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War-Torn South Sudan To Resume Oil Production In July

By [James Burgess](#) - May 26, 2016, 5:02 PM CDT



South Sudan's transitional government has announced it will [resume](#) oil production by July after a halt of more than two years during a bloody civil war for control of the newly independent country's oil wealth.

Though production will resume by July, pumping at fields will [not reach](#) the levels of production they enjoyed at their peak in 2010 for some time.

When South Sudan became independent in 2011, it [gained](#) not only sovereignty but control of about three-fourths of Sudan's oil production, a devastating blow to Sudan's economy. The IMF estimates that Sudan lost roughly 55 percent of its fiscal revenues and about two-thirds of its foreign exchange earnings. Sudan's crude oil export revenues were dramatically slashed from a near \$11 billion in 2010 to less than \$2 billion in 2012.

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The year it became independent from Sudan, South Sudan was [producing](#) nearly 350,000 bbl/d. Due a dispute over transit prices through Sudan—the South's only export outlet—production dropped to a negligent level in 2012.

In 2013 and 2014, production resumed but only reached 120,000 to 150,000 bbl/d. Oil production and sliding crude revenues left the government almost bankrupt. Civil war broke out in 2013 as rival factions vied for control of oilfields and oil revenues.

South Sudan's oil production, which the nation depended on for 98 percent of its budget, reduced significantly due the 2013 civil war, causing almost all the oilfields in Unity state to shut down as well as some others in Upper Nile state. The production capacity fell to below 130,000 barrels a day from 350,000 bpd in its only functioning Paloch oil field of Upper Nile state.

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South Sudan's landlocked geography forces it to remain dependent on Sudan to transport its oil through Sudan's pipelines to the Marsa Bashayer port along the Red Sea So while South Sudan is now an independent nation, that independence goes only so far as oil exports will allow.

Sudan previously charged South Sudan about \$24.50 a barrel in transit fees. In February, the two countries [agreed](#) that transit fees would be based on prevailing crude oil prices

By James Burgess of Oilprice.com

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