

# LUNDIN OIL IN SUDAN      MAY 2001



## **PREFACE**

*LUNDIN OIL has been active in Sudan since 1991 when it started exploring for oil and gas offshore in the Red Sea.*

*In 1997, the Company was awarded Block 5A which is located onshore southern Sudan in the highly prolific Muglad Basin.*

*In early 2001, the Company announced that it had made its first oil discovery in Sudan. Since then, the Company has faced criticism in the media for its involvement in Sudan, mainly as a result of allegations made in a report issued by the organization "Christian Aid" on March 13, 2001. This book is a compilation of facts and information that has been gathered by the Company in response to those allegations.*

*The information included herein is based on exhaustive research and fact-finding missions carried out by the company in Sudan. It reflects accurately the evidence it has gathered and, to the best of its knowledge, the reality of the situation there. Given the complexity of Sudan and the fact that Lundin Oil is not an authority on the history or politics of that country, however, the Company cannot warrant that there are no material omissions or inaccuracies in this book.*

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## **SOURCES**

1. Lundin Oil archives
2. The Economist Intelligence Unit – Country report Sudan February 2001
3. Encyclopedia Britannica

# REPUBLIC OF SUDAN

26 Federal States



## **Part I : LUNDIN OIL IN SUDAN**

Lundin Oil first got involved in oil & gas exploration in Sudan with the signing of an Exploration and Production Sharing Agreement on 17 December 1991 for the offshore Delta Tokkar Block in the Red Sea.

The operating entity was Red Sea Oil Corporation, a Canadian listed company controlled by the Lundin Group (RSO). After carrying out an extensive seismic survey and exhaustive geological studies, RSO drilled the Suakin-2 well on the Delta Tokkar Block in 1995/6. The well was designed to appraise a discovery made by Chevron in 1976. Unfortunately, the well did not encounter hydrocarbons in commercial quantities. However by then the Company had acquired in-depth knowledge about the geology and petroleum potential of Sudan as a whole.

After the disappointing results of the Suakin-2 well, the Company was faced with the difficult decision to either pull out of the country altogether or look at other investment opportunities. The Company had been following from a distance the activities of Arakis Energy Inc on Blocks 1,2 &4 in the south of the country, and took an active interest in Block 5, which is adjacent to these three Blocks. All the Blocks (1,2,4 and 5) are located in the Muglad Basin in which Chevron spent over a billion US dollars in the 70's and early 80's exploring for oil. Although Arakis had some significant success with its work on the Unity and Heglig Fields, it was faced with the usual dilemma of a small Company trying to develop large oil fields in remote locations. In spite the significant reserves of Blocks 1 and 2, Arakis lacked the financial strength to build the 1600-km export pipeline required to bring the oil from the oilfields to the Red Sea Coast.

In 1996, the Government, having grown impatient with the lack of progress on the pipeline project, decided to invite foreign firms to bid on the project. Several state owned and multinational companies expressed interest including CNPC (Chinese National Petroleum Corporation or CNPC, Petronas Carigali SDN BHD(Malaysia), Occidental Petroleum Corp. (U.S.A.) and Total (France). Lundin Oil AB and Arakis Energy also participated in the process. In the end, the pipeline project was awarded to a consortium consisting of Arakis, Petronas, CNPC and Sudapet (the Sudanese state-owned entity). The consortium, which is now referred to as GNPOC (Greater Nile Petroleum Operating Company) took over Block 1,2 and 4. Talisman Energy Inc later bought Arakis.

As part of the bidding process, CNPC committed to build a 50,000 barrels per day refinery in Khartoum. The pipeline was built in less than a year and oil starting flowing to the Red Sea Coast in September 1999. Since then, the refinery in Khartoum has been completed, Sudan has joined the ranks of oil exporting countries and is now

fully self-sufficient in petroleum products. This achievement was made possible by foreign investments amounting to over two billion US dollars over a period of less than two years.

Lundin Oil petitioned for and was awarded Block 5A in 1997 and given a guarantee that up to 100,000 barrels per day throughput in the pipeline would be reserved for third parties, such as Lundin Oil. Other companies expressing keen interest in 5A included Petronas, OMV (Austria) and Occidental. Petronas, OMV (Sudan) Exploration GmbH and Sudapet joined Lundin Oil as non-operating partners and Occidental pulled out of Sudan altogether under pressure from Washington.

During the remainder of 1997 and the whole of 1998, Lundin Oil acquired 1485 km of seismic in Block 5A. In 1999 the first well, known as Thar Jath-1, was drilled but operations had to be suspended for security and logistical reasons in May 1999. It soon became clear that it would not be possible to operate year round without adequate access to the Block. This involved having to build a floating bridge over the Bahr El Ghazal River and an all weather road from the base camp at Rubkona to Thar Jath. The distance involved is approximately 85 km. Construction commenced during the 1999/2000 dry season but progress was initially very slow, mainly due to the fact that gravel had to be hauled from a distance of several hundred kilometers. The Company decided not to upgrade the existing Chevron road (which would have been more straightforward and cheaper) since there were a number of settlements along that road. Thus an entirely new route was selected through completely new terrain. Construction had to be suspended at the advent of the rainy season in May 2000 but started up again in September of that year. By December of 2000, the road was completed and the drilling and testing operations were reactivated in early 2001 leading to the discovery of oil at Thar Jath.

During the construction period, a number of security incidents took place, however, they were mainly caused by inter-factional and rebel fighting. There was no removal or "forced eviction" of civilians for the purpose of road construction. Upon completion of the road, the Company immediately embarked on a community development program, which has resulted in the drilling of several water wells along the all-weather road, the provision of agricultural tools and food supplies to Lehr. Further community development and relief work is planned for the remainder of the year 2001. The road was also extended to Jarayan for operational reasons and a dry season road was built between Jarayan and Lehr at the request of the Commissioner of Lehr.

On May 2,2001 Lundin Oil and its partners in Sudan

(Petronas, OMV and Sudapet) were awarded Block 5B which adjoins Block 5A to the south. Petronas and Sudapet have been appointed as joint operators of this Block.

### **Future Plans**

Lundin Oil is currently in the process of appraising the Thar Jath discovery. Depending on the results of this appraisal program the Field will be developed in the most economic and environmentally sensitive way possible. The biggest single project will involve building a pipeline between Thar Jath and the Unity Field (approximate distance: 110 km). This pipeline will most probably be buried and will be laid along the existing roads. Oilfield developments generally involve minimal disruption to the environment or local population due to the small surfaces that are required for the actual facilities. As Block 5A is a huge (approximately 29'800 km<sup>2</sup>) and sparsely populated area, no relocation of villages or settlements are required. Should there be a village at a proposed future drilling location, the surface location of the well would simply be shifted and a deviated well would be drilled in order to penetrate the reservoir at the desired spot. Production facilities will be located in isolated areas in order to ensure that people or wildlife would not be affected by possible accidents involving some pollution.

Lundin Oil's activities in Block 5A have immediate positive impact on the people and the economy through local employment. Hiring and training of indigenous people are not only contractual obligations assumed by Lundin Oil, but also Company priorities, in accordance with our Code of Conduct, which serves as our primary guide.

Finally, Lundin Oil intends to work closely with the operators of Block 5B (Petronas and Sudapet) in order to ensure that both Blocks are developed in the most sensible way from an economic, environmental and social standpoint.

### **Revenue Sharing**

The companies that form the partnership in Block 5A and 5B, namely Petronas, OMV, Sudapet and Lundin Oil (together referred to as the 'Consortium'), are responsible for all the cost of exploration, development and production of Oil and Gas.

Lundin Oil's share is 40.375% in Block 5A and 24.5% in Block 5B. The income from the sale of oil will first go to pay for the investment made by the Consortium ('the Cost Oil'). The difference is shared with the Government based on production levels ('the Profit Oil'). The higher the production levels, the higher the Government's share and vice-versa.

The standard production sharing agreement is balanced so as to give the Consortium an adequate return on investment even for smaller fields and in case of large discoveries the return is contained within certain limits. This type of profit sharing arrangement is more or less standard all around the world except in countries in which there a fiscal system that applies to natural resources. Sudan's legal system is based on English common law.

## **Part II: COMMUNITY DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAM (CDHAP) Lundin Oil's activities in Sudan**

Lundin Oil AB, through its subsidiary Lundin Sudan Limited (Lundin SL) is operating in the area of Block 5A within Unity State, Sudan together with its partners OMV (Sudan) Exploration GmbH (Austria), Petronas Carigali SDN BHD (Malaysia) and Sudapet Ltd (Sudan). It began its exploratory activities on the Block in 1997 and drilled the first well in 1999. In March 2001, the Company announced a significant oil discovery at Thar Jath.

### **Reasons for CDHAP**

While Lundin SL's main objective in Sudan is to explore for and produce oil & gas, it also seeks, through its activities, to contribute to the welfare of the people of Sudan, particularly those situated in the concession area. In the long-term, it can achieve this objective by helping the country achieve economic development by bringing its resources into commercial production. In the short-term, it can do so by helping the population cope with some pressing needs.

With these objectives in mind, Lundin SL has held consultations with representatives of the local population, tribal leaders, representatives of the state and the government of Sudan, and other relevant stakeholder groups to determine key needs. Initially, the Company carried out activities on a time/needs basis. But as a result of the consultation process, it then elaborated a Community Development and Humanitarian Assistance Program (CDHAP), which it began implementing last year.

### **CDHAP objectives**

#### ***CDHAP has three main objectives:***

1. To promote better health, hygiene, education and quality of life for the current and future inhabitants of the concession area of Block 5a, Unity State.
2. To contribute to the economic and social development of the area.
3. To promote friendly relations between the consortium and the people in the area.

The Program is implemented by a local Lundin Field Offi-

cer and monitored by dedicated country and corporate managers.

### **CDHAP projects**

The initial CDHAP period covering the pre-production phase of Lundin SL's operations, is 2001–2004. Activities are carried out mainly in Block 5A and particularly areas south of Bentiu, which are not currently receiving attention from the other oil companies operating in the area.

Activities undertaken to date consist of a combination of humanitarian assistance and community development. Where feasible, the activities are coupled with self-help measures, to reinforce and prolong their positive effects.

### **Projects in 2001 have included:**

#### ***Freshwater supply***

- daily delivery of 13'000 litres of water to water cisterns placed along the all weather road "AWR"
- drilling of 6 shallow water-wells along the AWR providing a permanent supply of freshwater
- repair of 10 water-wells in the town of Lehr,
- distribution of one thousand 20-litre water containers for the local population

#### ***Health***

- distribution of blankets, mosquito nets, plastic sheeting, soap, to prevent the spread of diseases during the rainy season
- needs assessment for the feasibility of setting up and staffing tent clinics
- facilitation of vaccination programs launched by other institutions

#### ***Education***

- distribution of school supplies (school kits, chalkboard and chalk to existing schools)

#### ***Self-help measures***

- distribution of farming tools to agricultural village committees for the upcoming farming season (hand spray pumps, hand grinding flour mills)
- employment of local labour force for operational and CDHAP purposes.

### **Plans for 2002–2004**

CDHAP will focus on providing longer-term solutions to medical problems and educational requirements, increased employment opportunities and vocational training. Further work will be undertaken to build up the local infrastructure, including roads, water supplies, clinics and schools.

During this second phase, however, Lundin SL plans to

focus on capacity building measures, i.e. develop people's skills to diversify their means and sources of income. In this manner, the Company hopes to help the local population achieve self-reliance and sufficiency.

### **Part III: RESPONSE TO ALLEGATIONS AGAINST LUNDIN OIL IN SUDAN**

There have been some criticisms surrounding Lundin Oil's operations in Sudan, implying complicity in human rights violations. Lundin Oil refutes these allegations, which are mainly based on unreliable and biased sources, and in particular the report issued in March 2001 by Christian Aid (hereinafter referred as to "CA").

While this organization has been little known until now, it has gained much visibility with its media campaign against oil companies.

Christian Aid describes itself as an agency of the churches in the UK and Ireland, which is "supported and sustained by the churches and driven by the Gospel". In Sudan, it works with and through the New Sudan Council of Churches, an institution founded with the support of the SPLA. Although it claims to work both in North and South Sudan, it apparently did not go to the actual areas from which the alleged forced displacement of people took place, just rebel-controlled areas. It did not visit the Lundin Oil operations nor did it contact Lundin Oil for that purpose or provide it with an opportunity to comment before releasing its report.

A careful review of the report reveals the following:

- Allegations are based on interviews of people either allied with the SPLA and / or actively supporting it or people who are situated in rebel-held areas (Taban Deng, Peter Gadet, etc.). The information is misleading and inaccurate and draws unsupported inferences as to the causes of people's movement in the oil areas.
- CA disregards the history and geography of the area, which explain population movements within the oil areas resulting from a combination of seasonal migration dictated by climatic conditions of rain and drought, coupled with security problems caused by inter-tribal fighting.
- The report does not take into account the history of tribal rivalry. There is only passing references to the rivalry that currently exists between the faction headed by Peter Gadet (allied with the SPLA) and the other Nuer leaders such as Paulino Matip, Peter Lehr and Peter Par (allied with the GoS), which represent the majority of the population in the area.
- CA does not attribute attacks on villages and resulting displacement of people to the rebel forces of Gadet, even though it is a known fact to anyone familiar with the

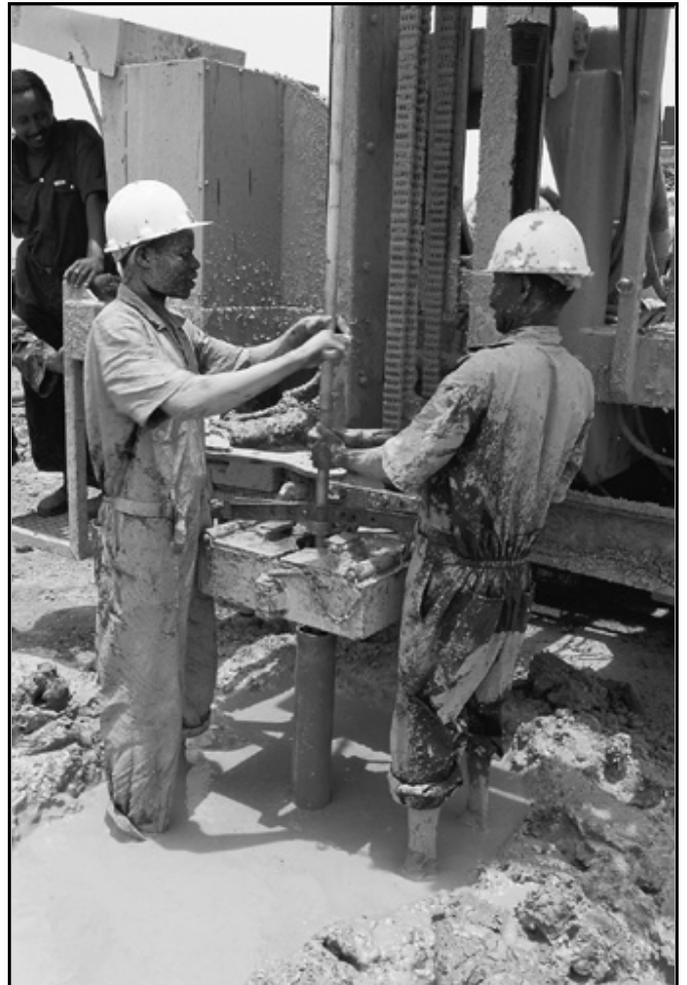
area and is cited as the main reason by the inhabitants themselves.

- CA does not question or comment on, the fact that the SPLA has declared oil companies, their staff and equipment as legitimate military targets and is threatening the livelihood of people (including the local population) connected to or benefiting from oil operations.
- CA does not question the motivations of the southern based rebel group, the SPLA, mainly Dinka, to deny the people of Unity State, mainly Nuer, the benefits resulting from the presence of oil companies.
- CA does not point out that Sudan, like any other country, is under an obligation to provide protection to citizens and foreigners alike from attacks by rebels and/or terrorist organizations.
- The report does not discuss the positive aspects of the involvement of foreign oil companies such as:
  - The fact that they effectively act as human rights watchdogs
  - The fact that they participate actively in community development and humanitarian assistance through their own programs and/or those set up by NGOs active locally
  - The fact that they provide infrastructure such as roads and bridges which is used extensively by civilians and NGOs alike
- CA does not present a positive scenario for what will happen if western oil companies leave Sudan, nor does it address the likely outcomes of their withdrawal, i.e.:
  - Nationalization of the facilities and oil reserves, resulting in increased oil revenues for the GoS.
  - Increased involvement of countries, like China, less committed to uphold human rights
  - Drastic reduction, if not complete cessation, of community development projects
  - Continued poverty and reliance on insufficient international relief assistance
- CA does not comment on the improvement of the economic conditions in the country as a result oil exports, such as the fact that:
  - Sudan is now fully self sufficient in petroleum products
  - For the first time in its history, Sudan had a positive trade balance (first half of last year)
  - As a result of economic development, Sudan was reinstated in the IMF and is becoming eligible for World Bank technical assistance
  - The GoS has continued to set economic policy within the framework of the IMF approved structural reform program
  - The current account deficits have been greatly reduced, though not eliminated

- Real growth is estimated at 7.2% for 2000
- Inflation has dropped from 46% to less than 10 % in the last three years
- Privatization of state firms (for ex. Atbara cement factory) is progressing
- The 2001 budget although not yet announced formally will allow for major increases in public spending (including several new power stations and a 15% increase in public sector wages).

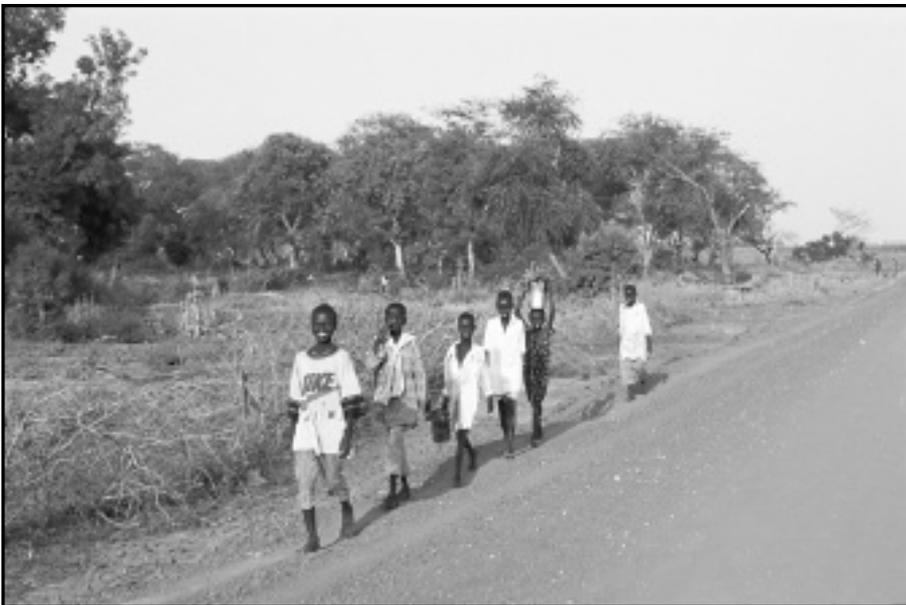
In sum, what emerges from a careful read of the Christian Aid report is that the evidence upon which the report is based is biased, the information inaccurate and the motivations questionable.

Lundin Oil recognizes that in view of its interest in Sudan, its credibility can also be challenged. This is why it has invited impartial and non-partisan institutions like the Swedish Ministry of Foreign Affairs and the UN Rapporteur on Human Rights in Sudan to visit its concession to form their own opinion based on first-hand evidence. Lundin Oil remains committed to continue to play a positive role in Sudan and to closely monitor the situation in its concession area.







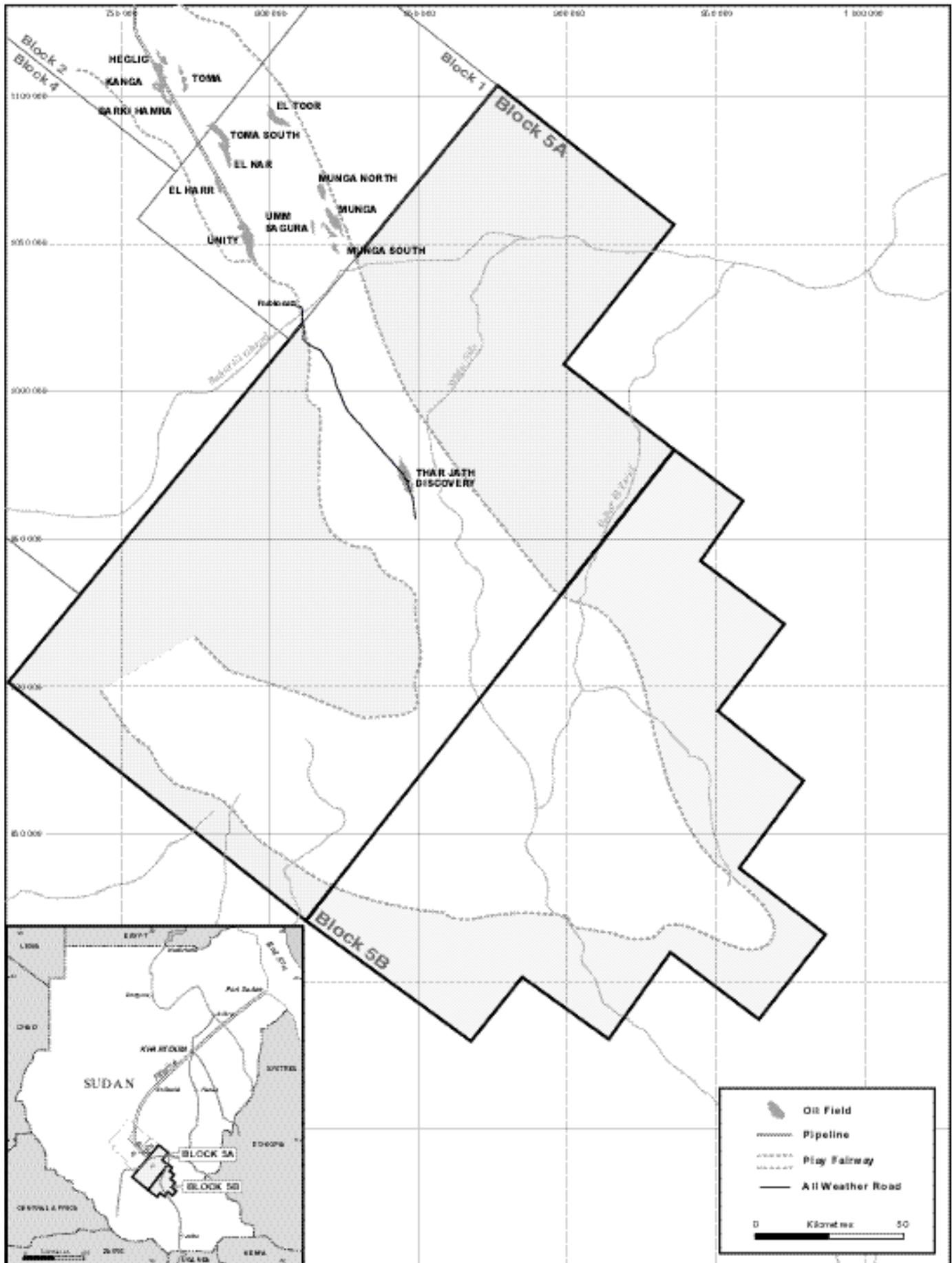








Appendix I: LOCATION MAP OF BLOCK 5A AND 5B



## **Appendix II: THE NORTH–SOUTH CONFLICT IN SUDAN**

### **Chronology of events**

**1820s** -Arrival of outside invaders in Sudan (Egyptian, then British)

**1840s** -Arrival of Christian Missionaries in the South.

**1899** -Anglo-Egyptian rule established (the Condominium Authority)

**1930** -The British Administration make official their “Southern Policy” (mutual isolation of the North from the South).

**1940s** -Southern Policy is abandoned by the British Administration.

**1947 -Juba Conference, establishment of Legislative Assembly, ratifies decision to keep Sudan united.**

**1950/51** -Formation of the Umma Party (pro-independence) led by Abdel Rahman El Mahdi (son of the Mahdi).

**1952/53** -Formation of National Unionist Party (NUP) led by Ismaïl Al Azhari.

**1953** -Anglo-Egyptian Agreement signal general pullout of all Egyptian and British forces.

**1953** -First National Election brings NUP to power.

**1954** -Establishment of self-governing institutions under the British rule.

**1955** -Formation of the first political party representing the South.

**1955 March 18** -Bloody mutiny at Torit Army Garrison leaves over 300 people dead (of which 261 northerners, mostly women and children).

**1955 March-August** -Riots and strikes against the Northern Administration in the South.

**1956 January 1 -Declaration of Independence of Sudan.**

**1958 November 17** -First Military take-over by General Ibrahim Abboud.

**1963** -Formation of Anya-Nya (first organized southern rebel army) led by General Joseph Lagu.

**1964 October** -Revolution in the North removes Gen. Ibrahim Abboud from power.

**1965 March** -Round Table Conference, first attempt at peaceful solution to the “Southern Problem”, ending in failure.

**1969 May 25** -Second military take-over by Colonel Gaafar Mohamed Nimeiri.

**1970** -Establishment of South Sudan Liberation Movement (SSLM) with Joseph Lagu as leader.  
-Mahdist Revolt in Khartoum is crushed.

**1972 February 28** -Signature of the Addis Abeba Agreement which was intent on giving the South regional autonomy.

**1976** -Coup attempt by Sadiq Al Mahdi (Umma Party) fails.

**1977** -Agreement with Egypt on the Jongolei Canal Project.

**1978 -Discovery of oil in the South.**

**1983** -Re-division of the South into three regions (Equatoria, Bhar El-Ghazal and Upper Nile), followed by Bor mutiny, by battalions 104 and 105 under the command of Lt. Col Kerubino Kwanyin Bol.

**1983 July** -Formation of the Sudan People's Liberation Army (SPLA) and Sudan People's Liberation Movement (SPLM) under the auspices of the Ethiopian Government. John Garang appointed Commander-in chief of SPLA and later SPLM.

**1983 September** -Introduction by Nimeiri of Sharia Law.

**1985 April 6** -Nimeiri is removed from power while on official visit to the U.S.A.

-A provisional Military Council (PMC) headed by Field Marshal Swar El-Dahab takes over as head of state; the council of minister is headed by Prime Minister El-JazuliDafa-Alla.  
-Political Parties are registered.

**1986** -Umma Party (led by Mahdi) and DUP (end by Mohamed Osman Al-Mirghani) come to power after a general election.

**1988** -DUP and SPLM initiate peace agreement, which is never recognized by Mahdi. DUP leaves the Government in protest over southern policy.

**1989 June** -Third military take over by Brig. Omar El Bashir planned by National Islamic Front of Hassan Al Turabi.

**1991** -The Mengistu Regime in Ethiopia is overthrown.

**1991–1992** -Southern rebel groups (the two main groups being SPLA/M Torit led by Garang and SPLA/M Nasir led by Riek Machar) split and turn on each other.

-NIF organizes and sets up a 83,000 strong “Popular Defense Force”.

**1992–1993** -Two rounds of peace talks between the Sudan Government (controlled by NIF) and SPLA in Abuja, Nigeria end in failure.

**1997 April 15 -Khartoum Peace Agreement (KPA) is signed between the Government of Sudan and South Sudan Independence Movement, and other fighting groups from the South.**

**1997** -Riek Machar is appointed President of South Coordination Council by the Government.

**2000 December** -Omar El Bashir is elected President for a second term of five years.

**2001 February** -Turabi is arrested for holding secret talks with SPLM.

**2001 April** -Juba conference convened by the President of the South Sudan Coordination Council Brig. Gatluak Deng, resulting in the unification of all the factions active in South Sudan, other than the SPLA.

## Appendix III: ANALYSIS OF CHRISTIAN AID REPORT

### "The Scorched Earth" released March 13, 2001

Statements made by CA are followed by Lundin Oil's response/comments.

#### EXECUTIVE SUMMARY

- **Para 1.** *In the oilfields of Sudan, civilians are ... caught in a war for oil.* The basic premise of CA is that the fighting going on in oilfields is motivated by oil. This completely disregards the history of the area, which demonstrates that tribal rivalry has always characterized this part of the world (reasons: tribal clashes, family disputes, theft of cattle, etc.).
- *Across the oil-rich regions of Sudan, the government is pursuing a "scorched earth" policy to clear the land of civilians and to make way for the exploration and exploitation of oil by foreign oil companies.* To claim that the burning of lands is due to a government (GoS) policy of scorched earth demonstrates a lack of knowledge of the situation on the ground for the following reasons:
  - burning of land takes place there, as in many other African nations, for agricultural purposes (high grass is burned during the dry season and turns into fertilizer during the rainy season)
  - government forces are not present in sufficient number to undertake the alleged offensive activities
  - people in the area are migratory and move according to seasons and agricultural requirements, compounded by insecurity caused by inter-factional fighting
- **Para 2.** *Companies from Asia and the west, including the UK, have helped build Sudan's oil industry, offering finance, technological expertise and supplies, to create a strong and growing oil industry in the center of the country.* Multinational companies are indeed assisting Sudan to become self-sufficient in energy and a net exporter of oil and gas, enabling it to relinquish its status as "one of the 40 poorest nations of the world".
- *In the name of oil, government forces and government-supported militias are emptying the land of civilians, killing and displacing hundreds of thousands of southern Sudanese.* CA alleges population displacement "in the name of oil". There is no benefit to companies to depopulate areas, in particular since companies need local labor and they have a contractual obligation to have 50% of the labor force constituted by locals within 5 years and 80% within 10 years. In subcontracts it is stipulated that contractors should hire local labor to carry out tasks, so benefits of employment accrue locally. Oil companies prefer to operate in secure areas, free from rebel or tribal clashes both for the benefit of their staff and the local population. Presently, local tribes are mobilizing against the rebels as they see the benefits of oil (infrastructure developments, schools, clinics, electricity, etc.). Lundin Oil cannot and would not operate in the area without the blessing and acceptance of the local population. Neither would the Company tolerate any human rights violations within its sphere of control.
- *Oil industry infrastructure ... is used by the army as part of the war.* In fact, if the army wanted to go into these remote areas, it would not require this infrastructure as it can get to any place it wants to, by air and / or land with its existing equipment. On the other hand, the local population and NGO's mobility is highly increased by this infrastructure. The road and bridge linking Rubkona to Bentiu is being extensively used by NGOs, and by the local population which walks all along the road from as far down as Lehr. In fact, a local bus service has started, transporting civilians from near the rig site in the southern part of the Block all the way to Bentiu and Rubkona, thereby providing them access to amenities available there since the oil companies have come.
- *In retaliation, opposition forces have attacked government-controlled towns and villages.* While CA indicates that rebel activity is in retaliation to government, the people living in the area claim that it is the other way around. People in government-controlled areas have settled there because they feel safer near army bases, which are protected from rebel attacks. The large number of Nuers in government-controlled conglomerations like Bentiu and Rubkona, tends to invalidate the view that people are afraid of government forces or that it is these forces, which are displacing people.
- **Para 3.** *Exports of Sudan's estimated two billion barrels of oil are paying for the build-up of a Sudanese homegrown arms industry as well as paying for more arms imports.* There is no evidence of a link between oil revenues and military increases as demonstrated in the ongoing debate in British parliament, the inconclusive evidence from the IMF, etc. With the availability of oil resources, many items in the

state budget have increased, not only military expenditures. But even when there are few resources, funds are always made available for purposes of national security, as can be seen from the fact that the war has been going on for over forty years.

- **Para 4.** *"Sudan will be capable of producing all the weapons it needs thanks to the growing oil industry" announced General Mohamed Yassin.* The statement of General Yassin about oil industry helping the production of arms can be contrasted to a number of statements made at the highest level (President Bashir and other ministers) to the effect that oil revenues will be directed at the development of the whole country, including the south. There is some clear rhetoric involved when a general, then spokesman for the army, speaks about military capacity, especially when there is a war going on and the conflicting parties are trying to deter each other. General Yassin no longer holds an official position in the government. Allocation of oil resources is provided as follows in the Khartoum Peace Agreement (KPA), 40% of revenues are to go to the producing states, 35% to neighboring states, and 25% to the federal state. In furtherance of the KPA, which is part of the Sudanese constitution, President Bashir has appointed a new President of the South Sudan Coordinating Council. *The government now earns roughly US\$ 1 million a day from oil – equivalent to the US\$ 1 million it spends daily fighting the war.* The equation of \$1 million a day earned from oil and spent on arms is extremely simplistic. How was the war funded until now?
- **Para 5.** *CA visited southern Sudan last year to gather first-hand information about the impact of the companies' involvement.* CA visited only rebel-held areas (situated at a fair distance from operations' areas) where the information they gathered is likely to have been filtered by SPLA agents and meant to serve their propaganda.
- *Eyewitness accounts show that government forces are ruthlessly clearing the way for oil over an ever-larger area.* The allegation that government forces are clearing the way for the oil again demonstrates a lack of knowledge of the situation on the ground, which is that, government forces, being in limited numbers, lack the physical capacity to carry out alleged activities.
- *In one area of Eastern Upper Nile where a new consortium began prospecting in March 2001, 48 villages have been burned and 55'000 people displaced in the past 12 months.* The allegation that the new consortium is responsible for the displacement of 55'000 people and the burning of 48 villages is not tenable, since Company representatives have not witnessed this alleged activity. The Company has had a permanent presence in the area for the past two years and should have noticed such actions had they occurred. What the Company did witness is a large influx of people into Bentiu (government-controlled area) in the middle of the summer caused mainly by lack of food and water and compounded by inter-factional fighting. As indicated by one of the NGOs providing relief at the time, none of these internally displaced people (IDPs) attributed their move to oil activities.
- *Along a new road in one European oil company's concession, said one witness, "there is not a single village left".* The location of the road was selected in such a way as not to interfere with existing population settlements; this is why there are few villages near it. The alternative would have been to upgrade a road built in the 80s. However, as there were a number of settlements along the old road, the Company preferred to build an entirely new road. Nonetheless, there are some settlements at short distances of the new road to which the Company has been supplying fresh water since the road was completed.
- **Para 6.** *In a war against the SPLA, virtually all southerners - the ordinary people who have always lived in the oil-rich areas of Western Upper Nile – are regarded as potential enemies.* To talk about all the people of the south as one entity demonstrates an ignorance of the area. The SPLA is constituted mainly by Dinkas while the inhabitants of the oil regions are mainly Nuers. Overall, Nuers are in favor of oil operations, as they see it as a chance to emerge from poverty and a path to development. At this stage there is only one Nuer faction that has allied with the SPLA. The Nuers in general distrust the SPLA, as they feel the largely Dinka SPLA is only interested in gaining control of their land, not help them. It is fighting between an SPLA supported faction and other Nuer factions that is responsible for insecurity in the area and for civilian casualties, population movements.
- **Para 7.** *Western Upper Nile now has the highest proportion of people in need anywhere in Sudan.* The situation in Western Upper Nile is complicated by both insecurity and climatic factors. In general it is a rich area, not only in oil but also in cattle and agricultural potential. If appropriate technology was brought in (through irrigation and new crops, for ex.), the area's huge agricultural potential could be developed. Unfortunately, climate oscillates between periods of drought (when people have to move in search of water) and heavy rains

(which makes large areas swampy and uninhabitable and lead people to move back to the dry lands).

- *Aid flights are banned by the government, leaving people in even greater need.* Flight bans are caused by the volatile security situation and affect oil companies as well. There are no impediments or bans imposed on NGOs preventing the use of the road to deliver aid. The problem is that most operating NGOs have had no program in those areas until recently, as they were difficult to access (Lehr, which is situated at the southern extremity of the Block has received no direct assistance from NGOs).
- **Para 8.** *Extracting oil in a country at war with itself is, without question, problematic.* Extracting oil in a country at war is indeed a difficult proposition, but the alternative is to deny the people of the area the possibility to gain the means to be self-sufficient. The oil presently being extracted in the South already benefits the local population, through community developments projects set up by the oil companies and the government (viz. schools, clinics, electricity in Bentiu, etc.). Development expenditures in the South were reportedly \$11 million in 2000, while \$24 million is budgeted by the GoS for 2001.
- **Para 9.** *Oil companies such as...Sweden's Lundin Oil...are partners of the government of Sudan.* Oil companies are not partners of the government; they have signed an agreement with the federal government as required by international law. As part of the consortium, there is a Sudanese government-owned company, Sudapet, which hold a 5% stake.
- **Para 10.** *Under contract, oil revenues are shared between the companies and the Sudanese national oil company, Sudapet.* The shareholding of Sudapet in the consortia is minimal. Furthermore all contracts involve a cost recovery scheme, which means that the government receives only a portion of the revenues in the first years following production. There are no revenues flowing from the Lundin Oil consortium, which is not producing yet.
- *Military protection is also part of the partnership.* Military protection is not part of the contract but, as in any area of the world, the government has an obligation to ensure the security of citizens and foreigners. Given that the SPLA has declared oil operations (staff and equipment) legitimate military targets and SPLA-supported rebels attack the area are the reason why security is required.
- **Para 11.** *The relationship between oil and security has moved far beyond simple defense.* Inter-factional fighting, which results in a vicious cycle of violence that unfortunately affects primarily the local population, is the main cause of insecurity in the area, cited by the people consulted. There are an increasing number of people living in the vicinity of the oil operations where there are protective forces.
- **Para 12.** Lundin Oil will not comment on claims regarding areas (like the TotalFinaElf) about which it does not have first-hand knowledge.
- **Para 13.** *With this report, Christian Aid joins a long list of organizations, which have exposed these human rights violations.* Unfortunately, many reports are not reliable as they are based on information obtained from rebel-held areas, from the rebel themselves, their families or supporters. The few short visits that have been made by some organizations cannot replace the knowledge of those, like oil companies and some NGOs who have been working there for years and recognize that oil is not the cause of the problems there.
- *A new report by CSIS concludes that "oil is fundamentally changing Sudan's war".* While the CSIS report talks about oil's connection to the war, former U.S. President Carter, who has first-hand knowledge of the situation, has indicated it is the US that is fuelling the war.
- **Para 14.** *Yet, despite the evidence, the oil companies remain largely silent.* Oil companies are not silent about what happens in Sudan. It does not consider that CA has presented irrefutable evidence. In fact, CA's "evidence" is actually its interpretation, based on accounts received from questionable sources. This is not to deny that the situation is difficult or complex, or that there are no instances or reprehensible behavior. The Company recognizes this and when it witnesses any activity that does not confirm to its ethics (Code of Conduct) it complains to the relevant authorities. The Company has engaged in extensive discussions with government representatives requesting explanations regarding allegations of scorched earth, population displacement, aerial bombing, civilian targeting, and a number of other human rights violations. It will continue to raise problems it identifies and to promote the respect for human rights.
- **Para 15.** *In Sudan, oil and war are inextricably linked.* War and tribal fighting preceded the finding of oil. The causes of the war are complex, religious, tribal, racial, etc.; therefore while oil is now an added factor in the war, it is certainly not the cause. Another factor is the

active support of rebels provided by various organizations in the West, including fundamentalist Christian organizations.

- *CA...and its partners recommend that oil companies directly involved in oil in Sudan, such as Talisman Energy and Lundin Oil, should immediately suspend operations until there is a just and lasting peace agreement.* In fact, there is a peace agreement, the Khartoum Peace Agreement (KPA), which is part of the constitution, between the government and representatives of Southern Sudan's population. This Agreement, however, has unfortunately not yet led to a just and lasting peace. To follow CA's recommendations by suspending oil operations would result in depriving the Sudanese of economic and social development as well as basic infrastructure and perpetuate the cycle of violence and dependency on foreign aid and relief, which is insufficient to satisfy the serious needs of all the Sudanese people.
- **Para 16.** *Oil should be Sudan's peace dividend.* Oil cannot be a peace dividend since it is already there. The departure of western companies would not suspend oil exports or the fighting. It would just leave open the way for other companies, which might not be as concerned with the plight and needs of the local population, nor as willing to try to do something about these issues.

## GENERAL COMMENTS ON THE INTRODUCTION

CA describes in point form some of its conclusions as to the connection between oil and the war in Sudan. Lundin Oil believes that if the evidence were so overwhelmingly compelling and the complicity of foreign companies established, as CA is alleging, then all NGOs, government/UN investigators would have recommended that companies suspend their operations. This has not been the case. In fact suspension of activities is being called for by some NGOs operating in rebel-held areas or in contact with SPLA people. What emerges from discussions that Company representatives have had in Sudan with representatives of a number of UN organizations, embassies and NGOs operating in the oil areas, is that western oil companies should stay because they have played and can continue to play a positive role in the area by monitoring the human rights situation and contributing to its economic and community development. Representatives of the local community and local Nuers to whom Company representatives have spoken hold the same view.

Companies such as Lundin Oil, Petronas and CNPC are contributing to the extension of the war by permitting government forces to clear new areas for them to exploit. Lundin Oil absolutely and unequivocally refutes this claim. It would never permit the clearing of the area for its alleged benefit. Lundin Oil has had the welfare of the community in mind before any reports criticizing its activities came out. A 1998 video tape made by the Company, shows what its operating philosophy was at the time (and remains to this day) which is that in order for the Company to be successful, people on whose land it is situated must benefit from its presence. The Code of Conduct, adopted by its board of Directors, is a formalization of this philosophy.

The Company recognizes that humanitarian relief provided by oil companies is insufficient to address the endemic problems plaguing these areas; however, the same can be said about the relief provided by the international community. Relief can never match the needs, therefore the only way for the Sudanese people to get what they deserve is to help them develop their own resources. Until such a time as the country can rely on its resources, Sudanese people will be dependent on the goodwill of others. The cure to under-development is economic development and self-sufficiency, not humanitarian aid, which can only address the symptoms, not the cause of the problems.

Furthermore, oil companies, like some NGOs, try to do more than humanitarian relief: they are engaging in community development to ensure that the benefits of the oil outlast their presence there. Infrastructure development, local employment, building/refurbishing clinics and schools, helping the people improve their agricultural production are all means to help the Nuers achieve self-sufficiency. All this cannot happen at once, but it is a first step.

Monitoring the human rights situation in its area of operations is also a commitment of the Company.

## COMMENTS ON CHAPTER 1 THE WAR FOR OIL

**p.1** *While all parties are guilty of flouting Geneva Conventions and international humanitarian law, what marks the government out from the opposition forces is the extent of its attacks on civilians living in and around the oil rich areas.* GoS forces are in insufficient numbers to be able to carry out offensive activities in the area in question. Furthermore, when asked, people living near oil operations indicate that it is mainly the rebel forces of Peter Gadet that terrorize the local population.

*"The worst thing is the gunships"* says Zeinab Nyacieng, a Nuer woman driven hundreds of miles from her home, told Christian Aid late last year. The reliability of this testimony is questionable insofar as it was not taken in areas near the oil operations but likely in rebel held areas, which could mean that she sympathizes with the rebels or that her testimony was given through or under the surveillance of SPLA agents.

*The inter-tribal warfare that has plagued the south for the last decade has been fomented by strategic arms deliveries from government gar-risons.* While it may be that the government supplies arms to tribal groups, it is likely to be to enable them to repel the rebels, who obtain arms from the SPLA, rather than to chase civilians. This statement by CA indirectly confirms the view that it is inter-tribal or factional fighting that is the cause of the insecurity in the area.

*One of the most tragic episodes in the history of Sudan's war is unfold-ing with scarcely a word of protest, or even acknowledgement, from any of the foreign companies operating in the region.* This is untrue as companies like Lundin Oil have raised their concerns whenever they hear/read of acts allegedly committed by the GoS. They do not do it publicly, because they feel it would be counterproductive. Furthermore, while the Company has witnessed and complained about, individual acts of human rights violations, it has not seen the evidence that CA claims to have gathered.

**p.2.** *A month later [i.e. May 1999] according to Human Rights Watch, the government moved troops to Thar Jath and adjacent areas, dis-placing tens of thousands of people.* In the month of May 1999 fighting did break out between distinct militia groups, which lead to the govern-ment sending troops to protect the area. However, while fighting took place among different militias (leading no doubt to some civilians flee-ing the zones of insecurity) there could not have been displacement of tens of thousands of people for the following reasons: first, there are no permanent settlement near Thar Jath only Rier, which is a seasonal settlement, and there were never "tens of thousands of people" in the vicinity of the operations. The reason is that Thar Jath is situated in the low lands and the surrounding areas are almost inaccessible by any means (including foot) during the rainy season (May/June to Novem-ber/December). People regularly come near the operations during the dry season (November/December to May/June) to graze the cattle, but return to their permanent settlement as soon as the rains start again. It is in the western part of the block, i.e the highlands, near the road built in the 80s, that people have more permanent settlements and that agri-cultural activities take place. Secondly, army troops sent to the area were in limited numbers, making any offensive activity on their part vir-tually impossible. Thirdly, if the army were responsible for population displacement, people would be afraid of returning to areas where they are still to be found. Yet, this year again civilians came to the area near the oil operations during the dry season. They have spent the past few months without interference by the government or militias, which the Company can attest to, having been present throughout these months.

*In March 2000, amid fighting for control of the Thar Jath site, Lundin Oil said it was suspending drilling because of "logistical difficulties and safety considerations.* Activities (there was no drilling going on) were suspended because there was no all weather road at the time and some early rains. There was rebel activity in the northern part of the block, along the old road, but there was no fighting for the control of Thar Jath. The security considerations were not the preponderant con-sideration for suspending activities. The road down to Thar Jath was and remains a pre-condition for operating year round in Thar Jath. Until it was built, the Company had always suspended operations during the rainy season and still might do so this year.

*What Lundin Oil did not say in its press release was that in the inter-vening 10 months, as the oilfield tripled in size and its airstrip was extended government troops and militias had burned and depopulated the entire length of this oil road.* There was no oil road at the time. The road construction only started in June 2000 but proceeded very slowly until the fall of 2000, as the rainy season was drawing to an end. Com-pany personnel continued to be present in the area and saw no burn-ing of villages or forced displacement, if for no other reason that the fact that there are few permanent settlements there, as explained above, and it was the rainy season.

Lack of permanent settlements in the area is precisely why the new road was built there, instead of refurbishing the old Chevron, since a number of what appears to be permanent villages are situated along the old road. The few villages that are near the new road, such as Schwall, Dorang 1 and 2, Kwosh and Awiwah, are seasonal settle-ments still in existence.

*Taban Deng, a former Minister of State for Roads in the Khartoum gov-ernment told CA that the road was built by Chinese workers and paid for by Lundin Oil at a cost of up to \$400,000 per kilometer.* The road was not built by the Chinese but by a local Sudanese company, which

was selected after a process of tender. Its cost was approximately \$75'000 per km not 400'000 as claimed in the report. Taban Deng is now allied with the SPLA; he is not a credible or unbiased source.

*CA found thousands of Nuer civilians displaced from villages along this road, hundreds of miles away in Dinka Bahr El-Ghazal.* The Nuers met by CA could only be rebel or SPLA sympathizers to seek refuge in an area inhabited by their traditional enemies, the Dinkas. While the Wun-lit peace conference may have offered a limited truce in the Dinka/Nuer intertribal fighting there is little or no trust between the Dinkas and Nuers generally speaking. It would be more natural for Nuers to flee to Nuer areas in the South or East, or even neighboring countries rather than to the Dinka areas to the north and west. Given that Bahr-El-Ghazal is SPLA territory, one can imagine that Nuers found there would either: 1. Tell a story the SPLA wants to hear or 2. Tell a story which the SPLA adapt in the translation for CA.

**p.3.** *Chief Peter Ring Pathai said that government troops airlifted to Kuach were shooting at villagers.* A representative of Riek Machar's (the Nuer leader) SPDF, indicated he had no knowledge of a chief called Peter Ring Pathai. Furthermore, he confirmed what everyone in the area says, that Kwosh/ Kuac was attacked by rebel forces led by Gadet after Riek Machar resigned as vice president and president of South Sudan Coordinating Council. Riek Machar's representative indi-cated that it was Gadet forces that tried to kill Riek Machar there.

*"All the villages along the road have been burned" said John Wicjial Bayak, a local official who had been driven from a village close to the oil road.* The burning of numerous villages around the 'road ' cannot refer to the Lundin Oil road, as along that road, there are few, if any, permanent settlements. Lundin Oil personnel present in the area con-firm that there had been fighting along the old road and, after speaking to a number of local people, attribute it to attacks by Gadet forces.

*Aid workers who have flown over the oil road [to Pulteri] confirm these claims.* The Company would be very interested in meeting with the aid worker alleging the destruction of the six villages and find out what s/he has really seen. In the past few weeks a number of Company repre-sentatives, including the Company's President, have traveled down the road by air and by car and have not seen any evidence of burnt vil-lages. The place referred to as Pulteri cannot be located on available maps, while the area which Nuers call Pultani (grazing place for cattle), situated near the Jarayan operations site has not been the subject of any fighting, according to the local population.

*As one flies along the new oil road, the only sign of life are the lorries travelling at high speed back and forth to the oilfield.* For the past few months, the Company has been delivering 13'000 liters of water per day to supply inhabitants of the area including Kwosh, which was re-attacked by Gadet forces early 2001. It has furthermore drilled 6 water wells in order to provide the people with a permanent supply of fresh-water. In addition, a bus service has been started by a local entrepre-neur that transports civilians along the road from the south all the way up to Bentiu and Rubkona. Souk (market) trucks also transport civil-ians. The high traveling speed alleged is not possible as the road is gravel, not tar, and thus cannot be traveled at high speed; a speed limit of 70 km per hour is furthermore imposed by the Company for safety reasons. The road is used by local people who freely walk up and down along it, transporting water and other goods, such as firewood, or leading cattle. Pictures evidencing this fact are available and will be displayed on the Company's website.

*Small military garrisons are clearly visible every five kilometers.* The military garrisons are actually small camps with a dozen soldiers in each. They are there to provide protection from rebel attacks. They are not at 5 km distance; in fact in average they are every 13 km, some closer some further.

*According to village chiefs, systematic attacks on the villages along the oil road began in March 2000, the month Lundin Oil suspended drilling.* As indicated previously there are no permanent settlements near the Company's operations, there were no people near them in March 2000 or fighting in the area. Fighting did take place around that time some 70 km north of the operations, where the old road is situated, as rebel forces started to attack a number of sites and GoS forces.

*The scorching of villages along the Lundin oil road* Company repre-sentatives have been spending considerable amount of time trying to double check the information presented by CA as to the destruction of a number of villages. As a result of these investigations, and based on information gathered from different sources, it would appear that some of the alleged attacks did take place. What is questionable, however, is CA's attribution of responsibility with the GoS and oil companies. The connection with the GoS and oil operations, which CA tries to establish, is lacking. Indeed, the fighting involved SSUM/SSIM/SSDF forces (pro-government) and Peter Gadet forces (pro-SPLA). According to all

the people spoken to in the area, the main instigator was Gadet. Villagers decried his ruthlessness, going as far as separating mothers from children (abandoning the children and using women to carry goods), raping women and burning the villages. Furthermore, the villages attacked are very far from oil operations, while near the operations there are only sparse settlements.

Furthermore, some of the attacked villages have reconstituted close to army checkpoints, making it difficult to believe that it is the army causing the destruction. Reviewing all the evidence presented by CA, it has been noted that virtually all was gathered from rebel-held territory and thus is hardly credible.

*One of the first villages attacked was Chotyi, in October 1999.* Although it could not be located on any available maps, the village was found to be south of Bentiu, near the old oil road and at a distance of over 10 km from the AWR. The village still exists, as confirmed by a village chief met recently, and in fact received delivery of seeds by a NGO in the summer of 2000. There was a school there some time ago, but never a hospital, as alleged by CA further in the report. There are plans to rebuild the school.

*Then in March 2000 government troops supported by Antonovs and helicopter gunships attacked the village of Dhorbor.* This village cannot be situated on available maps, but is known to be near the old road and at a distance of a few kilometers of the new road. People spoken to recently confirm that it still exists. As to the attack, since there was inter-factional fighting at the time caused by Gadet, it is possible that it could have taken place. The fact that a village is there again this year would tend to show that there was no intention to clear the area, as suggested by CA, but rather to repel the rebels.

*On 11 May 2000 it was the turn of the village of Guit.* On 10 May, it was learned that an army detachment was attacked in the area, thus some retaliation may have taken place. Again the instigator of the attack is said to be Gadet forces.

*A few days later the village of Kuach was attacked by troops who arrived in lorries.* The village of Kuach was attacked by Peter Gadet, who wanted to get to Riek Machar who was then in the area. It has since suffered a number of other attacks, but is still standing. It was visited lately by Company representatives who saw the local population conversing freely with army personnel. There is a small army checkpoint nearby confirming that the local villagers do not consider the army to be a threat.

**Burned alive p 4.** *An estimated 11,000 people displaced from Block 5A by the above attacks settled in the SPLA-controlled village of Nhialdiu.* As indicated previously, sources confirm that most of the fighting was initiated by Gadet. People found near Nhialdiu couldn't all be considered as neutral civilians, as Nhialdiu is a logistics base for Peter Gadet. Civilians living in that area would be family-members of the rebels or in connected to them in some ways. In other words, CA gathered "information" on what happened in the Block from either rebel held areas or the area of Bahr-EI-Ghazal, which is Dinka and SPLA held. They did not go to non-rebels-held areas in the Block to see for themselves, nor did they seek Company assistance to do so.

*The Lundin Oil road is currently being extended beyond the Thar Jath site to the port of Adok on the Nile.* This is incorrect. There are no plans to build a road down to Adok. The current road has been extended to Lehr at the request of the local commissioner but it is not an all weather road. There are no plans to build spurs radiating from the road as claimed. Lehr is an area, which many of the Company personnel, including the operations manager, have traveled to on a number of occasions in the last few months. It is an area of permanent settlement because it is situated near water sources, which does not turn into swamp during the rainy season. The Company's community development and humanitarian assistance program has already started there with the repair of ten water wells and furnishing materials, such as school supplies, relief supplies, etc. The government's community development committee is drawing on resources it obtains from companies as social bonuses to provide electricity in the area. After the rainy season, when there will be unimpeded access to the area, there are plans to refurbish a school and a hospital. This area is completely free from fighting and the local SSIM are on friendly terms with the GoS.

*Response to allegations made in pp. 4-6.* A detailed response regarding the claims themselves cannot be made, as Lundin Oil has no first-hand knowledge of what happened in areas situated beyond its concession, but below are a few general remarks.

**OLS.** Private discussions with OLS, which the CA comments are based on, cannot be verified by third parties. What is important is what OLS organizations operating in the area say for the record and the fact is that they have not come out with a firm condemnation of the GoS.

They have not either confirmed the allegations of population displacement or scorched earth policy. The WFP in fact had come out stating there was no evidence of population displacement but faced such pressures from NGOs that they wrote a retraction. In this retraction, however, they did not confirm forced population displacement but mentioned that there was insufficient evidence to make that claim. **Derek Hammond.** Hammond, used as a reference by CA, is not impartial. He is a (fundamentalist) Christian, considered to be a supporter of the SPLA. **Taban Deng.** He is currently based in Nairobi, having sided with the SPLA. He used to be a strong supporter of oil companies and the government. He defected last year along with Riek Machar as he claimed he/the area was not getting enough from oil proceeds. But apparently, Riek Machar had a fall out with both Taban and the SPLA, as he has realized that the SPLA is not ready to fight for the Nuers, and can now be considered as a neutral party. A Nuer organization, the South Sudan Relief Agency (SSRA) has recently denounced the CA report for conveying false information.

## GENERAL COMMENTS ON CHAPTER 2: FLIGHT BANS AND THE DENIAL OF RELIEF

**p.6 Drought and fighting-which drives families away from their land and crops-are perennial problems.** Lundin Oil fully agrees that it is drought and fighting that drives people away from their land and crops. CA further claims that these problems are compounded by the GoS flight bans, which according to them affect only relief agencies not oil companies. This is factually incorrect, as there have been times where no one, including oil companies, was allowed to fly down because of security considerations. There are no standing flight bans for NGOs. This was recently confirmed by the security officer for the World Food Program (WFP), who stated that there were no flights in the area because the WFP had no programs there and if and when they wanted to go down, they themselves would consider whether it was safe to do so. Lundin Oil was informed that other UN related agencies, like the FAO, were starting up a program in the area, with the assistance of NGOs like German Agro Action and Action contre la Faim. Medecins sans Frontières are also working in the area.

**p.7 For the past two years, the Sudan government has refused to allow agencies operating under OLS's umbrella to fly into wide swathes of Western Upper Nile – a region so far-flung that there is no alternative to air transport.** Operation Lifeline Sudan (42 NGOs under UN umbrella), which provides aid both to the North and the South, was set up with the agreement of both the government and the SPLA. Its officials do not confirm CA's viewpoint, as even CA is forced to recognize: "some OLS officials said Khartoum's conditions were no different from those imposed by any sovereign state". Furthermore, areas, which have been denied relief by OLS, according to CA, include such places as Mankien and Nhialdiu, which are rebel-held, Lehr and Kuac, which are within government-control. This shows that security conditions are what dictate flights, not who the recipients are. Furthermore, CA recognizes that certain areas are not accessible by other means than by air, making it difficult for aid to be brought in. However, it criticizes oil companies for building a road, which can be and is being used by NGOs in their relief work at a fraction of the cost. Given the WFP's budgetary constraints (it has collected barely 1% of what it needs for Sudan), this is not a small consideration.

**p.8 In its 2000/2001 needs assessment, WFP reported that some people walked for as many as ten hours to reach a relief location. In the rainy season, many people could not reach any relief site.** CA chooses to ignore the fact that with the new road, access to relief centers is enhanced, as is the possibility of food delivery in remote areas, even during the rainy season.

*Healthcare has always been poor in Western Upper Nile.* CA indicates that the many health problems faced by the local population are due to the fighting and lack of access to food and water. What CA does not talk about is the fact that oil companies address these issues through medical and other forms of assistance (tent clinics, clinics, vaccination programs, freshwater / food supplies, etc.). This assistance can in no way replace the work done by NGOs but can certainly complement it.

*In Western Upper Nile, the WFP, the main provider of food aid, targeted an average of 250'000 people last year, roughly half the estimated population.* While WFP is perhaps the largest provider of food aid, there are NGO's that provide seeds and agricultural tools to people. Seed distribution was done by German Agro Action in the summer of 2000 to many of the villages, which CA claims have been destroyed. Oil companies also offer some support in the form of distribution of agricultural tools and equipment.

**p.10 In one area of Upper Nile – the Koch area close to Thar Jath oil field, repeatedly attacked by SPLA forces – an OLS assessment team found a "severe emergency situation looming" in October last year.**

Koch is not close to Thar Jath; it is approximately 20 km west of Thar Jath and, as confirmed by CA, it is the SPLA (i.e. Gadet forces), not the GoS that was responsible for attacks on this, as well as other villages.

*CA staff visiting the north in July 2000 witnessed the overcrowding and hardship of about 64'000 displaced and their cattle in Bentiu town.* Bentiu is a government-controlled area, so why would the people allegedly displaced by the GoS army flee to government areas? In fact, the main centers (such as Rubkona, which has a military base, and Bentiu) have grown four-fold in the past couple of years. Would people settle there if the GoS was displacing them?

The CA relies in different parts of its text on testimony by Southern Relief and Rehabilitation Agency (SRRA) to "document" its evidence. The SRRA is the humanitarian wing of the SPLA, fully controlled by it. Anyone connected with the SRRA would have to tow the party line/propaganda and attribute all ills to the GoS and the oil. It is part of the SPLA propaganda, which has been successful in generating much attention.

**p.11** *"Before oil, our region was peaceful" said Chief Malony Kolang.* It is common knowledge to anyone with any experience in this area that tribal fighting is a "perennial problem", as admitted (early in the text) even by CA.

*Soft targets: the war on humanitarian agencies.* The humanitarian organizations and the UN related agencies have not criticized the GoS humanitarian policy; the complaint is coming from the head of US Committee for Refugees, who has publicly called for the demise of the GoS.

#### **GENERAL COMMENTS ON CHAPTER 3 PAYING FOR THE WAR: OIL FOR ARMS**

**p.12** *Dollar for dollar, oil pays for the war: \$1 million a day in oil income for \$1 million spent on defense.* This section clearly demonstrates that CA has no understanding of the cost recovery system that governs oil contracts. CA makes a simplistic link between \$1 mio revenues to the government and \$1 mio spent for military purposes, without any discussion of how the war has been paid for so far. In fact, a \$1 mio per day for a country as big as Sudan with 9 neighboring countries and at civil war is probably insufficient to carry out all the atrocities claimed by CA.

**p.13** *Commander Gadet, the former government ally who defected to the south in October 1999, told CA he had collected weapons from several of the new plants before he left the government.* The fact that throughout this chapter CA relies on "evidence" from Peter Gadet who is at war against the GoS certainly limits the credibility of the assertions. Taban Deng is also quoted in this section decrying that money goes only to the army and not to the south, while in fact both oil companies and the government have contributed to infrastructure development (road, bridges, clinics, schools, electricity) in the areas of Bentiu and Rubkona (permanent settlements of above 30'000 in habitants) and other parts of the oilfields.

#### **GENERAL COMMENTS ON CHAPTER 4 FOREIGN OIL: HOW COMPLICIT?**

**p. 16** CA alleges the following:

- 1.** *At company request, the GoS and its allied militias provide security for the oilfields.* Security is a state responsibility; however, there is no link between militias and oil companies.
- 2.** *Facilities paid for by oil companies, including airstrips and roads, used by government forces for military purposes.* Facilities are used by all who wish to have access to/from remote areas, including civilians and NGOs.
- 3.** *Revenues from oil production and exports increase the government's ability to wage war.* Any revenues can be used for this end, but oil revenues are being used to build the country and its infrastructure as well. One could argue that the fact that NGOs provide relief, relieves both sides of the conflict from their obligation to care of the needs of the civilian population and increases their ability to wage war; this certainly does not mean that NGOs should not suspend their relief work.
- 4.** *The uncritical presence of international oil companies fosters impunity and adds credibility to a government, which systematically violates human rights.* The presence of international oil companies is not uncritical. In fact, some of the positive changes which the UN Human Rights Commission notes in its Resolution on Sudan have much to do with the fact that with increased foreign presence and constructive dialogue, progress have been accomplished in this area.

**p.17** *Lundin Oil initially sought to employ a local Nuer force, but backed down under pressure from Khartoum and is now protected by govern-*

*ment troops.* This is totally untrue. Lundin Oil has never even considered employing its own armed force and would never do so. The Company has, however, employed (Nuer) unarmed security guards to guard its camp.

*This report has documented the burning of villages around Nhialdiu and the massive displacement, and burning of villages, in Lundin Oil's Block 5A.* The fighting and massive displacement in Block 5A area alleged is all taking place in connection with rebel activity, mostly along the old oil road which is far away from the operations or the rig sites, demonstrating a weak, if any, link with the oil.

*Government-sponsored militias such as Matip's have unleashed a rule of terror – even in government-controlled areas.* The allegations of brutality against the local tribal leader Matiep are equally applicable to Gadet, and the link with oil is again not demonstrated. These warlords preceded oil companies, and so did their fighting. The main difference now is that they are backed by the protagonists in the civil war, the GoS on one side and the SPLA on the other, each of which can rely on various sources of funding. What is telling, however, is that all but one Nuer faction (Gadet) have sided with the government.

**p. 18** *Michael Chian, a commander who defected at the south with Gadet, was liaison officer between the militia and Lundin Oil until 1999.* There is no record of Michael Chian company files, no one who knows or has heard of him. He claims that the government did not want southerners working there, yet the Company has been employing hundreds of southerners on a contract basis over the last couple of years. Having defected to the south with Peter Gadet, he is hardly an unbiased and credible witness.

*However, to Christian Aid's knowledge, no company has acknowledged a single instance of abuse within its area of operations.* If companies do not make public their meetings with GoS where they discuss HR issues, it does not mean that they have not raised their concerns about human rights violations. Human rights training for security officers by oil companies evidences the fact that the issues are being addressed. Denouncing human rights abuses when witnessed is not only part of employees' responsibility, it is a question of personal ethics, as Company personnel has pointed out.

*Oil companies operating in Sudan must state clearly what their obligations are to the Sudan army and whether they pay for the troops whose protection they have sought.* Lundin Oil pays nothing for government protection as it is the responsibility of the GoS, as any other state in the world, to protect its citizens and foreigners alike from any rebel or terrorist activities.

**p.18** *Government forces use the infrastructure of the oil companies in pursuit of their war aims.* Peter Gadet said. As explained by an NGO operating locally, the army does not need these facilities and could access any area it wishes, given the nature of its equipment. On the other hand the facilities can be and are being used by civilians and NGOs and affords civilians the opportunity to gain access to food, medical relief, educational facilities and markets.

**p. 20** *A second airstrip, longer than Heglig's, was built at Rub Kona in 1999, paid for by Lundin Oil, according to Taban Deng.* This airstrip was built over 20 years ago by Chevron and is now the property of the GoS. The refurbishment costs were low and it was done for the benefit of all who use the airstrip, including NGOs, who land in Rubkona when they use Antonovs and in Bentiu when using lighter aircraft. No permission to land is sought or required from the Company, as it is not in fact its airstrip.

*It (Lundin Oil) put up some US\$ 10 million to build a semi-permanent bridge across the river Jur south of Rub Kona. The bridge enables government troops garrisoned in Rub Kona to push into oil-rich areas south of Bentiu in Western Upper Nile.* The cost of the bridge was between US\$ \_\_\_-\_\_\_ million. An NGO operating locally has commented that the bridge has helped the work of NGOs tremendously, since they have their living quarters in Rubkona and work in Bentiu. The bridge cuts the travel time to a few minutes, instead of the couple of hours it used to take. The bridge is not only used by NGOs but also by the local population, who now have a facilitated access to the amenities in Rubkona (clinic, school, cattle and food market). It is the only bridge over the river there and the only permanent link between Bentiu and Rubkona.

**p. 23** *Magnus Nordin, Lundin Oil's Investor relations Manager, told Christian Aid that the company had not "noticed directly any conflict" but said that the company recognised that it is a "complicated and unstable situation".* The Company has acknowledged security problems near the operations, but the actual fighting that has taken place in the Block has been primarily far north of the operations, near the old oil road.

How is it that an oil company that is waiting for a road to be built to enable its return to a potentially profitable concession would not be monitoring the progress of the road, for which it is reportedly paying? Company representatives were actually present throughout the whole construction phase and did monitor the security situation along that road. This is why it can assert that it did not witness any forced population displacement but recognizes the movement of people, due to insecurity. The concession area, however, is enormous (i.e. approximately 29'800 km<sup>2</sup>) and thus Company monitoring focuses on areas where it has (planned) activities.

In a carefully worded letter to CA, Lundin Oil noted that it contributed to relief efforts for displaced southerners in government-controlled Bentiu last year. It did not mention that the cause of the displacement was fighting for control of its own Block 5A. This is a fact, because there is no single cause that made people move to Bentiu. It is even recognized by CA, which throughout the reports refers to a combination of insecurity, drought and poor agricultural performance as causes of population movements. There is no link established between these phenomena and companies' activities. Lundin Oil is confident that as activities in the area increase and more foreigners have an opportunity to visit it, the true impact of its presence will be established. It welcomes any fair and open investigation into the matter and has already facilitated to visit of a number of representatives of western governments and media into its area of operations.

### The only solution

**p.24** CA believes that there is one thing that the oil companies can do: stop all oil exploration and production until a just peace is negotiated. CA regretfully does not say in which way this will contribute to helping the people of Sudan face endemic poverty. Withholding oil revenues means withholding from the Sudanese people chances to become more self-sufficient. The international community will never be able to give enough to solve the problems of Sudan (ref. 1% of required sums collected by WFP). The Sudanese can only count on their own resources, which they can develop with the assistance of foreign companies, to solve the poverty and the ills connected to it.

### COMMENTS ON RECOMMENDATIONS PP. 27-30

CA calls on:

1. *Oil companies currently operating in Sudan: to immediately suspend operations until a just and lasting peace agreement has been agreed.* CA does not offer any positive scenario about what that would bring. No discussion about the fact that none of the international investigations (Harker, Amnesty, UN) have ever recommended this. In fact, most of these have stated that international companies like Lundin Oil should remain in Sudan and work towards improving the situation there.

CA says companies should guarantee the following before resuming activities:

- *Publicly urge the GoS and opposition groups to renew efforts in finding a just peace* Lundin Oil has advocated its interest in a lasting peace in its policy on Sudan (webpage) and has repeated this position to both the government of Sudan and to the press. The appointment of a new president of the South Sudan Coordinating Council in pursuance of the Khartoum Peace Agreement is a positive step towards peace.
- *Ensure infrastructure is not used for military purposes.* Lundin Oil has already voiced its concern about the presence of military equipment, which could be used for offensive purposes. However, to the extent that the military provides protection from rebel attacks, it goes without saying that it uses some of the infrastructure for this purpose.
- *Ensure HR training for all security personnel employed.* Field officers have themselves requested this type of training. In fact, our HS&E are the first to complain about incidents involving HR violations (such as corporal punishment of a kitchen staff).
- *Raise with the GoS and SPLA as appropriate, reports of humanitarian and human rights violations.* Lundin Oil has been doing this for months already. Any allegation it hears of in the press or reports it reads are raised with GoS representatives in Geneva, Khartoum, Bentiu or Rubkona. In fact, copies of the CA report have been widely distributed.
- *Disclose the nature and content of the above discussions.* This would be counterproductive, as it would result in putting Lundin Oil's interlocutors on the spot, while what Lundin Oil is trying to ensure is that remedial measures are adopted. However, what can be stated is that the issues that have been raised in the discussion cover the following: aerial bombardment, allegations of population displacement, scorched earth, flight bans on relief operations, targeting of relief operations, etc.
- *Develop and implement codes of conduct.* Lundin Oil adopted a code and is in the process of operationalizing it. Lundin Oil has invited an impartial HR investigation from the UN and started implementing its community development and humanitarian assistance program (CDHAP) developed in 2000.
- Lundin Oil is already responding to certain needs of the local community, despite the fact that it has no revenues from its activities (it is at the exploration not production stage) and won't for some time to come. Lundin Oil's concern for the community and commitment to the people in its concession area preceded public interest in its role in Sudan.

## **Appendix IV – SUDAN FACTS**

### **POLITICAL STRUCTURE**

*Official name* Republic of Sudan.

*Legal System* Shari'a (Islamic law) is applicable to both civil and criminal cases, with partial exemption for southern Sudan.

*National legislature* A 400-member National Assembly, of which 264 members are elected and 136 appointed by the president. The president suspended the Assembly in December 1999.

*National elections* December 11<sup>th</sup> –20<sup>th</sup> 2000 (presidential and parliamentary). Next elections due to be held in five years.

*Head of State* Lieutenant-General Omar Hassan Ahmed al-Beshir, who took office following the 1989 coup and was sworn in as president in October 1993; elected in March 1996 for a five-year term. Re-elected in December 2000.

*National government* A joint military-civilian cabinet, the Council of Ministers, last reshuffled in January 2000.

*Main political parties* All political parties were banned following the June 1989 coup that was backed by the National Congress (NC). The NC-which was known as the National Islamic Front (NIF) until it changed its name in January 199\_\_\_ as part of a programme of political reforms-remains the dominant political force. Since January 199\_\_\_ other political parties have been allowed to register, although major opposition groups refuse to do so.

*Main opposition groups* National Democratic Alliance (NDA) includes: the Democratic Unionist Party (DUP); the Sudan People's Liberation Movement (SPLM); the Sudan People's Liberation Army (SPLA-the SPLM's military wing, fighting a guerilla war in the south, and now split into several factions, of which only the mainstream movement, led by Colonel John Garang, is a part of the NDA); Sudan Allied Forces (SAF), a guerilla force also in combat in the south.

### **The cabinet**

*President & prime minister* Omar Hassan Ahmed al-Beshir

*First vice-president* Ali Osman Mohammed Taha

*Second vice-president* George Kondor Arop

### **Key ministers**

*Agriculture & natural resources* Abdul Hammed Musa Kash

*Cabinet affairs* Abdel Rahman Sirr al-Khatim

*Commerce* Mekki Ali Balail

*Defence* Bakri Hassan Salih

*Education* Abdul Basit Abdulmajid

*Energy & mining* Awad Ahmed al Tahir

*Environment & tourism* Tijani Adam al Tahir

*Federal relations* Ibrahim Suleiman

*Finance* Mohammed Khair al-Zubair

*Foreign affairs* Mustafa Oman Ismail

*Health* Abulgasim Mohammed Ibrahim

*Industry* Abdulhalim Ismail el Muta'afi

*Interior* Hadi Abdallah

*Justice* Ali Mohammed Osman Yassin

*Labour* Alison Manani Magaya

*Social planning* Gutbi Mahdi

*Transport* Lam Ako Ajawin

*Central bank governor* Sabir Mohammed al-Hassan

*Parliamentary speaker* Ahmed Ibrahim al-Tahir

## ECONOMIC STRUCTURE

### Annual indicators

	1996	1997	1998	1999	2000a
GDP at market prices (SD bn) . . . . .	1033.0	1676.9	2062.1	2536.4	3150.6
GDP (US\$ bn) . . . . .	8.3	10.6	10.3	10.0	12.3
Real GDP growth (%) . . . . .	4.0	6.7	5.0	6.0a	7.2
Consumer price inflation (av;% ) . . . . .	132.8	46.7	17.1	16.0	10.0
Population (m) . . . . .	27.2	27.7	28.3	28.9	29.5
Exports of goods fob (US\$ m) . . . . .	620.3	594.2	595.7	780.1	1734.0
Imports of goods fob (US\$ m) . . . . .	1339.5	1421.9	1732.2	1256.0	1193.2
Current-account balance (US\$ m) . . . . .	-826.8	-828.1	-956.5	-456.2	-86.1
Reserves excl gold (US\$ m) . . . . .	106.8	81.6	90.6	188.7	400.0
Total external debt (US\$ bn) . . . . .	17.0	16.3	16.8	16.4a	16.4
Debt-service ratio, paid (%) . . . . .	5.6a	5.9a	5.2a	15.2a	9.1
Exchange rate (av) SD:US\$ . . . . .	125.1	157.6	200.8	252.6	257.1

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Origins of gross domestic product 1998b	% of total
Agriculture . . . . .	39.3
Trade, Transport & Communications . . . . .	27.3
Other services . . . . .	15.2
Industry & mining . . . . .	9.2
Construction . . . . .	8.1
GDP at factor cost incl others . . . . .	100.0

Origins of gross domestic product 1997	% of total
Private consumption . . . . .	85.9
Government consumption . . . . .	8.8
Gross fixed capital formation . . . . .	8.7
Change in stocks . . . . .	2.6
Exports of goods & services . . . . .	2.6
Imports of goods & services . . . . .	-8.6
GDP at market prices . . . . .	100.0

Principal exports 1999	US\$ m
Crude Oil . . . . .	276
Sesame . . . . .	127
Livestock . . . . .	114
Cotton . . . . .	45
Gum arabic . . . . .	26
Sugar . . . . .	15
Total incl others . . . . .	780

Principal imports cif 1999	US\$ m
Machinery & equipment . . . . .	358
Manufactured goods . . . . .	237
Petroleum . . . . .	184
Transport equipment . . . . .	132
Chemicals . . . . .	114
Wheat . . . . .	72
Total incl others . . . . .	1412

Main destinations of exports 1999	% of total
Saudi Arabia . . . . .	16.3
Italy . . . . .	10.1
Germany . . . . .	4.5
Thailand . . . . .	3.1
France . . . . .	2.8

Main origins of imports 1999	% of total
Libya . . . . .	14.7
China . . . . .	14.7
Saudi Arabia . . . . .	8.9
UK . . . . .	8.7
France . . . . .	6.7

a EIU estimates. b IMF estimates.

## **Appendix V: THE SUDD AND ITS PEOPLE**

### **SUDD, AS-**

Swampy lowland region of south-central Sudan, 200 miles (320 km) wide by 250 miles (400 km) long. It is drained by headstreams of the White Nile, namely the al-Jabal (Mountain Nile) River in the centre and the al-Ghazal River in the west. The al-Jabal River overflows in the flat, saucerlike clay plain of the Sudd to form innumerable swamps, lagoons and side channels, and several lakes along its course. The river's flow is further slowed by the swamps' luxuriant growths of tall papyrus (Arabic as-sudd, "the papyrus"), aquatic grass, and water hyacinth.

The al-Jabal River loses more than half its water in the Sudd through evaporation. The Sudd presents an almost impenetrable barrier to navigation on the river and is only sparsely inhabited by the pastoral Nilotic Nuer people. In the early 1980s construction began on the Jonglei (Junqali) Canal, which was planned to bypass the Sudd and provide a straight, well-defined channel for the al-Jabal River to flow northward until its junction with the White Nile. But the project, which would have drained the swamplands of the Sudd for agricultural use, was suspended in 1984 because of disruptions arising from the civil war in southern Sudan.

### **NUER**

People who live in the marshy and savanna country on both banks of the Nile River in the southern Sudan. They speak an Eastern Sudanic language of the Chari-Nile branch of the Nilo-Saharan family. The Nuer are a cattle-raising people, devoted to their herds, although milk and meat must be supplemented by the cultivation of millet and the spearing of fish. Because the land is flooded for part of the year and parched for the rest of it, they spend the rainy season in permanent villages built on the higher ground and the dry season in riverside camps.

Politically, the Nuer form a cluster of autonomous communities, within which there is little unity and much feuding; the frequent homicides are settled by payments of cattle effected through the mediation of a priest. The basic social group is the patrilineal clan. The members of a clan have in their territory a slightly privileged status, although they form a minority of its population. The majority belong to other clans or are descendants of the neighbouring Dinka (q.v.), large numbers of whom have been subdued by the Nuer and incorporated into their society. In each community the men are divided into six age sets.

Marriage, which is polygynous, is marked by the giving of cattle by the bridegroom's people to the bride's kin. Because it is held that every man must have at least one male heir, it is the custom for a man's kin, should he die unmarried, to marry a wife to his name and beget children by her.

The Nuer pray and sacrifice to a spirit associated with the sky but also thought to be ubiquitous, like the air. This spirit is conceived of as a single creative spirit in relation to mankind as a whole; but it is also figured in different representations in relation to different social groups, such as clans, lineages, and age sets, and it may then be symbolized by material forms, often animals or plants.