

South Sudan SAI Experience on Audit of Extractive Industries

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BY: Peter Simba Lasu(MBA) A. Audit Manager

Loponi2@hotmail.com

Mobile: 00211955428516

PRESENTATION HIGHLIGHTS

- Legal Frame Work.
- Production Blocks Areas.
- Oil Fields Map.
- Processing Unit Facilities (PUF).
- Crude Oil Reserves.
- Cost Recovery.
- Tariffs and Transitional Financial Assistance Agreement, Sept 2012

PRESENTATION HIGHLIGHTS Cont

- Transfer to Producing States
- Bid Evaluation Criteria
- Marketing Team
- Crude Oil Sales
- Challenges
- Way Forwards

Legal Frame Work

- The Petroleum Act,2012
- Petroleum Revenue Management Bill 2012
- Exploration and Production Sharing Agreement (EPSA) for the JOCs
- Transition Agreement between the GOSS and JOCs , 2012
- Agreement between the Government of the Republic of South Sudan and the Government of the Republic of the Sudan on Oil and Related Economic Matters, September 2012

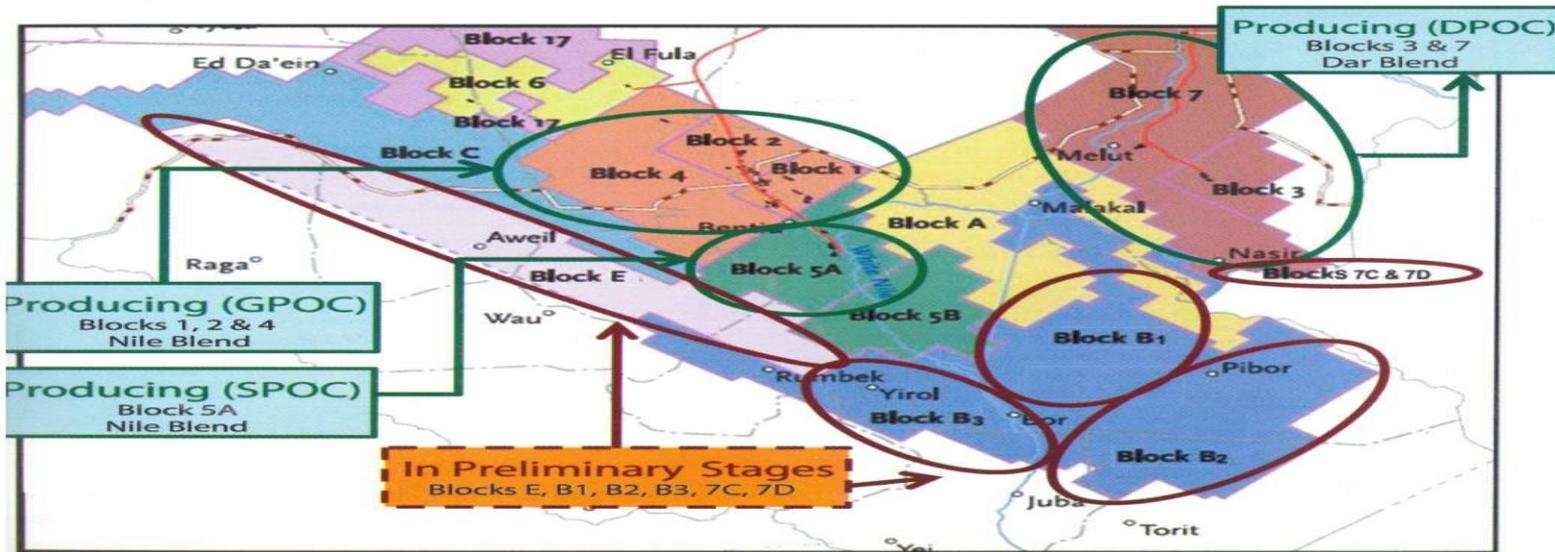
Legal Frame work Continue

- Public Financial Management and Accountability Act, 2011
- National Audit Chamber Act, 2011

Production Blocks Areas

- Blocks 1,2&4-- Greater Pioneer Operating Company (GPOC) located in Unity State, product Nile Blend Crude - number of oil wells: 283.
- Block 5A– SUDD Petroleum Operating Company (SPOC) located in Unity State, product Nile Blend Crude- number of oil wells 55.
- Blocks 3&7 Dar Petroleum Operating Company (DPOC) located in Upper Nile State- product Dar Blend Crude- number of wells 618.

Oil Fields Map



Processing Unit Facilities(PUF)

- Blocks 1,2&4 (GPOC): Final processing is done at Heglig facilities in Sudan.
- Block 5A (SPOC): Final Processing is Done at Heglig facilities in Sudan.
- Block 3,7 (DPOC) processing facilities at Palouge prior to passing to Al Jabalain CP in Sudan.

Crude Oil Reserves

Crude Type	Contractor	Block	2014 Reserves (MMBBL)
Nile Blend	GPOC	1,2&4	192.80
Nile Blend	SPOC	5A	179.15
Dar Blend	DPOC	3,7	769.30
Total - Billion barrels			1,141,25

Cost Recovery

Types of cost	GPOC Block 1,2&4	SPOC Block 5A	DPOC Block 7E
Operating Costs	One Year	One Year	One Year
Capital Costs	Over Four Years		
Exploration Costs		20% per Financial Year	25% Per Financial Year
Development Costs		20% Per Financial Year	25% Per Financial Year
Cost Oil Maximum	45%	40%	45%
Profit Oil	55%	60%	55%

Tariffs and Transitional Financial Assistance Agreement Sept.2012

- All payments will be based on the net barrels lifted at Port Sudan.
- The Transitional Financial Assistance payment is USD 3.028 billion.
- The agreement will remain in force for a period of Three Years and six months as of the date of the first oil lifting at the marine terminal and a bill of lading issued.

Tariffs and Transitional Financial Assistance Continue

United States Dollars	Nile Blend (Greater Nile Pipeline)	Dar Blend(Petrodar Pipeline)
Processing Fee	1.60	1.60
Transportation Fee	8.40	6.50
Transit Fee	1.00	1.00
Sub: Total Fees	11	9.10
Transitional Financial Assistance	15	15
Total Fees	26.00	24.10

Transfer to Producing States

- As stipulated in Petroleum Revenue and Management Bill, 2012
- The petroleum producing States shall receive 2% of the Net Petroleum Revenue.
- The local communities within the petroleum States shall receive 3% of the Net Petroleum Revenue.

Bid Evaluation Criteria

- Pre -Approval : Marketing team pre-agrees list of companies allowed to participate in a tender.
- Transparency: All Bids received within the tender timeline are tabled for review by team members.
- Conformity: Bids received that do not conform to tender conditions may be eliminated.
- Commitment: Intention is to commit all cargoes offered in a tender.

Bid Evaluation Criteria Continue

- Selling Priority: Awards should be announced in date order to avoid distressed sales later.
- Price: Pricing is a major (not only) factor in awarding cargoes to winning bidders.
- Security: Financial Security is a major (not only) factor in cargo awards.
- Diversification: Spreading exposure to multiple bidders is a factor in awards.

Bid Evaluation Criteria Continue

- Target Buyers: Recognition of large user factored in relationship adds value to RSS.
- Negotiation: Follow up direct negotiation should be limited to clarifying bid submissions.
- Payment: Early payment options considered to meet government operational needs.

Marketing Team

- Ministry of Petroleum and Mining: 12 members
- Ministry of Finance: 2 members
- Bank of South Sudan: 2 members
- Nilepet: 2 members

Crude Oil Sales

- Oil brings in the lion share of South Sudan revenue. It contributed approximately 80% in the total budget of 2013-2014. Within the period between April 2013 to May 2014, total Crude oil sales were as follows:

April 2013-May 31,2014	Cargoes	Volume (MMbbl)	USD	SSP
Total Crude Sales	46	33,108,724	3,307,062,667	9,921,188,001

Challenges

- Frequent Shutting down of oil fields.
- Current war affected production in blocks 1,2&4 (GPOC) and in block 5A.
- Reconciliation of Crude oil sales and Cash Receipts.
- Revenue stabilization account (ORSA)and future generation account are not yet established.
- All loans agreement were not made public.
- The entitlements of: 2% to producing states & 3% to local communities within the producing states were not yet paid to date.
- Alternative pipelines

Way forward

- Establishment of Oil Revenue Stabilization & Future Generation Account.
- Reconciliation of oil revenue accounts.
- Utilization of oil revenue in agriculture, power generation, health facilities, education etc.
- Investment Diversification such gold & other mineral resources.
- Peace, peace and peace.

THANKS

