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From: Mills, Cheryl D <MillsCD@state.gov>
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Subject: Fw: Two Sudans Reach Deal on Fees for Oil Pipelines

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Nice!

From: PA Clips [mailto:paclips@state.gov]
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Two Sudans Reach Deal on Fees for Oil Pipelines

By JEFFREY GETTLEMAN
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 The New York Times

NAIROBI, Kenya — Sudan and South Sudan have reached a deal on oil pipeline fees, a highly divisive issue that nearly drove the two countries to war this year, African Union officials announced Saturday.

After some not-so-subtle pressure from Secretary of State Hillary Rodham Clinton, who visited Juba, the capital of South Sudan, on Friday, it seems the Southern Sudanese increased the amount they were willing to pay to Sudan, which controls the pipelines for export. The conundrum the Sudans face is that both countries are extremely dependent on oil, but while the export pipelines run through the north, the bulk of the crude oil lies in the landlocked south, which seceded from Sudan last year after decades of guerrilla war.

In January, after having failed to reach an agreement with Sudan on a pipeline fee, South Sudan abruptly shut down all production, beggaring the economies of both countries. Fighting erupted along the border in April, and many people feared that the two sides were sliding again into a war that could ripple across East Africa. The last time Sudan and the rebels from the south fought, from 1983 to 2005, the conflict left more than two million people dead.

But on Saturday at 2:45 a.m., Thabo Mbeki, the African Union's lead mediator and a former president of South Africa, emerged from a lengthy negotiating session in Addis Ababa, Ethiopia, and announced: "The parties have agreed on all of the financial arrangements regarding oil."

It was not clear exactly how much South Sudan is going to pay. The two sides had been very far apart, with the south saying it would pay no more than \$1 per barrel and the north insisting on \$36.

According to one person with knowledge of the talks, South Sudan had agreed to pay about \$10 per barrel, which would still be a relatively low amount and very favorable to the south. The Sudanese state-run news media presented the deal differently, though, saying the figure was closer to \$26 per barrel, which apparently includes a lump-sum payment of \$3 billion, amortized over several years, that the south has offered to the north.

A day earlier, Mrs. Clinton met South Sudan's president, Salva Kiir, and urged him to strike a deal. At a news conference afterward, she said, "We need to get those resources flowing again."

"A percentage of something is better than a percentage of nothing," she added.

The impact of an oil deal could be huge because the lack of oil production was fueling inflation on both sides of the border and making both governments increasingly belligerent and edgy. Diplomats say they hope that cooperation on oil could spell cooperation on other fronts and lead to a workable peace.

But the two sides have a history of making deals and never fully carrying them out, and many thorny issues — especially over disputed territory — remain unresolved.

Already, Sudanese officials are sending mixed signals. On Saturday, one minister said, "Sudan and South Sudan have reached a final agreement on fees to transport South Sudan's oil through Sudanese territories," while another member of the Sudanese negotiating team stated that the deal "does not fulfill the ambitions of both sides" and that it would be put into effect only after security arrangements were worked out.

African Union officials said the next round of negotiations would resume this month.

Isma'il Kushkush contributed reporting from Khartoum, Sudan.

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