



global witness

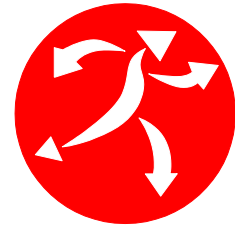
The Need for Transparency in Sudan's Oil Industry

Dr Gavin Hayman
Mr Jeff Kaye FCMA

Contents

- Global Witness •
- Transparency •
- Wealth sharing
agreement of the CPA •
- Post referendum
negotiations •
- Recommendations •

Global Witness



- Natural resources, conflict and corruption



- Impartial, non-political

- Timber – Cambodia, Liberia



- Diamonds – Kimberley Process

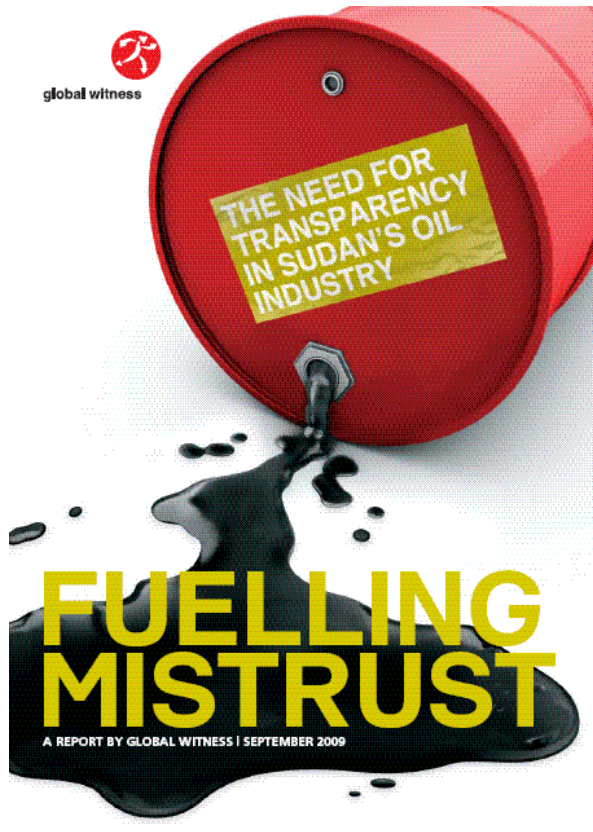
- Minerals – suing UK government for company behaviour in DRC



- Oil - transparency

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Global Witness and Sudan



Trust in the revenue sharing

“We get 50%, but 50% of what?”

Numerous southerners interviewed by Global Witness, including members of the southern government, civil servants and journalists

The discrepancies we found do **NOT** prove that the Government of National Unity has underpaid the Government of Southern Sudan but show a verification problem

Transparency

Governments

- increase revenues
- a more favourable investment climate
- prevent mismanagement and diversion of money

Companies and investors

- better business environment, esp. show benefits to ordinary citizens
- a more level playing field

Citizens

- call their governments to account over the management of their natural resources

Post conflict

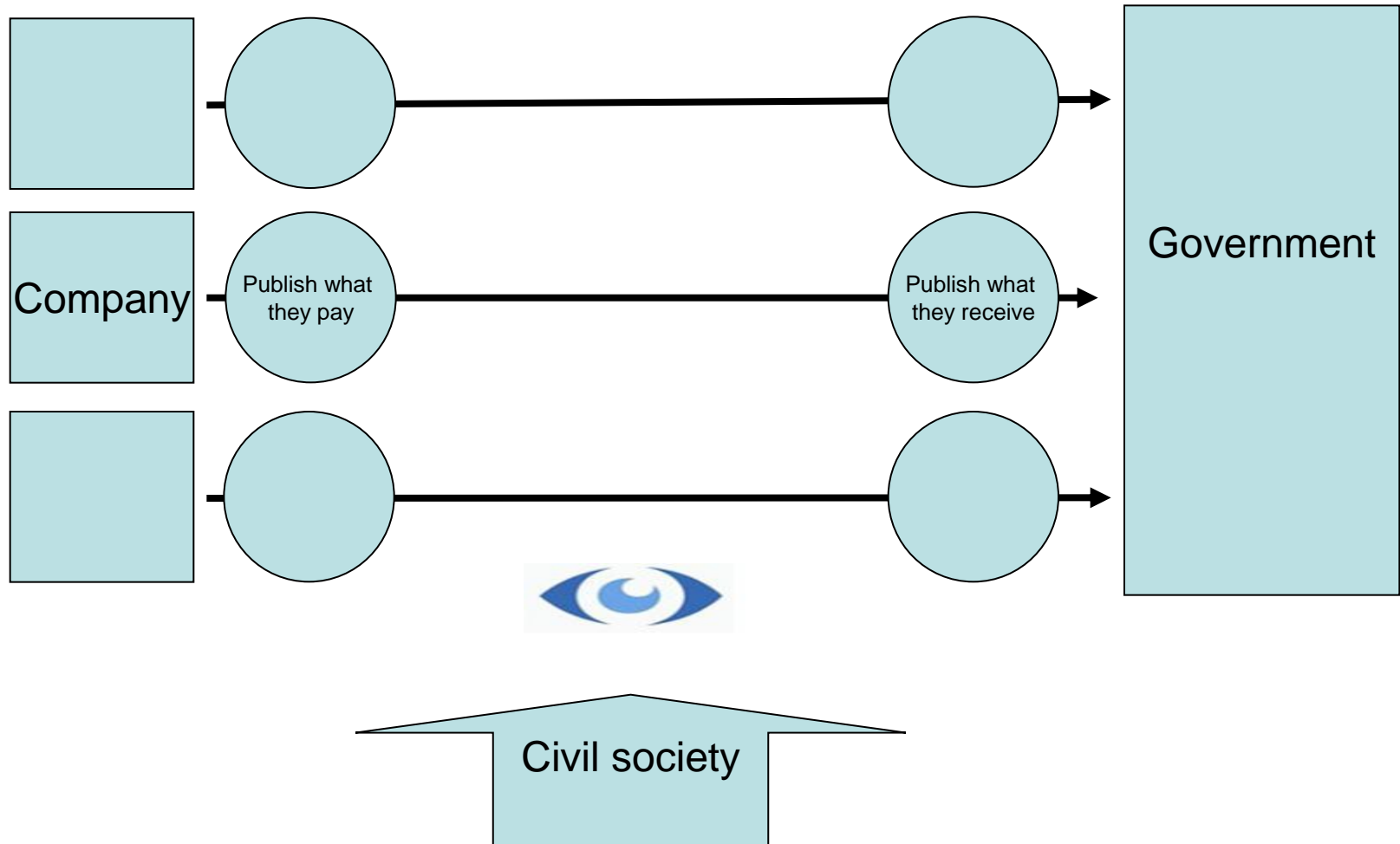
- build trust

Publish What You Pay

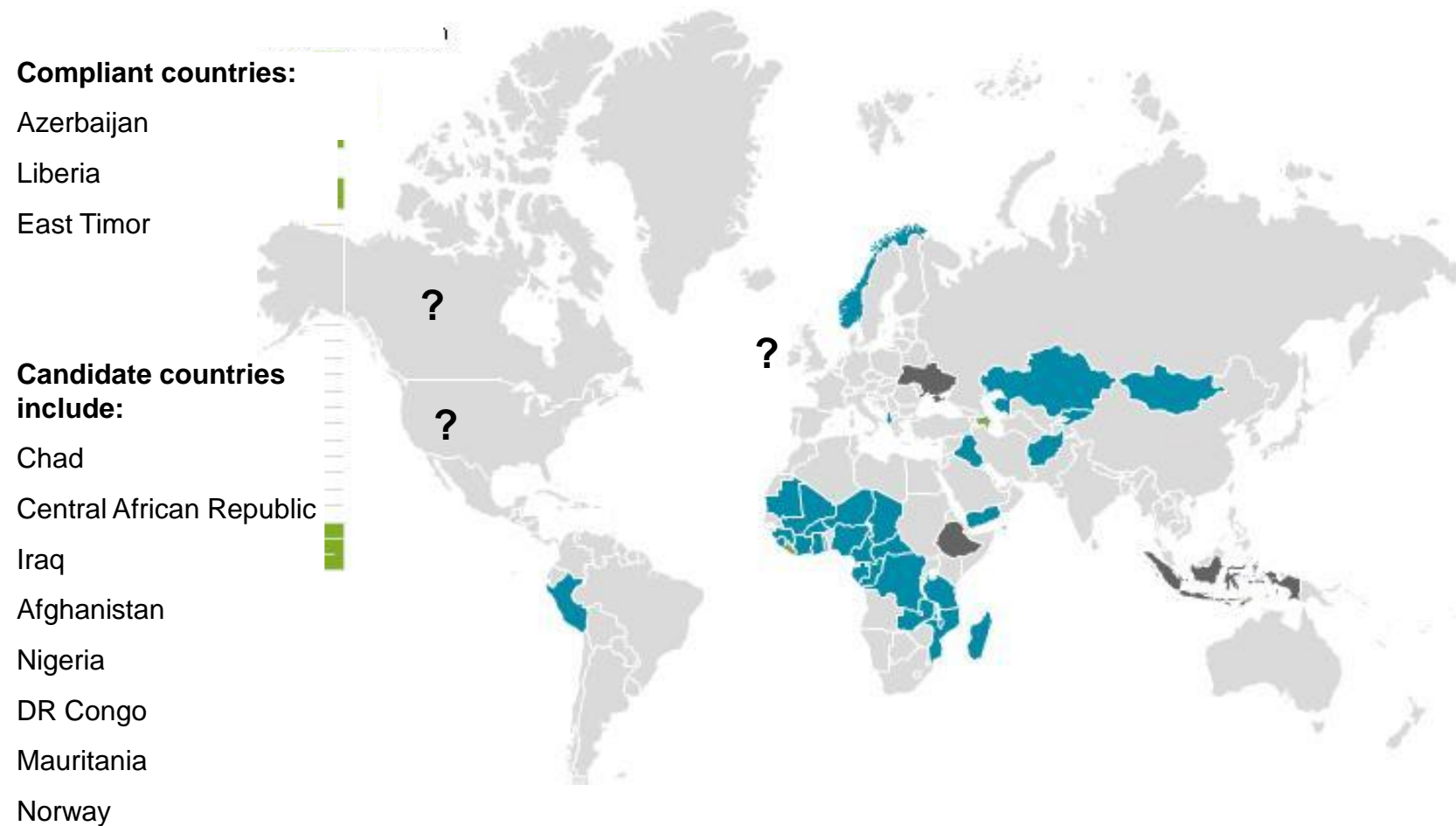


- Global Witness founding member •
- Coalition of more than 600 NGOs •
- Campaigns for the mandatory disclosure of company payments and government revenues from the oil, gas, and mining sector •
- Led to Extractive Industries Transparency Initiative (EITI)

Publish What You Pay



Extractive Industries Transparency Initiative



So, transparency becoming a global norm...

EITI in Nigeria

Underpaid royalty \$113 million

Underpaid petroleum profit tax \$2,396 million

Company payments
not recorded by government \$8 million

TOTAL \$2,517 million

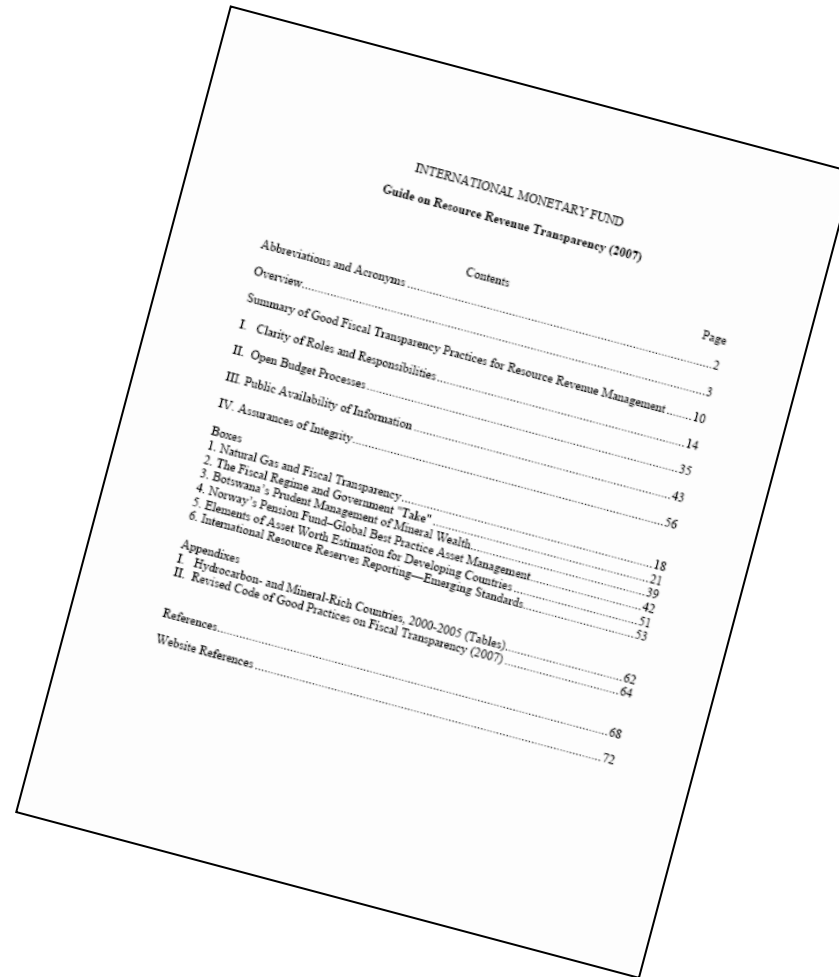
**Oil companies
working in Nigeria**

An extra \$2.5 billion owed
An extra \$1 billion paid


Nigerian government

IMF

- IMF's Guide on Resource Revenue Transparency
- Provides advice on the best practice for managing resource revenues transparently

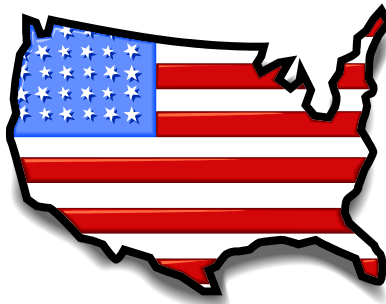


INTERNATIONAL MONETARY FUND
Guide on Resource Revenue Transparency (2007)

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Energy Security Through Transparency Act

Requires energy and mining companies registered with the U.S. Securities and Exchange Commission to disclose how much they pay to foreign countries and the U.S. government for oil, gas, and minerals



EITI implementing companies

Azerbaijan
Iraq
Kazakhstan
Mauritania
Mongolia
Niger
Nigeria
Peru



East Timor
Cameroon
Gabon
Iraq
Mauritania
Nigeria
Yemen



Nigeria



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



Azerbaijan
Gabon
Kazakhstan
Nigeria



Republic of Congo
Norway



Trust in the revenue sharing

“We get 50%, but 50% of what?”

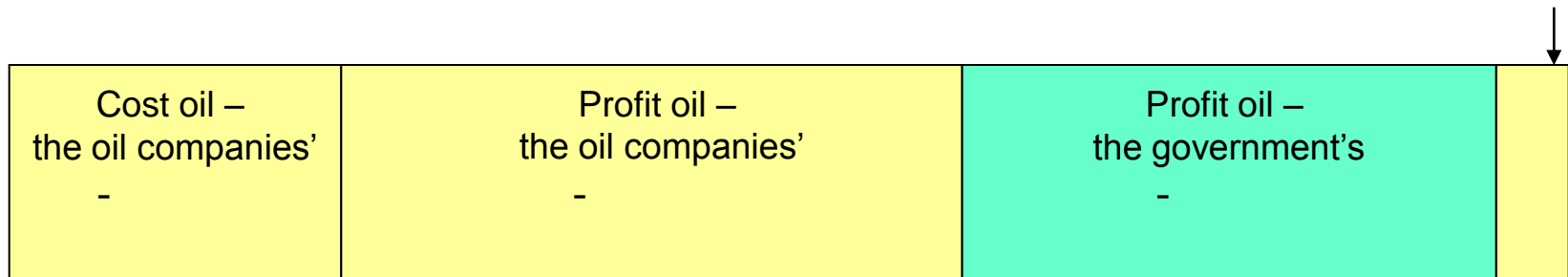
Numerous southerners interviewed by Global Witness, including members of the southern government, civil servants and journalists

The discrepancies we found do **NOT** prove that the Government of National Unity has underpaid the Government of Southern Sudan but show a verification problem

Verifying the wealth sharing agreement

1. How much oil? .1
2. What was the government's share? .2
3. How much was the government's oil sold for? .3

Pipeline fees



Verifying the wealth sharing agreement

1. How much oil?

.1

Government publishes figures
But no independent oversight

Verifying the wealth sharing agreement

1. How much oil?

.1

2. What was the government's share?

.2

Production sharing agreements
not public. Oil companies' costs
not published

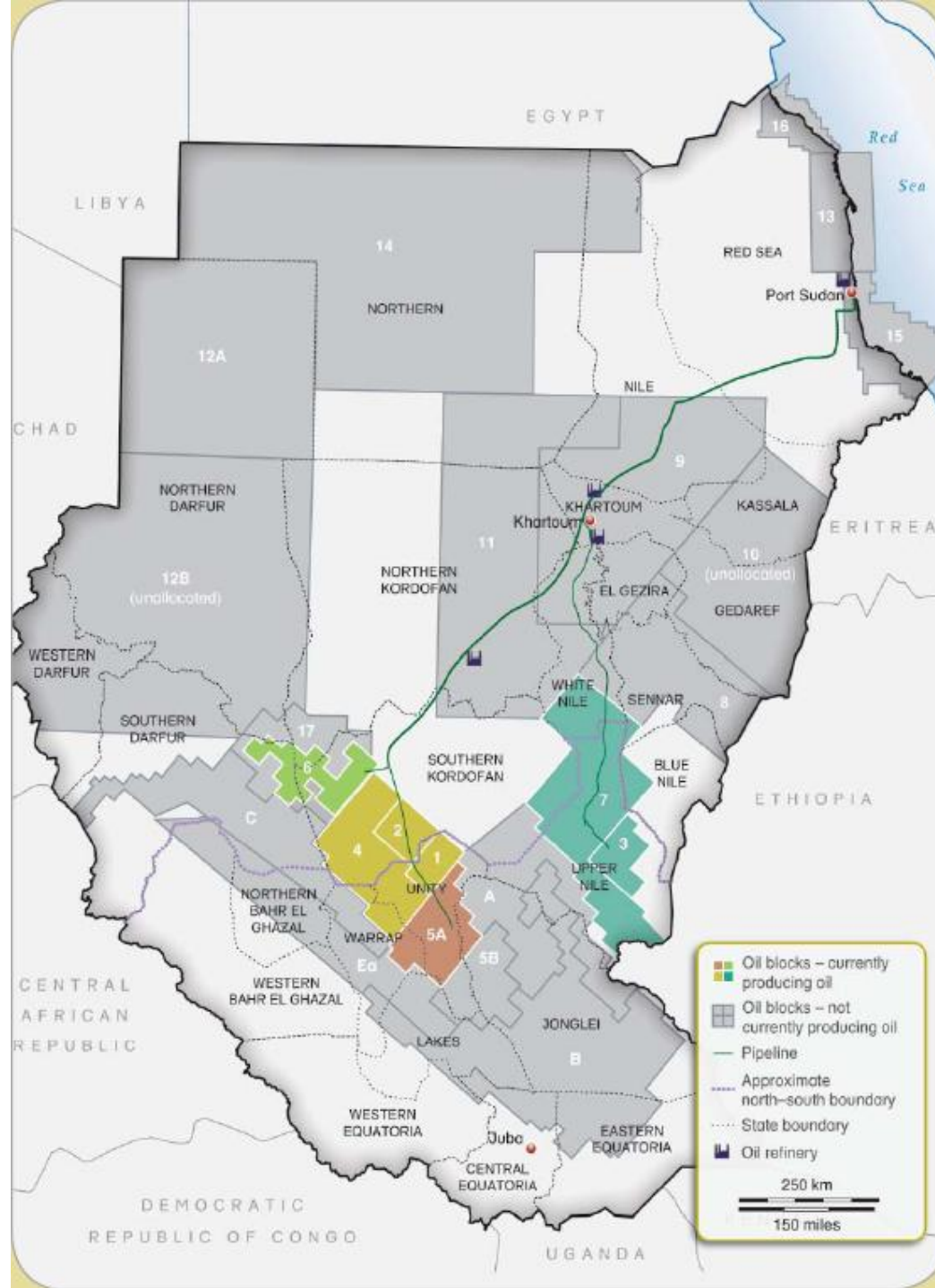
Verifying the wealth sharing agreement

1. How much oil? .1

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3. How much was the government's oil sold for? .3

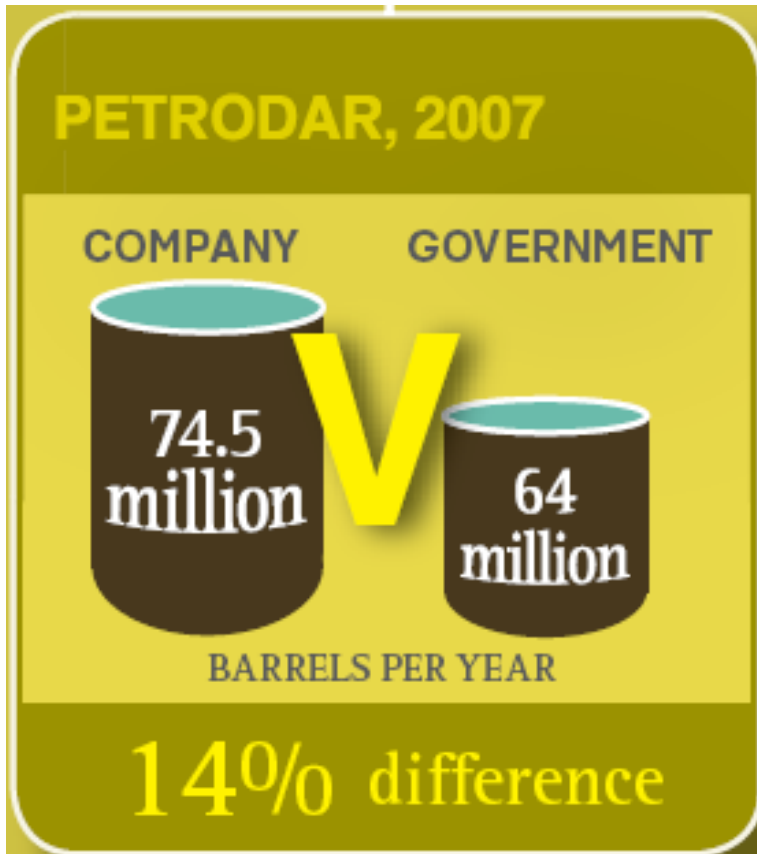
Government publishes figures. No independent oversight



Blocks 1, 2, 4

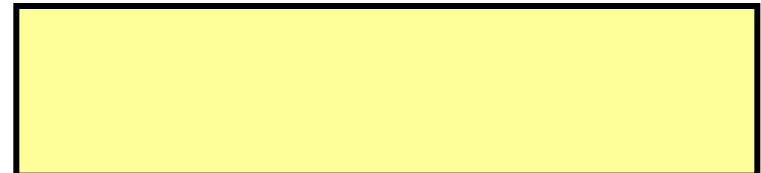


Blocks 3, 7



Petrodar, 2009

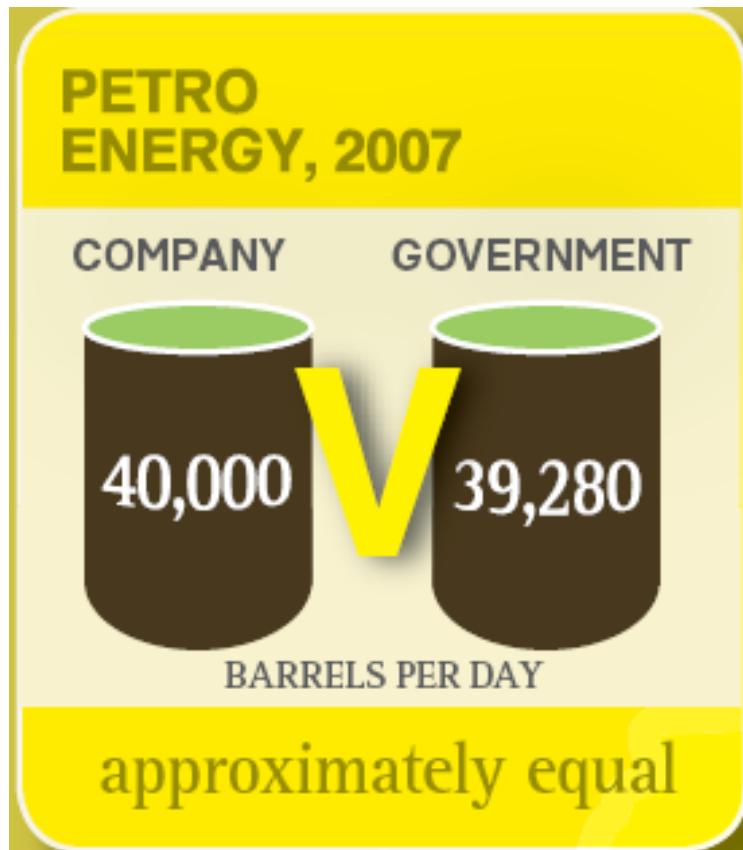
12% difference



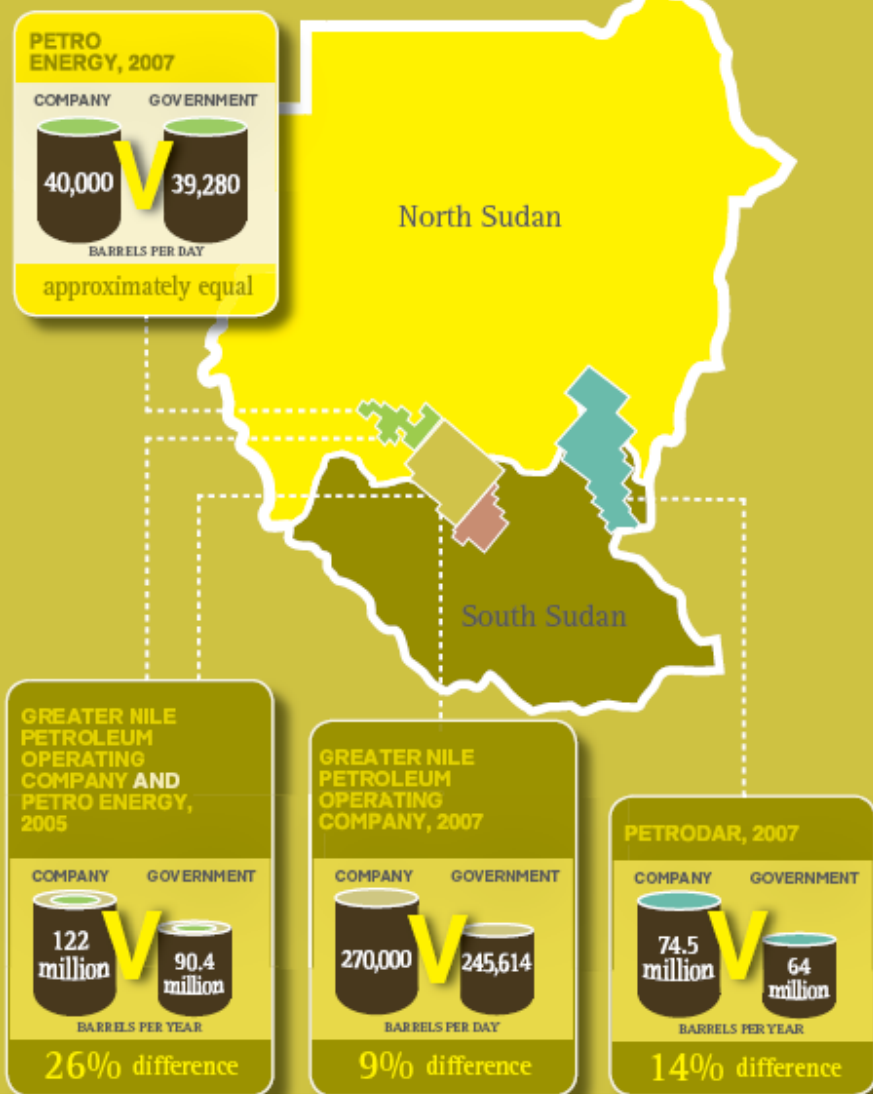
Blocks 1, 2, 4 & 6



Block 6



Discrepancies in statements of the amounts of oil produced: what the Khartoum government states and what the operator of the oil blocks states

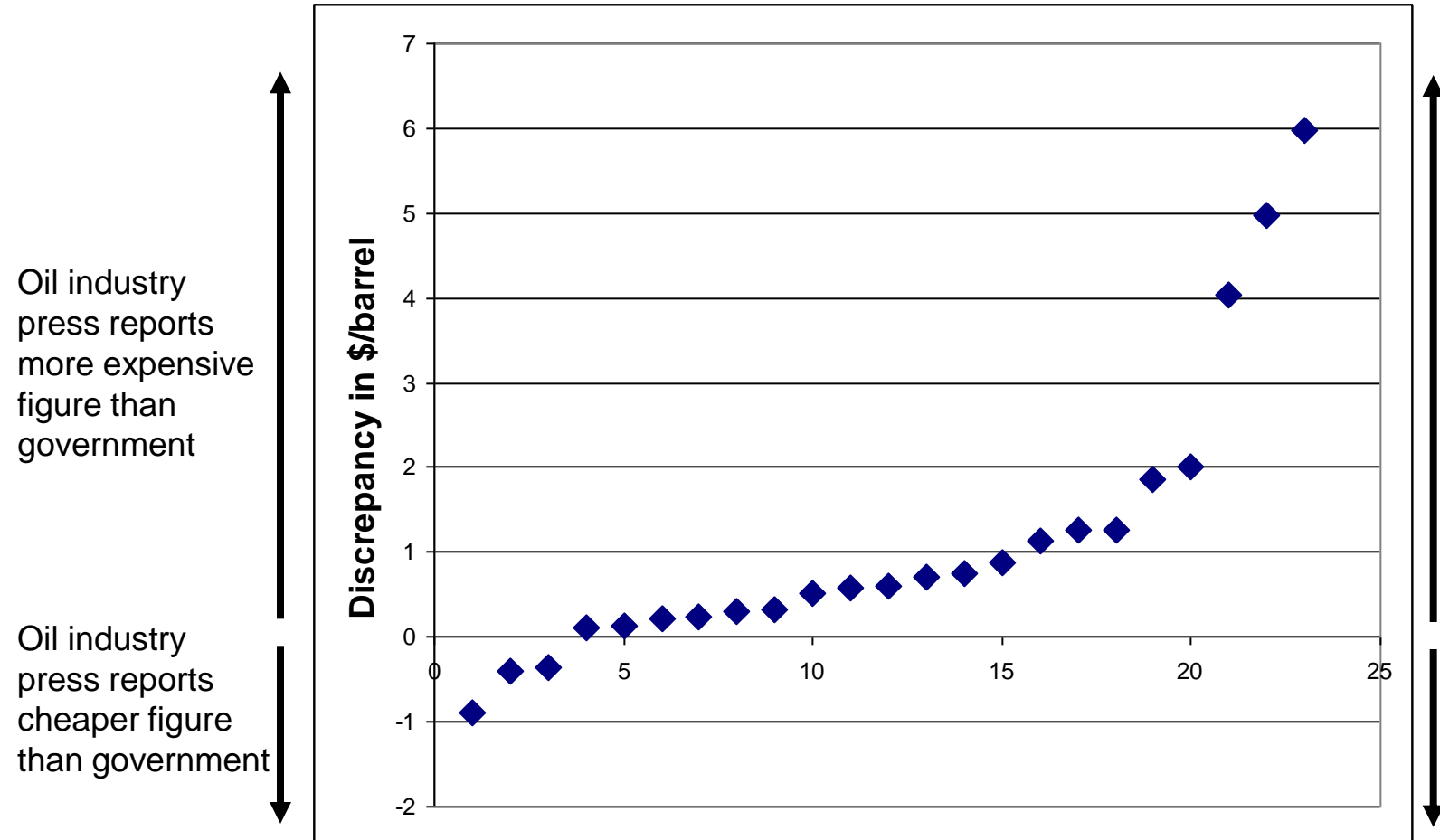


التفاوتات في البيانات حول مقادير النفط المنتجة: ما تدعيه الحكومة الخرطوم وما يدعيه المشغل ولديها الموجود بها مبيعات حقول النفط.



Oil price – Nile blend

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Oil price – Dar blend

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	Price quoted by oil industry press	Price quoted by Ministry of Finance	Discrepancy
July 2008	\$101.18 \$101.18	\$80.78 \$81.03 \$80.78 \$81.13	\$20.05 \$20.15
November 2008	\$25.95 \$29.45	\$15.00 \$15.00 \$15.00 \$15.00 \$15.00	\$10.95 \$14.45
December 2008	\$5.75 \$5.95	\$20.58 \$16.87 \$20.71 \$20.58	-\$11.12 -\$10.92

Publication of oil figures

- Need to know oil figures to know how much money GOSS should get
- Used to be published on website of Ministry of Finance – nothing published since June 2009
- Need to publish figures in order for wealth sharing to be trusted
- Could publish more widely, not just on web.

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Post-referendum negotiations

- Ensure full disclosure •
- Make compliance easily verifiable •
- Include independent monitoring •
- Incorporate a dispute resolution mechanism •
- Start with a clean slate – audit the current agreement – •

Audit

- Agreed by NCP and SPLM
- Terms of Reference drafted but still not signed off
- Terms of Reference should be agreed during post-referendum negotiations
- Audit should go back to 2005 and cover future dates
- Audit should look at oil production, sales and oil companies' costs
- Auditor should have access to the oil companies' books, the government's books and records from the oil metering stations

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Recommendations for this seminar

We call upon:

- The GoNU Ministry of Finance to commit to publishing monthly oil reports
- The NCP and SPLM to commit to including transparency in any future oil deal
- The NCP and SPLM to commit to agreeing TORs for a financial oil audit as part of the post-referendum negotiations
- The oil companies to commit to publishing what they pay
- GoNU and GOSS to commit to publishing what they receive
- GoNU to commit to publishing production sharing agreements and pipeline contracts

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Thank you

It is an honour to
be invited to this
seminar