

FAX
MESSAGE/COVER SHEET

THIS MESSAGE IS FOR:

[redacted]
FCO/NENAD

FAX NO:

[redacted]

FROM:

[redacted]
Kingsgate House
66-74 Victoria Street
London
SW1E 6SW

TEL:

[redacted]

FAX:

[redacted]

DATE:

17 September 1998

NO. OF PAGES TO FOLLOW: 1

IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CONTACT ME AS SOON AS POSSIBLE.

SPECIAL INSTRUCTIONS/
MESSAGE:

[redacted]

GEC MARCONI : AIR TRAFFIC SYSTEMS RE SUDAN

[redacted] of the above company called me to ask if we i.e. the FCO could provide them with a brief statement relating to HMG's political overview of trade with the Sudan at present in view of the current climate.

GEC Marconi are currently doing good business there at Khartoum airport (no problem with export licences) He is aware of the trade perspective, but would

Spoke by phone to [redacted]
Referred to:
i) Export licence is your approval
ii) no cut in diplomatic relation
iii) Symon's speech on state of economic situation on 11/12/98
Business Symon
17 Dec
PB He will ring 5- [redacted] square [redacted] more

[redacted]
Issues
[redacted]



Department of Trade and Industry

like a banal statement from you to the effect that HMG is not considering imposing any form of trade control at this time because of the current situation. Grateful if you could fax him (verbal is not enough apparently!) on :

FAX : [REDACTED]
TEL : [REDACTED]

yours etc

[REDACTED]
[REDACTED]



[REDACTED]

The oil sector is particularly buoyant and many tenders for a variety of goods and services have been issued relating to the refinery and the 1600 kilometre pipeline. It is difficult to quantify the involvement of either the UK or the EU in this project as many of the tenders etc have yet to be awarded. In February 1998, BE informed me that a number of companies, French, German, and Italian were in Sudan looking at field work to help them formulate their offer when the tender came out later in March.

I myself was contacted by Rolls Royce (RR) (please protect) in April and informed by a [REDACTED] (Shipping Manager, Industrial Marine Division) that RR were part of a consortium consisting of the China national Petroleum Company, Petronas of Malaysia and Sudapet and SPC of Sudan to engineer, construct and commission a crude oil pipeline system from Heglig to near Port Sudan. RR part of the project is to supply large diesel engines, pumps and generators for the pipeline and deliver and commission the equipment. This part of the deal is worth **£34million**. To date we do not know what stage this has reached or whether RR have been successful.

Another UK company PDQ Emergency Homes were interested, but have failed to keep in contact with me so I am unaware if they have progressed. The BE have been working hard to bring to the attention of UK companies the potential business in this sector in Sudan, where the greater business to be won is in the supply of food and ancillaries for the 8000 Chinese workers etc. They informed me that France, Canada, Germany, Spain and Italy have already supplied the Greater Nile with a wide variety of products via closed tenders.

To date however, I have not been informed if any notable success by a UK company in Sudan (although UK exports to Sudan have gone up by 45% for the first 3 months of 1998 when compared to the same period for 1997 i.e. £13.9m opposed to £9.6m - these products may be destined for the oil sector but there is no way to check for the products are as diverse as machinery spare parts to miscellaneous manufactured articles).

dti

Department of Trade and Industry



NENAD/FCO

Department of Trade and Industry

Bay 407
Kingsgate House
66-74 Victoria Street
London
SW1E 6SW

Enquiries

Direct line

Local fax

Our ref Sudan MEC 301

Your ref

Date 9 June 1998

URL <http://www.dti.gov.uk/>
Telex 8813148 DIHQ G
Minicom

SUDAN : OIL SECTOR

12/11

Your fax addressed to [redacted] requesting a line to take on UK involvement in the oil sector in Sudan has been passed to me to deal with as I am the Country manager for Sudan in the DTI. [redacted] has responsibility for Libya.

Attached to this letter therefore is a short synopsis of the situation as I understand it. We do not have a tremendous amount about what is going on, but I know that [redacted] was passed the oil sector report prepared by [redacted] BE Khartoum which is the latest available information. The line from the DTI of course is as always, [providing the UK have checked out the requirement of an export licence and the product does not fall within the scope of UN or other sanctions, the company are free to use their commercial judgement in deciding weather the business is worth pursuing.] I realise this may not be what you might wish, but as you know, the DTI is here to offer (as does the BE) available and appropriate advice on trade opportunities where they exist. Having said that, Sudan is a very small market for the UK at present and the amount of promotional is negligible and mostly responsive.

I hope this is of some use, but should you wish to discuss anything connected to what I have written, please do not hesitate to contact me. I would be grateful for a copy of the formal response to [redacted]'s letter.

Internet: [redacted]

dti

Department of Trade and Industry

FAX



(7)

British
Consulate-General
Vancouver

Suite 800, 1111 Melville Street
Vancouver, British Columbia
V6E 3V6 Canada

Telephone: [REDACTED]

Facsimile: (604) 681-0693

Email: [REDACTED]

TO: Mr Alan Goulty
Ambassador
British Embassy
Khartoum
[REDACTED]
Sudan Desk Officer, FCO, London

[REDACTED]
DT/OSO

FAX: [REDACTED]

FROM: [REDACTED]

PAGES: 1 of 2

DATE: 09 July 1998

Header
+ per
10/7/98
1211

In the next day or two you might be approached by Dr Jim Buckee (President and CEO) - or one of his colleagues - of Talisman Energy seeking advice about a potential interest they might have in Sudan. Talisman is a mid-sized very successful Calgary-based oil and gas company.

Although a Canadian company, I hope you will be prepared to be as forthcoming as possible. Talisman have extensive interests in the North Sea. Their European headquarters is in Aberdeen. Many of their staff world-wide are British (including Buckee). There is a good chance that any new venture outside Canada would draw on UK equipment and expertise.

I have passed Buckee your telephone and fax numbers as contact points. For commercial reasons he is being coy about his precise interests. He is well aware of the Travel Advice concerning southern Sudan.



In due course I would welcome feedback if you hear of any significant developments involving Talisman.

[Redacted]

P.P.

[Redacted]

3



British Embassy
Khartoum
Sudan

Off Sharia Al Baladia
Khartoum East
(PO Box No 801)

Telephone: [redacted]
Facsimile: [redacted]

20 January 1998

[redacted]

Sudan Desk
Department of Trade and Industry
Bay 409 Kingsgate House
66 -74 Victoria Street
London SW1E 6SW

NFS 121/001/98

REPORT ON THE OIL SECTOR

1. I am enclosing a short report on the oil sector, the most exciting and promising sector in Sudan. I hope that you will pass it as quickly as possible to all of the companies you know who are interested in the oil and gas sector and that you will give it out to any enquirers. I have saved the document on the enclosed disc which I hope will save you some time and energy.
2. We agreed at the NENACOC that sector reports would be a thing of the past. However, we had just finished this one which is short enough, I think, to be a taster for companies involved in the oil and gas industry. We will in future send one or two page sector tasters for you to give out.

Louise Burrett

cc:

[redacted] NENAD
[redacted] OSO

[redacted] 10/2/98

To be aware in case of queries

+ pc

[redacted] 23/1

THE OIL SECTOR IN THE SUDAN

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1. EXECUTIVE SUMMARY

The oil sector in Sudan is one of tremendous opportunity. There is great potential for investment and the Government of Sudan is taking an extremely flexible approach to those willing to invest in this sector.

The spin off business from the development of the sector is also considerable. There is a need for equipment of the field stations from the construction of camps, road links and communications to the supply of vehicles and catering equipment. The growth of the oil sector has also stimulated the need for power stations, roads, bridges and the development of a river transport system.

The Government of Sudan will post all invitations for tender and opportunities for exploration on the internet.

2. OIL POTENTIAL

Sudan is trisected by three major intercontinental rifts. The sedimentary fill in the basins formed by those fault lines is substantial.

The largest and most important of these is the El Muglad basin which measures 1,200 km x 300 km with sediment deposits that are 16,000 metres deep. The Unity and Heglig oil fields are on the El Muglad basin, situated some 800 kms south west of Khartoum. A consortium called the Greater Nile Petroleum Operating Company (GNOPC) has been established to develop these two fields. The Sudan National Petroleum Corporation hold a 5% stake in the consortium, with the Chinese National Petroleum Corporation holding 40%, Petronas Carigali of Malaysia have 30% and Arakis Energy Corporation the remaining 25%. The consortium has pledged more than US \$ 800 million to develop the fields, including the construction of a 1500 km pipeline via Khartoum and Port Sudan and a new refinery in Khartoum. Their objective is to produce 150,00 bpd by mid 1999. Contracts for the construction of the pipeline will be awarded before the end of January 1998.

The Melut basin is the second largest with an area of 65,000 km² and sedimentary deposits up to 13,700 m thick. In this basin there has been one notable discovery so far, the Adar-Yiel oil Field, with a projected production of more than 10,000 barrels per day.

The Blue Nile basin has a total area of 66,000 Km² and sedimentary cover of up to 9,144 m.

Furthermore geological research conducted in 1996 by a team from Berlin University has verified the existence of marine deposits that nearly cover an area extending from the borders of Chad to Wadi Elhawa an area of 148,000 km².

Exploration on the Sudanese Red Sea coast and littoral, has revealed a basin some 700 km long and a well at Suakin (near Port Sudan) which is believed to be capable of producing 1,158 barrels per day of condensate and a 6.89 MMSCF gas flow.

3. UPSTREAM

Chevron, began work in 1980 and discovered the Heglig field in 1982. Their initial exploration indicated reserves of 200,000 barrels per day and a reserve of 15-20 years. However, the introduction of *Shari'a* law in 1983 resulted in the withdrawal of US Government support for American oil companies operating in Sudan and exploration and production ceased.

In 1989 the Government of Sudan realized the need to develop its oil resources. 80% of the country's foreign exchange was being spent on importing oil and petroleum products. In 1990 the Government introduced a Production Sharing Agreement (PSA) in order to attract investors. The model PSA granted exclusive exploration rights and included tax and foreign exchange concessions. However the Government made it clear that the model PSA was a working document and could be tailored to meet the needs of individual investors. In 1991 the National Assembly voted in favour of resuming exploration and the transportation and refining of crude and ministers were directed to give priority to matters relating to the oil sector.

Measures are still being taken to attract foreign investment and amendments to the Investment Encouragement Act are expected to be announced in the near future.

Areas with potential for exploration have been divided into 15 blocks. Concessions for exploration are awarded by block number. See map at annex 2.

All current activity is concentrated in blocks 1, 2 and 4, the Heglig and Unity Oil Fields which are being developed by the GNOPC. Reserves in these fields are estimated to be in the region of 418 million barrels. Crude from Heglig is transported by road to El Muglad (245km) and then by rail to a refinery at El Obeid. Production in El Obeid began in July 1996 at 10,000 bpd which increased to 15,000 in December 1997.

Block 3 consists of the Adar Yiel field which has three wells. This field was being worked by a consortium managed by Gulf Petroleum who were producing an estimated 5,000 barrels a day. However work on the field stopped in mid 1997 and the Government of Sudan will award the concession to a new consortium.

The concession for block 5a was granted to the International Petroleum Corporation (IPC) of Canada who are currently negotiating a deal for a consortium with an Austrian company with a view to starting a 1,350km seismic survey to define prospects before the 1998/99 drilling season.

No concession has yet been granted for block 5b.

The concession for block 6 has been given to the China National Petroleum Corporation.

Block 7 the Ministry of Mining and Energy believe that this block has a great deal of potential. No concession has been granted to date.

Blocks 8 - 14 have not been explored and concessions have not been granted.

The concession for block 15 has been given to the International Petroleum Corporation of Canada although operations have not yet started.

4. DOWNSTREAM

Oil was first refined and distributed commercially in Sudan in 1928 by Shell. Later Mobil Oil (1953), Total (1954) and Agip (1959) set up their own downstream operations.

The General Petroleum Corporation (GPC) was established in 1976 under the umbrella of the Ministry of Mining and Energy in order to promote the growing oil industry. GPC is responsible for the importation of petroleum products and crude oil for domestic consumption; refining crude oils; marketing and transportation of crude and petroleum products.

Massive infrastructure development is planned in order to cope with the production of crude from the concessions. The Greater Nile Petroleum Operating Company (GNPOC) will oversee construction of a 1540 km, 28 inch, pipeline which will run from the El Muglad basin to Port Sudan. The pipeline will have an initial capacity of 250,000 bpd. It has been designed to carry 150,000 bpd from Unity and Heglig plus 100,00 bpd from other blocks.

Contracts for the development of the field facilities at Heglig, pumps, control stations and communications for the pipeline and a marine terminal at Port Sudan were due to be announced in December 1997 but the pre award stage has been delayed and an announcement is expected early in 1998. Contracts for the supply of materials for the pipeline have already been awarded.

Crude Oil refining and production is scheduled to take place in the following refineries:

1. Abu Gabra (2,000 bpd) production began in 1992
2. El Obeid (15,000 bpd) began producing in 1996
3. Concorp (topping plant 5,000) production is due to begin in early 1998
4. Khartoum (El Gayli) (50,000 bpd) scheduled to start producing in 1999.

These refineries are assigned to cope with the composition of Sudanese crude. A fifth refinery in Port Sudan has a capacity of 1.1 million tons a year (25,000 bpd) but can cope with Sudanese crude only if it is mixed 70% - 30% with imported crude (Arabian Light). There are plans to update the Port Sudan refinery to enable it to cope with the crude from the Heglig and Unity fields without the addition of imported crude. The refinery at Abu Gabra is considered too small to make any significant contribution.

Crude from Unity & Heglig is currently transported to Muglad by road (245 Km) and then taken by rail to the refinery at El Obeid. A Russian mobile pipeline will be used to pump crude to El Obeid until the main pipeline is complete.

The El Obeid refinery currently produces enough refined product to meet only the needs of the Western States.

The yield of crude in El Obeid is as follows:

Furnace	70 %
Kerosine	10 %
Naphtha	9 %
Gasoil	11 %

El Obeid is not equipped to produce gasoline. Naphtha from El Obeid is transported by road to Shagara, in Khartoum, where it is mixed with high octane premium gasoline to produce regular gasoline for use in the Khartoum area.

The Khartoum Refinery at El Gayli will eventually produce the fuel to meet the needs of the Khartoum area. Construction of the El Gayli

refinery began in November 1997. It is expected to start production in mid 1999 and to be able to produce 50,000 barrels per day, including gasoline. The crude for the El Gayli refinery will come through the GNOPC pipeline direct from the fields.

It is planned that by the year 2000 the output for the refineries in the Sudan will be as follows:

Table shows output in metric tonnes per day

(MT)	Port Sudan	Concorp	El Obeid	Abu Gabra	El Gayli
LPG	10				175
Naphtha		29	37	7	
Gasoline	145				856
Kero/Jet	75	12	40		180
Gasoil	295	52	50	15	890
Furnace	430	340	307	78	96
Refinery+Loss	45	27	27	5	96

In June 1997, Government of Sudan formed a committee to look at the infrastructure development needed in order to distribute the refined products. The Committee made the following recommendations:

1. That companies active in Sudan (Mobil, Shell, Agip and Nile Petroleum) build storage facilities in the El Gayli area sufficient to take 2 days production.
2. The rehabilitation of the current pipeline to carry gasoil from El Gayli to the El Shagara Depot and to carry excess gasoline from El Gayli to Port Sudan.
3. Mixing gasoil with kerosine to reduce the shortfall of gasoline demand.
4. The use of excess LPG for Electricity Power generation.
5. The introduction of Bitumen production unit in Port Sudan refinery to make use of an underused furnace.
6. An Environmental and Safety Study for the use of river transport for moving crude and refined oils.
7. Review the suitability of the locations of the El Obeid, Concorp and Abu Gabra refineries once the GNOPC pipeline is operational.

5. ACTION

The Ministry of Mining and Energy would welcome an approach by British companies. They are already being courted by representatives from Chinese, Malaysian, Canadian, German, French and Saudi companies and bemoan the absence of the British.

The Minister made a presentation to a number of visiting company representatives in December 1997. During this presentation he stressed that he was keen to hear from foreign investors who are interested in concessions for exploration but that the Government of Sudan would no longer "run after investors". He announced that the opening of new areas for exploration will, in future, be advertised on the internet as will tenders for the supply of equipment.

6. GETTING TO SUDAN

At the moment the only European airline flying to Khartoum is Lufthansa, departing Tuesday, Thursday and Saturday from Frankfurt. Alternatively there is Gulf Air via Abu Dhabi/Doha or any number of flights to Cairo from where a connection can be made with Egypt Air, Kenya Airways or Sudan Airways (not recommended) to Khartoum. A visa can take a considerable time to obtain. All foreign visitors must register within 3 days of arrival in Sudan at the Aliens Office, this can often be arranged through your hotel.

All British visitors should register with the embassy on arrival and seek the latest travel advice from the FCO or the Embassy direct.

7. BACKGROUND

a) Geography

Sudan is the largest country in Africa (967,500 square miles). There is considerable climatic diversity, ranging from tropical forests in the extreme south, savannah, semi desert to desert in the far north. The main physical features are the Blue and White Niles, joining together in Khartoum to form the main Nile which flows for nearly 2000 miles to the Mediterranean. Sudan has borders with Egypt, Libya, Chad, Central African Republic, Democratic Republic of Congo, Uganda, Kenya, Ethiopia and Eritrea.

b) Population/demographics

This is estimated at around 30 million with annual growth rate of 4%. The population of the capital, Khartoum along with Omdurman and Khartoum North, may be as high as 5 million, swelled by an influx of refugees, although the exact figure is not known. In the Northern regions of Sudan the majority are Arabic speaking Muslims, although many local languages are also spoken. In the South, the majority are from African tribes with their own language and customs, though Arabic and English are widely spoken. Most in the south are animist, with substantial minorities of Christians and Muslims. Sudan is host to large numbers of refugees, mainly from Ethiopia and Eritrea, but also from Chad and Uganda.

c) Political/economic

The current government, which took power in 1989, remains in firm control, despite the continuing civil war in the South, and the opening of an Eastern front by the National Democratic Alliance (NDA), comprising both the SPLA and Northern Opposition parties. However, the cost of the war must remain a significant drain on the country's resources, with estimates of up to 80% of the budget for 1997 having been allocated to military expenditure. The war has not been slowed by the signing of the Khartoum Peace Agreement, in April 1997, between a number of the Southern factions and the Government of Sudan. Indeed there is the risk that this will merely increase fighting between different groups in the South.

The economy continues to decline as liquidity becomes ever scarcer in most sectors, and production decreases, though macroeconomic reforms demanded by the IMF have been more than adequately met in the last (strictly monitored) year - in the face of criticism from local producers. But oil prospects are good, with the Government of Sudan expecting production for export once the pipeline is complete. Considerable outside investment and the importance of oil for the current government's hold on power make completion of the pipeline likely and the government have committed considerable resources into protecting the oil fields from rebel attacks.

8. OVERSEAS TRADE SERVICES

If you would like to learn more about how your company can get involved you can commission a Tailored Market Report to assess the potential for your product or service in this exciting sector.

You can commission a report by contacting your nearest Business Link. If you are not already in touch with a Business Link you can obtain details of your nearest office and advice about Overseas Trade Services from the Department of Trade and Industry (contact details are given at Annex 1).

ANNEXES

1. USEFUL CONTACTS LIST
2. MAP OF SUDAN
3. SUDAN OIL AND GAS CONCESSION MAP
4. MAP SHOWING STATE PETROLEUM CORPORATION CONCESSIONS IN SUDAN
5. MAP OF UNITY, HEGLIG AND KAIKANG EXPLORATION AREAS WITH POTENTIAL EXPLOATION DISCOVERIES IN BLOCKS 1, 2 AND 4
6. SUDAN WAR ZONE