

CHINA'S SHARP POWER IN AFRICA

China Explores South Sudan's Oil Sector without Environmental Care

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South Sudan is trapped between rock and sand over how to deal with a consortium of oil companies from the People's Republic of China (PRC) led by the China National Petroleum Corporation (CNPC), DAR Petroleum Operating Company (DPOC), and Greater Petroleum Operating Company (GPOC), which have been operating in the country without proper provisions for waste management and environmental audits since before South Sudan became an independent state in 2011.

Although oil production contributes over 90 percent of South Sudan's income, the enduring issues of waste management and accountability are putting the future of oil production and those who live in and around the oil-producing states at risk.

CNPC has a long history with the governments of Sudan and then South Sudan and accounts for the majority of the latter's crude oil production. Since CNPC started oil production decades ago, a great deal of environmental damage has been reported in the oil fields. According to an analyst who spoke on condition of anonymity, "They don't care about waste management and environmental protection; they want it cheaper, and the agreements are opaque, so I don't know what they signed in terms of service delivery and environmental care."

The source added that the DPOC and GPOC are "sabotaging" local content policy and human resource manuals to evade corporate social responsibilities toward communities and the country, and while the regulations were developed by the Ministry of Petroleum, "they [DPOC and GPOC] don't want implementation of these policies and recently rejected a comprehensive environmental audit, saying that these are Western ideas, American ideas."

In the 1990s, the Sudanese government was conscious of the environmental impact that oil extraction and production would have on local communities, so they took the draconian measure of ordering the army to chase away the civilian population in those areas before commencing oil exploration and production activities.

South Sudan's oil-extraction contractual agreements were inherited from Sudan, and the companies under those agreements (mainly PRC companies) continued to operate after the two countries separated in a 2011 referendum in which southerners overwhelmingly voted for self-determination.



“When South Sudan gained independence, it was a new responsibility. The whole point of fighting was to do things differently from the old Sudan. The first thing would have been to change things, but the country couldn’t stop oil production; it was young and needed money to continue running its business, to provide basic services and continue with developmental projects,” said Dr. Bior Kwer Bior, founding executive director of the Nile Initiative for Health and Environment (NIHE), and also a member of South Sudan’s Civil Society Coalition on Natural Resources (CSCNR). The decision to continue oil production because it was the country’s main source of income is haunting South Sudan today.

Legal Compliance

According to Article 28 of the South Sudan Petroleum Act, “A contractor shall submit an application to the Ministry [of Petroleum] for a permit to undertake exploration drilling. The application shall contain a drilling programme and an environmental and social impact assessment that has been carried out and approved in accordance with Sections 59(2) and (7) of this Act. Exploration drilling shall not commence before the contractor has received a drilling permit from the Ministry.” Chapter 11, “Transportation, Treatment, and Storage,” further states:

- (2) An application for a license pursuant to subsection (1) of this Section shall contain:
 - (a) a description of the facilities;
 - (b) an environmental and social impact assessment carried out and approved in accordance with Sections 59(2) and (7) of this Act; and
 - (c) detailed information on all relevant issues concerning the proposed installation and operation, including economic, technical, operational, safety related, commercial, local content, land use and environmental aspects of the project.
- (3) The Ministry shall grant a license on the basis of an evaluation of the application, including the environmental and social impact assessment, and the technical competence, experience, history of compliance and ethical conduct and financial capacity of the applicant and the contractor, as well as safety related aspects.¹

However, since the enactment of the Petroleum Act in 2012, these provisions have not been implemented in a timely way, and the country has continued to engage with the oil companies without proper assessments.

More recently, the Ministry of Petroleum has picked up initiatives to reform the oil sector by ensuring that South Sudanese workers receive similar treatments as international staff, something not well received by investors.² The Unified Human Resource Policy

Manual (effective December 21, 2020) provides for reduction of expenditures for tickets, accommodations, visas, and the harmonization of salary structures for national and international staff. Unification of salary structure among the Joint Operating Companies (JOCs) is to be reviewed and communicated to the JOCs.³

The Ministry of Petroleum has also announced the launch of the country's first oil-licensing round. Potential investors were requested to submit their applications to the ministry by August 23, 2021.⁴ The oil-licensing round aims to attract interest from a diverse group of foreign investors to the Upper Nile region in South Sudan. The country is hoping to welcome back experienced partners and operators following significant progress in returning to peace and stability. With new data, analysis, and government mechanisms, the ministry seeks to attract high-quality investors and partners. However, analysts warn that further oil exploration and production shouldn't commence without proper assessments and plans for waste management. Otherwise, mistakes that the government is trying to correct will be repeated.

Environmental and Health Impacts

"Whenever there's oil extraction, obviously there will be an impact on the environment. Normally safeguards are put in place to protect the environment. There should be a plan for protecting the environment, an accurate environmental management system, baseline assessment before you start production, and good ways of waste management," noted Dr. Kwer of the Nile Initiative for Health and Environment, a local nongovernmental organization (NGO).⁵

A report released by that organization recorded more than 218 children who were born with deformities as a result of oil pollution in the oil-producing states of Unity and Upper Nile.⁶ The organization says that it recorded the cases from birth registries collected from local health facilities in Pariang in Unity State and media reports from Upper Nile State. Its tally may undercount the true figure because of the absence of health facilities and road networks in areas where oil fields are located.

Local populations lack awareness of the dangers of the chemicals and waste materials dumped on their doorsteps, which mix with water in wells and ponds and are used by communities for domestic activities. "The topography of Pariang in Unity State is lowland. The water from the crude oil—the wastewater—is dumped in local ponds [and] flows all the way to local streams, and this is what is causing diseases," Dr. Kwer stated. "As a consequence of oil production, waste is hazardously dumped in these areas, and the containers that used to contain the chemicals are in the hands of communities and are being used for drinking water."⁷

The water discharged with minimal treatment is toxic with chemicals such as hydrocarbons and has negatively impacted communities in the oil-producing town of Paloich in Upper



Nile State, Pariang in Unity State, and Ruweng Administrative Area, formerly part of Unity State. “The impact is huge and negative towards the communities, the land, animals, and the air. The processes were not satisfactory to us, first of all [because of] the level of oil spills in which pipe breaks spill crude oil into the soil. Containers of chemical materials, which find their way to communities, are being used for domestic activities,” said Charles Judo, chairperson of CSCNR.⁸

Commissioning an Environmental Audit

Although the oil-production process started on a wrong footing, “the government has now agreed to conduct an environmental audit not only to assess the environmental [issues] but also the social impact of the oil activities. And as a member of civil society, I want to see in the future that all of the processes are open and transparent to the public,” Judo added.

There are hopeful signs. South Sudan’s reconstituted government of National Unity is tasked with the responsibility of reforming the economic sector in the country and eventually joining the Extractive Industries Transparency Initiative (EITI) to help the country control and manage well the revenues generated from its natural resources. EITI is an international standard for openness around the governance of oil, gas, and mineral resources.⁹ Governments disclose how much they receive from extractive companies operating in their countries, and these companies disclose how much they pay.

Diplomatic Backlash

In 2013, when civil war broke out in the country, the oil fields were fragile and destroyed. But the PRC’s investments in South Sudan’s oil sector require political stability and peace. Thus, China was invited to join the peacekeeping mission in South Sudan, and over one thousand PRC peacekeepers now work in the country as part of that mission, according to a report by the United Nations Mission in South Sudan (UNMISS).¹⁰

In May 2021, the United Nations Security Council (UNSC) renewed the arms embargo, travel ban, and assets freeze imposed on South Sudan for an additional year and extended for thirteen months the mandate of the panel of experts tasked with helping to oversee those measures, while expressing its readiness to adjust them in light of conditions on the ground.¹¹ The arms embargo prohibited the supply, sale, or transfer of weapons, as well as the provision of technical assistance, training, and other military assistance, to South Sudan. The PRC government, which had always abstained, voted for the arms embargo for the first time. Economic analysts termed the decision a diplomatic blow against an earlier decision by the South Sudanese government to put in place restrictive measures to improve accountability and transparency in the oil sector, especially the environmental audit and enactment of human resource policies by the South Sudan Ministry of Petroleum.

“Recently, PRC companies have seen some line ministries as a threat, and there have been debates with the Ministry of Petroleum because [the oil companies] are not happy with the policies the government is trying to impose on [them] and they [feel that they] should be treated exceptionally because they were supporting South Sudan even during the dark days,” said a source who requested anonymity due to the sensitivity of the matter. “They said environmental audits are expensive, [and] they want samples only taken in one area while others should be skipped.” It’s deeply concerning that the companies want to dictate what the country should do with its resources.

But it’s not easy to put things on the right track, especially after more than three decades during which the oil companies explored and produced crude oil without proper checks and balances from the government. During the war, the responsibility for oil production processes was left in the hands of investors due to lack of proper knowledge by the government as to what its priorities should be.

Knowledge by Local Communities

There’s minimal awareness of the dangers among communities in the oil-producing states. People living close to oil sites suffer from unknown diseases, stillbirths and deformities in newborn children, miscarriages, and infertility related to the oil extraction.

The oil companies support development projects such as schools and hospitals, but this is part of their corporate social responsibility and is not enough. Communities in Pariang County in Unity State and Paloich in Upper Nile demonstrated several times over empty promises from the oil companies. In August 2020, there was a demonstration over the lack of local employment promised in the Memorandum of Understanding between the government and the oil companies.¹² “They don’t keep their promises, but only accept the demands and don’t deliver. Communities need services to be provided to them, and this remains key,” said a concerned citizen.

Contributions by Civil Society

The role of civil society is to amplify advocacy efforts, share information, and conduct awareness to ensure that accountability and transparency are priorities. “Issues to do with monitoring and evaluation of matters related to oil, starting with the signing of the contracts, from upstream to downstream, whatever agreements are about to be reached, civil society ensures that there’s transparency,” added Judo of CSCNR.

Some of the concerns that citizens raise include lack of access to timely and reliable information. “Civil society should be empowered to create awareness about agreements reached by the government and other stakeholders, from exploration and production to sales. The role is to ensure that the process is flexible and known to all South Sudanese citizens,” Judo said.



Recently, the Audit Chamber issued an audit report indicating that the 2 percent share of net petroleum revenues reserved for service delivery and developmental projects by the Petroleum Revenue Management Act (2013) and Transitional Constitution (2011), respectively, has not been transferred to the oil-producing states. The central government improperly reallocated the funds to other uses.¹³

“As civil society, we are aware and concerned about all of these issues. So far we have heard about the signing of the agreements, but we were not involved at the signing or the initial processes and negotiations. There was no transparency, and we never had access to the contracts to see and compare [them] against other companies. We have never seen the contracts, [and] as a result we are not happy about the agreements with the PRC companies,” said Judo.

Conclusion

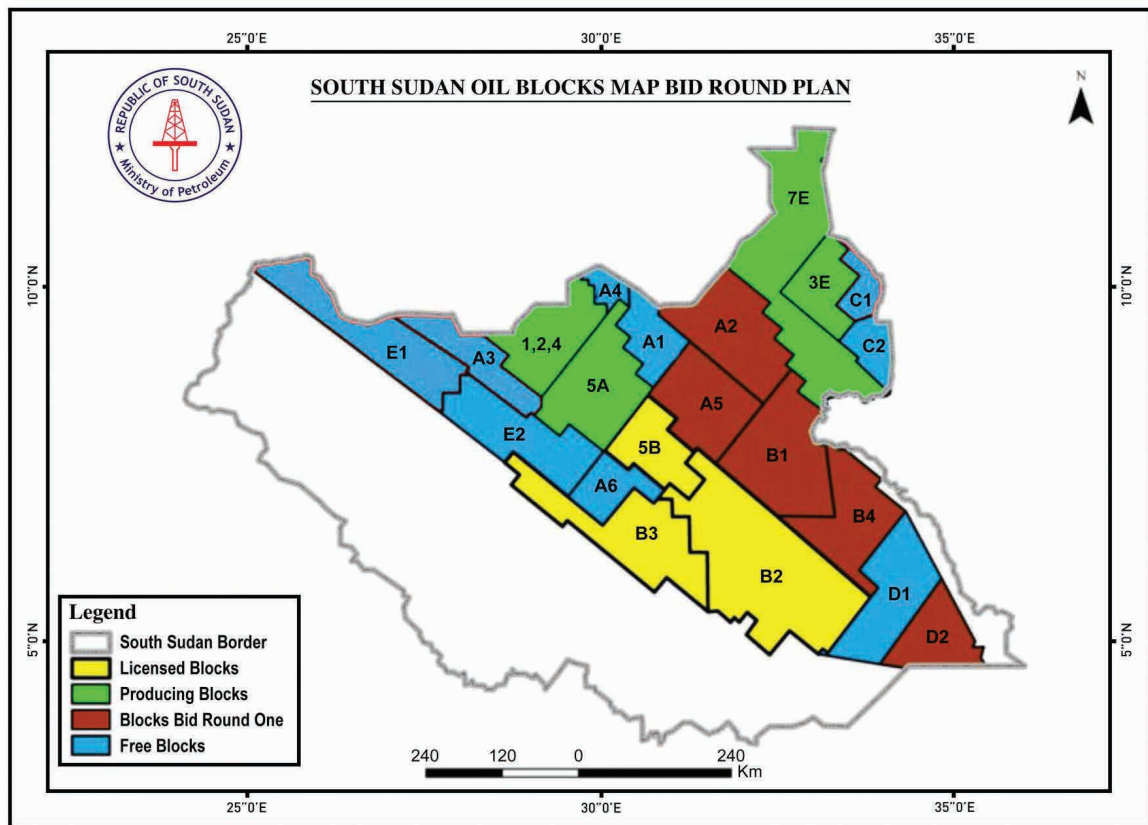
The lessons and recommendations drawn from interviews with various stakeholders are as follows:

1. Prioritizing the needs of the communities living in and around the oil-producing areas is important to ensure a do-no-harm approach when extracting natural resources such as oil.
2. If there's no quick turnaround in terms of waste management, cases of children born with deformities, animals dying, displacement, and people suffering from unknown diseases, then the whole idea of producing oil for development is challenged by the reality of oil becoming more of a curse than a blessing to communities.
3. The government should take charge of environmental management by urgently conducting environmental audits before commencing production in new oil fields in order to ensure that no further environmental and human destruction is committed in the long run while generating revenues for development.
4. Accountability mechanisms must be established to ensure that resources are used properly and that the communities in the oil-producing areas receive their share of the revenues as stipulated in the law.
5. Consciousness raising by both civil-society organizations and the government should be conducted to educate communities to understand the benefits and consequences of oil-production activities in their villages, and how relocation to different places can help prevent the health ordeals that they are currently facing due to lack of proper information sharing.

APPENDIX: OIL AND GAS EXPLORATION IN SOUTH SUDAN

Currently there are three consortiums operating producing blocks in South Sudan, with another four oil-exploration companies having acquired production-sharing contracts.¹⁴

Figure 1. South Sudan oil blocks map bid round plan



Source: Government of South Sudan, <https://www.southsudanlicensinground.com>.

1. Producing Blocks:

- Blocks 3 and 7—DAR Petroleum Operating Company: China National Petroleum Corporation, Petronas, Nile Petroleum Corporation (8 percent equity)
- Blocks 1, 2, and 4—Greater Pioneer Operating Company: China National Petroleum Corporation, Petronas, Nile Petroleum Corporation (5 percent equity)
- Block 5A—Sudd Petroleum Operating Company: Petronas, Nile Petroleum Corporation (8 percent equity)



2. Awarded Exploration Blocks:

- Block B3—Oranto Petroleum, Nile Petroleum Corporation (10 percent equity)
- Block 5B—Ascom, Nile Petroleum Corporation (10 percent equity)
- Block B2—Strategic Fuel Fund, Nile Petroleum Corporation (10 percent equity)

3. Free Blocks:

- Blocks A1, A2, A3, A4, A5, A6
- Blocks B1, B4
- Blocks C1, C2
- Blocks D1, D2
- Blocks E1, E2

4. First Licensing Round:

- Blocks A2, A5, B1, B4, D2

NOTES

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8 Interview with author on July 5, 2021.

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- 14 South Sudan Inaugural Oil Licensing Round.

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