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# Lundin Petroleum's experience in Sudan

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## I. Introduction

Lundin Petroleum<sup>1</sup> obtained the rights to explore for and produce oil and gas in concession Block 5A, Unity State, Sudan, in February 1997; it sold these rights in June 2003.

During the period in which the company was active in Sudan, it operated in the belief that oil could benefit the economic development of the area and the country as a whole, and that this would have a catalysing effect on the peace process. The problems which it encountered in the area, however, led the company to constantly reassess its activities, role and responsibilities there.

This chapter examines the reasons why Lundin decided to operate in Sudan, the challenges it faced in the course of its activities, the steps it adopted to satisfy both its commercial objectives and ethical concerns, and its efforts to promote a peaceful resolution of the conflict.

## II. Sudan's war

Sudan has been embroiled in a civil war that began shortly after it gained independence from the United Kingdom in 1956. It is one of the longest and most tragic wars of modern history: fighting has taken place for nearly 50 years, with a single reprieve between 1972 and 1983.<sup>2</sup> The Government of Sudan and the Sudan People's Liberation Movement/Army (SPLM/A), led by rebel leader John Garang, are the main protagonists in the conflict which

<sup>1</sup> On the independent Swedish oil and gas exploration and production company Lundin Petroleum AB—hereafter referred to as Lundin, or the company—see URL <<http://www.lundin-petroleum.com/>>. Lundin was the operator of Block 5A on behalf of the consortium which included OMV (Sudan) Exploration GmbH, Petronas Carigali Overseas Sdn Bhd and Sudapet. For a map showing the location of Block 5A, see URL <<http://www.lundin-petroleum.com/eng/sudan3.shtml>>.

<sup>2</sup> For an account of recent developments in this conflict see Wiharta, S. and Anthony, I., 'Major armed conflicts', *SIPRI Yearbook 2003: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2003), pp. 101–104. At the time of writing, peace negotiations held under the auspices of the Intergovernmental Authority on Development (IGAD) were in their final phase and a comprehensive agreement was expected to be signed by the end of the year. On the peace process see 'Sudan: peace talks, humanitarian action', URL <<http://www.irinnews.org/webspecials/sudan/default.asp>>; and Powell, C. L., 'An opportunity for peace in Sudan', 28 Oct. 2003, URL <<http://www.sudan.net/news/posted/7274.html>>.

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resumed in 1983, although armed militias in different parts of the country have also been involved at various times. The fighting has taken place chiefly in the southern-most parts of the country although other areas, such as the Nuba Mountains region, Unity State and more recently the Darfur region of western Sudan, have also witnessed periods of intense combat.

It is difficult to ascertain the root causes of the war and the contributing factors over such a long period of time. Nonetheless, certain elements have, at various times, played a role in the conflict. They include: (a) the country's extreme poverty—Sudan is ranked among the poorest nations of the world;<sup>3</sup> (b) the religious/racial divide—northern Sudan is mainly Arab and Muslim, while southern Sudan is African and Animist or Christian; (c) the competition for power—political opponents seek a greater participation in power, while regions seek greater autonomy from the central government; and (d) the competition for resources—southern regions contest the government's control over national resources such as water and oil, which originate in the south.

When peace is achieved, it will be easier to determine which of these elements played the decisive role in the conflict and its eventual resolution. What is clear, however, is that the war began years before the presence of oil was even suspected, and it was only after oil was produced that a material basis for a sustainable peace was seen to have been achieved. It is only then that an active, internationally mediated peace process began.<sup>4</sup>

Until that time, Sudan's war had been largely ignored, except from a humanitarian perspective. The conflict was seen as another typical African war: over local issues and involving local parties. The situation seemed insoluble because of the many problems to be resolved and the slight foundations for sustainable peace. However, in the course of the 1990s a number of developments brought the world's attention to Sudan.

The early 1990s had seen the rise of Islamic fundamentalism, which figured prominently in the Sudanese Government; the harbouring of renowned terrorists such as 'Carlos the Jackal' and later Osama bin Laden; and the suspicion that Sudan was linked to the 1995 assassination attempt on Egyptian President Hosni Mubarak. At this stage, Sudan was considered a 'rogue nation' which had to be isolated from the community of nations.<sup>5</sup> In the latter part of the 1990s, however, the government adopted certain progressive measures, which the international community interpreted as signals of impending reform and of Sudan's interest in shedding its pariah status. The steps taken by Sudan included the handover of Carlos to French authorities, the expulsion of Osama

<sup>3</sup> For a discussion of Sudan's economy and the positive impact of oil in the past few years see the US Department of Energy Internet site at URL <<http://www.eia.doe.gov/emeu/cabs/sudan.html>>.

<sup>4</sup> The current phase of peace negotiations originated with the activities of Senator John Danforth, who was appointed by President George W. Bush as Special Envoy for Peace in Sudan on 6 Sep. 2001. See Danforth, J. C., 'Report to the President of the United States on the outlook for peace in Sudan, April 26, 2002', at URL <<http://www.sudan.net>> (under 'Latest news', 'Press releases and commentary', posted on 14 May 2002). The oil issue and the means for resolving the conflict are also discussed there.

<sup>5</sup> Because of Sudan's perceived connection with international terrorism, the UN and the USA imposed sanctions against Sudan, the former through a travel ban on Sudanese officials and the latter in the form of a ban on the conduct of business in the country by US companies.

bin Laden, the purging of key Islamic fundamentalists from the government, allowing the return of political opponents from abroad, the signing of the 1997 Khartoum Peace Agreement with southern opposition groups (see section III), improved relations with neighbouring countries, and the adoption of a new Constitution and Bill of Rights.

Whereas the United States was reluctant to recognize these efforts immediately, the European Union (EU) decided to engage in a constructive dialogue with the Sudanese Government because it believed that this approach was more likely to bring results than keeping Sudan isolated. Thus, when Lundin acquired the rights to explore for and produce oil and gas in Block 5A, world opinion regarding Sudan was beginning to change.

### III. Lundin in Sudan

The company's primary concern when considering a new area for activities is geological. If an area presents the required geological profile—that is, if it is assumed to contain oil reserves—Lundin proceeds to study the technical and commercial feasibility of exploiting the oil. In the case of Sudan, the main risk identified in the course of the company's risk analysis was financial. The company decided, however, that the estimated potential oil reserves were important enough to justify the significant investments required for the venture, in particular investments in infrastructure development. It did not identify any legal risks—there were no international or EU sanctions against Sudan that prohibited a European company from doing business there—or political risks—there were no SPLA forces in the concession area, as the civil war was proceeding further south.

The company therefore engaged in negotiations to obtain a licence to explore for and produce oil and gas in Block 5A. As in most countries, mining rights in Sudan belong to the central state. Negotiations were therefore held with representatives of the Sudanese Ministry of Energy and Mining (MEM). The terms of the agreement were standard for the trade, with an initial period for oil exploration—in exchange for a work commitment and the carrying of costs—followed by a period of oil production, with cost recovery sought after initial production. The only terms that were specific to the exploration and production-sharing agreement (EPSA) concerned the 'Sudanization' of the operations. At the request of the MEM, the company committed itself to hire and train Sudanese with a view to their constituting 50 per cent of the staff within 5 years of the commencement of operations and 80 per cent within 10 years. There was also a provision that the company would carry the costs of its Sudanese partner, Sudapet, which had a 5 per cent interest in the venture.

On its first visit to the concession area, Lundin met with key representatives of the local community, who welcomed oil activities as the only way to pro-

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mote long-term economic development in their area.<sup>6</sup> They also committed themselves to providing a safe environment for the company to operate in. This commitment arose out of the terms of the Khartoum Peace Agreement, which they had signed with the Sudanese Government and which set out the parties' respective rights and responsibilities in the area.<sup>7</sup>

Security, however, proved to be elusive. The prevalence of arms, coupled with the division of tribes into various factions, contributed to making the situation volatile.<sup>8</sup> Within a few years, instances of fighting started to increase. While the company was not directly affected by the fighting at the time, it was nevertheless worried about the safety of its staff and its operations. It was also concerned because of the criticisms that were being directed against an oil consortium situated in a nearby concession. To better understand these developments, Lundin decided in 1999 to commission a socio-political assessment of the area.

The study, conducted both at the Lundin head office in Geneva and in Sudan, was based on an analysis of reports on the political and human rights situation in Sudan, on interviews with company representatives in the head office and in Sudan, and on meetings with members of the Government of Sudan and humanitarian organizations. It also included a visit to the concession area.

The report's conclusion was that, despite the lack of evidence of a direct link between the sporadic fighting that had taken place in the concession area and company activities, there was a potential risk of deterioration if the local communities ceased to perceive the role of oil companies as beneficial. The report also noted that in view of the limited positive benefits of the oil activities at the time—revenues were not expected for a number of years, since activities were at the exploration stage—there was a distinct possibility that the local communities would grow disgruntled.<sup>9</sup> The report's main recommendations were that the company should continue to monitor socio-political developments in the concession area and reinforce its existing relationship with the local community.

<sup>6</sup> 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 Co-ordinating Council (the government representative for the south); with Taban Deng Gai, the Governor of Unity State; and with representatives of the local factions.

<sup>7</sup> The text of the Khartoum Peace Agreement, signed in Apr. 1997, is available at URL <<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).

<sup>8</sup> The main tribe in the area is the Nuer tribe, which has 5 sub-groups: the Bul, Lek, Jikany, Jagei and Dok Nuer. In turn, these groups are affiliated with local militia.

<sup>9</sup> Oil exploration and production are by nature a long-term activity: it takes a number of years before oil is found, and several more before it is brought into production and sold. It therefore takes years for revenue from oil to accrue to an area, which, in the meantime, has observed construction activity, equipment being brought in, and teams of people going back and forth. In many areas of the world, this poses no particular problem, but in an area like southern Sudan, where the majority of the population live in very precarious conditions, this issue requires special attention.

### **Community relations**

From the time it started its activities in Block 5A, Lundin adopted a proactive approach to community relations. The company not only met with representatives of the local community but also sought to show goodwill towards the population by hiring local staff and improving the infrastructure in the area.<sup>10</sup> The company believed that, if the local population obtained tangible benefits from oil activities, they would be even more supportive of these activities. However, given the lack of required skills locally, the number of people who were hired was minimal and the impact of this effort was limited. Similarly, while infrastructure developments such as bridge and road building increased local mobility, because they had been carried out for operational purposes the company did not consider them as community projects.

The company therefore sought ways to make a more direct contribution to the local community. It initiated a number of projects, which later became an integral part of the company's Community Development and Humanitarian Assistance Programme (CDHAP). The projects had three main objectives: (a) 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; (b) to contribute to the economic and social development of the area; and (c) to reinforce relationships between the local community and the company.

Through this programme, the company also wished to demonstrate to the local and central authorities that it was concerned with the interests and welfare of the population and was prepared to make significant contributions, despite the fact that it would not obtain any revenues from its activities for a number of years.

In order to ensure that its projects were relevant, Lundin had consulted with a number of local actors, in particular non-governmental organizations (NGOs) that were active in the area. With their assistance, it identified areas of need where it felt it could make a contribution, such as the supply of fresh water, health, education and capacity building.

In the three years Lundin ran CDHAP, it spent over \$1.7 million on its various projects. These ranged from the delivery of fresh water by trucks, to the drilling of water wells and the construction of a water filtration unit. In the field of education, Lundin started by supplying educational materials to existing schools and orphanages, then built schools with local materials, and eventually constructed a permanent building to accommodate several hundred children. Through a team of five Sudanese doctors, assisted by local nurses, Lundin provided medical assistance in mobile tent clinics, temporary straw clinics and eventually in a fully equipped permanent clinic which it had built.

<sup>10</sup> The uniqueness of Lundin's approach did not go unnoticed. Indeed, in a meeting with representative of an international NGO, Dr Riek Machar, who had then defected from the Government of Sudan, stated that Lundin was different in that it had consulted with the local people and tried to involve them in its activities.

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Similarly, it relied on two veterinarians and local para-veterinarians whom it had trained to tend to local cattle in a vet station and in mobile vet clinics. The capacity-building projects included the creation of a mobile brick factory, a women's development centre and a nursery as well as a programme for training local people as midwives, para-veterinarians, nurses, brick layers, vector control specialists, computer analysts, and so on. In times of emergency brought about by climatic or security conditions, the company provided ad hoc humanitarian assistance by supplying people with water containers, soap, blankets, mosquito nets and medical services.<sup>11</sup>

From its inception, CDHAP was a constant element of the company's presence in Unity State. Not only were CDHAP staff members often the first to go to projected areas of activities and the last to be pulled out when the security situation deteriorated, but they stayed there even when operations were suspended. During the company's temporary suspensions of activities in 2001 and 2002, services to the community continued to be rendered in the two main towns of the area, Rubkona and Bentiu, and in surrounding villages. Maintaining its presence in the area through CDHAP was the company's way of demonstrating its long-term commitment to the local community and the area.<sup>12</sup>

If CDHAP was the company's most tangible way of showing its concern for the people in the area, it was by no means the only way. Outbreaks of fighting, coupled with allegations that these conflicts were related to oil, led Lundin to re-assess its role and responsibilities and seek ways of exercising a positive influence on the protagonists in the conflict.

### **Internal review**

In the latter part of 1999, civil rights activists started to question the role of the Greater Nile Petroleum Operating Company (GNPOC) oil consortium in the conflict.<sup>13</sup> This consortium, which was operating in a concession area adjacent to Lundin's, had participated in the construction of a pipeline linking the southern oilfields of Unity State to the northern city of Port Sudan and was beginning to produce oil. Activists claimed that human rights violations, such as population displacement, had taken place in order to pave the way for the consortium's activities. The consortium consistently refuted these claims. The activists also believed that the revenues obtained by the Sudanese Government

<sup>11</sup> For a review of CDHAP activities in 2001–2002 see URL <<http://www.lundin-petroleum.com/eng/comdev.shtml>>.

<sup>12</sup> This commitment has been passed on to Petronas Carigali Overseas Sdn Bhd, Lundin's successor in the area, which has decided not only to pursue projects initiated by Lundin but also to expand the activities under CDHAP.

<sup>13</sup> The GNPOC was at the time a consortium of Chinese, Malaysian, Canadian and Sudanese companies.

from GNPOC operations would be used to build up its military arsenal and quash the rebel SPLA.<sup>14</sup>

There was a marked discrepancy between Lundin's first-hand experience in its concession area and reports about what was being alleged to have taken place in the neighbouring GNPOC concession. The report commissioned by Lundin confirmed that many elements distinguished the two operations. First, the GNPOC concession area was sparsely inhabited, which gave credence to the claim that population displacement had taken place prior to the commencement of operations, even though this was disproved by satellite images.<sup>15</sup> Second, the local community there was partly of Dinka origin, the main tribal group behind the SPLA; it was therefore conceivable that there could be clashes between them and government forces. Finally, GNPOC operations had started generating revenue for the government, of which little, if any, appeared to be reinvested by the government in the area.

Despite these differences, Lundin recognized that negative perceptions of the effects of oil operations could also come to be applied to its area and therefore decided to set out, in a Code of Conduct, the conditions under which it was prepared to operate.

### **The Lundin Code of Conduct**

The process of development of the Code of Conduct was important for Lundin, as it required the company to assess the role of its business from a different perspective. Lundin's management had always seen (and continues to see) itself as making a positive contribution to economic growth by providing a necessary source of energy. It had also witnessed how oil revenues in undeveloped areas acted as a catalyst for economic development, paving the way for other businesses and international loans.<sup>16</sup> Lundin was aware of the potential negative impacts of its operations on the environment, and took mitigating measures to address them. The socio-political dimension of its activities, however, was not something the company had had particular reason to consider before the Sudan experience. It believed that these were issues beyond its field of competence.

When faced with the possibility that its activities could have a negative impact on the conflict in Sudan, senior management re-examined the company's role from this wider perspective. Lundin established its objective to

<sup>14</sup> The consortium contested these allegations. It provided evidence of population growth in the area and divulged the nature of its discussions with the government regarding the use of its facilities for military purposes.

<sup>15</sup> The Canadian company in the consortium hired Kalagate Imagery Bureau, a British company specialized in the analysis of satellite images, to ascertain population patterns in its concession area in the 1980s and 1990s. The conclusions were that there was no evidence of appreciable population migration from the area.

<sup>16</sup> It had felt this way about Sudan, and in many ways it turned out to be right. Over a period of 5 years Sudan shed its pariah nation status and became an attractive place for the international business community (sanctioned by the International Monetary Fund).

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play a positive role not only directly, in the economic field, but indirectly in the socio-political field as well. As stated by its chairman, the company's 'aim is not only to find oil and gas, we are also committed to developing this valuable resource in the best socio-economic manner possible for the benefit of all our partners, including the host country and local communities'.<sup>17</sup>

The Code of Conduct was developed after the company had consulted documents in the field of corporate responsibility<sup>18</sup> and after discussions with members of the Board of Directors as well as senior corporate and country-based management. The Code was adopted as a consensus document which served as a guide for the company's activities worldwide.

The Code set out the company's values, responsibilities and the principles by which it was guided. The company recognized that it had specific responsibilities towards its shareholders, employees, host countries and local communities, as well as to the environment. It committed itself to act in a fair and honest way, to observe both national and international laws, and 'to act in accordance with generally accepted principles on the protection of human rights and the environment'.<sup>19</sup> After the Code of Conduct had been adopted by the Board, Lundin disseminated it to its employees in Geneva and in Sudan, and to the company's affiliates. It became an integral part of the company's contracts of employment.

The adoption of the Code was followed by other initiatives, such as the publication of the company's policies on health and safety, the environment and community relations. The company also arranged for an awareness session on human rights and developed a human rights primer, explaining the origins of and guiding principles for the protection of human rights and how they relate to business. The company's security liaison personnel in Sudan were provided with information regarding human rights and security, to sensitize them to such issues in conflict situations, and were encouraged to report any violations they witnessed.<sup>20</sup>

The internal dissemination of the Code of Conduct was necessary in order to ensure that the staff understood what the company stood for and what was

<sup>17</sup> Code of Conduct, 'Message from the Chairman'. The text of the Lundin Code of Conduct and related documents are available at URL <[http://www.lundin-petroleum.com/Documents/ot\\_lupe-code\\_e.pdf](http://www.lundin-petroleum.com/Documents/ot_lupe-code_e.pdf)>.

<sup>18</sup> These include the Caux Principles, the Global Sullivan Principles, the UN Declaration of Human Rights, the International Labour Organization's Tripartite Declaration of Principle concerning Multinational Enterprises and Social Policy, the Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises, Amnesty International's Human Rights Code for Companies, the Prince of Wales Business Forum on Operating in Conflict Zones, and so on.

<sup>19</sup> Code of Conduct (note 17).

<sup>20</sup> The relevant personnel received information about the Voluntary Principles on Security and Human Rights for the Extractive Sector, available at URL <<http://www.amnesty.org.uk/business/newslet/spring01/principles.shtml>>; Amnesty International's 10 Basic Human Rights Standards for Law Enforcement Officials, URL <[http://web.amnesty.org/aidoc/aidoc\\_pdf.nsf/Index/POL300041998ENGLISH/\\$File/POL3000498.pdf](http://web.amnesty.org/aidoc/aidoc_pdf.nsf/Index/POL300041998ENGLISH/$File/POL3000498.pdf)>; the 1990 UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, URL <[http://www.unhchr.ch/html/menu3/b/h\\_comp43.htm](http://www.unhchr.ch/html/menu3/b/h_comp43.htm)>; and the 1979 UN Code of Conduct for Law Enforcement Officials, URL <[http://www.unhchr.ch/html/menu3/b/h\\_comp42.htm](http://www.unhchr.ch/html/menu3/b/h_comp42.htm)>.



expected of each and every one of them. It also became the basis for discussions with stakeholder groups in Sudan.

### **Stakeholder engagement**

In the course of developing its Code of Conduct, the company defined more precisely who its stakeholders were in relation to its activities in Sudan. In the first few years of its operations in Sudan, it had cultivated friendly relations with business partners, government representatives at the central and local levels, and community representatives. It also had informal relations with other oil companies and NGOs active in the area. However, it decided, that in view of the competing claims being made about the impact of oil in the region, it needed not only to widen the scope of these contacts but also to alter the content of its discussions to include socio-political issues.

The company's early consultations with central and local authorities had revealed a shared view that oil represented a momentous opportunity for the development of the country and the area. Even the humanitarian and development organizations it had consulted at the time recognized this potential, but they remained more reserved as to whether the wealth produced would be properly shared among the population.

This general consensus began to erode, however, when representatives of the local communities whom Lundin had met at the outset accused the Sudanese Government of renegeing on its commitments under the Khartoum Peace Agreement and decided to resign from their governmental posts. Their decision, coupled with the defection of a local tribal faction to the SPLA, represented a turning point both in the conflict and for the company. Inter-factional fighting escalated into a conflict which pitted against each other militias that were backed by the two contenders in the civil war—the Government of Sudan and the SPLA.

Judging the situation as representing an undue risk to the safety of its staff—the SPLA having then indicated that it considered oil operations and staff as legitimate military targets—Lundin decided to temporarily suspend its operations. It made its resumption of activities conditional upon a peaceful environment, noting that this could only be achieved with the support of the local community.

Lundin also decided to enhance its knowledge of the situation by consulting not only those with whom it had formal relations, such as its partners in the consortium and the government, but also those with particular knowledge of, or interest in, the conflict in Sudan. The purpose of these discussions was to share information and opinions about the conflict and to establish what was required for company operations to resume.

The institutions with which the company met included the following.

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### *The Sudanese Government (host government) and the Government of Unity State (local government)*

Discussions with the Sudanese and local governments focused on the means to render the area conducive to oil operations. The company expressed its view that the long-term security required for sustainable oil activities could only be achieved with the support of the local community. Lundin made it clear that, in its view, military action—except for defensive purposes—was not an acceptable option.

### *The Nuer opposition (local community)*

In its discussions with representatives of the Nuer opposition, the company attempted to convey 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.

### *The Swedish Ministry for Foreign Affairs (home government)*

It was important for Lundin, as a Swedish company, to share with the Swedish Ministry for Foreign Affairs (MFA) its views about the situation in Sudan and its approach there. Given the allegations about wrongdoings committed in its area of operations, the company kept the MFA informed of its first-hand experience in the area and the steps taken to address local needs and concerns. As a member of the European Union, Sweden had adopted a policy of constructive engagement in Sudan: the activities of the company fell within this approach, in so far as it ensured that its activities were not affecting the conflict negatively.

### *United Nations relief organizations (the humanitarian community)*

UN organizations were present in Sudan mainly to deliver humanitarian assistance under the umbrella organization Operation Lifeline Sudan (OLS).<sup>21</sup> Set up both in Khartoum to service government-controlled areas and in Lokichoggio, Kenya, to service parts of the country under SPLA control, the OLS had witnessed the unbearable toll of the war on civilians. Its main concern was to have full access to all areas of the country in order to be able to provide humanitarian relief in the case of crises. As the company had itself offered assistance to internally displaced people fleeing from areas of natural or man-made catastrophe, it shared the view of the OLS that unrestricted humanitarian access was required and raised this issue in its meetings with government and Nuer representatives.

<sup>21</sup> At that time, the OLS was comprised of 42 intergovernmental and non-governmental development and humanitarian organizations, among which were the UN Children's Fund (UNICEF), the UN Office for the Coordination of Humanitarian Affairs (OCHA) and the UN Development Programme (UNDP).

*The United Nations Commission on Human Rights*

The UN Commission on Human Rights had two representatives for Sudan: an in-country representative, whose role was to promote respect for human rights by the Sudanese Government and in government-controlled areas; and a Special Rapporteur on the Situation of Human Rights in Sudan, whose role was to assess and report on the human rights situation throughout the country. In 1999 the Special Rapporteur claimed that oil activities had exacerbated the conflict, although he had not visited the oilfields or even consulted with the oil companies. Lundin therefore contacted him to inform him of its first-hand experience and knowledge of the situation in the area and invited him to visit the oilfields instead of relying on secondary, sometimes biased, sources. The eventual visit of the Special Rapporteur to the area took place at such a time and was of such short duration (a mere three hours) that he could not conduct an in-depth inspection. In the course of discussions with company representatives, however, he admitted that the civil war was the cause of the human rights problems and that oil, if properly channelled, could contribute to a sustainable peace.

*Non-governmental organizations*

The NGOs with a focus on Sudan may be categorized in two broad groups: (a) those which have a permanent presence in Sudan, and assist the population through local humanitarian or development projects; and (b) those which are based outside Sudan, and promote special interests such as human rights, religious rights, development rights, and so on. Lundin was in contact with both groups to exchange views about the situation in Sudan and means to improve it. Not surprisingly, it found that organizations with a humanitarian focus were generally supportive of the company's efforts to contribute to the local communities in its area of operations. They were prepared to talk to company representatives and even work with them on certain projects. When the stigma surrounding oil activities became significant, most chose not to be publicly associated with the company and therefore only a few cooperative ventures continued, on a confidential basis.

Lundin's experience with special-interest NGOs was more difficult. In many cases, views about the situation in Sudan were so very different that discussions rarely went beyond each side trying to convince the other of the correctness of its views. This was particularly true with respect to religious-based organizations, which characterized the conflict as an attempt by Muslims to eradicate the Christian population in the south of Sudan in order to gain access to the oil there. Although the company responded to their claims, in discussions and in writing, it felt that not much would be gained from this effort. These NGOs believed that the cessation of oil activities was a means to

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achieve peace, while the company believed that oil activities would be the basis for peace.<sup>22</sup>

There were two notable exceptions in Lundin's relations with special-interest groups: Amnesty International, particularly the Swedish branch; and the Church of Sweden. Both organizations believed in the benefits of constructive engagement with companies operating in Sudan and met with Lundin on a number of occasions. Lundin invited their representatives to visit its concession area, but because of its suspension of oil activities and later sale of the asset the visits never materialized. Nonetheless, some of these groups' views and recommendations were taken into consideration and, where appropriate, were integrated into Lundin's business conduct.<sup>23</sup>

### *Think tanks*

The think tanks which had been following and reporting on Sudan for a number of years also considered how oil could act as an incentive for peace in Sudan.<sup>24</sup> Above and beyond the obvious positive benefits of oil for the overall economic performance of the country, they were interested in ascertaining whether oil could be used as a peace incentive. Discussions with representatives of think tanks were dedicated to a review of oil exploration, production and revenue distribution schemes. It was generally accepted that a fair distribution of oil resources was a necessary condition for peace, and in this regard the company drew their attention to the equitable sharing scheme laid out in the Khartoum Peace Agreement.

### *The media (representing public interest)*

When allegations of a possible connection between the war and Lundin's operations surfaced in the press, the company decided that the best way to respond was to invite both Swedish and international journalists to visit its concession area. Until that time, journalists who had reported from the field had been able to do so only with the support of rebel forces; their reports therefore presented only one side of the story. The company believed that if they had the opportunity to visit the area without support or interference from either rebel or government forces, they would have a more balanced and realistic view of the situation. A number of journalists took up the company's suggestion and visited the area in 2001 and 2002. They produced articles for the press as well as video recordings that were aired on both Swedish and Swiss television.

<sup>22</sup> In Mar. 2001 Lundin posted a report on its Internet site 'Lundin in Sudan' which described company activities to date and responded to allegations regarding the nature of the conflict in its area of operations.

<sup>23</sup> Amnesty International (AI) had issued recommendations for oil companies operating in Sudan; these were circulated among relevant company staff, as were copies of the 10 Basic Human Rights Standards for Law Enforcement Officials (note 20).

<sup>24</sup> Two US-based think tanks devoted particular attention to this issue: the Center for Strategic International Studies (CSIS), Washington, DC; and the Carter Center Peace Program, Atlanta, Georgia.

*Peace negotiators*

As a principle, Lundin refrains from getting involved in the political affairs of a country; it believes that it cannot make a meaningful contribution in this sphere and prefers to restrict itself to its commercial mission. The situation it encountered in Sudan, however, was exceptional, and the company needed to make clear to the protagonists in the conflict that it saw peace as the best means to ensure sustainable oil operations. In this endeavour it relied on the skills and competence of Carl Bildt, a member of Lundin Petroleum's Board of Directors, whose experience as the UN Secretary-General's Special Envoy for the Balkans in 1999–2001 was particularly relevant. In a series of trips to Brussels, Cairo, Khartoum, Nairobi and Washington, Bildt met with high-level representatives of the Sudanese Government, including the President, his peace adviser, the Minister of Energy and Mining, the Minister of Foreign Affairs, and the main representative of the Nuer community (later deputy chairman of the SPLA), as well as with representatives of the key nations acting as peace mediators, such as Kenya, Norway, the UK and the USA. Bildt delivered the same message to all: oil represented an incentive for peace in so far as oil activities could not be pursued in a war context. He also underlined how oil provided the material basis for a sustainable peace. The company's repeated suspensions of activities were a proof that oil activities could not flourish in a conflict situation, and experience in various other countries demonstrated that a conflict of this nature could not be resolved militarily. In Bildt's view, the parties had to determine for themselves their minimum, not maximum, requirements for the achievement of peace. The mediators' role was to help the parties achieve this compromise by offering them support, in the form of international monitoring and monetary assistance for purposes of reconstruction.

#### IV. Lessons learned

During the seven years in which it acted as operator of Block 5A in southern Sudan, Lundin was faced with a constantly changing environment. The company learned that, despite its desire to restrict itself to a commercial role, it could not ignore either the socio-political developments in its area of operations or the claims—even if unfounded—of a possible connection between its activities and the conflict.

A reaffirmation of its values in a Code of Conduct, a greater involvement in community life, stakeholder engagement and the suspension of activities were the tools adopted by the company in response to the challenges it faced.

In the spring of 2003, the company sold its interest in Block 5A at a profit. The transaction was satisfying not only from a commercial perspective but also from the perspective of corporate responsibility. At the time the company left, active peace negotiations were under way and its community development programme was maintained by its successor. This reinforced Lundin's

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belief that it is possible for business to pursue commercial objectives while meeting ethical concerns, even in areas of conflict.