that that informed stakeholders can play an active watchdog role in EITI and the sector generally.

## Introduction

On 18 August 2010, Global Witness participated in a landmark transparency seminar in Khartoum organised by the incoming Minister for Petroleum of the Sudanese government, Lual Deng. The event was organised in response to a report that we had published in September 2009, in which we raised issues around transparency in the Sudanese oil sector.<sup>3</sup> In particular, the report, *Fuelling Mistrust*, highlighted how the oil production figures published by the Sudanese government and by the main oil company operating in Sudan, the Chinese state-owned CNPC, do not match each other. It is impossible to know which set of figures – government or company – is the correct one. However, until the volume of oil that Sudan produces can be verified, the suspicion remains that the Sudanese government under-



reports the volume of oil produced, and therefore shares less money than it ought with the Government of Southern Sudan. It is critical that these discrepancies are clarified as the oil production volumes underpin the wealth-sharing agreement that is at the heart of the 2005 Comprehensive Peace Agreement. It is also critical that the Sudanese government publishes all of the data needed to demonstrate that the wealth-sharing agreement is being implemented fairly. This includes data that has never been published, such as the costs claimed back by the oil companies.

---

**It is critical that the Sudanese government publishes all of the data needed to demonstrate that the wealth-sharing agreement is being implemented fairly**

---

The seminar was attended by representatives from both the federal and southern governments, all three main foreign oil companies working in Sudan (China National Petroleum Corporation, CNPC; Petronas; and the Oil and National Gas Corporation, ONGC) and representatives of the diplomatic corps and Sudanese and international media. Sir Derek Plumbly, the Chairman of the Assessment and Evaluation Commission – the body set up by the peace agreement to oversee its implementation – chaired the event.

Global Witness was impressed by the openness with which all sides participated in the oil transparency seminar, and said so publicly at the time.<sup>4</sup> We made it clear that information currently available does not allow Sudanese citizens or the Government of Southern Sudan to verify that the oil wealth-sharing is being carried out fairly.

The event offered the opportunity for us to present our findings to a wide audience in Khartoum, and for the Sudanese government and CNPC to provide explanations for the oil production discrepancies which we had reported. The Sudanese government promised to provide Global Witness with the necessary data to back up their explanations for the discrepancies, however despite sustained attempts to engage, the information has not been forthcoming. This report looks at the explanations provided in detail in order to examine if they are in themselves enough to explain the discrepancies and other concerns raised. Answering this question is important: ensuring that Sudan's oil revenues are shared between north and south fairly, both now and after the referendum on southern independence, is critical to preventing a return to full-scale war.

*“The seminar is a critical point of departure in promoting sustained transparency in Sudan”*

Lual Deng, Sudanese Minister of Petroleum,  
18 August 2010

In addition, the Sudanese government also announced five new commitments towards improving oil transparency at the seminar. These were: to conduct an independent audit of the oil sector, to publish daily production and revenue figures, to increase the number of staff from Southern Sudan in the federal Ministry of Petroleum, to hold monthly meetings with the southern Ministry of Energy, and to engage with the Extractive Industries Transparency Initiative. Global Witness welcomed these new commitments, and said so publicly at the time.

Four months after the commitments were made, this report reviews their implementation in order to document the extent to which they have been fulfilled.

## ***Sudanese government and CNPC's explanations of the oil production discrepancies***

In the sections below, we detail the explanations given by the Sudanese government and CNPC for the oil production discrepancies, and examine the extent to which they are able to account for the observed mismatches.

First, however, we break down our attempts to obtain the necessary data to back up the explanations given by the Sudanese government and CNPC. The federal government and CNPC agreed at the seminar to provide Global Witness with this data.<sup>5</sup> Subsequently, Global Witness wrote to both organisations both to formally request the information, and to list the data which we felt would be necessary in order to verify their claims.

The Ministry of Petroleum initially responded to say that the Minister had “promptly instructed his advisors to respond to [our] queries within the proposed time frame”.<sup>6</sup> However, our requested response dates [two weeks for easy-to-obtain data; two months for more difficult-to-obtain data] passed without any new information being made available. Subsequently, the Minister of Petroleum, Lual Deng, wrote to us to say that he had “instructed [his] staff NOT to waste their time in working for [us]”.<sup>7</sup>

CNPC responded to our request for information to say that it is “just one of the many foreign partners of the Joint Operating Companies (JOCs)” and that “all of the data of production and operations are produced by JOCs”. As such, they suggested we contact the Joint Operating Companies – the consortia of oil companies that own exploration and production rights to the oil blocks – directly for more information. This

How much oil is lost along pipelines in Sudan?

© Sven Torfinn / Panos Pictures



suggestion was provided despite the fact that CNPC stated at the seminar that they would provide such information; and despite the fact that CNPC is both the majority shareholder and operator of six of Sudan's seven productive oil blocks and as such would be in a position to provide such information, as indeed they began to do at the seminar in August.

Global Witness wrote to all of the Joint Operating Companies with blocks in the south to request oil production data. Greater Nile Petroleum Corporation (GNPOC) and White Nile Petroleum Corporation did not reply to our letter. Petrodar responded to say that we should redirect our request to the Ministry of Petroleum.<sup>8</sup>

In theory, the data which Global Witness initially requested from the Sudanese government and the oil companies should have been relatively easy for them to provide as much of it was already referenced in their presentations during that seminar.<sup>9</sup>

In particular, our main request was for gross and net oil production data – in other words, the volumes of oil extracted from each oil block (gross) and available for sale at the point of export (net).<sup>10</sup>

In addition, the representative from the Sudanese Petroleum Corporation stated at the oil seminar that all oil revenues are audited by the offices of the Auditors General of both the federal and southern governments. Such audit reports should also have been easy for the government to provide.

In summary, despite promises that the data to back up the government's and CNPC's explanations for the oil production discrepancies would be made available, and despite the government and oil companies being in possession of the most important data, no such information was forthcoming. Now that the deadlines for providing the additional information have passed, Global Witness is choosing to publish its findings as to the current level of transparency in the oil sector in Sudan.

## ***What do transparency and independent verification mean in practice?***

Transparency means the regular and timely publication of disaggregated data, including:

- **Oil production figures.** Disaggregated by individual oil field and volumes tracked along different points along the pipeline.
- **Oil sales and revenue figures.** Disaggregated by blend of oil and individual sales.
- **Fees paid and received.** Including pipeline and management fees as well as royalty payments made by the companies and investment costs claimed back from the government by the companies; disaggregated by company/consortium.
- **Full public disclosure of all the oil sector contracts.** Includes Exploration and Production Sharing Agreements, Crude Oil Pipeline Agreements, and any other oil-related contracts.

Independent Verification means:

- **A system of double-disclosure wherein oil companies – in addition to the Sudanese government(s) – are legally required to publish relevant oil sector data.** This programme of double-disclosure is in line with the standards and principles of the Extractive Industries Transparency Initiative and significantly increases the ability of the federal and southern governments and of local civil society to watchdog the sector and ensure best management of natural resource wealth.
- **An independent monitoring process to verify all oil sector data and management processes, and oversee the disclosure of information.** This process should involve international experts and reputable, independent local civil society, and should have sufficient authority, resources, access, and expertise. The monitors should produce regular and timely public reports that include recommendations relating to systemic weaknesses and oversight challenges identified.
- **Full, annual, independent audits.** The audits should be completed to international standards by a reputable, independent auditing company, mutually agreed by both Parties. They should cover engineering, technical, and financial flows, and should be made publicly available in a timely manner.

For more information, please see Global Witness' October 2010 report, *Tangible Transparency*.

## Sudanese government's explanation of the oil production discrepancies

The presentation given by the Sudanese Petroleum Corporation (the government representative) at the oil seminar provided two main explanations as to why the CNPC's oil production figures were higher than the government's:

- that the government's production figures are "net of water, gas and solids, while the oil companies' may include them";
- that the government's production figures are measured at standard temperature and pressure, whereas other production figures are measured at non standard temperatures and pressures.

The sections below examine these two explanations in further detail.

### *Water explanation*

In Sudan, water is pumped into the oil wells in order to increase the pressure underground sufficiently so that the oil is forced to the surface.

As a result, the crude oil that comes out of the ground is actually composed of both oil and water. The majority of the water is removed right beside the oil wells by putting the oil and water in large 'separation ponds' (see photo). Here, the oil floats to the surface and the water sinks to the bottom.

The Sudanese Petroleum Corporation stated that some oil production figures, such as CNPC's, were measured at the beginning of the oil pipeline and therefore include water, whereas the government's production figures are measured at the point of export (and, presumably, the point of import into a local refinery) by which stage the water has been removed. In other words, the oil companies' production figures are gross whereas the government's are net. Could these differences in the water content explain the discrepancies between the government and oil company's oil production data?

Aerial photo of Unity oil field, showing the large ponds used to separate oil from water

© Tim McKulka / UN Photo



There are a number of different reasons to suggest that this water explanation cannot fully explain the observed discrepancies:

1. This explanation assumes that CNPC publishes oil production figures in its annual reports that include water as well as oil. A large, internationally-operating oil company like CNPC is highly unlikely to do this; after all, its customers and shareholders are interested in the number of barrels of oil that they produce, not the number of barrels of oily water they pump. The publication of such figures would be misleading to its shareholders and customers, who would presumably expect to read about the volume of crude oil being produced that is available for purchase. Global Witness spoke to one oil industry insider and three oil industry analysts who all confirmed this.
  - “I have never heard of a case [in which an oil company would publish production figures which include water]. Oil produced should be oil produced and a figure in the annual report should reflect that,” said a senior expert working for a prominent international oil company;<sup>11</sup>
  - “It would be “surprising” if an oil company’s production figures in their annual reports included water,” said an oil analyst working for a well-respected think tank;<sup>12</sup>
  - “I have never heard of water being included [in oil company’s production figures]. If this is being done, I would describe that as disingenuous,” said an oil analyst working for a major international bank;<sup>13</sup>
  - “A normal oil company does not report any water in production figures,” said a Sudan oil industry analyst.<sup>14</sup>

2. Substantially more water has to be pumped into more mature oil fields than less mature ones, because as the amount of oil diminishes underground, the amount of water that has to be pumped in to increase the pressure sufficiently to force it out of the ground increases. Blocks 1, 2 and 4 are more mature than blocks 3 and 7.<sup>15</sup> As such, if this water explanation is correct, you would expect a greater discrepancy between gross and net oil production figures in blocks 1, 2 and 4 than in blocks 3 and 7. In fact, when we compared government and oil company oil production figures in *Fuelling Mistrust*, we found a 9% discrepancy for blocks 1, 2 and 4 but a 14% discrepancy for blocks 3 and 7 in 2007.<sup>16</sup>

3. The amount of water that has to be pumped into some of the oil wells in Sudan is substantial. In fact, the liquid that comes out of the Heglig oil field is approximately 80% water and 20% crude oil. Some other oil fields in Sudan could have an even higher proportion of water. Most of this water is removed in separation ponds near the oil wells.<sup>17</sup> Sudanese Petroleum Corporation stated that measurements of the volume of pumped liquid at the Petrodar blocks are composed of 90% oil and 10% water at the field processing facility, and 99.5% oil, 0.5% water further down the pipeline at the central processing facility.<sup>18</sup> However, according to industry experts only a very small amount of water – much less than the 10% quoted by Sudanese Petroleum Corporation – would likely remain after separation in the field facilities.<sup>19</sup>

### *Temperature and pressure explanation*

The Sudanese Petroleum Corporation stated that some oil production figures in Sudan are measured at “standard temperature and pressure” whereas others are measured at non-standard temperatures and pressures. Could these differences explain the discrepancies between the government and oil company’s oil production data? There are a number of different reasons to suggest that this cannot fully explain the discrepancies:

1. The phrase “standard temperature and pressure” is not normally used with reference to oil volumes; it is used with respect to volumes of gas.<sup>20</sup> This is because temperature and pressure do not affect the volume of a liquid unless it has a lot of gas dissolved in it. An oil analyst that Global Witness spoke to said that he had “certainly never heard of [temperature and pressure] affecting reported [production] figures in annual reports”.<sup>21</sup> Another oil analyst stated that this explanation “looks pretty irrelevant”.<sup>22</sup>
2. CNPC stated at the oil seminar that there was a lot of gas in the oil from block 6. (They stated this as evidence as to why they did not need to consume much oil to fuel their operations in block 6, whereas they did in other blocks). If block 6 contains gas whereas the other blocks in Sudan do not, the temperature and pressure explanation put forward by Sudanese Petroleum Corporation would imply that you should see bigger discrepancies in the gross and net oil production volumes from block 6 than from the other blocks. In fact, when we compared government and oil company oil production figures in *Fuelling Mistrust*, we found a 2% discrepancy in blocks 6 but 9% and 14% discrepancies in other blocks.<sup>23</sup>

I have “*certainly never heard of [temperature and pressure] affecting reported [production] figures in annual reports*”

Oil analyst

### **CNPC’s explanation of the oil production discrepancies**

The presentation by CNPC at the oil seminar in August provided four main explanations as to why the government’s oil production figures were higher than CNPC’s own figures: the same two explanations as provided by the Sudanese Petroleum Corporation (water cut and differences in temperature and pressure) as well as two additional reasons:

- Consumption of oil by the extracting company for purposes such as fuel for boilers, fuel for power plants, running the pipelines and ‘natural wastage’;
- Processing losses.

The presentation emphasised these additional two reasons, and did not seem to place much emphasis on the explanations provided by the Sudanese government – the water cut and differences in temperature and pressure. CNPC also stated that a 5-15% loss of crude oil between the oil field and the point of export is the international norm.

“*I cannot believe they [CNPC in Sudan] consume 5-15% of their oil on the operations*”

Oil analyst

In addition to the problems already highlighted earlier, there are a number of other problems with these explanations for the discrepancies:

1. CNPC stated that it is usual for 5-15% of crude oil production to be consumed or lost by oil companies worldwide. It would seem unlikely – indeed highly wasteful – if oil companies did consume such large quantities of oil. An oil industry analyst whom Global Witness spoke to confirmed that this figure seem high, and that such losses would be “highly inefficient” unless very small quantities of oil were being produced.<sup>24</sup>
2. CNPC stated that it is usual for 5-15% of crude oil production to be consumed or lost by oil companies worldwide. However, when we compared government and oil company reported production figures in *Fuelling Mistrust*, we found a 26% discrepancy in 2005 for blocks 1, 2, 4 and 6 combined.<sup>25</sup> (Indeed, CNPC also stated (see below) that they do not consume or lose any oil from block 6, which would imply that the discrepancy in block 1, 2 and 4 was even bigger than 26%.) Such a difference is considerably higher than the figures stated by CNPC as the international norm.
3. If it is true that 5-15% of crude oil production is consumed or lost by the oil consortia, as stated by CNPC at the seminar, then this raises the question of how the government ensures that such losses are being minimised. After all such losses affect the government’s oil income. The chair of the National Petroleum Commission told Global Witness that the oil companies’ contracts enable crude oil or non-commercial gas to be utilised by the oil companies, providing that they obtain consent from the government.<sup>26</sup> The

contract for blocks 1, 2 and 4, which are operated by CNPC, specifies that the “Contractor [is] allowed, upon Minister’s consent to use any Gas to carry out Operations. If Gas is available for sale, Government and Contractor shall study alternatives for its use”.<sup>27</sup>

It is not clear, however, that it states that the contractor is obliged to measure its consumption of oil nor minimise such losses. The government should ensure that it is in the oil companies’ interests to minimise consumption of the crude oil because it directly affects the government’s revenues, to a large degree in some instances.

4. 5-15% of total oil production amounts to a huge quantity. The federal and southern governments earned over \$4.5 billion from oil in 2010.<sup>28</sup> If 10% of the oil from which this money derives had been consumed or lost by the oil companies, the total lost revenues to the Sudanese government and Government of Southern Sudan would be \$500 million for 2010 alone. If oil companies operating in Sudan really are consuming or losing this amount, then the government should be collating these figures and verifying them. Such figures should also be available to the Government of Southern Sudan and to all Sudanese citizens. The day after CNPC provided this explanation a senior civil servant from the south requested these figures from the Sudanese government and as far as we know is still awaiting a response.<sup>29</sup> CNPC explained the fact that there were no discrepancies in the oil production data in the sole block which is entirely in the north of the country, block 6, by stating that they are able to use gas to supply their power needs in block 6, whereas they have to use crude oil in their other blocks. This explanation must be verified and figures on the volume of gas obtained, consumed and lost in block 6 should also be published and verified.

In summary, the explanations provided by both the Sudanese government and CNPC for why their oil production figures do not match each other, do not stand up to scrutiny. The government's explanations have been discredited by respected oil experts, and imply that CNPC publishes oil production figures in its annual reports that include water as well as oil, something that it is unlikely

to do. CNPC's explanations imply that an enormous quantity of Sudanese oil is being consumed by the oil companies operating in the country. In addition, data that could have been provided by the Sudanese government or the oil companies to back up their explanations has not been forthcoming.

### ***Explaining why government and oil company production figures for block 6 match***

Global Witness' report, *Fuelling Mistrust*, revealed discrepancies between the Sudanese government's and CNPC's oil production figures for all the oil blocks in Southern Sudan apart from the sole oil block which is entirely in the north of the country. Production figures from the Sudanese government and CNPC matched each other for this block, which by virtue of being in the north, is not subject to wealth sharing under the Comprehensive Peace Agreement. A key requirement of any explanation for these discrepancies is that it can account for why government and company production figures match for block 6 but do not match for other blocks.

The Sudanese government did not provide any explanation as to why government and oil company production figures for block 6 match each other. CNPC, however, did provide an explanation. They said that there is a lot of gas in the oil from block 6 and that they use the gas to fuel their power requirements, rather than using the crude oil itself. Such an explanation is eminently testable. The Sudanese government should publish figures detailing the quantities of gas present in each oil block, and the quantities of oil and gas that are used by the oil companies for their own needs. The audit of the Sudanese oil sector should verify these figures.

Note that CNPC's explanation for block 6 is inconsistent with an explanation put forward by the Sudanese government for the oil production discrepancies. If block 6 contains gas whereas the other blocks in Sudan do not, the temperature and pressure explanation put forward by the Sudanese government would imply that you should see bigger discrepancies in block 6 than in other blocks. In fact, when we compared government and oil company oil production figures in *Fuelling Mistrust*, we found a 2% discrepancy in blocks 6 but 9% and 14% discrepancies in other blocks.<sup>30</sup>

## **Transparency commitments made by the Sudanese government**

At the August oil seminar in Khartoum, the federal Minister of Petroleum, Lual Deng, made a number of commitments to improve transparency in the Sudanese oil sector. This section examines the extent to which these commitments have been implemented, and the extent to which this has improved transparency.

The table below gives a summary of our findings. Note that commitment 1 and commitment 2 are the most important in the short term with regards to shining more light on Sudan's oil revenues.

<b>Commitment</b>	<b>Status</b>
Proceed with a full independent audit of the petroleum sector	MET
Regularly publish daily production and revenue figures	NOT MET
Increase the number of staff from Southern Sudan in the federal Ministry of Petroleum	PARTIALLY MET?
The federal Ministry of Petroleum will hold regular monthly meetings with the southern Ministry of Energy and Mining to coordinate on reporting and verification	PARTIALLY MET
Engage with the Extractive Industry Transparency Initiative	MET

## **Commitment 1: to proceed with a full independent audit of the petroleum sector**

### *Background*

The two parties, NCP and SPLM, agreed in writing to conduct an audit of the Sudanese oil sector in mid-2009.<sup>31</sup> The Norwegian Agency for Development Cooperation drafted Terms of Reference for the audit but at the time of the oil seminar in Khartoum, about a year on from the initial commitment, the Terms of Reference had not yet been signed off by the Presidency.<sup>32</sup> Proceeding with such an audit was a key recommendation of Global Witness' first report on Sudan.<sup>33</sup>

### *Commitment made by the Sudanese government*

At the seminar, the Minister of Petroleum announced: that the Terms of Reference for the oil sector audit had been approved by both the NCP and SPLM;<sup>34</sup> that the audit would go back to 2005, the start of the wealth sharing agreement of the CPA; and that the audit would be carried out by an independent company. Global Witness publicly welcomed this announcement and called on the Sudanese government to publish the findings of the completed audit.

### *Current status of the commitment*

The Sudanese Presidency has recently approved the Terms of Reference for the oil audit and the parties are now in the process of compiling a list of credible firms to carry out the audit.<sup>35</sup> This is good news, providing that the audit is carried out by an independent company, as promised by the Minister of Petroleum, that it is conducted by a credible company with experience of doing such audits, and that is given full access to government and company accounts, that it includes a

mechanism for repaying any money that may be shown to be owed by north to south, and that the results and recommendations of the audit are made public for all to see in a timely way.

Carrying out an audit of the oil wealth sharing under the Comprehensive Peace Agreement is critical to dispelling the allegations of ‘cheating’ that have so far plagued the deal. Dispelling such allegations is absolutely necessary to build trust between the north and south, therefore creating a clean slate and paving the way for a new post-referendum oil deal to be agreed.

## **Commitment 2: to regularly publish daily production and revenue figures**

### *Background*

The most basic prerequisite for Sudanese citizens to begin to be able to tell whether their country’s oil wealth is being shared between north and south in accordance with the Comprehensive Peace Agreement is for certain oil figures to be published. The figures needed most are the volume of oil produced by each block in Sudan, the price for which the oil has been sold, the various fees that have been deducted (such as pipeline fees and the management fee imposed by the Sudanese government), the costs claimed back by the oil companies, and the split of oil between the government and oil companies as specified in each Exploration and Production Sharing Agreement. Of course, knowing what the Sudanese government states these figures to be is only the first step; far more important in terms of building trust between north and south is for these figures to be verifiable.

The federal Ministry of Finance and National Economy used to publish most of

these figures on their website, broken down by month,<sup>36</sup> with the sole (but important) exception of the details from the oil companies’ contracts which specify how much oil belongs to the government and how much to the company. It is important to note too that the figures were often published late, sometimes very late. For example, most of the 2007 data and all of the 2008 data were not published until April 2009. However, they were published. To date, the last such report that was made available by the Sudanese government was from June 2009, however.

---

**The last time that the Sudanese government published detailed figures on the oil revenue sharing was June 2009. Since then, there has been a substantial decrease in the amount of information provided to the public.**

---

### *Commitment made by the Sudanese government*

The Minister of Petroleum stated at the oil seminar that his government would recommence publishing relevant oil figures. In particular, he said that the Ministries of Petroleum and Finance would collaborate to publish daily revenue and daily production figures, and added that the provenance and relevance of the figures would be clearly explained.

### *Current status of the commitment*

The commitment made at the August oil seminar to publish daily production and revenue figures has not been met. A small number of daily production and oil sales prices have been published on the website of the Sudanese Petroleum Corporation,<sup>37</sup> but the number of days of

missing data far exceeds the number of days for which data have been published and there is not yet a way to access archived figures. It would not be expected that the oil sales data would be updated on a daily basis, as oil sales are not made every day; however, it would be expected for the oil production data to be updated daily, which it is not. No information has been provided on the provenance and relevance of the figures, as promised. Further, the oil sales data published on the website are only available for one of the two blends that Sudan exports.<sup>38</sup>

*“We will put everything on the internet, for the Southerners, the Northerners, and the rest of the world to verify. We will put up daily production figures and daily revenue figures”*

Lual Deng, Sudanese Minister of Petroleum<sup>39</sup>

As such, the total information available today represents an overall step backwards in transparency terms: far less data is being published by the Sudanese government now than it was in 2008 and the first half of 2009, which even then was insufficient to be able to verify the oil revenue sharing.

### **Commitment 3: to increase the number of staff from Southern Sudan in the federal Ministry of Petroleum**

#### *Background*

The Comprehensive Peace Agreement sets targets for the number of southerners to be employed in middle- and upper-level positions in the national civil service. In particular, the Interim National Constitution says that the National Civil Service Commission shall “ensure that not less than twenty percent of the middle and upper level

positions in the national civil service, including the positions of Undersecretaries, are filled with qualified persons from Southern Sudan within the first three years of the Interim Period and achieving twenty-five percent in five years...”. The targets set out in the peace agreement are important in terms of building trust between north and south, and building capacity in the south. The targets are particularly important for the oil sector given that the country’s oil is meant to be managed jointly by north and south.

#### *Commitment made by the Sudanese government*

At the oil seminar, the federal Minister of Petroleum stated that more staff from the south would be moved into the Ministry in order to learn more about the industry. The aspiration of having 20% of the staff of the petroleum ministry coming from the south was also restated.

#### *Current status of the commitment*

One area in which progress has been made since Global Witness’ report on oil transparency in Sudan was published in September 2009 is that the head of marketing of the oil sales committee is now a representative of the Government of Southern Sudan.<sup>40</sup>

However, there is currently ambiguity over exactly how many southern civil servants have been moved to the Ministry of Petroleum in Khartoum. At least 13 staff members from the southern state-owned oil company, Nilepet, (seven since October 2010) are said to have been seconded to Sudapet, the Sudanese state-owned oil company; and 37 southerners are said to have been placed in the federal Ministry of Petroleum in the last few months.<sup>41</sup> However, members of

southern government have stated that while a small number of southern civil servants have been moved north since the oil seminar in Khartoum, they have not been given full access to oil sector information and have not been allowed to visit some key areas, such as Port Sudan.<sup>42</sup>

As well as some possible progress in increasing the number of southerners in the federal Ministry of Petroleum, there has also been some progress in providing southerners with oil-related training. The federal Minister of Petroleum recently announced that 40 Southern Sudanese from Upper Nile state would be sent to Malaysia and India on a six-month training course in technical aspects of oil exploration.<sup>43</sup>

#### **Commitment 4: the federal Ministry of Petroleum will hold regular monthly meetings with the southern Ministry of Energy and Mining to coordinate on reporting and verification**

##### *Background*

In order to divide up the oil revenues between north and south according to the Comprehensive Peace Agreement, it is necessary to know, among other things, how much oil is produced in oil wells in Southern Sudan and the price for which it was sold. The Joint Technical Committee for Oil Revenue Distribution was set up by the peace agreement to monitor the division of the oil revenues and is staffed by senior civil servants from the federal and southern governments.

In general, the Joint Technical Committee has met on a regular monthly basis. Indeed, the Committee is one of the few set up by the Comprehensive Peace Agreement that has regularly met. However, the meetings reportedly stopped happening, at least

temporarily, around August 2009 due to a disagreement over the Permanent Court of Arbitration's ruling on the borders of Abyei.<sup>44</sup> The two energy ministries, federal and southern, are said to have started working more closely with each other shortly before the seminar in Khartoum.<sup>45</sup>

---

**According to a senior civil servant of the Government of Southern Sudan, it is impossible for the southern government to verify whether the oil figures presented to the Joint Technical Committee on Oil Revenue Sharing by the federal government are in fact the true figures.**

---

The main problem with the system of monthly meetings to sign off the oil revenue transfer is that the figures on oil production and sales price are compiled by the Sudanese government in Khartoum and are not independently verified. Indeed, it is a branch of the federal government, the Sudan Petroleum Corporation, which is responsible for selling the oil belonging to both governments. A senior civil servant of the Government of Southern Sudan told Global Witness that it is impossible for the southern government to verify whether the oil figures presented to the Joint Technical Committee on Oil Revenue Sharing by the federal government are in fact the true figures.<sup>46</sup>

##### *Commitment made by the Sudanese government*

At the oil seminar in August, the federal Minister of Petroleum made a commitment that the Ministry would hold regular monthly meetings with its southern counterpart in order to

coordinate on reporting and verification of oil revenues.

#### *Current status of the commitment*

The meetings of the Joint Technical Committee on Oil Revenue Sharing have recommenced; the meeting on 5 December 2010 was the 44<sup>th</sup> such meeting that had occurred.<sup>47</sup> However, the second part of the commitment that was made at the Khartoum seminar – that the meetings would be used to coordinate on the reporting and verification of the oil figures – is the more significant part of the promise; the Sudanese government has neither recommenced publishing the monthly reports of the Committee nor published additional information. The Government of Southern Sudan, however, does now publish some monthly reports on its Petroleum Unit website which include some key data, but unfortunately this information is still dependent on the data shared at the monthly committee meetings and consequently is still unverified.<sup>48</sup>

### **Commitment 5: to engage with the Extractive Industry Transparency Initiative**

#### *Background*

The Extractive Industries Transparency Initiative (EITI) is a coalition of governments, companies and civil society groups that aims to strengthen governance by improving transparency and accountability in the oil, gas and mining sectors. Five countries have achieved EITI compliant status – two of which, Liberia and East Timor, are post-conflict countries – and 28 countries are currently EITI candidates. The candidates also include other conflict-affected countries as well such as Iraq, Afghanistan and the Democratic Republic of Congo. Most major oil companies support the EITI and, indeed, all of the major oil

companies operating in Sudan participate in EITI in other countries in which they work (see diagram).<sup>49</sup> Global Witness helped to found the EITI and has had a seat on its board.

Sudan has previously shown some interest in this initiative: senior civil servants from the federal Ministry of Energy attended an EITI conference in Tunis in 2008 at the invitation of Total, a member of the EITI.<sup>50</sup> In addition, a first meeting of the UN Global Compact in Sudan in December 2008 led to a proposal of follow-up activities including hearing about other countries' experiences of implementing EITI.<sup>51</sup>

The Government of Southern Sudan has also shown some interest in this Initiative. In September 2009, Global Witness had the opportunity to brief the Government of Southern Sudan's Council of Ministers. At the meeting, the Vice President of Southern Sudan, Riek Machar, was keen to invite a delegation from the EITI secretariat to Southern Sudan.<sup>52</sup> Since then, the southern government has stated that it is open to the EITI and its principles, and upon becoming an independent country would likely consider signing up to the Initiative immediately.<sup>53</sup>



**Twenty-eight countries are EITI candidates and five have achieved EITI compliant status, including countries devastated by conflict, such as Liberia**

© Reuters / STR News

**The major oil companies operating in Sudan all implement the EITI in other countries in which they work**



Azerbaijan  
Iraq  
Kazakhstan  
Mauritania  
Mongolia  
Niger  
Nigeria  
Peru

Azerbaijan  
Cameroon  
DR Congo  
Gabon  
Iraq  
Kazakhstan  
Madagascar  
Mauritania  
Nigeria  
Norway  
Republic of Congo  
Yemen



**PETRONAS**



East Timor  
Cameroon  
Gabon  
Iraq  
Mauritania  
Nigeria  
Yemen

Azerbaijan  
Gabon  
Kazakhstan  
Nigeria



Nigeria

Republic of Congo  
Norway



*Commitment made by the Sudanese government*

At the oil seminar in August, the Minister of Petroleum made a commitment that the Sudanese government would engage with the Extractive Industries Transparency Initiative. The main oil company operating in Sudan, the Chinese state-owned CNPC, also publicly supported this initiative at the seminar.

It is important to note that there would be problems implementing EITI in Sudan as the process is critically dependent on civil society watchdogging the disclosures made by the government and extractive companies and it is unlikely that it would be deemed that civil society is afforded a free enough voice in Sudan to be able to fulfil this role.<sup>54</sup> For example, Ethiopia was refused EITI candidate status because of concerns that a restrictive proclamation on the regulation of NGOs would mean that civil society would not be able to freely and actively participate in the EITI process.<sup>55</sup> However, if Sudan were to significantly reform how the government interacts with civil society and enacted and implemented legislation protecting free speech and the right to peacefully assemble, then it might be possible for the federal government to sign up to the Initiative.

While it is unlikely that a united Sudan or north Sudan would be able to implement the EITI, because of restrictions on the freedom of speech highlighted above, an independent Southern Sudan could possibly implement the Initiative as it is unlikely to be tarred with the same reputation for censorship as the north (despite currently having a far from perfect record). However, it is important to note that implementing the EITI in Southern Sudan would not be easy: the main challenge would be to ensure that there is a sufficiently well-informed civil

society that would be capable of playing a watchdog role over government and company disclosures. There are already discussions about the potential for a ‘Publish What You Pay Sudan’ group, a coalition of NGOs working on transparency in the extractive industries, and there is likely to be much more interest in this among current civil society groups after the referendum takes place. It is critical that Sudan’s donors prioritise funding capacity building programmes for such groups.

---

**Given that the Government of Southern Sudan receives 98% of its income from oil, signing up to the Extractive Industries Transparency Initiative is the single biggest thing that it could do to demonstrate that it will not become a failed state if Southern Sudan becomes an independent country.**

---

*Current status of the commitment*

Some progress has been made by the Sudanese government on following up on the commitment to engage with the EITI. The federal Ministry of Petroleum sponsored a seminar in Khartoum in the beginning of December around the potential for EITI in Sudan. According to reports, the Initiative initially received some scepticism from the government officials in attendance but all the same, may be considered by the federal government in the near future.

## Conclusion

The current oil wealth-sharing agreement comes to an end in January 2011, at the same time that a referendum is due to be held on independence for Southern Sudan that is likely to see a landslide vote by southerners in favour of secession.

---

**The new oil agreement should include provisions for transparency, independent monitoring, and a dispute resolution mechanism.**

---

The precariousness of the situation cannot be overstated. Oil revenues are incredibly important to the north, accounting for 50% of domestic revenue and 93% of exports in 2009, as well as being one of the only sources of the hard currency used to purchase critical imports.<sup>56</sup> Yet the majority of the oil is in the south, which could soon be an independent, but landlocked, country. If the south secedes, it will have to depend on oil pipelines running through the north in order to export its oil.<sup>57</sup>

The main hope of staving off a return to conflict is by negotiating a new oil deal between north and south. The most important issue that such a deal will have to address is how the oil revenues can be equitably split between north and south. Sudan should learn the lessons from the current oil wealth sharing agreement. In particular, in order for any new oil deal between north and south to contribute to peace and cooperation rather than mistrust and conflict:

- the implementation of the deal must be transparent and easily verifiable. Regardless of the structure of the new agreement, it should include provisions for transparency, independent monitoring, and a dispute resolution mechanism.<sup>58</sup>
- the promised audit of the Sudanese oil sector, that has now been signed off by the Presidency, should take place promptly. It should be carried out by a credible, independent company, and the results of the audit should be made public for all to see.

---

Oil being pumped from Upper Nile State in Southern Sudan to Port Sudan on the Red Sea coast. The main hope of staving off a conflict between north and south is by negotiating a new oil deal, so that this oil can continue to flow

© Sven Torfinn / Panos Pictures



---

## References

<sup>1</sup> Global Witness, Fuelling mistrust: the need for transparency in Sudan's oil industry, September 2009. [www.globalwitness.org/fuellingmistrust](http://www.globalwitness.org/fuellingmistrust)

<sup>2</sup> The federal Ministry of Finance and National Economy used to publish the reports of the monthly meetings of the Joint Technical Committee on Oil Revenue Sharing but has not done so since June 2009

<sup>3</sup> Global Witness, Fuelling mistrust: the need for transparency in Sudan's oil industry, September 2009. [www.globalwitness.org/fuellingmistrust](http://www.globalwitness.org/fuellingmistrust)

<sup>4</sup> Global Witness press release, Global Witness welcomes new commitment to transparency in Sudan, 18 August 2010,

<http://www.globalwitness.org/library/global-witness-welcomes-new-commitment-transparency-sudan>

<sup>5</sup> Global Witness meeting with the Minister of Petroleum, Lual Deng, 19 August 2010, and email correspondence from Elsiddig M. Elobaid, head of the Ministry of Petroleum's Petroleum Economics Unit, 14 September 2010

<sup>6</sup> Email correspondence from Elsiddig M. Elobaid, head of the Ministry of Petroleum's Petroleum Economics Unit to Global Witness, 14 September 2010

<sup>7</sup> Email correspondence from Lual Deng, Minister of Petroleum to Global Witness, 3 November 2010

<sup>8</sup> Letter from Mr Lui Yingcai, President of Petrodar to Global Witness, 4 November 2010

<sup>9</sup> CNPC's presentation at the oil seminar in Khartoum, 18 August 2010 stated showed examples of daily production reports that Petrodar provides to the Sudanese government. Sudanese Petroleum Corporation's presentation at the oil seminar in Khartoum, 18 August 2010 stated that the Oil Exploration and Production Administration of SPC 'demands and receives daily production reports from all producing operating companies'.

<sup>10</sup> Global Witness wrote to the Ministry of Petroleum to request this main information and additional information. We wrote again to the Ministry of Petroleum to clarify that we were

most interested in obtaining gross and net oil production figures from each block, in order to make it easier for the Ministry to reply.

<sup>11</sup> Global Witness communications with an oil industry insider, December 2009

<sup>12</sup> Global Witness communications with an oil analyst, December 2009

<sup>13</sup> Global Witness communications with an oil analyst, December 2009

<sup>14</sup> Global Witness communications with an oil analyst, December 2009

<sup>15</sup> Global Witness communications with an oil analyst, December 2009

<sup>16</sup> Global Witness, Fuelling mistrust: the need for transparency in Sudan's oil industry, September 2009. [www.globalwitness.org/fuellingmistrust](http://www.globalwitness.org/fuellingmistrust)

<sup>17</sup> Global Witness communications with an oil analyst, December 2009

<sup>18</sup> Presentation made by Sudanese Petroleum Corporation at the oil seminar in Khartoum 18 August 2010

<sup>19</sup> Global Witness communications with an oil analyst, December 2009

<sup>20</sup> Global Witness communications with an oil analyst, December 2009

<sup>21</sup> Global Witness communications with an oil analyst, December 2009

<sup>22</sup> Global Witness communications with a Sudanese oil analyst, December 2009

<sup>23</sup> Global Witness, Fuelling mistrust: the need for transparency in Sudan's oil industry, September 2009. [www.globalwitness.org/fuellingmistrust](http://www.globalwitness.org/fuellingmistrust)

<sup>24</sup> Global Witness communication with an oil industry analyst, December 2010

<sup>25</sup> Global Witness, Fuelling mistrust: the need for transparency in Sudan's oil industry, September 2009. [www.globalwitness.org/fuellingmistrust](http://www.globalwitness.org/fuellingmistrust)

<sup>26</sup> Global Witness interview with the chair of the National Petroleum Commission, 19 August 2010

<sup>27</sup> CNPC/Petronas Exploration and Production Sharing Agreement, 1 March 1997, article 32.0

<sup>28</sup> This is a conservative estimate.

Between January and September 2010, the federal government earned \$2.003 billion

---

and the southern government \$1,377 billion. In addition, \$1.333 billion were put into an oil savings account (the majority of which were withdrawn the same year). Data for the entire year would presumably show a higher total. Data from GOSS Ministry of Finance and Economic Planning, Report on the sharing of the wealth from the oil revenues for September 2010, [www.petrogoss.net](http://www.petrogoss.net).

<sup>29</sup> Global Witness interview with William Maciek, an Undersecretary of the Government of Southern Sudan Ministry of Energy and Mining, 19 August 2010

<sup>30</sup> Global Witness, Fuelling mistrust: the need for transparency in Sudan's oil industry, September 2009.

[www.globalwitness.org/fuellingmistrust](http://www.globalwitness.org/fuellingmistrust)

<sup>31</sup> Communiqué of the trilateral talks between the NCP, SPLM and US Special Envoy to Sudan, June-August 2009, entitled NCP-SPLM points of agreement

<sup>32</sup> Global Witness communications with members of the international community, October and November 2010

<sup>33</sup> Global Witness, Fuelling mistrust: the need for transparency in Sudan's oil industry, September 2009.

[www.globalwitness.org/fuellingmistrust](http://www.globalwitness.org/fuellingmistrust)

<sup>34</sup> While it was technically correct that the Terms of Reference for the oil audit had been signed off by the NCP and SPLM at the time of the oil seminar, the impression given that the audit was therefore ready to proceed was not correct, as the Terms of Reference still required sign-off by the Presidency

<sup>35</sup> Global Witness communications with members of the international community, December 2010

<sup>36</sup> Ministry of Finance and National Economy, [http://www.mof.gov.sd/index\\_E.php](http://www.mof.gov.sd/index_E.php)

<sup>37</sup> Sudanese Petroleum Corporation, SPC, <http://spc.sd/en/index.php>

<sup>38</sup> Nile blend sales data are provided (albeit sporadically); Dar blend sales data are not provided

<sup>39</sup> Interview with Lual Deng in the London-based Arabic newspaper Asharq al-Awsat, 30 August 2010, <http://aawsat.com/english/news.asp?section=3&iid=22144>

---

<sup>40</sup> Global Witness interview with an undersecretary of the Government of Southern Sudan Ministry of Energy and Mining, 19 August 2010

<sup>41</sup> Global Witness interview with representative of the Sudanese oil industry, December 2010. The figure on 37 being moved is backed up a statement made by Lual Deng at the oil seminar in Khartoum on 18 August 2010 in which he said that 37 staff "are going" to be moved from the GOSS Ministry of Energy and Mining to the GoNU Ministry of Petroleum

<sup>42</sup> Global Witness interviews with members of the Government of Southern Sudan, December 2010

<sup>43</sup> Sudan Radio Service, 22 Nov 2010

<sup>44</sup> Global Witness interview with former diplomat, December 2010

<sup>45</sup> Statement made by the Undersecretary of the Ministry of Energy and Mining, GOSS, at the oil seminar in Khartoum, 18 August 2010

<sup>46</sup> Global Witness interview with Government of Southern Sudan civil servant, December 2010

<sup>47</sup> Global Witness interviews with Government of Southern Sudan civil servants, December 2010

<sup>48</sup> Petroleum website of the GOSS Ministry of Finance, <http://www.petrogoss.net/report.html>; and Global Witness interviews with senior members of the Government of Southern Sudan, December 2010

<sup>49</sup> Extractive Industries Transparency Initiative,

<http://eiti.org/implementingcountries>

<sup>50</sup> Global Witness interview with Total staff, December 2008

<sup>51</sup> Letter sent by Georg Kell, Executive Director of the United Nations Global Compact, 12 January 2009, to an international coalition of civil society organisations. The letter states that "Among the constructive ways in which this new platform [a Global Compact Local Network which was launched in Sudan in December 2008] can be used is

---

the sharing of experiences relating to how tools and initiatives such as the Extractive Industry Transparency Initiative and the Voluntary Principles on Security and Human Rights can help bring about more conflict-sensitive business practices.” The letter is a response to an open letter to Georg Kell published by the coalition on 7 January 2009

<sup>52</sup> Commitment made at a meeting of the GOSS Council of Ministers at which Global Witness was present, September 2009

<sup>53</sup> Director of Energy Archangelo Okwang of the GOSS Ministry of Energy and Mining speaking at the 7-8 December Conference in Juba “*Sudan's Oil Industry After the Referendum*” sponsored by the European Coalition on Oil in Sudan and the Sudan Council of Churches, <http://www.ecosonline.org/reports/>

<sup>54</sup> For example, Freedom House, a US NGO which conducts a comparative assessment of global political rights and civil liberties, consistently ranks Sudan as among the least free countries in the world, alongside countries such as Burma, North Korea and Somalia [Freedom House, Freedom in the World, <http://www.freedomhouse.org/template.cfm?page=22&year=2010&country=7923>]

<sup>55</sup> Minutes of the 10th EITI board meeting, October 2009, <http://eiti.org/files/Minutes%20of%20the%2010th%20EITI%20Board%20Meeting.pdf>

<sup>56</sup> International Monetary Fund, Sudan program note, 21 April 2010, <http://www.imf.org/external/np/country/notes/sudan.htm>

<sup>57</sup> Although there have been proposals to build a pipeline from Southern Sudan to the Kenyan coast, it is impossible that such a pipeline could be built by 2011, and the southern government could not afford to halt oil exports while waiting for the pipeline to be built. There is also a question mark over whether there is enough oil in Southern Sudan to make building such a pipeline economically viable.

<sup>58</sup> Global Witness, Five principles for a post-referendum oil deal, July 2010, <http://www.globalwitness.org/library/negotiations-between-north-and-south-sudan-must-include-fair-and-transparent-oil-deal> and Tangible transparency, October 2010, <http://www.globalwitness.org/library/briefing-outlines-transparency-provisions-new-oil-deal-sudan>

Global Witness is a UK-based non-governmental organisation which investigates the role of natural resources in funding conflict and corruption around the world.

References to ‘Global Witness’ in this report are to Global Witness Limited, a company limited by guarantee and incorporated in England (Company No. 2871809).

Global Witness Limited  
6th Floor  
Buchanan House  
30 Holborn  
London  
EC1N 2HS  
Email: [mail@globalwitness.org](mailto:mail@globalwitness.org)