



الحركة الشعبية لتحرير السودان التغيير الديمقراطي
Sudan People's Liberation Movement Democratic Change



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PRESS STATEMENT

There is Not Much to Celebrate in the Oil Deal with Sudan.

The Chief Negotiator of the Republic of South Sudan in the Addis Ababa talks with the Government of Sudan issued a statement on the 4th instant on the deal they struck with the Government of Sudan on the pipeline fees for the transport of South Sudan Oil through Sudan's territory. The Chief Negotiator was upbeat that they were able to protect the interest of the people of South Sudan in the deal. We beg to defer with him.

In the first place, we cannot measure our success or failure to secure fair fees against what the Sudan delegation offered, for according to our delegation it "tried to extort South Sudan by attempting to charge exorbitant fees for the export of its oil". Thus, the real measure is against what we offered compared to what we got. In this light, the following table shows the concessions we made as a percentage of what we offered for both PETRODAR and GNPOC, using the figures provided in the press statement referred to above.

| | PETRODAR | GNPOC |
|---------------------------|----------|-------|
| 1- Transportation tariffs | 18 | 14 |
| 2- Transit Fees | 59 | 45 |
| 3- Processing | 50 | 50 |
| 4- Total | 26 | 20 |

Therefore, our delegation made concessions ranging from 14 percent to 59 percent. If by conceding up to 59% of what we believed was the reasonable rate can be described as "minor concessions" – according to the statement – what then is a major concession?

The negotiating team should not attempt to hoodwink the public. This is far from being the best deal the Chief Negotiator would want us to believe. Actually, the statement inadvertently admits that this is not the best deal possible when it states: "At that time [i.e., after 3 ½ years], if South Sudan still wishes to transport its oil through Sudan the parties may negotiate lower rates, but the fees cannot go up.

However, South Sudan has already decided to construct an alternative pipeline, which will be up and running by then"-end of quote. The question that poses itself is: If this was a good deal for South Sudan and any future rates must be "lower rates, but cannot go up" why then would South Sudan insist on constructing an alternative pipeline with all the cost it will incur and with not very dissimilar political risks?

The extent of South Sudan real concessions becomes clearer if you translate into dollars per barrel the \$3.028 billion "offer" in direct Transitional Financial Assistance to Sudan over a period of 3 ½ years. A simple calculation will render this as \$7.9 per barrel. Accordingly, South Sudan is actually paying on average **\$17.4** per barrel for the transport of its oil through Sudan for the 3 ½ years to come. In this calculation, we have used the high figure of 300,000 b/d to take into consideration the slow buildup rate of flow when the production resumes. A more realistic 200,000 b/d will give a fee of **\$ 21.33** per barrel, a figure not too far from the "exorbitant fees" charged by Sudan.

With this kind of deal we wonder what South Sudan has gained by closing production for seven months with the loss of revenues of around \$ 7 billion. It is also to be noted that the oil will not start flowing as soon as the order is given to resume production. It will take 3-6 months before the flow is regularized. So, the previous production rate of 350,000 b/d will take more than six months to attain.

Last but not least, where is our "stolen" oil of which we heard a lot in the last few months? Surely, the delegation did not get that oil back.

South Sudanese should console themselves that their oil may start flowing again in a few months to help ameliorate their current suffering, but we should never deceive ourselves that there was a victory scored in the Addis Ababa negotiations.

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