The Sudanese government has dropped its initial demand for a charge of $22.8 per barrel to transport oil from landlocked South Sudan through the pipelines leading to Port Sudan, an official in Juba said today.

Pagan Amum, South Sudan’s Peace minister and chief negotiator made the revelation upon his return from the Ethiopian capital where the African Union (AU) is hosting talks between Khartoum and Juba on post-secession arrangements particularly economic issues.

"This discussion brought to an end the attempt to impose discriminatory surcharges by the government in Khartoum, who announced they would impose $22.8 per barrel ... They have withdrawn officially this position," Amum said.

"We will be paying pipeline fees ... and also we will be paying transit fees that are within the international practices and standards," Amum added, without saying how much the South was willing to pay.

The Republic of South Sudan (RSS) became an independent state earlier this month following its citizens’ overwhelming vote in favor of secession from the North last January. Both sides however, have failed to resolve a wide array of issues that could prove toxic in their future relationship.

In particular the oil-rich nation could not agree with Sudan on how much fees should be assessed for exporting crude through its pipelines.

Sudan announced last week that it expects $2.6 billion per year from oil transit and usage fees paid by RSS. This was estimated by officials in Khartoum to be equal to the amount Sudan would lose in oil revenue after the South’s split.

Previously the ex-foes shared oil revenue equally in accordance with the 2005 Comprehensive Peace Agreement (CPA).

RSS described the proposed transit fees of $22.8 as "daylight robbery" and threatened to seek other venues for exporting its oil.

In a related issue, Amum said that the two countries agreed to form a joint committee to address the issue of old Sudanese currency circulating in RSS.

The two sides have launched new currencies this month which heightened tensions and infuriated officials in Khartoum who said RSS reneged on a prior agreement for monetary unity to continue six months after independence.

Sudan said it is prepared to engage in currency war with the South should both countries not reach an agreement on issues related to circulation of the retired Sudanese pound. It claimed that RSS wants to replace the old Sudanese pound only through exchanging it with foreign currency or commercial trade between the two countries.

In response, the Sudanese finance and national economy minister Ali Mahmood Hassanein said the South can keep the old currency "in the museums".

According to Amum, Sudan is now softening its position on the currency issue too.

"We have agreed to form a joint committee from the two central banks so that the replacement and exchange of the [old] Sudanese pounds with the [new] South Sudan pound, as well as the change of Sudanese pounds in Khartoum, will be done in a transparent manner," Amum said.

"The old pound will be kept within a very clear framework of management so that there will be no dumping of the Sudanese pound," he said.

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