

Press Release: Getting Sudan's Oil Deal Right is Key to Peace

Negotiations between NCP and SPLM on post-referendum arrangements for Sudan's oil industry are to resume on 1 March 2011 in Addis Ababa. The shared dependency on oil between North and South Sudan requires new forms of cooperation. The political focus on 'post-CPA revenue sharing' is determined by the desire to forge a lasting peace between the north and the south. However, the projected sharp drop in southern oil production after 2013 and the current production boost in the north is undermining the rationale for on-going oil revenue transfer from south to north. The low trust level between north and south advises against continuation of administratively complicated schemes like the CPA's revenue sharing formula. **The European Coalition on Oil in Sudan (ECOS) is pleading for a straightforward fee-for-service model, whereby the south pays a commercially and politically realistic price for services provided by the north.**

It is equally important and more challenging to create an environment in which the oil industry can prosper. In addition to political stability, an attractive investment climate requires fiscal solidity, capable management and oversight by the governments in north and south, and last but not least, a social support basis for the industry.

The industry's low operating standards and disregard for the concerns of the population has caused hostility towards the companies. The Greater Nile Petroleum Corporation (GNPOC) is losing almost a quarter of a million dollar per week to corruption, theft and vandalism, adding to the industry's already high-risk profile and discouraging investment. Building a social support basis for the industry is paramount. **ECOS urges the parties to resolve the oil industry's painful legacies, including environmental degradation and damages to the communities in the oil areas during and after the war.** The rights of these communities must be safeguarded after 9 July 2011. Their constitutional right to compensation must be fulfilled through a political reconciliatory process.

The ECOS report [*Post Referendum Arrangements for Sudan's Oil Industry: How to Separate Siamese Twins*](#) explores these and other issues that need to be addressed during the post-referendum oil negotiations.

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