

Implementation of the Wealth Sharing Accords

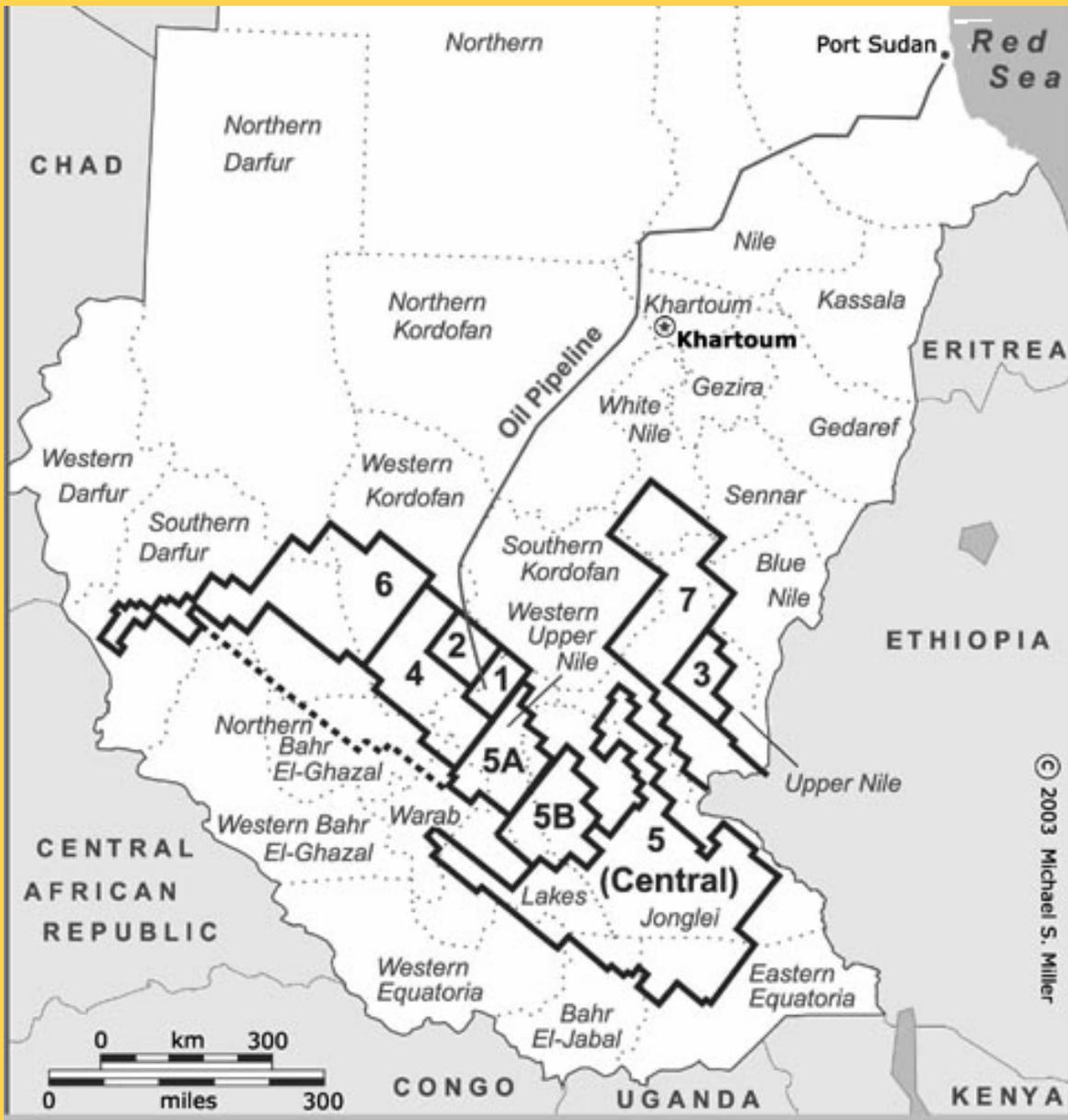
Presentation by

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OIL CONCESSIONS IN CENTRAL AND SOUTHERN SUDAN AS OF AUGUST 2002



Blocks	Oil and Gas Concession Holders
1 (Unity)	Greater Nile Petroleum Operating Company:
2 (Heglig)	Talisman Energy Inc. (Canada),
4 (Kaikang)	Petronas Carigali (Malaysia), Sudapet (Sudan) and China National Petroleum Corporation (CNPC)
3 (Adar)	Gulf Petroleum Corporation (Qatar),
7 (Melut)	Sudapet (Sudan) and China National Petroleum Corporation (CNPC)
5A	Lundin Oil AB/International Petroleum Corporation (IPC) (Sweden), Petronas Carigali (Malaysia), OMV Sudan Exploration GmbH (Austria) and Sudapet (Sudan)
5B	
5 (Central)	TotalFinaElf
6	China National Petroleum Corporation (CNPC)
Block:	 Licensed Open

Oct.30, 2002

Key Points

- Implementation slow
- Both parties ambivalent about CPA
- Delay risks unwinding of CPA, distortion of GoSS governance
- Actions Required
 - Tough love for GoSS
 - Sustained pressure on NCP
 - US leadership on energy sector issues
 - Creative engagement with China, Malaysia

Wealth Sharing Components of the CPA – A Score Card

Issue	Terms of the CPA	Where the Terms of the CPA Stand Today
National Petroleum Commissions (NPC)	<ul style="list-style-type: none"> •National Petroleum Commission to be Established and Functioning 	<ul style="list-style-type: none"> •NPC Established •No agreement on rules of procedure for operating •No established subcommittees to perform real work •No agreement on mandate and composition of the Secretariat •No agreement on policymaking vs advisory role •Disagreements remain over whether the Secretariat should be part of the Ministry of Energy and Mining or be independent.
Wealth Sharing	<ul style="list-style-type: none"> •GoSS to receive 50% of net revenue from oil produced in Southern Sudan •Border Commission to demarcate border •Abyei Border Commission to rule on land rights 	<ul style="list-style-type: none"> •Dispute over Heglig and other fields •GoSS not receiving 50% of revenues of disputed fields •1956 boundary not demarcated •North-South Border Commission established but not functioning •Technical Ad Hoc Border Committee, reportedly delayed due to the rains, held its 6th meeting on July 20th, 2006. •Results of the Abyei Border Commission rejected by the NCP
GoSS Capacity Building.	<ul style="list-style-type: none"> •Technical Team empowered to review contracts within 30 days of the signing of the CPA 	<ul style="list-style-type: none"> •Technical Team not established •Contracts not reviewed •Expert advisors not retained

Issue	Terms of the CPA	Where the Terms of the CPA Stand Today
Respect for Contracts.	<ul style="list-style-type: none"> • Pre-existing contracts not to be renegotiated 	<ul style="list-style-type: none"> •Disagreement over rights to sign oil contracts & status of existing oil contracts; GoSS invest in and supports White Nile claim to existing concession •No action has yet been taken on compensation of victims of oil contracts provided for in the wealth sharing agreement
Transparency	<ul style="list-style-type: none"> •Establish Joint National Transition Team (JNTT) •Establish Southern Sudan Audit Chamber •Audit Oil Revenues 	<ul style="list-style-type: none"> • Little progress has been made to clarify the oil dossier. •An eight member committee to audit the oil revenues created in Feb 2006. Unclear whether this is an element of CPA and whether it's supported by the SPLM. •Arrangement between the Sudanese government and its investors for production rights, contracts, refineries or pipelines prior to CPA not public. •Production not verified. •The accounting for the funds received by the GoSS from oil revenue, or donor aid, are not public. •JNTT established in March 2005 announced in June 2005 that a new national accounting system had been developed and that the auditors' chambers were being set up. No progress has been made on this since. • President Kiir nominated 4 appointees to the Southern Sudan Audit Chamber, but it is still without legislative basis and not functioning.
Other	<ul style="list-style-type: none"> •SPLM to receive 28% of Executive Branch Positions •GoSS establish a Ministry of Petroleum •FFAMC to oversee transfers of national revenues to states 	<ul style="list-style-type: none"> • SPLM did not receive Finance or Energy Ministries •A Ministry of Petroleum has not been established in the South •The FFAMC established in November 2005, but does not function properly because of power struggle and a "lack of guidance and infrastructural and secretarial support" •Joint Monitoring Teams established in May 2006 to verify actual oil production

Impacts

- No functioning GNU in energy sector
- GoSS revenues diminished
- Investment in South deterred
- GoSS undermining GNU
- No transparency/risk of waste and corruption/resource curse on GoSS

Motivations of the Parties

- NCP
 - Getting what they want
 - Hedging against secession
- GoSS
 - Weak capacity
 - Lack of confidence in CPA and outsiders
 - Internal divisions
 - Short sighted

What Should Be Done

- Tough Love for GoSS
 - Implement now
 - Accept help
 - Improve transparency
- Sustain pressure on NCP
 - Address border and policy issues
 - Improve transparency
- External Help
 - US should promote analysis of, unity in energy sector
 - US Congress: communicate that unity is the only way
 - Donors insist on transparency and implementation
 - Engage China, others on promoting unity





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