

obtained through an equitable sharing of resources, not military action. In its discussions with representatives of the Nuer opposition, the company conveyed its view that oil presented the best opportunity to achieve sustainable peace and growth in the area and encouraged them to seek a peaceful way to assert their rights to the area. Discussions with special interest NGOs that advocated a full cessation of oil activities were difficult, but development NGOs were much more open to company initiatives and presence, as they saw both short and long term benefits accruing to the population. Think tanks specializing on Sudan were interested in how oil could act as an incentive for peace in Sudan above and beyond the obvious positive benefits of oil for the overall economic performance of the country.<sup>10</sup> The company shared with them information about the terms of oil exploration, production and revenue distribution schemes, and drew their attention to the equitable sharing scheme laid out in the Khartoum Peace Agreement.<sup>11</sup>

The company also met government representatives of the key nations acting as peace mediators, such as Kenya, Norway, the U.K. and the U.S.<sup>12</sup> The mediators' role was to help the parties achieve a compromise by offering them support in the form of international monitoring and monetary assistance for purposes of reconstruction. The company presented mediators with its view that oil represented an incentive for peace—in so far as oil activities could not be pursued in a war context, as attested by the company's suspension of activities—and provided the material basis for a sustainable peace.

Eventually, with the active engagement and support of key mediator nations, the two main protagonists in the conflict, the GoS and the SPLM/A (which by then included the Nuer leaders) concluded a Comprehensive Peace Agreement (CPA) in January 2005, an agreement still in force at the time of writing (summer 2009). Power and wealth-sharing provisions, which require revenues generated from oil production to be distributed among the central and southern government, and the producing state, constituted and remain the corner stone of the CPA.

### Ethiopia

Operations in Block 5A, Sudan, proved to be successful from an exploration and commercial perspective, as the company made a discovery, which was later brought into production by the company which bought the asset.<sup>13</sup> This led the company to look at Ethiopia, integrating the lessons learned in Sudan. A corporate responsibility analysis was being conducted prior to entering into an agreement with the Ethiopian government. The study found that at the time the country was one of the most progressive and democratic in the region.<sup>14</sup> There were thus no external impediments to initiating activities there and while there were rebel groups active in different parts of the country, these were not indigenous to the concession areas sought by Lundin Petroleum.<sup>15</sup>

During the process of negotiations, special attention was given to security and

community matters and relevant clauses were inserted in the agreement to ensure that Lundin Petroleum's corporate responsibility requirements and international standards were met.<sup>16</sup> The licenses obtained were in the Somali region of Ethiopia.<sup>17</sup> In order to ascertain potential risks which the company and local communities could face as a result of the initiation of oil activities in this region, the company commissioned third party surveys of all its concession areas. The objective of the surveys was to assess the area from topographical, social, health, safety, and environmental (HSE) and security points of views as well as to introduce the company and its intention to the communities living in the concession areas.

One of the important features of these surveys was the description of the political structure in the area and its various levels of decisionmaking and decisionmakers, from the regional government through the zonal and local administrations to the clan leaders at the village level; representatives of all these levels would be consulted at various stages of the operations. The surveys also ascertained that the area was suffering from fairly adverse socioeconomic conditions; lack of infrastructure and inadequate supply of fresh water made it difficult for the agropastoralist tribes of the area to achieve sustenance. As had been the case in Sudan, clan leaders met by the assessment team saw exploration activities as a potential for developing alternative means of livelihood and obtaining economic benefits in the form of jobs and community projects.

As a follow up to these surveys, Lundin Petroleum organized a Stakeholder Awareness Meeting (SAM), inviting sixty-five clan leaders from the concession areas, as well as representatives of the Ministry of Mines and Energy. After introductions, three presentations were made by the company. The first outlined the company's structure, activities, and corporate responsibility policy; the second outlined the process involved in oil exploration and production, from the identification of a prospect area, seismic studies, exploratory drilling, and so on; and the third described the terms of the agreement between the company and the government including geographical scope, work commitments, and time frame. Participants were then encouraged to question the executives, clarify issues, comment on proposed plans, express their concerns regarding the potential impact on the communities and/or the environment, and put forth community expectations in relation to oil operations. The outcome of the SAM was the identification of key areas of concern of the clan leaders (employment, compensation for damage, community projects, and consultations) and the following commitments:

- ▶ To work and support each other in order to create a conducive and safe environment for Lundin Petroleum to conduct its exploration activities safely and smoothly.
- ▶ To respect each other's values, principles, policies, and traditional or customary rules.
- ▶ To encourage and to the extent possible create job opportunities and new markets



sector. It also demonstrates that peace, or the absence of conflict, cannot be achieved by the sole action of the private sector, but needs other actors whose perception of the role of oil can be as important as the actual role itself.

#### Notes

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1. On Lundin Petroleum AB, see <http://www.lundin-petroleum.com> [accessed 13 June 2010].
2. Activities in Sudan were initiated by predecessor companies, IPC and Lundin Oil.
3. For a more comprehensive description of Lundin Petroleum's experience in Sudan, see Batruch (2004).
4. The main tribe in the area is the Nuer tribe, which has 5 subgroups: the Bul, Lek, Jikany, Jagei, and Dok Nuer. In turn, these groups were affiliated with local militia.
5. The text of the Khartoum Peace Agreement, signed in April 1997, is available at [www.sudani.co.za/Documents/20and%20Issues/Khartoum%20Peace%20Agreement.htm](http://www.sudani.co.za/Documents/20and%20Issues/Khartoum%20Peace%20Agreement.htm). It was signed between the Government of the Sudan, the South Sudan United Democratic Salvation Front (UDSF)—comprising the South Sudan Independence Movement (SSIM) and the Union of Sudan African Parties (USAP)—the SPLM, the Equatoria Defence Force (EDF), and the South Sudan Independents Group (SSIG).
6. The company met with Dr. Riek Machar, who, pursuant to the 1997 Khartoum Peace Agreement, was Vice-President of Sudan and President of the South Sudan Coordinating Council (the government representative for the south); with Taban Deng Gai, the Governor of Unity State; and with representatives of the local tribes.
7. As the company never produced oil, it never generated revenues, other than from the sale of its asset in 2003. Community development projects conducted under CDHAP had three objectives: (1) to promote better health, hygiene, education, and general quality of life for the current and future inhabitants of the concession area of Block 5A, Unity State; (2) to contribute to the economic and social development of the area; and (3) to reinforce relationships between the local community and the company. Community projects included infrastructure building (roads, bridges, schools, and clinics), the provision of medical and veterinarian services, as well as capacity building, e.g., training of paramedics, paravets, midwives, community officers.

8. Code of Conduct. "Message from the Chairman." The text of the Lundin Code of Conduct and related documents are available at [http://www.lundin-petroleum.com/Documents/ot\\_lupe-code\\_e.pdf](http://www.lundin-petroleum.com/Documents/ot_lupe-code_e.pdf).
9. The Company witnessed how, over a period of a few years, Sudan shed its pariah nation status and became an attractive place for the international business community. With the oil revenues, Sudan repaid its IMF loans, which resulted in its reinstatement and its heightened credit worthiness. See <http://www.imf.org> for information regarding Sudan's reinstatement in August 2000 and GDP data. The problem in Sudan at the time was not lack of revenues, but their unequal distribution.
10. Two U.S.-based think tanks devoted particular attention to this issue: the Center for Strategic International Studies (CSIS), Washington, D.C.; and the Carter Center Peace Program, Atlanta, Georgia.
11. The KPA had the following distribution scheme: 40% for the producing state, 35% for neighboring states, and 25% for the central government, a scheme which was much more favorable than the one eventually adopted in the Comprehensive Peace Agreement (CPA) which saw 2% going to the producing state and the remaining share being split equally between the central and southern governments.
12. The first three nations were part of the Intergovernmental Authority on Development (IGAD), based in Nairobi, whose mandate was to broker a peace agreement in Sudan. The U.S. joined as an active peace mediator in June 2001 with the appointment of a Special Representative dedicated to the Sudan peace issue.
13. Petronas Carigali bought Lundin Petroleum's interest in Block 5A in 2003 and operated a concession in Block 5B, where Lundin Petroleum had a minority interest which it relinquished in April 2009.
14. This analysis was conducted prior to the November 2005 elections which resulted in violent protests and repression and caused considerable concern among nations heretofore supportive of the regime.
15. The concession areas Lundin Petroleum eventually obtained were situated in the Somali region of Ethiopia. Within the Somali region, there are a number of tribes among which the Ogadeni, which formed an armed liberation movement in 1984, the Ogaden National Liberation Front (ONLF), aimed at achieving independence of the region. The Oromia tribe also has an armed movement, the Oromia Liberation Front (OLF). Prior to obtaining the concession it was established that the ONLF and OLF were present in areas adjacent to but not in the sought concessions.