

## **Oil and Violence in Sudan**

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## Abstract

What can be done to resolve the seemingly endless conflict in Sudan ? A nation of 36 million people, wracked by conflict for 34 of the last 45 years, it has generated some 4 million displaced people during the course of its war. It is estimated that over two million Sudanese people have died as a result of fighting and related starvation and disease<sup>1</sup>.

According to the International Crisis Group, "there will always be abundant excuses to justify the continuing war in Sudan...However such justifications sound increasingly hollow in the face of decades of suffering...The time has come for a concerted international peace effort to break the logjam of violence in Sudan"<sup>2</sup>. Indeed, this moment in time, amidst the reordering of global relations in the so-called War on Terror and Sudan's historical harboring of its suspected architect, Osama Bin Laden, has created an opening for peacebuilding.

The *oil* factor has assumed critical importance as of late, and as such has been unpacked here. Our analysis suggests that revenues from petroleum production are financing the conflict, that the oilfields have become strategic targets for rebels, and that various foreign interests – China and Malaysia, and multinational corporations from Europe, North America and Asia – have interests that are not necessarily aligned with the promotion of peace. Noting that unregulated environmental and social aspects of oil production also have significant impacts on the conflict dynamic in the country, it stresses that if the international community were sincere in seeking peace for Sudan, it would take multilateral measures to regulate petro-revenues in the region.

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<sup>1</sup> ICG God, Oil and Country: Changing the Logic of War in Sudan. International Crisis Group, January 2002:29. <http://www.intl-crisis-group.org/projects/showreport.cfm?reportid=534>

<sup>2</sup> ICG God, Oil and Country: Changing the Logic of War in Sudan. International Crisis Group, January 2002:219. <http://www.intl-crisis-group.org/projects/showreport.cfm?reportid=534>

## Introduction

There can be little question that access to and control of petroleum wealth plays a critical role in sustaining and escalating the Sudanese civil war. Arguably, the degree of stability and control enjoyed by the government in the North is at least partially a function of the southern resources it controls<sup>3</sup>.

This case study urges the integration of the links between resource extraction and community insecurity in corporate management decisions, and calls for greater international political will in preventing the sale of valuable commodities – not only oil, but also timber, diamonds, gold and other minerals from exacerbating conflict and human suffering.

	North	South
<b>Ethnic/Cultural Diversity</b>	Low	High
<b>Natural Resource Base</b>	Low	High
<b>Infrastructure Investment</b>	High	Low
<b>Internat'l Linkages and Trade</b>	High	Low
<b>Economic livelihoods</b>	Commercial Agriculture, Trade	Subsistence Agriculture & Pastoralism

**Figure 1. Comparison between Attributes of Northern and Southern Sudan, illustrating the vast contrast between the two regions.**

The first section begins by defining the scope of this case study, which is restricted to examining the linkages between resource extraction and conflict, and elaborates at the macroeconomic level on the role of resource wealth in creating and sustaining conflict. The following section then identifies points of intersection and causal pathways between oil production and violence, outlining the hypothesis guiding this case study of Sudan. Following this is a review of the history of oil production in Sudan, which touches upon some of the allegations made against oil companies in the region. This study concludes with a statement of the current state-of-affairs just after the September 11 terrorist attacks in the US. These attacks and the American response will doubtless have considerable and long-lasting impacts on the structure and course of conflict in the region, and on oil company involvement there.

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<sup>3</sup> Goldsmith, P. Analysing Sudan's Civil War – Implications for Peace Work and Conflict Management. Oxfam Southern Sudan Program, 2000.

### **Defining the Scope: Linkages Between Resource Extraction and Conflict**

Understanding the Sudanese civil war to be the result of a complex and cumulative array of causal factors, this case study focuses on those rooted in natural resource extraction. *Ecological conflicts may involve:*<sup>4</sup>

- Control over natural resources
- Means to manage or produce the natural resource
- Means to add value to the natural resource
- Distribution of income from natural resources production.

The linkages between oil and conflict are similarly many. Several are summarized in Figure 2.<sup>5</sup>

#### **Oil can cause conflict over:**

Control of the resource or resource-area  
Right to participate in decision-making and share in benefits  
Social and Environmental Impacts  
Means Used to Secure Company Assets and Personnel

#### **Oil companies can also:**

Finance or support conflict  
Benefit from conflict  
Be targeted by conflict for political aims  
Be a supplier to those who profit from conflict

### **Figure 2. Linkages Between Oil and Conflict**

In framing this study, it is important to distinguish between the ecological sources of conflict, and the political and economic sources of conflict. Oil is essentially an economic resource. It has little value to the traditional peoples of the region in terms of their survival, representing economic wealth only to the extent that it can be found, extracted from the ground, processed and shipped to industrial centers for use.

Yet the major source of troops for the SPLA/M are the Dinka, for whom livestock and cattle remain the paramount form of subsistence and wealth<sup>6</sup>. Some 39% of the country's GDP comes from agriculture and this sector is the major source of livelihoods for the country's people<sup>7</sup>. The present study must therefore explore the implications of oil exploration and production for the agricultural practices of the Dinka peoples, as a basis for understanding the conflict in Sudan.

Most central, therefore, to this study of ecological sources of conflict are:

1. Access to and control over the oil fields and the land areas they represent;
2. Right to participate in decision making over oil rights allocations and share in the benefits of oil production;

<sup>4</sup> Lind, J. Ecological Sources of Conflicts in Sub-Saharan Africa. ACTS, 2001.

<sup>5</sup> Switzer, J. Armed Conflict and Natural Resources: The Case of the Minerals Sector. IIED/MMSD, 2001. <http://www.iied.org/mmsd> .

<sup>6</sup> Goldsmith, P. Analysing Sudan's Civil War – Implications for Peace Work and Conflict Management. Oxfam Southern Sudan Program, 2000.

<sup>7</sup> CIA Factbook 2001.

3. Environmental impacts of oil exploration and production and their social consequences.

This study also concerns itself with one broader question. While the linkages above can often lead into conflict, the link is by no means unbreakable. Many studies have illustrated that with economic wealth comes decreased vulnerability in the face of disruptions, including resorting to violence<sup>8</sup>. It is frequently alleged that growth of national income is a prerequisite for poverty alleviation and sustainable development, and that natural resource wealth has a clear role in generating that income.<sup>9</sup>

Yet the expected development gains from large-scale development projects often fail to materialize for the affected communities, thus exacerbating instead of reducing existing social tensions. Why is it that natural resource wealth often does not translate into a peaceful and prosperous society ?

**Inequitable Distribution of Benefits and Consequences:** This gap between natural resource wealth and social prosperity is often explained by the distribution of impacts and benefits. The World Commission on Dams concluded that “groups bearing the social and environmental costs and risks of large dams, especially the poor...are often not the same groups that receive...the social and economic benefits”.<sup>10</sup> A 1998 IFC/World Bank assessment of four natural resource extraction projects in Colombia, Papua New Guinea and Venezuela concurred, stating that “frequently...national governments reap the most benefit from these projects, while social and environmental costs tend to be borne by local communities”<sup>11</sup>. This represents a failure to involve affected communities in decisions that affect them.

**Over-Reliance on Single Commodity:** In many instances, the large stream of income from a single natural resource, being extracted almost entirely for export, can distort investment, and leave the country’s economy vulnerable to global commodity price fluctuations – actually constraining development<sup>12</sup>. In 1998, for example, the Asian financial crisis led to a 40% decline in Zambian copper sales, its primary export, nearly doubling that country’s inflation rate<sup>13</sup>. This points to a failure to diversify, and to plan for a future in which the resource is depleted.

**Sustain Regime Against Opposition and Fuel Corruption:** Likewise, a non-democratic government’s need to distribute economic benefits broadly in order to maintain social order may be reduced by revenue streams emerging from resource extraction, which can be used to reinforce the state’s military capacity and ‘buy off’ the opposition. Likewise, wealth can be channeled from state coffers to private bank accounts through corrupt officials in non-transparent regimes. In spite of its oil wealth, for instance, Saudi Arabia’s domestic debt exceeds its GDP. Nigeria made

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<sup>8</sup> Blaikie, P., Cannon, T. Davis, I. And Wisener, B. At Risk: Natural Hazards, People’s Vulnerability and Disasters. London: Routledge, 1997.

<sup>9</sup> See for example World Bank. World Development Report: Attacking Poverty. 2001.

<sup>10</sup> World Commission on Dams. Dams and Development: A New Framework for Decisionmaking. Earthscan, 2001.

<sup>11</sup> McPhail, K. “How Oil, Gas and Mining Projects Can Contribute to Development”. *Finance and Development*, (Washington: IMF, December 2000, Vol. 37, No. 4).

<sup>12</sup> Fafo, 2001, p. 10; see also Waelde, T., *International good governance and civilised conduct among the states of the Caspian Region: Oil & Gas as a lever for Prosperity or Conflict* (Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee, 2000).

<sup>13</sup> Parris, B. Trade for development: Making the WTO work for the world’s poor. World Vision, 1999:2.

\$300 billion in oil revenues during the last 25 years, but 60% of its people live on less than \$2 a day<sup>14</sup>.

**Rent-Seeking by Armed Gangs:** Finally, armed groups may seek revenue or individual wealth, through exploitation and sale of natural resources, and through extortion of 'protection' funds from companies in the region. The World Bank hypothesizes that in many cases, "rebellions either have the objective of natural resource predation, or are critically dependent on natural resource predation in order to pursue other objectives"<sup>15</sup>.

The violence in Sierra Leone has been sustained by this country's readily accessible diamond wealth, which rebel groups have sold to international brokers to purchase arms and supplies<sup>16</sup>. Likewise, in the Democratic Republic of the Congo, the conflict is now driven by open competition for minerals and other easily looted resources. As a special assessment mission of the United Nations reported to the Security Council in 2001, "the conflict in the Democratic Republic of the Congo has become mainly about access, control and trade of five key mineral resources...Business has superseded security concerns. The only loser in this huge business venture is the Congolese people"<sup>17</sup>.

In short, oil production can reduce the likelihood of conflict through economic development. On the other hand, it may contribute to conflict by creating grievances – inequitable distribution of impacts and benefits - that contribute to violent uprising. Moreover, it may provide a source of funds to sustain the oppression, fuel corruption, or to attract armed bandits seeking easy riches. This is the 'curse' of resource wealth.

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<sup>14</sup> Onishi, N. with Banerjee, N. Chad's Wait for its Oil Riches May Be Long. In New York Times, 2001/05/16.

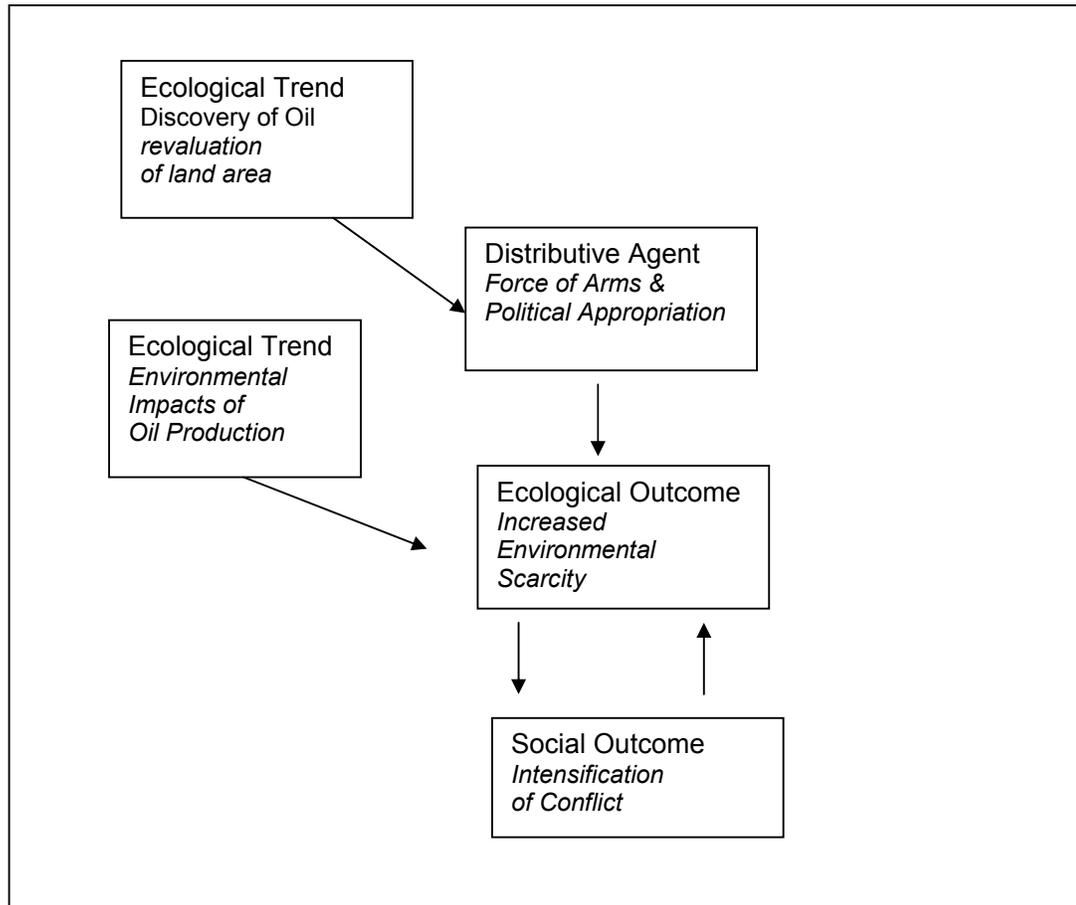
<sup>15</sup> Collier, *ibid.* p. 21.

<sup>16</sup> Global Witness, 2000.

<sup>17</sup> Report to UN Security Council, *The Role of Natural Resources in Conflict in the Democratic Republic of the Congo*, 2001.

**Hypothesis: The Inequitable Distribution of the Impacts and Benefits of Oil Production in Sudan is a Proximate Cause of Conflict**

Figure 3, below, presents the hypothesis guiding this case study. The hypothesis holds that the discovery of oil in Southern Sudan has greatly intensified the Northern effort – both political and military - to appropriate and control the region and stabilize it for resource extraction, while marginalizing the area's traditional inhabitants. The remainder of this paper seeks to support the links alleged below.



**Figure 3. Hypothesis: Ecological Marginalization of Ethnic Groups in Oil-Bearing Regions**

The chain of causation is believed to hold the following sequence: First, discovery of oil leads to an attempt by the government to appropriate oil-bearing lands. Second, efforts to appropriate land from groups without giving them a voice in the decision-making process and without what they perceive to be equitable compensation leads to rising social tensions and outbreaks of rebellion. This rise in social tensions is compounded by the environmental consequences of oil production that diminish the traditional sources of livelihoods. Finally, oil revenues finance the government's military action and purchase of advanced weaponry, intensifying the military campaign against the inhabitants of the oil-bearing regions and the rebels. Rebels, for their part, focus their campaigns on oil production and transport facilities, strategic targets due to their central importance to the government and to the companies upon which the government depends for revenues.

### ***Ecological Trend - Discovery of Oil and Political Appropriation<sup>18</sup>***

The last two decades of oil exploration and the battle for political control in Sudan are closely correlated. The following section explores the history and current allocation of oil concessions in the country. It demonstrates that the discovery of oil in the South led the Central government to claim ownership of the newly precious/*valuable* lands and the oil resources they represented. This sparked the formation of the Sudan People's Revolutionary Army and violent protest by the local inhabitants, culminating with the cessation of oil exploration and production in the Sudan.

Exploration for oil in Sudan began in the late 1950's, and was largely conducted offshore in the Red Sea. Chevron first discovered natural gas in 1974, 120 km south east of Port Sudan. The remaining offshore efforts were largely unsuccessful.

In 1975, Chevron began exploring in southwestern Sudan. It was not until 1980, however, that it found significant oil in the Unity oilfield north of Bentiu, followed by the Heglig field in 1982 (See Figure 4 and 5 below). Today it is estimated that Sudan sits on about 1% of the world's oil reserves, or between 600 million and 3 billion barrels of oil<sup>19</sup>. This is of moderate size by global standards (about 10%-20% of the North Sea reserve), with a value of several billion dollars, depending on world prices for crude oil<sup>20</sup>.

At this time, Chevron allegedly played a key role in supporting the Numeiri government, lobbying for US financial and military support<sup>21</sup>. The prospect of substantial oil revenues and the Chevron-brokered US political backing may have emboldened Numeiri in his dealings with Southern Sudan, permitting him to break the peace accord that had held the country together for nearly 10 years.

Under the 1972 Addis Ababa peace agreement, the central government controlled oil exploration and production, but the southern regional government had rights to all government profits on exports from the region and taxes from private businesses there<sup>22</sup>. In 1980, Numeiri redrew the borders between North and South, creating a new province – Unity State – around the town of Bentiu. This state was allegedly to be shared as an asset for both regions, but in practice brought the oil provinces under central government jurisdiction, effectively disenfranchising the South.

The creation of Unity state and the decision to site an oil refinery for domestic production in the North instead of the South further increased resentment. The

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<sup>18</sup> This section draws heavily from Lado, C. *The Political Economy of Oil Discovery and Mining in the Sudan: Constraints and Prospects on Development*. University of the Western Cape, 2000. Available for download at [www.dur.ac.uk/~dhi0jw/lado.htm](http://www.dur.ac.uk/~dhi0jw/lado.htm)

<sup>19</sup> Global conventional oil reserves are believed to be approximately 1,000 billion barrels of oil, of which approximately two-thirds are located in the Middle East and Africa. World Energy Assessment, UNDP/WEC/UNDESA, 2000.

<sup>20</sup> North Sea reserves are estimated at about 15 billion barrels. See for example <http://www.eia.doe.gov/emeu/cabs/nonopec.html> . Oil prices have ranged from just under \$10 to over \$35 a barrel in recent years, see for example [http://news.bbc.co.uk/1/hi/english/business/newsid\\_1167000/1167805.stm](http://news.bbc.co.uk/1/hi/english/business/newsid_1167000/1167805.stm) .

<sup>21</sup> Sudan Update, p. 17.

<sup>22</sup> Sudan Update, p.16.

formation in 1981 of the White Nile Petroleum Corporation by Chevron and the central government, with no southern representation, sparked further enmity<sup>23</sup>.

In the wake of a petrol shortage in 1983, John Garang and other senior army officials of Southern origin defected from the government, to form the Sudan People's Liberation Army (SPLA). That year, the SPLA launched its armed struggle against the North, followed shortly by the imposition of Sharia law by the Khartoum regime. The civil war has raged between the SPLA and the government ever since.

In the face of this mounting internal dissent, Numeiri may have been seeking through the proclamation of Sharia to consolidate his power by winning over the religious right, in particular the National Islamic Front. In any case, opposition to the central government culminated in 1985 with a general strike that paralyzed the country, and with Numeiri being deposed by the army in favor of a new election. The Faustian bargain he struck with the extreme right was a foretaste of what was to come, as in 1989 the National Islamic Front (NIF) staged a military coup under General al-Bashir, and took power from the democratically elected government.

In 1984, an attack by the SPLA on the Chevron oil operation in the Unity field killed three employees and prompted Chevron to suspend its operations, along with France's TOTAL and other major operators. Chevron attempted to resume operations in 1988--reportedly supporting a Baggara militia in the region to protect its operations--before withdrawing in 1990 in the wake of the military coup<sup>24</sup>.

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<sup>23</sup> Sudan Update. "Raising the Stakes: Oil and Conflict in the Sudan", 2001.

<sup>24</sup> Harker, p.10.

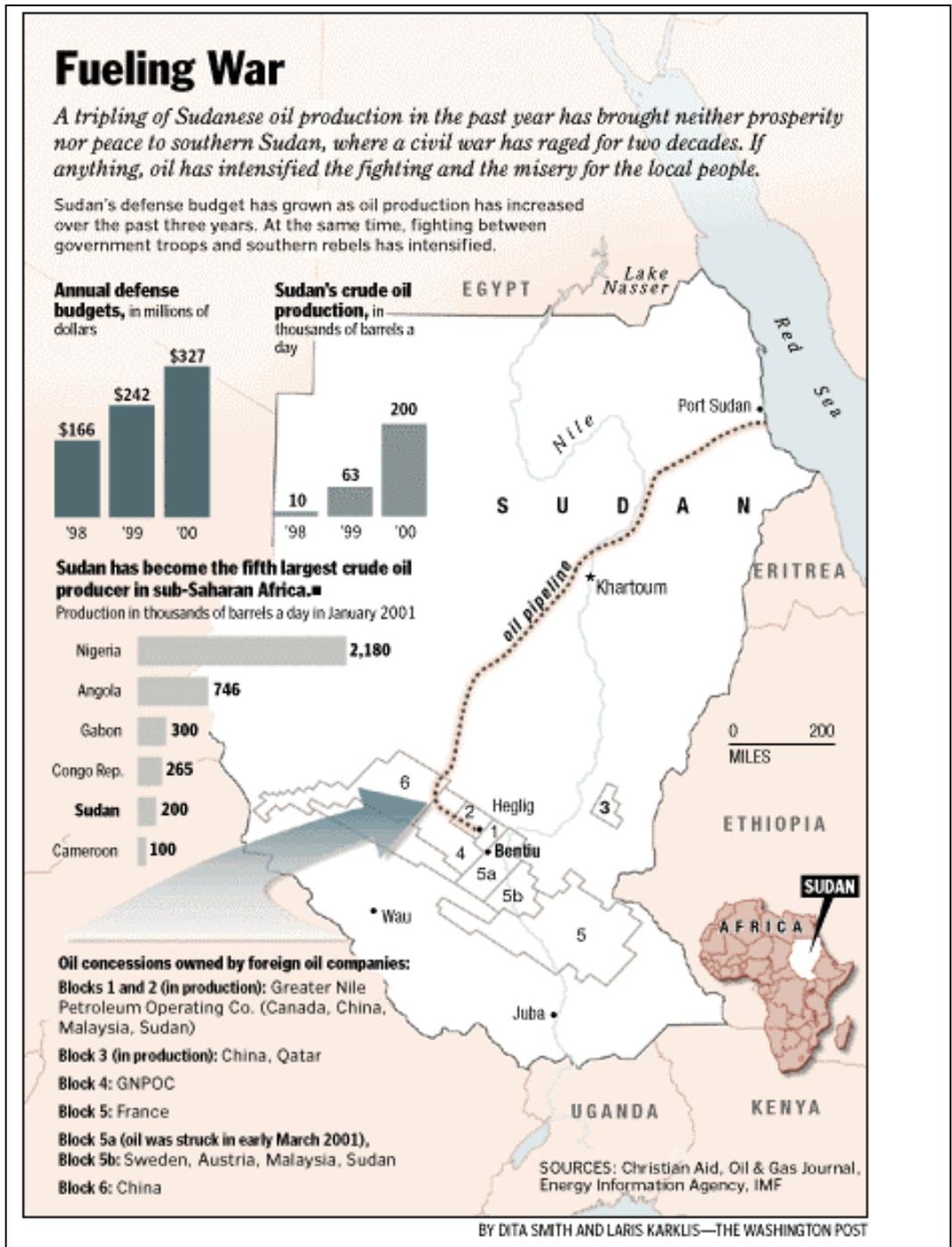


Figure 4. Oil Concessions, and Active Companies and Countries in Sudan  
 Source: Washington Post, Monday June 11, 2001.  
<http://www.washingtonpost.com/wp-dyn/world/A50855-2001Jun11.html>

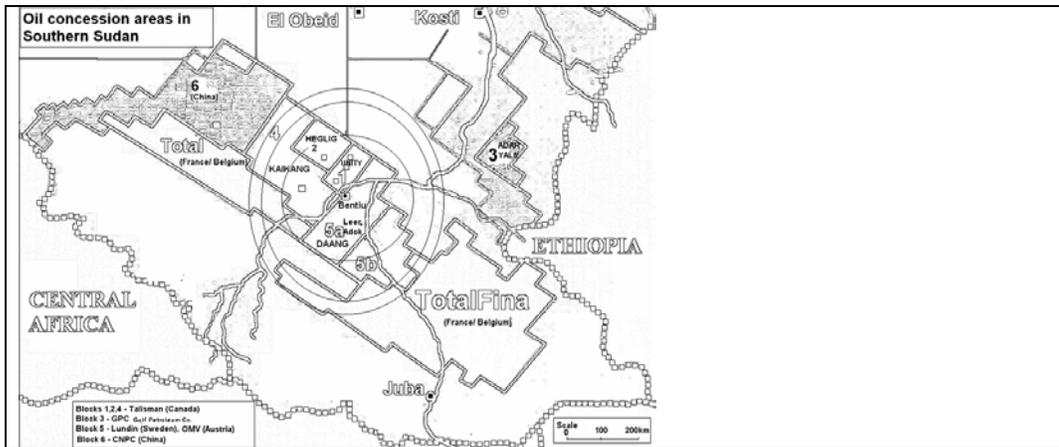


Figure 5. Oil Concessions, and Active Companies in Sudan  
 Source: Raising the Stakes – Oil and Conflict in Sudan. Sudan Update, 2001  
[www.sudanupdate.org](http://www.sudanupdate.org)

The decision to withdraw was apparently made as a result of the rising tide of conflict and the falling price of oil at the time. Chevron had tax breaks and political risk guarantees from the US government, and was allegedly able to cover its losses of over US\$1 billion, in spite of selling its stake for only \$25 million to Concorp, a Sudanese construction company.<sup>25</sup>

Other companies would not have the benefit of such extensive financial guarantees. Following Chevron's retreat from Sudan in 1992, US oil industry presence has been minimal, as they were not soon to forget the burnt fingers of their compatriot, and the US government has sanctioned the Sudanese government for sponsoring terrorism and harboring Osama Bin-Laden, among other suspected terrorists (discussed further below).

The government of Sudan would likewise learn from this first experience. "Ever since the SPLA managed to successfully attack Chevron's oil operations in Unity field in 1984, and bring about the withdrawal of Chevron...a key priority of the NIF has been to prevent similar disruptions and maintain firm control over oil areas"<sup>26</sup>. The strategies the government has used to do so will be the subject of the following section.

### ***Distributive Agent – Military and Paramilitary Appropriation of Land***

Ensuring a secure environment within which the oil companies are able to operate has been a central plank of NIF economic policy since 1992. In this section, it will be shown how the distributive agent of armed assault - 'scorched earth', the arming of militias and 'divide and rule' manipulation of rivalries, and 'engineered famine' - has been employed by the government of Sudan to reinforce its control of the oil-bearing lands.

<sup>25</sup> See ICG God, Oil and Country: Changing the Logic of War in Sudan. International Crisis Group, January 2002. <http://www.intl-crisis-group.org/projects/showreport.cfm?reportid=534>

<sup>26</sup> Lado, 2000.

The impact of the discovery of oil in southern Sudan has been to create a demand for the lands of the pastoral communities living there and practicing their traditional livelihoods of cattle rearing and agriculture. As a result, the oil fields are the heart of the contested area between the forces of North and South.

It has been alleged by Talisman Energy that the oil field area “has never known permanent habitation” due to flooding in the rainy season, being home instead only to nomadic Arab tribes<sup>27</sup>. Yet evidence suggests to the contrary that the area may have been home to both Dinka and Nuer groups, who frequently competed for land access. This competition has intensified with the presence of the oil companies. According to one assessment by the Canadian government, “while there have always been pressures on the Dinka in the Heglig-Ruweng area, with Arab nomads driving their cattle south and fighting with the Dinka against the Nuer, the situation worsened with Chevron’s arrival in 1976”<sup>28</sup>.

### **‘Scorched Earth’**

In February of 1992, the Government of Sudan began military offensives in the Unity region through December 1993, allegedly to prepare for resumption of oil production by clearing the area of all villages<sup>29</sup>. According to Christian Aid, “across the oil-rich regions of Sudan, the government is ...clear[ing] the land of civilians”<sup>30</sup>. These offensives continued in and around the oil field region through 1999. As a result, it is reported that between April and July 1999, the population in Ruweng County fell by half. Leonardo Franco, UN Special Rapporteur, concluded this was a strategy by the Sudanese government to create ‘a swath of scorched earth’ around the oil fields. According to the Canadian Assessment Mission, “Over the years, the series of attacks and displacements are leading to a gradual depopulation, as only a percentage of those who flee return”<sup>31</sup>. According to the US Committee for Refugees, some 55,000 newly displaced peoples fled the conflicted oil zone in 2000 and early 2001<sup>32</sup>.

Lundin Oil, a Swedish oil company, has a 40% stake in Block 5A. Allegedly, in order to guarantee the safety of the oil company’s operations and clear area for a road to the concession, the government waged war against the local communities, whom were forcibly evicted and their villages razed<sup>33</sup>. Likewise, Talisman Energy has been accused of letting government forces use the company’s airstrip to launch raids on surrounding villages, in order to secure oil-bearing lands and company assets.

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<sup>27</sup> By Talisman Energy, among others. See Harker, J. Human Security in Sudan: The Report of a Canadian Assessment Mission. Department of Foreign Affairs and International Trade (DFAIT), Ottawa: January 2000. The ‘Harker’ Mission was given the mandate by then-Foreign Affairs Minister Lloyd Axworthy “to: (a) independently investigate human rights violations in relation to slavery and slavery-like practices in the Sudan; and (b) to investigate...the alleged link between oil development and human rights violations”.

<sup>28</sup> Harker, p. 10.

<sup>29</sup> Harker, p. 11.

<sup>30</sup> US Committee for Refugees. Mid Year Country Report – Sudan. Oct 2, 2001. [http://www.refugees.org/world/countryrpt/Africa/mid\\_countryrpt01/sudan.htm](http://www.refugees.org/world/countryrpt/Africa/mid_countryrpt01/sudan.htm).

<sup>31</sup> Harker, p. 11.

<sup>32</sup> US Committee for Refugees. Mid Year Country Report – Sudan. Oct 2, 2001.

<sup>33</sup> The Editor, ‘Wanted: A Sudan Policy’, *The Washington Post*, Friday, 16 March 2001, p. A20.

Talisman's Heglig airstrip has allegedly been used "continuously" by government helicopter gun ships and bombers<sup>34</sup>.

### ***The Arming of Militias and 'Divide and Rule' Manipulation of Rivalries***

In 1989, the Bashir government passed the Popular Defense Forces Law, which provided for paramilitary training and the creation of militias to carry the 'jihad' against the Christian influence in the South<sup>35</sup>.

In the regions of Bahr-al-Ghazal and western Kordofan, the government has armed the Murahaleen, bands of nomadic Arab tribes, forming militias "funded and militarily deployed by the Sudanese Army" in order to protect the oil concessions<sup>36</sup>. According to the UN Special Rapporteur to the Human Rights Commission, "the Murahaleen do not only target rebel camps or armed individuals, but also civilians, in a very intensive manner. Usually, food crops are destroyed, men are killed, and women and children are abducted."<sup>37</sup>

The central government also recognized the need to identify southern allies to fight on their behalf in protecting the oil fields. To that end, the NIF has exploited the volatile SPLA movement. Under the government's 'Peace from Within' process, several former SPLA commanders broke with John Garang and signed a separate agreement with Khartoum in 1997. Harnessing the rivalries between these commanders and with John Garang of the SPLA, Bashir offered them high posts in the government. This strategy was designed to draw their forces onto the side of the government and establish a buffer zone of NIF-friendly forces between the SPLA and Bentiu.<sup>38</sup>

### ***Engineered Famine***

The government of Sudan has granted only limited access for humanitarian organizations to the oil field regions, arguably allowing hunger to complete the work of land clearing. According to the World Food Program, the town of Bentiu experienced a 24% malnutrition rate in 2000. "Sudanese government officials regularly blocked relief assistance to about 15 locations"<sup>39</sup> including to the Nuba mountains, and in 1999 many humanitarian organizations were forced to evacuate from Bentiu.<sup>40</sup> Sudanese military also frequently targeted humanitarian vehicles and civilians gathered for food distribution, a practice condemned recently by the UN Special Rapporteur to the Human Rights Commission. "On April 16, 2001, a plane carrying relief for the Nuba mountains was bombed at Kawda airstrip...when hundreds of civilians had gathered at the airstrip" to receive food aid.<sup>41</sup> This blocking

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<sup>34</sup> Harker, p. 15.

<sup>35</sup> Goldsmith, P. *Analysing Sudan's Civil War – Implications for Peace Work and Conflict Management*. Oxfam Southern Sudan Programme, 2001.

<sup>36</sup> Special Rapporteur of the Commission on Human Rights. *Situation of Human Rights in the Sudan*. UN General Assembly, 7 September 2001. A/56/336. para. 52.

<sup>37</sup> Ibid.

<sup>38</sup> Sudan update, p. 33.

<sup>39</sup> US Committee for Refugees. *Mid Year Country Report – Sudan*. Oct 2, 2001.

<sup>40</sup> Lado, 2000, p.19.

<sup>41</sup> Special Rapporteur of the Commission on Human Rights. *Situation of Human Rights in the Sudan*. UN General Assembly, 7 September 2001. A/56/336. para. 21.

of aid providers may lead to thousands of preventable deaths as a result of famine and disease<sup>42</sup>.

*Present Oil Exploration and Production in Southern Sudan*

The success of the NIF government's strategies for securing control of the oil concessions can be seen partly in the rush of oil companies to claim opportunities in southern Sudan.

In 1994, Concorp sold the Chevron concession to the Canadian State Petroleum Company, which was bought out by Arakis Energy, a firm subsequently purchased by Talisman Energy in 1998. Talisman, a Canadian firm (formerly British Petroleum Canada) with a particular expertise in sophisticated exploration and production techniques, is the world's third largest independent producer of oil. The purchase of Arakis made Talisman 25 per cent owner of the Greater Nile Petroleum Operating Company (GNPOC).

The GNPOC comprises four companies controlling 12.2 million acres of concession land and a US \$1 billion pipeline extending from the oil fields in Bentiu to the Red Sea coast at Port Sudan<sup>43</sup>. The Chinese National Petroleum Company has a 40% stake, with Malaysia's Petronas Carigali holding 30 per cent, Talisman with 25 per cent, and Sudan's national oil company Sudapet holding the remaining 5%. Yet the GNPOC is not alone operating in the Sudan. The maps in figure 4 and 5 provide an indication of the geographical distribution of oil exploration and production in the Sudan, including the Port Sudan pipeline. Figure 6 lists many of the major companies active in Sudan, with their countries of origin.

Today, between 150,000 - 200,000 barrels a day of oil are being produced in Sudan, contributing as much as \$500 million per year to government revenues<sup>44</sup>. It seems likely that in the interests of global energy security, and in view of current dependence on oil from the Middle East, the importance of Sudan as an alternative source of oil will grow, and with it, the proportion of southern territory consigned to oil exploration and production.

Agip (Italy)	Mobil (USA)
China National Petroleum Corporation (CNPC)	National Iranian Gas Company (NIGC)
Elf-Aquitaine (France)	OMV-AG (Austria)
Gulf Petroleum Corporation (Qatar/Sudan)	Petronas (Malaysia)
Lundin Oil/IPC (Sweden)	Royal Dutch Shell (Netherlands-United Kingdom)
TotalFina (France/Belgium)	Talisman Energy (Canada)

Figure 6. Major Oil Companies active in the Sudan, with their home countries listed. (Sudan Update, 2000)

**Ecological Trend: *Environmental Impacts of Oil Exploration and Production***

The environmental consequences of oil production are another source of conflict between the government and the local communities. Environmental degradation can

<sup>42</sup> United States Committee for Refugees, 2001.

<sup>43</sup> Lado, 9.

<sup>44</sup> See <http://www.mbendi.co.za/indy/oilg/af/su/p0005.htm> and Washington Post, Monday June 11, 2001.

contribute to resource scarcity, and thus to the loss of traditional livelihoods for the Nuer and Dinka pastoralists.

Large-scale oil production and transport has a significant impact on the landscape and local environment. Contamination of soil and water is a common consequence of oil production, particularly in locations where environmental regulations are non-existent or not enforced. In Ecuador, for example, oil and water separation stations in the Oriente generate more than 3.2 million gallons of liquid waste each day, most of which has been discharged untreated into the environment.<sup>45</sup> Groundwater is particularly susceptible to contamination from the 'formation water', extracted along with oil during drilling. This 'formation water' is contaminated both with oil and with heavy metals and is therefore toxic.

Further impacts stem from the burn-off of excess natural gas—which has had a devastating effect on water quality and biota there and in other regions as well, most notably Nigeria.<sup>46</sup> This burning releases methane, sulfur dioxide, and toxic compounds. The high temperatures can also exacerbate the risk of fires.<sup>47</sup>

Oil spills are also a concern. According to the Ecuadorian government, the Trans-Ecuadorian Pipeline has spilled about 17 million gallons of oil since it began operating in 1972.<sup>48</sup> This has not only a direct environmental impact, but raises the potential as well for large explosions. In regards to the Sudan pipeline, the potential for accidental leakage, and for intentional leakage resulting from rebel sabotage, has not been assessed. It should be noted, however, that most of the southern Sudanese people, and their livestock, depend on the untreated water of the river Nile for their drinking needs.

According to Sudan Update, Talisman's Environmental Impact Assessment and Emergency Response Plans have not been made public.<sup>49</sup> As a result, it is difficult to know what impacts are projected, and what mitigation measures are in place. What can be alleged with some certainty, however, is that the willingness and capacity of the Sudan government to regulate environmental issues is low. Likewise, engaging in emergency spill response is very difficult, since it would expose the team to the direct risks of the conflict.

In sum, the quality and quantity of land diminish as a consequence of the environmental impacts of oil production, deepening environmental scarcity.

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<sup>45</sup> Rosenfeld, A. , Gordon, D. and Guerin-MacManus, M. Reinventing the Well. Conservation International, 1997:18.

<sup>46</sup> Ibeanu, 2000.

<sup>47</sup> Rosenfeld, A. , Gordon, D. and Guerin-MacManus, M. Reinventing the Well. Conservation International, 1997:25.

<sup>48</sup> Rosenfeld, A. , Gordon, D. and Guerin-MacManus, M. Reinventing the Well. Conservation International, 1997:18.

<sup>49</sup> Sudan Update, 2000.

### **Box 1. Social Impacts of Oil Exploration and Production in the Sudan Create Social Tensions**

The social consequences of oil production are likewise significant for the conflict dynamic. One source is the result of a rapid influx of workers – including those from competing ethnic groups, bringing with them new diseases, prostitution and other social ills. There are wider ramifications as well: It is reported that approximately 7,000 Chinese laborers were brought over to build the Port Sudan pipeline. Some two thousand of these are alleged to be prisoners who were promised reduced sentences for their work<sup>50</sup>. The impact of this vast influx of foreigners, working in extremely difficult conditions, has not been documented.

#### ***Social Outcome: Intensification of the Conflict***

According to the most recent report of the UN Commission on Human Rights, “the government [of Sudan] rejected all accusations that oil revenues would be used to fuel the war and claimed that they were instead invested for the development of the south. So far the government has not provided sufficient evidence supporting this claim.”<sup>51</sup> In fact, oil revenues have helped fund the war against the south, facilitating the continued flow of revenues to the government.

The graph of military expenditures in figure 4 from 1998 to 2000 shows the lie to the claim that the military campaign has not profited from oil. In the two years, military spending in Sudan effectively doubled.<sup>52</sup>

According to the UN Special Rapporteur to the Commission on Human Rights, “exploitation of the oil reserves has led to a worsening of the conflict.”<sup>53</sup> His report continues to state that “since 1998 the Sudanese Government had been making serious efforts to democratize the country...[yet] an increase in military activities has also been observed”<sup>54</sup>. The report notes that in May 2001 the government launched its biggest offensive against the Nuba Mountains since 1992. According to the Washington Post, “Sudan’s annual take from oil...has clearly tipped a stalemated war in the government’s favor. The oil fields are new government garrisons, with soldiers camped every three miles on the main road, and tanks and helicopters in plain sight around airfields.”<sup>55</sup>

#### ***Conclusion: Addressing the Oil-Related Ecological Sources of Conflict in the Sudan***

This case study demonstrated that the conflict in the Sudan has been exacerbated by competing claims in regards to access to and control over the oil fields and the land areas they represent; and to the right to participate in decision making over oil rights allocations and share in the benefits of oil production. The conflict has also been spurred by the environmental impacts of oil exploration and production and their social consequences.

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<sup>50</sup> Lado, 13.

<sup>51</sup> Special Rapporteur of the Commission on Human Rights. Situation of Human Rights in the Sudan. UN General Assembly, 7 September 2001. A/56/336.

<sup>52</sup> Human Rights Watch World Report 2001: Sudan.

<http://www.hrw.org/wr2k1/afrioca/sudan.html> ; also Washington Post.

<sup>53</sup> Special Rapporteur of the Commission on Human Rights. Situation of Human Rights in the Sudan. UN General Assembly, 7 September 2001. A/56/336.

<sup>54</sup> Ibid. paras 90 and 94.

<sup>55</sup> Vick, p. 4.

While Southern self-determination was a possibility in the absence of oil revenues, and was accepted in the Addis Ababa peace agreement of 1972, the discovery of oil contributed to the destruction of this fragile peace. This study contends that oil money is indeed a key component in Sudan's war. As long as those revenues continue and can be used to finance the conflict, there will be no equitable peace. Unfortunately, ending these revenues seems unlikely given the geopolitics of oil in the region.

For example, China's involvement in Sudan entails both political and economic collaboration<sup>56</sup>. China is reportedly desperate to secure oil sources over the long term to fuel its development efforts, which explains the several billion dollars invested in Sudanese infrastructure, including airports and dams. Likewise, it is one of the primary arms suppliers to the government of Sudan. It follows that it is in China's interest to continue sale of arms to Sudan, and for the Sudanese government to stabilize the security of the oil fields. Likewise, in the wake of 11 September, OECD countries will be more eager than ever to ensure that they have a diversified range of sources for oil.

One ray of hope perhaps lies in addressing some of the ecological sources of conflict in the region. This avenue is being tested by Talisman Energy, which is seeking to help alleviate water pressures in the region. The company is working in partnership with NGOs to survey water needs and develop community wells. It is also providing community residents with conflict resolution training.<sup>57</sup>

This type of solution requires creative approaches to petroleum production, ones that could allow concession lands to be shared rather than cleared of people at the point of the gun. There are many compelling precedents. For example, Placer Dome needed to protect nearly 70 km of electrical cables providing its Porgera mine site in Papua New Guinea with power<sup>58</sup>. Guarding the whole length of the electricity supply network was impractical. Ultimately, through attention to community interests, Placer Dome was better able to ensure security of the power supply than would have been possible through security forces. By engaging positively with the communities in which it operates, a responsible company might actually reduce its need for complicity in violence.

Many companies engaged in Sudan, however, lack the exposure to public and international pressure being felt by Talisman Energy. In spite of this lack of public exposure, should the Khartoum regime ever fall, the remaining oil companies may find their continued operations in the country to be under threat. For this reason companies should begin now to take collective action aimed at gradually normalizing relations between North and South Sudan, and addressing the interests of all relevant stakeholders. They have a potentially vital mediating role to play between the interests of the people and those of the central government.

Only with a full cessation of oil revenues, does the potential for a lasting resolution of the Sudan conflict emerge. A shared interest in stability in order to benefit from oil revenue might be possible, but only with international commitment to remove – or at least control - the economic incentives for the elite who perpetuate the Sudanese civil war for their own ends.

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<sup>56</sup> Lado, 13.

<sup>57</sup> Talisman Energy. Corporate Social Responsibility 2001. p.18-19

[http://www.talisman-energy.com/pdfs/csr2001\\_report.pdf](http://www.talisman-energy.com/pdfs/csr2001_report.pdf)

<sup>58</sup> Fraser, D. MMSD Experts Workshop on Armed Conflict and Natural Resources: The Case of the Minerals Sector. July 11 2001.



