

Understanding Sudan

A Teaching and Learning Resource



Fact Sheet Nine: Sudan



Country overview

Population: 39.15 million (2008 census).

GDP: \$87.27 billion (2008 est.)

Surface: 2,505,810 sq km

Oil was first discovered in Sudan in the 1970s, but it has only become a major component in the economy since the late 1990s.

Structure of the oil sector

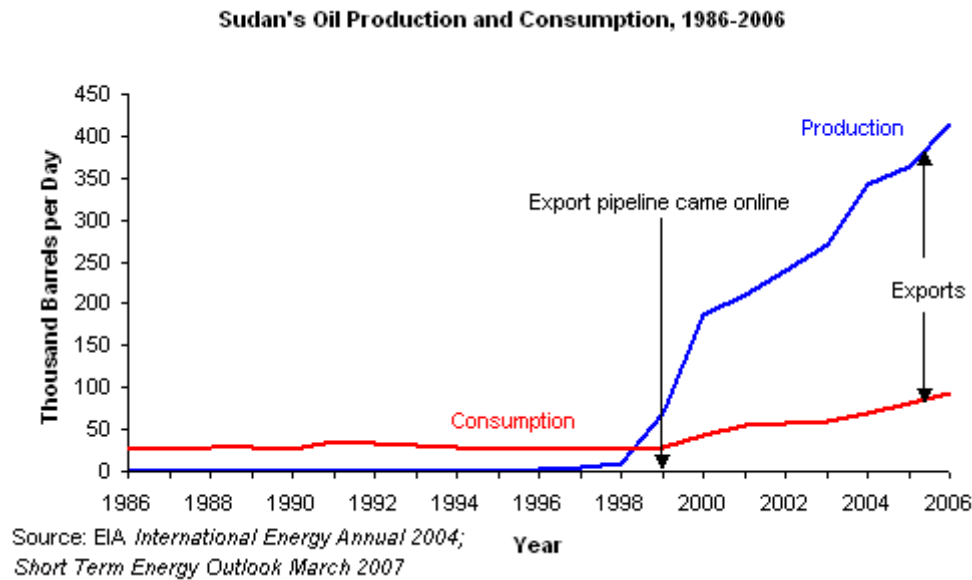
While oil was discovered in 1979 in Sudan, a combination of speculation and civil war meant it took over twenty years to export the first barrel of oil. The national crude oil company – the Sudan Petroleum Company (Sudapet), was created in 1997, and is now active in all oil production and exploration in Sudan. There are ongoing negotiations between Sudan and OPEC about the country becoming a member state.

Because of limited technical and financial means, all of Sudapet's projects have been joint ventures with international oil companies. The foreign companies present in Sudan's oil sector are primarily from Asia;

they are led by Malaysia's Petronas, India's Oil and Natural Gas Corporation (ONGC), and China's National Petroleum Corporation (CNPC).

Oil production and processing

Production levels: Since an export pipeline running from the center of Sudan to the Port of Sudan was completed in 1999, oil production has risen steadily: from 363,000 bbl/d in 2005, to 414,000 bbl/d in 2006 and 466,000 bbl/d in 2007. The Sudanese government announced it planned to produce one million bbl/d by the end of 2008. While this projection may have been optimistic, you can see from the graph below that increases in the rate of production of Sudanese oil have been exponential.



Oil Reserves: In January 2007, the *Oil and Gas Journal* estimated that Sudan has proven oil reserves of five billion barrels – a massive increase on the 563 million barrels of proven reserves in 2006. In 2008, Sudan's reserves again increased, to 6.4 billion barrels. This figure is 32 times higher than reserves were estimated to be in 1981.

Due to the ongoing civil war in Sudan, oil exploration has been limited to central and south central regions of the country. However, it is possible that large reserves also exist elsewhere.

Major Oil Fields: As in many other oil-producing countries, Sudan's oil fields are referred to as blocks. Blocks 1, 2 and 4, comprising the Heglig and Unity fields, were originally developed in 1996 by the Canadian company Arakis. They contain estimated reserves of 600 million to 1.2 billion barrels of oil. These blocks are currently operated by a consortium, the Greater Nile Petroleum Operating Company (GNPOC), composed of Petronas, CNPC, ONGC and Sudapet.

For about a decade, this area was Sudan's only upstream project. Likewise, there was only one export pipeline (the GNOP, or Greater Nile Oil Pipeline), and only one type of crude oil – the high quality Nile Blend. When a second pipeline began operation in 2006 and a Khartoum refinery expansion was finished, further upstream projects developed. For example, the second pipeline allowed the production of a second crude oil blend (the lower quality Dar blend).

In June 2004, Petrodar, a consortium of CNPC, Petronas, Sudapet, Gulf Oil Petroleum and the Al-Thani Corporation awarded a contract to a Malaysian and Sudanese consortium to begin development work in Blocks 3 and 7. As of 2007, Blocks 3 and 7 produce 165,000 bbl/d of oil.



Source: IHS Energy GEPS Reports

Major Refineries: There are two major refineries in Sudan. According to the *Oil and Gas Journal*, the refineries in Khartoum and Port Sudan had a combined refining capacity of 121,700 bbl/d as of January 2007. This follows the Khartoum refinery expansion project that was finished in 2006, which doubled the refinery's capacity to 100,000 bbl/d.

There is also a new refinery being constructed in Port Sudan by Petronas, which would create a refinery with a capacity of between 100,000 bbl/d and 150,000 bbl/d. However, the drop in world crude oil prices in early 2008 led Petronas to suspend work on the project in June 2008.

Oil Exports: In 2006, Sudan exported approximately 320,000 bbl/d of crude oil, the vast majority of which was destined for Asian markets. The International Monetary Fund valued Sudan's total level of exports as \$5,813 billion in 2007, of which \$5,244 billion was oil. This means that crude oil exports constitute a hefty 90% of Sudan's total oil exports. In addition, 71% of export revenue comes from just one country – China.

The politics of oil in Sudan: revenue distribution

In 2005, the long civil war between the Sudanese government in Khartoum and the Sudan People's Liberation Movement/Army (SPLM/A) of Southern Sudan ended with the signing of the Comprehensive Peace Agreement (CPA). One of the important aspects of the CPA was the decision to share oil revenues.

According to the CPA, oil revenue will be divided into four parts, with at least 2% of all revenue allocated to the state and region where the oil was produced. The remaining revenue will be divided evenly between the Government of Sudan and the Government of Southern Sudan.

In 2005, a National Petroleum Commission (NPC) was established to allocate new oil contracts and ensure equal distribution of oil-based income. It is also responsible for resolving the problem of duplicate oil contracts created during the country's long civil war, when the SPLM/A and the government in Khartoum often both awarded contracts for oil production in a single area.

As the European Coalition for Oil in the Sudan has made clear, however, the implementation of the CPA and NPC have been hampered not only by disagreements between the governments of Sudan and Southern Sudan, who are supposed to constitute the NPC together, but also by a lack of transparency about oil revenues.

The politics of oil in Sudan: conflict and human rights issues

A series of human rights organizations have accused the Sudanese government in Khartoum of using oil revenues to finance human rights abuses, including the war in Darfur. They have also documented massive displacements of civilians near oil fields. As early as October 1996, for instance, the International Coalition for Justice alleged that militias hired by the government launched an offensive displacing thousands of people living around the Heglig oil field.

We will explore these issues further in the rest of the course.