

A letter from Puntland Finance minister on Oil law issue

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Recent moves by Prime Minister Gedi to introduce a so called national oil law through the TFG Parliament must be viewed with great suspicion, and little credence should be given to the move. The Prime Minister is the head of a transitional government put in place to attempt to form a federal Somalia, and a general constitution to be accepted by all regional parties.

Instead he has decided to introduce a controversial oil law before any legitimate constitution and federal Somalia is accepted by the TFG parliament and local autonomous regions of the Federation.

This is simply a political mockery aimed at destabilising the hard work done by the Somalis in Nairobi to set up a Federal Government. It also creates a period of delay and uncertainty for Puntland and all the development and vast sums of money spent in the regions over the last 2 years in research and exploration.

Puntland and the (TFG Government) recognise and acknowledge the contracts by Range Resources and Africa Oil and their effort over the last 2 years on the exploration and development of Puntland's natural resources.

It is imperative for both of these companies, and other companies being invited into Puntland to develop natural resources and other projects, that they have 100% certainty and confidence in the process and ability of the Puntland government and parliament to guarantee that all contracts and production sharing agreements entered into will at all times be recognised and upheld.

As it stands Puntland stands to earn billions of dollars in royalty and profit share payments from the successful development of its natural resources. Puntland has always maintained that it would share these earnings with any legitimately formed federal Somali government.

Put simply the proposed structure would be detrimental to both Puntland and Somalia as a whole.

Puntland has spent the last 2 years securing what it considers to be a formidable (both financially and technically) oil exploration and development team in Range and Africa Oil who are best placed to produce the significant royalty and profit share revenues to be shared by Puntland, a federal Somali government and the people of Somalia.

Given the end of year drilling timetable of Range and Africa Oil and the resultant government access to oil production royalties, any move by the any member of the TFG to destabilise this activity will not be tolerated as the Puntland people cannot afford to be denied the vast wealth that could be generated in the very near future.

The TFG had previously endorsed all of Puntland's natural resource agreements (including a commitment to incorporate them in any federal system) yet the Prime minister has now decided to go down a path (without any consultation with Puntland or its own President) which throws out Puntland's efforts to bring in foreign investment when no other entities were prepared to come in.

More bewildering is the proposed move by the Prime Minister to set up a national oil company 50% owned by comparatively small Indonesian and Kuwaiti energy companies – the Puntland Government will have 100% access to all royalty and profit share revenues and will share these with any legitimately formed and endorsed federal government – not a prime minister who changes his mind every day about anything he signs and its activities without any regard to its formally constituted parliament and government.

If the TFG Parliament does not stop the debate of this controversial legislation brought forward by the Prime Minister it will create disruption, lack of trust and will ruin the good relationship and the working together between the Puntland government and the Federal Government in the future.

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