



global witness

## **New evidence confirms oil revenue transparency still eludes Sudan** ***Trust between north and south jeopardised by lack of reform***

Large discrepancies persist between the oil production data published by the government of Sudan and those published by the main Chinese oil company operating in the country, Global Witness said today, six months after the publication of its report which first exposed the gaps.

This problem arises despite promises by the authorities in north and south Sudan to address the inconsistencies by conducting an audit. The promised audit is yet to take place. Oil transparency matters because the peace deal between north and south was predicated on an agreement to share the revenue from oil.

Global Witness has discovered that oil production figures published by the Chinese National Petroleum Company (CNPC) for 2009 for the blocks it operates in Sudan's Upper Nile State are 12% bigger than those published by the Sudanese government.<sup>1</sup> "The difference in question – 12 million barrels of oil – is significant. The oil is worth \$370 million<sup>2</sup> and is enough to power a city in the US the size of San Francisco for a year," said Global Witness campaigner, Rosie Sharpe.

Sharpe said: "The authorities in the north are responsible for stating how much oil was produced. The south has no way of checking whether these figures are correct and therefore whether the revenues the southern government receive are correct. This is a critical issue and one which could be decisive in determining whether the upcoming referendum on independence passes off peacefully."

This new data follows the September 2009 report by Global Witness which documented discrepancies of 9% to 26% between Sudanese government data on oil production and figures published by the oil company. These findings do not necessarily mean that Khartoum has cheated the south out of money, but they do further highlight the need for transparency.

"While it is impossible to know for sure which figures are correct, it is clear that both cannot be. Six months after we first raised this issue we still haven't seen the reforms that are necessary and that have been promised. The continued discrepancies are a cause for grave concern and cast a shadow over the prospects for peace," said Sharpe.

"The authorities in the north have not done enough to allay the suspicion held by many southerners that they are underreporting the volume of oil produced in order to transfer less money to the southern government than is due under the peace agreement. Transparency – of which a first step is conducting an audit – will be needed for both sides to trust the current revenue sharing agreement, and any future one," said Sharpe. Global Witness put the allegations of production discrepancies to the Ministry of Finance and CNPC but has yet to receive a reply from either.

Global Witness has also discovered that the pipeline fees stated by the Sudanese government do not match those stated by the Central Bank of Sudan in 2005, 2006 and 2008.<sup>3</sup> It is important that these fees are reported accurately. They amount to millions of dollars and if they are wrong, the oil revenue sharing will also be wrong.

Global Witness wrote to the Sudanese Ministry of Finance and the Central Bank to ask why their figures on pipeline fees do not match. The Ministry of Finance replied to state that they are calculated using two different methods of accounting meaning they cannot be compared.<sup>4</sup> While the two accountancy methods do generate different figures – as one relies on the date the fees are incurred whereas the other relies on the date they are paid – it is difficult to see how this alone could generate such large discrepancies.

**/ Ends**

**Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses.**



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**Notes to editor**

1. Oil production in blocks 3 and 7, Upper Nile State, Sudan

	Ministry of Finance and National Economy	CNPC	Discrepancy ***
2009	86 million barrels *	98 million barrels **	12 million barrels (12%)

\* From the Ministry’s website, [www.mof.gov.sd](http://www.mof.gov.sd). Annual production estimated from January-June figures as July-December figures are not available. The estimate takes into account the fact that the volume of oil produced by blocks 3 and 7 has increased steadily over time by an average of 3 million barrels each half year.

\*\* From Reuters (19 January 2010), quoting a company newsletter produced by China National Petroleum Corporation (CNPC). The newsletter makes clear the difference between production capacity and production output; it is output that has been used here. The figures were converted from tonnes into barrels using a conversion factor of 7.02 which is specific to the oil produced by the blocks in question here.

\*\*\* It is not possible from the information here to know which of these two figures – government or company – is the correct one. Global Witness is not saying that this analysis proves that the southern government has not received its fair share of oil revenues; what it proves is that there is a need for more transparency, a need to get to the bottom of how much oil Sudan produces.

2. The figure stated here is for the value of 12 million barrels of oil from these blocks; it is not the amount of money that has potentially been withheld from the Government of Southern Sudan, as this money would be split between oil company and the Khartoum and Juba governments. The figure is based on the average price of oil from blocks 3 and 7 in Upper Nile State, Sudan for Jan-May 2009 as reported by the Sudanese Ministry of Finance. Figures for later months are not available.

3. Pipeline fees

	Ministry of Finance and National Economy *	Central Bank of Sudan **	Discrepancy *****
2005	\$301 million ***	\$420 million	-\$119 million
2006	\$275 million ****	\$437 million	-\$162 million
2007	\$441 million	\$433 million	\$8 million
2008	\$493 million	\$354 million	\$139 million

\* From the Ministry’s website, [www.mof.gov.sd](http://www.mof.gov.sd). Figures are labelled as ‘Govt payments for pipeline use’ (in reports produced for the IMF) and ‘oil transportation’ costs (in reports produced by the Technical Committee for Oil Revenue Sharing) and are stated in US dollars

\*\* From the annual reports of the Central Bank of Sudan, available from [www.cbos.gov.sd](http://www.cbos.gov.sd). Figures are labelled as ‘petroleum transport’ costs and are stated in US dollars

\*\*\* February-December 2005

\*\*\*\* Estimated from nine month average as October-December figures not available

\*\*\*\*\* It is not possible from the information here to know which of these two sets of figures – government or company – is the correct one. Global Witness is not saying that this analysis proves that the southern government has not received its fair share of oil revenues; what it proves is that there is a need for more transparency.

4. The Ministry of Finance’s reply of 1 March 2010 stated, among other statements, that “the information given by the Ministry of Finance, Ministry of Energy & Central Bank of Sudan are completely matched and identical, but need a careful reading to have the correct understanding” and “The Balance of payments data [from the Central Bank] depends on export of actual shipments, according to IMF balance of payments manual, regardless of the receiving of the proceeds or not, while the Ministry of finance data depends on cash basis,” in other words, that the Central Bank uses an accrual method of accounting whereas the Ministry of Finance uses a cash method of accounting.