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Mapping Oil Exploration in Somalia and Ethiopia

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**Concessions and Conflicts: Mapping Oil Exploration  
in Somalia and Ethiopia**

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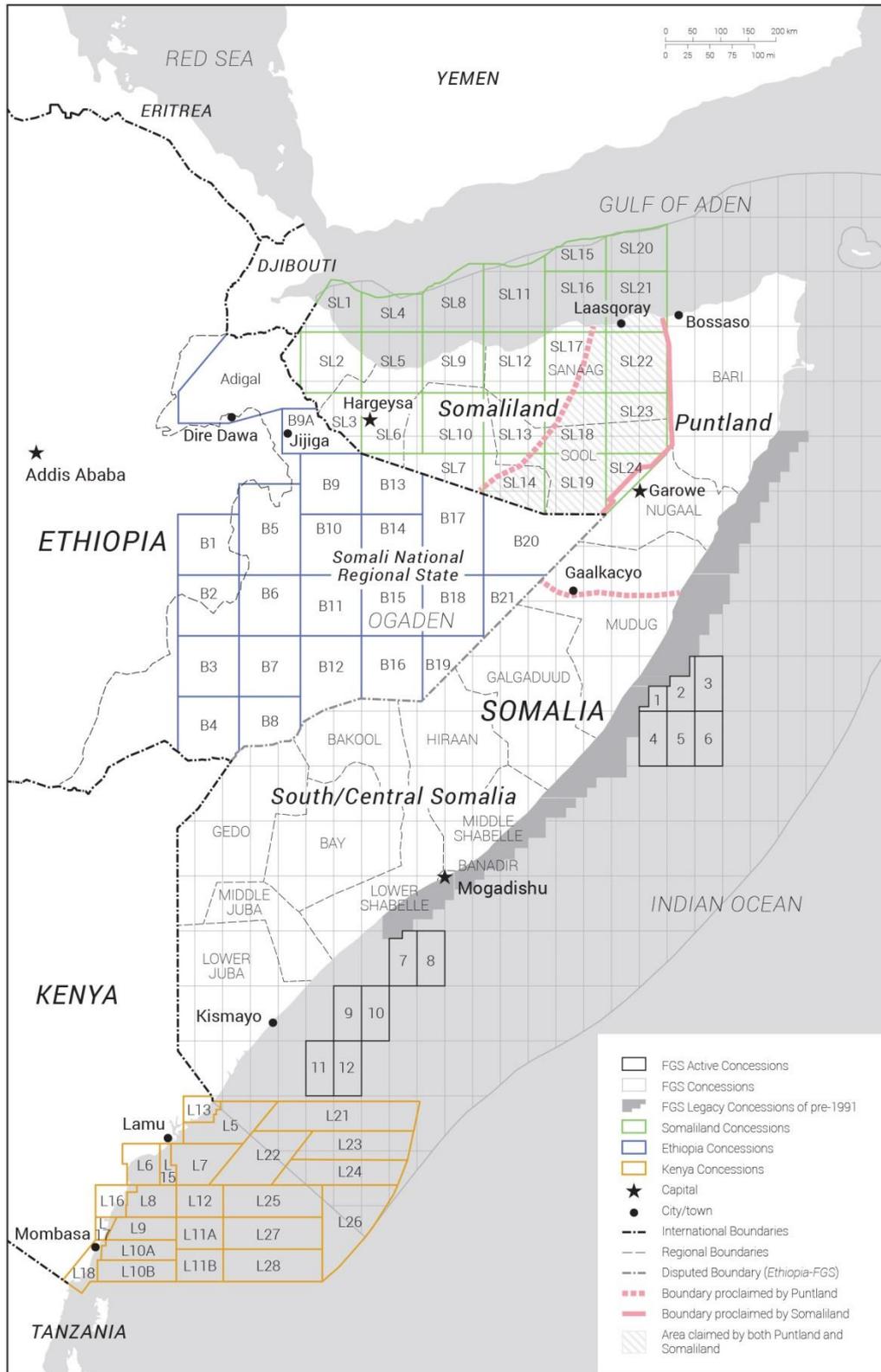
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# Horn of Africa



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# **Concessions and Conflicts: Mapping Oil Exploration in Somalia and Ethiopia**

JAKOB GRANDJEAN BAMBERGER AND KRISTIAN SKOVSTED

## **Summary**

This working paper explores the relationship between oil exploration and conflict across the Somali inhabited territories of Somaliland, Puntland, south-central Somalia, and the Ogaden region of Ethiopia. The paper provides an overview of oil concessions within these territories, an analysis of contemporary conflict dynamics related to these concessions, and a discussion of the implications for the future political development of the region.

The paper draws on parts of the resource curse literature with a particular focus on contributions which concentrate on low- and middle-income countries where institutional weakness and corruption often predate oil discoveries, hence where oil is not necessarily the cause of but must be understood as exacerbating already existing institutional weaknesses and possible conflict dynamics.

Supporting these findings the main argument put forward in the present paper is that the mere belief in the existence of oil and the related ongoing oil exploration triggers a number of the negative trajectories associated with the resource curse such as corruption, diversion of funds and violent conflict. Each of the conflict locations analysed have idiosyncratic conflict dynamics but common to them all is that the myriad different and contradictory modes of governance and overlapping territorial claims have been shown to further complicate and intensify the negative dynamics associated with oil exploration. This is evident even without any commercial discoveries and with the currently low oil prices.

The fact that oil in commercial quantities is yet to be discovered highlights the policy relevance of the paper, as several of the negative oil-related trajectories presented for the Somali inhabited territories are still possible to mitigate or maybe even prevent. In this perspective the paper concludes with policy considerations.

## Abbreviations

EPRDF – Ethiopian Peoples’ Revolutionary Democratic Front

ESU – Exploration Security Unit

FGS – Federal Government of Somalia

GIA – Galmudug Interim Administration

GRS – Galmudug Regional State

ICJ – International Court of Justice

ONLF – Ogaden National Liberation Front

OPU – Oil Protection Unit

SNRS – Somali National Regional State

## INTRODUCTION

Despite a strong probability of the existence of hydrocarbon resources (primarily oil), the Somali inhabited territories (here not including northern Kenya and Djibouti)<sup>1</sup> on the Horn of Africa clearly stand out as being significantly underexplored, which is mainly due to decades of violent conflict. The region as a whole is considered by many as one of the last remaining oil frontiers in Africa. These circumstances have, in recent years, resulted in a huge inflow of oil exploration companies and oil-related investments and this is seemingly still the case, despite the drop in oil prices since mid-2014 and the continuing volatile security environment across the territories (Reitano & Shaw, 2013; Balthasar, 2014, 2015; Walls & Kibble, 2012).

Promising test wells, seismic and gravimetric surveys, actual oil seeps, and the geological resemblance to oil-rich Yemen strongly indicate the presence of oil in commercial quantities within the Somali inhabited territories of Somaliland, Puntland, the Ogaden region of Ethiopia, the Galmudug Regional State (hereafter GRS) and off the coast of south-central Somalia. Commercial oil discoveries have, however, only yet been made in proximity to these territories – the Lamu basin, which stretches into the disputed offshore blocks located in the maritime border area between the Federal Government of Somalia (hereafter FGS) and the Republic of Kenya (hereafter Kenya) is the prime example (Balthasar, 2014; Walls and Kibble, 2012: 532; Offshore energy, 2012; Business Daily, 2014).

Generally, hydrocarbon resources have been envisaged as holding enormous potential for economic and social development of countries that possess them. However, natural resources are increasingly being highlighted as posing severe challenges for resource rich countries, with tangible and at times devastating consequences for the affected local communities. Some of the numerous ailments associated with countries dependent on natural resources in general, and in Sub-Saharan Africa in particular, are forced evictions, environmental degradation, economic stagnation, Dutch disease, corruption, rentier state tendencies, and not least, violent conflict (Soares de Oliveira, 2007; Patey, 2014; Gylfason, 2001; Karl 1999; Ploeg & Poelhekke 2009; Ross, 1999, 2001; Sachs & Warner, 1995; Obi, 2010; Le Billon, 2006; Rosser, 2006; Collier & Hoeffler, 1998, 2004, 2005). Often these oil-related ailments are experienced following actual production as export revenues and windfall rents begin to flow into the state budget. With only limited theoretical insight on the relationship between future or emerging producers and conflict (see Le Billon, 2003; Ross, 2005; Lujala, 2010), the Somali inhabited territories provide a rare opportunity for analysing the politics of oil prior to commercial discoveries, production, and export.

<sup>1</sup> 'The Somali inhabited territories' is used throughout the paper in the absence of a more suitable term referring to the area officially recognised as the Federal Republic of Somalia, here including Puntland, the Galmudug Regional State, and Somaliland, and the Ogaden region of the Federal Democratic Republic of Ethiopia. The Somali inhabited territories in general also refer to northern Kenya and Djibouti.

The issue addressed in the present paper is therefore how the current oil exploration and potential future exploitation affect and will affect the conflict dynamics of the Somali inhabited territories with their current challenges of contested statehood, porous borders, overlapping authorities, and a recent history characterised by famine, war, civil war, clan conflict, foreign military interventions, piracy, and terrorism (Hoehne, 2015; Walls & Kibble, 2012).

Building on the findings of Balthasar (2014), Reitano & Shaw (2013), Walls & Kibble (2012), and Anderson & Browne (2011) we argue that the mere belief in the existence of oil and the related ongoing oil exploration trigger a number of the negative trajectories associated with the resource curse such as corruption and violent conflict. The paper thus investigates how the signing of concession contracts, upfront payment, and actual exploration affect the fragile security environment within and between the various autonomous or semi-autonomous political entities, clans, armed groups, and international oil companies.

The paper is based on the findings from the authors' thesis of October 2015. The research is founded on a comprehensive review of existing literature, policy documents, current news articles on oil and gas exploration in the Somali inhabited territories and 19 interviews conducted in Ethiopia, Somaliland and Denmark in April 2015.

The paper begins with a brief historic overview of Somali oil exploration followed by a mapping of current oil activities including engaged oil companies and regional authorities. Subsequently, a brief overview of the different Somali political entities will be outlined. On this basis the economic and political pitfalls of oil exploration in the Somali context will be presented. Last, the oil-related conflicts in each of the identified conflict locations will be analysed separately.

## **SOMALI OIL EXPLORATION THEN AND NOW**

Oil exploration in the Somali inhabited territories dates back to 1948 when the US oil major Sinclair Oil Corporation followed by Agip (today ENI) and Conoco began exploration drillings and subsequently discovered eight sedimentary basins (Balthasar, 2014: 3; Hussein, 2014, 2012). Due to the volatile political and security environment throughout the 1960s, 70s, and 80s most of the territories were still significantly underexplored when, in the late 1980s, several oil majors signed concession agreements with the Siyaad Barre military regime. However, in January 1991 the regime collapsed, which resulted in the outbreak of the civil war forcing all oil companies to declare *force majeure* and abandon their operations in Somalia overnight (Manson, 2013; Hussein, 2012). At the same time, in the Ogaden region, the Ethiopian civil war was coming to an end and later the same year the Derg regime collapsed, resulting in only small-scale exploration in the Ogaden during the 1990s, with no commercial discoveries (Purcell, 2014).

Since the fall of the Siyaad Barre and Derg regimes oil exploration has more or less been in hibernation mode, but with the consolidation of power in Addis Ababa, the establishment of the AU-backed FGS in Mogadishu, the relatively stable governments in Somaliland and Puntland and al-Shabaab on the back foot

and losing territory, the conditions have changed. Though most of the Somali inhabited territories are still characterised by unrest, clan strife and, not least, the al-Shabaab insurgency there is a renewed interest in exploring one of the last frontiers of Africa (UNMG, 2015: 26–27; Hussein, 2014; ICG, 2014: 2–3). Contrary to the earlier picture, mostly small and middle-range, high risk-taking companies are engaged in current exploration.

The table below provides a comprehensive mapping of all Somali oil exploration blocks (excluding northern Kenya and Djibouti); involved oil and gas companies; the regional authorities of each agreement; and the status of each operation. As most of the blocks are claimed by multiple parties, each with different legal arguments to support their claim, concession blocks appear multiple times in the table. This is testimony to the highly contested legal status of the ownership rights and the aspirations of the authors to be impartial.

## Mapping of Somali oil

**Table 1**

Operator	Concession Block	Consortium	Political Entity/ State	Conflicting Claims	Status
Genel Energy (75%)	Onshore: part of SL10 and SL13 <sup>2</sup>	East Africa Resource Group (25%)	Republic of Somaliland	ConocoPhillips, FGS	Exploration temporarily suspended
Genel Energy (50%)	Onshore: SL6 and part of SL7 and SL10 (Odewayne block)	Sterling Energy (25%) Jacka Resources (15%) Petrosoma (10%)	Republic of Somaliland	Conoco-Phillips, FGS	Exploration temporarily suspended <sup>3</sup>
DNO International (50%) <sup>4</sup>	Onshore: SL18	Petrogas E&P LLC (40%) Republic of Somaliland (10%)	Republic of Somaliland	Horn Petroleum, Puntland, & Conoco-Phillips, FGS	Exploration phase <sup>5</sup>
RAKGAS	On- and	25%	Republic of	BP, FGS	Exploration

<sup>2</sup> The designation 'SL' is created by Somaliland.

<sup>3</sup> Due to the security situation the exploration is suspended. Intended to be resumed in 2016 (Genel, 2012 A; Jacka, 2014: 13).

<sup>4</sup> RAK Petroleum has 42.8% stake in DNO.

<sup>5</sup> Further information concerning the exploration status has not been obtainable (DNO, 2015; Petrogas, 2015; Hussein, 2014).

(75%)	offshore: SL9 and SL12 <sup>6</sup> (Berbera blocks)	Independent Energy Capital Corporation	Somaliland		phase <sup>7</sup>
Ansan Wikfs Ltd.	Onshore: part of SL7, SL14 and SL19	-	Republic of Somaliland	Conoco-Phillips, FGS	Exploration phase <sup>8</sup>
Horn Petroleum/African Energy (60%) <sup>9</sup>	Onshore: Dharoor and Nuggal <sup>10</sup>	Red Emperor (20%) Range Resources (20%)	Puntland Regional Government	DNO, Somaliland	After two unsuccessful wells in Dharoor Valley it has been decided that further seismic surveys are to be conducted. Nuggal Valley is ready for drilling <sup>11</sup>
ION Geophysical Corporation	Offshore: Puntland	-	Puntland Regional Government	Spectrum ASA, FGS	Deal signed September 2015 <sup>12</sup>
PetroQuest Africa	On- and offshore: Galmudug	PetroQuest is an affiliate of Liberty Petroleum	Galmudug Regional State	FGS	Seismic surveys are being conducted by the geophysical company TGS-NOPEC <sup>13</sup>
Soma Oil and Gas	Offshore: south-central Somalia, block 1, 2, 3, 4, 5, 6, 7, 8, and 9	-	Federal Government of Somalia	PetroQuest Africa, GRS	Seismic data being analysed. Soma Oil and Gas is being investigated for corruption

<sup>6</sup> RAKGAS operates the on- and offshore blocks of 35 and 10a, which on the new concession map is more or less similar to blocks SL9 and SL12 (Rakgas, 2015).

<sup>7</sup> Further information concerning the exploration status has not been obtainable (Rakgas, 2015; Ophir, 2015: 129).

<sup>8</sup> Further information concerning the exploration status has not been obtainable (Hasan, 2013).

<sup>9</sup> Africa Oil Corp. holds 44.7% ownership interest in Horn Petroleum.

<sup>10</sup> These blocks cover around 40,000km<sup>2</sup> Horn, 2015 A).

<sup>11</sup> In February 2015 Horn Petroleum informed the Government of Puntland that it intends to reduce its presence in Puntland due to political tension with the FGS Horn, 2015 B; Hussein, 2014; RER, 2015; AEC, 2015 A & B; Range, 2012).

<sup>12</sup> UNMG, 2015: 21; AC, 2015: 6.

<sup>13</sup> Manson, 2013; Cilliers, 2013; UNMG, 2013.

					by the British Serious Fraud Office <sup>14</sup>
BGP Inc.	Offshore: Puntland	-	Federal Government of Somalia	Puntland, ION	Seismic activities <sup>15</sup>
Spectrum ASA	Offshore: south-central Somalia including Puntland	-	Federal Government of Somalia	PetroQuest Africa, GRS & ION Geophysical Corporation, Puntland	Deal signed September 2015 <sup>16</sup>
Conoco Phillips	Onshore: Located in today's Somaliland and Puntland incl. Nugaal Valley	-	Federal Government of Somalia	Genel Energy, Somaliland & DNO, Somaliland	Continued claim of force majeure <sup>17</sup>
ENI	-	-	Federal Government of Somalia	Puntland	Continued claim of force majeure <sup>18</sup>
Chevron	Onshore: Located in today's Somaliland	-	Federal Government of Somalia	Somaliland	Continued claim of force majeure <sup>19</sup>
Royal Dutch Shell/ Pecten Somalia	Onshore: Located in today's Somaliland and Puntland	-	Federal Government of Somalia	PetroQuest Africa, GRS	Continued claim of force majeure <sup>20</sup>
British Petroleum	On- and offshore: SL9 and SL12	-	Federal Government of Somalia	Rakgas, Somaliland	Continued claim of force majeure <sup>21</sup>

<sup>14</sup> UNMG, 2015; The Economist, 2015 A; Soma, 2014, 2016.

<sup>15</sup> (Garowe Online, 2016; Hanad, 2016).

<sup>16</sup> This agreement is a continuation of the survey done by Soma Oil and Gas (UNMG, 2015: 21; AC, 2015: 6).

<sup>17</sup> Manson, 2013; Goldman, 2014 A; Povey, 2005; Anderson & Browne, 2011: 378; UNMG, 2015: 21.

<sup>18</sup> Negotiations are currently taking place. Whether the negotiations are about ENI's former concessions in today's Puntland or the offshore blocks L21, L23, L24 is difficult to confirm (Manson, 2013; Eni, 2013).

<sup>19</sup> Chevron has been invited to return to Somalia by the FGS (Goldman, 2014 B).

<sup>20</sup> Negotiations related to Shell's reclaim of their pre-force majeure concessions are taking place (Manson, 2013; Gismatullin, 2014). Shell's claim overlaps with newly signed exploration deal between PetroQuest Africa and GRS (Manson, 2013; Hatcher, 2012; Povey, 2005; Ahmed, 2013).

Poly GCL Petroleum Investment Ltd.	Ogaden: Calub and Hilala gas fields and block 3, 4, 11, 12, 15, 16, 17 and 20	-	Ethiopia	-	Exploration phase. Both oil and gas <sup>22</sup>
Delonex Energy Ltd.	Ogaden: 18, 19 and 21	-	Ethiopia	-	Airborne gravity survey completed, which is currently being analysed <sup>23</sup>
New Age (African Global Energy Ltd.) (57.1%)	Ogaden: 8	Afren (42.9%)	Ethiopia	-	2D seismic survey was completed in 2014 and is being analysed. Drilling planned for 2016 <sup>24</sup>
New Age (African Global Energy Ltd.) (55.6%)	SNRS: Adigal block	Genel Energy (44.4%)	Ethiopia	-	Processing and interpretation of 2D seismic survey <sup>25</sup>
SouthWest Energy	Ogaden: 9, 9A and 13 (Jijiga block)	-	Ethiopia	-	Drilling activity is soon to be initiated <sup>26</sup>
ENI	Offshore: L21, L23 and L24	-	Kenya	FGS	Legal dispute concerning border demarcation <sup>27</sup>

<sup>21</sup> Negotiations related to BP's reclaim of their pre-force majeure concessions are taking place and a deal has reportedly been signed with the FGS (Peppeh, 2014; Hussein, 2014; Manson, 2013).

<sup>22</sup> Poly GCL is accused of being involved in the rough treatment of the local Ogaden population. Reports suggest that forced evictions, rapes, and killings by the Ethiopian army in areas where Poly GCL is to conduct exploration are known to, and supported by, Poly GCL (Wariye, 2014; Bekele, 2014).

<sup>23</sup> A three-year exploration license was awarded in August 2014 with the possibility of a two-year extension (Delonex Energy, 2014; Tadesse, 2015).

<sup>24</sup> NewAge, 2016; AOC, 2015 A, B; Daly, 2014.

<sup>25</sup> 2D seismic data, a gravity survey, and oil seeps indicate that the Adigal Block is likely to contain large oil reservoirs. The Government of Somaliland has accepted the consortium's request for an 18-month extension of the exploration phase. New expiration date is January 2017 (NewAge, 2016; Genel 2012 B; AOC, 2015 B).

<sup>26</sup> Anderson & Browne, 2011: 387; Tadesse, 2015; SWE, 2015.

<sup>27</sup> ENI, Total, Camac, Statoil, and Anadarko all have agreements with Kenya. The FGS has announced that it intends to award exploration licenses in the disputed area during 2015 (Total,

TOTAL	Offshore: L22	-	Kenya	FGS	Ibid.
Camac/Erin Energy	Offshore: L27	-	Kenya	FGS	Ibid.
Statoil	Offshore: L25 and L26	-	Kenya	FGS	Ibid. <sup>28</sup>
Anadarko (50%)	Offshore: L5	TOTAL (40%) PTT E&P (10%)	Kenya	FGS	Ibid. <sup>29</sup>

From the table it is evident that the different blocks in Somaliland, Puntland and GRS are all disputed by the FGS. Additionally several blocks situated in the borderlands of Puntland and Somaliland are claimed by both entities and exploration activities have been conducted within these disputed areas by multiple oil companies. The table further shows that several oil majors are involved in the ongoing legal dispute between Kenya and the FGS concerning offshore concessions. In the Ogaden region of Ethiopia the ownership issues are somewhat different. While Ethiopia is the only political entity holding concession agreements with international oil companies the agreements – and Ethiopia’s legitimacy in general – are challenged by the Ogaden National Liberation Front (hereafter ONLF), which will be addressed in the chapter on the Ogaden. In some blocks exploration activities have already been conducted and here significant investments and upfront payments have been made. For example, money paid by oil companies is funding the establishment of oil protection units in both Somaliland and Puntland. This means that the political entities currently in territorial control are already benefiting from the presumed presence.

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2012; Hill, 2016; Mbaria, 2014; Oilnewskenya, 2015; Energytoday, 2012). The designation ‘LX’ is Kenyan.

<sup>28</sup> According to some sources Statoil has abandoned its claims to the disputed blocks. The current status of L25 and L26 is difficult to determine (Hassan, 2014).

<sup>29</sup> Whether Anadarko has abandoned its claims to the disputed block (L5) is difficult to confirm, as sources are contradictory (Hassan, 2014; Rach, 2014).

## THE SOMALI POLITICAL ENTITIES

With its dynamic hybrid governance structures it is difficult to characterise and assess the capabilities of the different political entities. The below table is by no means comprehensive but is meant as a brief overview of these entities, primarily in order to underline the significant differences between them. It seems evident that the Khaatumo State has limited capacities when it comes to the below criteria. However, the Khaatumo State did nonetheless continuously resurface in the literature and during interviews in the region. For this reason the Khaatumo State is included in the table as a testimony to the blurred structures of political alliances more than a normative judgement of its status. The table is primarily based on Tobias Hagmann & Markus Hoehne (2009) and secondly Ken Menkhaus (2014), Markus Hoehne (2015), the UN Monitoring Group Report (2015), and on the interviews conducted for this investigation.

**Table 2**  
Adapted from Hagmann & Hoehne, 2009

Political entity	Judicial Status	Government Structure	Administrative Strength	Public Legitimacy
Somaliland	Unrecognised self-proclaimed independent republic	Multi-party democracy including a 'council of elders'	Modest/weak government capacity. Limited service delivery and taxation	Considerable among the Isaaq clan and in the western part of the territory. Blurred or low among other clans and in the eastern part
Puntland	Self-proclaimed autonomous regional state within the Somali federation	Single clan dictatorship based on the Harti clan collective	Weak government capacity. Limited service delivery and taxation	Limited. Volatile security situation. Recent increase in al-Shabaab/ISIS <sup>30</sup> activities
Khaatumo State	None	Loosely formalised local leadership	Extremely limited	Sporadic support from the Dhulbahante clan and Dhulbahante diaspora
GRS	Semi-autonomous regional state within the Somali federation	Interim administration (GIA) based on clan representatives	Unknown	Limited. Security situation affected by al-Shabaab. GIA forces control half of claimed territory
FGS	Internationally	Federalism based	Weak. Upheld by	Limited. Widespread

<sup>30</sup> The al-Shabaab faction in the Galgala Mountains in the Sanaag region, Puntland has, together with other factions during the second half of 2015, pledged allegiance to ISIS (EASO, 2016: 23, 25, 71).

	recognised federal government of the Somali federation	on clan representation and inclusion of warlords	the presence of AMISOM troops and international donors	autonomy to regions and significant area under rebel control
SNRS (Ogaden)	Regional state within the Ethiopian federation	Authoritarian single-party system	Considerable regarding security apparatus but limited service delivery and taxation	Limited. Sizeable area beyond state control

## ECONOMIC & POLITICAL PERSPECTIVES

Most of the negative economic and political/institutional issues normally identified during hydrocarbon exploitation are closely linked to the windfall rents from resource export. Despite the extensive exploration currently carried out, oil in commercial quantities has not yet been discovered, which complicates the analysis of these economic and institutional issues. In the below the focus will therefore be to briefly outline the nascent warning signals of rentier state tendencies, increased corruption and Dutch disease.

In Somaliland, Puntland, and south-central Somalia<sup>31</sup> the most substantial contributors to GDP are agriculture, livestock, forestry, and fisheries (Ahali & Ackah, 2015: 234). The majority of the populations live as pastoral nomads and are dependent on their herds for subsistence, not to mention that livestock comprises 60% of the export revenues<sup>32</sup> (Hoehne, 2015: 13; WB, 2015). The economies of Puntland, Somaliland, GRS and the FGS are thus highly prone to be affected negatively by the revenues from oil export, through Dutch disease symptoms. As has been seen in numerous other oil exporting countries, large-scale export revenue from oil exploitation often crowds out other export industries such as agriculture and livestock (Wick & Bulte, 2009: 142–143; Rosser, 2006: 14; Karl, 1999: 43; Balthasar, 2014: 5). Due to the likelihood of currency appreciation resulting from windfall rents of foreign currency, other tradable industries will suffer from decreased competitiveness. This concern is further substantiated when taking into account that around 65% of the workforce in Somaliland, Puntland, and south-central Somalia is engaged in the labour intensive livestock industry and that this sector alone contributes approximately 40% of the GDP (FAO, 2015; The Economist, 2015 B). This, combined with the oil industry being non-labour intensive and dependent on highly specialised labour, leaves limited local employment opportunities in the oil industry (Le Billon, 2003: 24, 36, 70; Karl,

<sup>31</sup> The Ogaden is part of Ethiopia's SNRS and it is therefore not possible to say how future oil rents will affect the economic and political realities specifically in the Ogaden region, as the economy and the political system of the SNRS is intertwined with the rest of Ethiopia.

<sup>32</sup> As most of the livestock is exported to the Arabian Peninsula the deteriorating security situation in Yemen is arguably a challenge.

2005: 24).

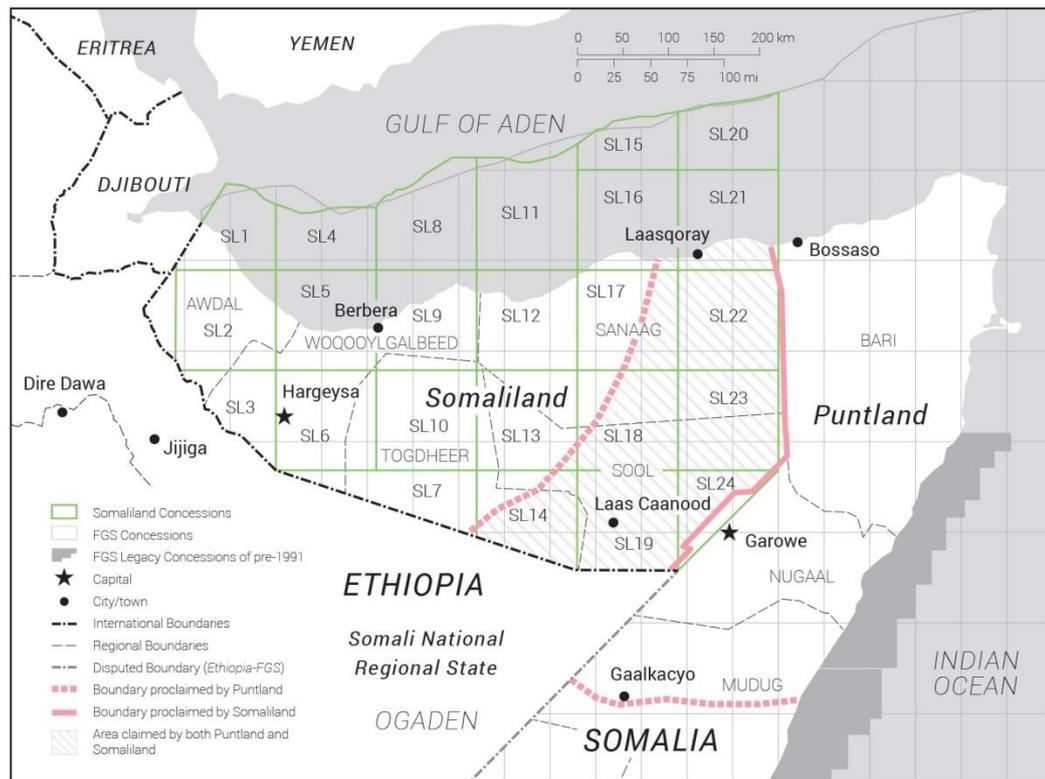
Parts of the resource curse literature suggest, windfall rents from oil exports may give rise to rent seeking behaviour and increased authoritarianism (Rosser, 2006: 10; Karl, 2005: 25). As Puntland, Somaliland, GRS and, arguably, also the FGS are young political entities with limited institutional capacity they are especially prone to suffering from possible rent seeking behaviour, corruption, and an opaque diversion of funds. In both Puntland and Somaliland the political administrations are concentrated among very few high-level officials and the decision-making processes regarding oil are highly centralised and secretive (Reitano & Shaw, 2013: 670–673). Despite oil not being exploited, cases of corruption have already been revealed in Somaliland and allegations of corruption have been put forward in Puntland and the FGS (Balthasar, 2014: 6, 10, 11; Reitano & Shaw, 2013: 672; *The Economist*, 2015 A; AC, 2015: 7). As a concrete example, the Minister of Energy and Minerals of the Republic of Somaliland, Hussein Abdi Dualeh, has been involved in a number of alleged corruption incidents, for example, he was accused of taking bribes from an international oil company. The outcome was that Dualeh pledged to return the money to the treasury (Reitano & Shaw, 2013: 672). Also, Soma Oil and Gas is currently being investigated for corruption by the British Serious Fraud Office regarding allegations of FGS oil ministry officials receiving bribes masked as a ‘capacity building programme’ (AC, 2015: 7).

These tendencies underline the importance of caution in relation to future oil-related activities and oil-led development. Several economic and political indicators suggest that the different political entities in the Somali inhabited territories are vulnerable to rentier state tendencies, increased corruption, and Dutch disease following potential oil exploitation.

## **OIL IN SOMALILAND AND PUNTLAND**

The northern part of the Somali inhabited territories has for many years been an area of interest for oil companies and the contested areas around Sool and Sanaag appear especially promising, due to the geological similarities to Yemen where millions of barrels of oil have been discovered (Ahali & Ackah, 2015: 233; Balthasar 2014: 3). These areas are situated in the contested borderlands between Somaliland and Puntland and inhabited by populations with different clan affiliations (Anderson & Browne, 2011: 378; Hoehne, 2015: 19–24). One of the key characteristics defining Somali politics is the hybrid political structure where elements from both traditional clan politics and modern bureaucratic organisations are incorporated into the political system (Hoehne, 2015: 19–24, 45). This hybrid political structure is first and foremost a testimony to the importance of clan affiliation in Somali politics (Lewis, 1961: 3, 161; Menkhaus, 2007 A, Hagmann & Hoehne, 2009). In the borderlands the importance of clans is manifested in an ongoing territorial conflict, which is becoming increasingly linked to oil exploration and the prospects for future oil.

## Somaliland and Puntland



This section has a focus on the current and potential conflicts related to oil within and between primarily Somaliland and Puntland and between these entities and the FGS. It is argued, that oil exploration activities and the expectation of oil are intensifying and complicating already existing territorial conflicts.

### Contested Borders and Ownership

While Somaliland is founded on the basis of colonial borders, Puntland is demarcated according to clan affiliation and a genealogical logic (Hoehne, 2015: 14, 21). The conflicting definitions leave parts of the Sool, Sanaag and Togdheer as disputed zones claimed by both political entities (Anderson & Browne, 2011: 378). The local population in these regions descend primarily from the Dhulbahante and the Warsangeli clans. Both belong to the Darood clan family, as does the majority clan of Puntland, the Majeerteen. Additionally, both the Dhulbahante and the Warsangeli are founding fathers and co-signatories of the Republic of Somaliland declaration of independence of 1991, creating a blurred picture of political loyalty (Hoehne, 2015: 8).

The conditions are further complicated by the 2012 announcement of the Khaatumo State of Somalia (hereafter Khaatumo State). While claiming to represent all people inhabiting an area covering large parts of the disputed borderlands, the Khaatumo State is more realistically founded on the desire within factions of the Dhulbahante clan to achieve the status of an autonomous federal member state. It is, however, difficult to assess its precise strength and local

support, and while the Khaatumo State is not necessarily supported by or representing all Dhulbahante, it bears witness to the contested status of the northern Somali inhabited territories (Hoehne, 2015; UNMG, 2014: 8, 22).

Adding to the deeply rooted border disputes, the question of legal ownership of the natural resources within Puntland and Somaliland also includes the FGS. With reference to Article 7 in the Petroleum Law (2008) stating that: ‘(...) *all agreements pertaining to petroleum that were signed after 1991 with the entities purporting to be governments of all or any part of Somalia are considered non valid agreements*’ the FGS claims a legal right to all natural resources in Somalia (UNMG, 2013: 241). This claim is, however, contradicted by Somalia’s Provisional Constitution (2012), which provides substantial autonomy for regional governments to enter into commercial agreements with international oil companies (UNMG, 2013: 241–242). In this way, as shown in Table 1, deals are made with reference to different legal documents, which complicate the possibility of finding long-lasting solutions to the issue of ownership. Oil companies thus become direct parties to the conflict by increasing tensions not only between Somaliland, Puntland, and Khaatumo State, but also concurrently between these entities and the FGS.

For the FGS, ownership of the presumed oil in the northern territories is not exclusively a matter of economic interests. One of six US conditions for recognising the FGS in 2012 implied a demand for the FGS to recognise and honour the force majeure concession rights of the US oil majors (Balthasar, 2014: 8). The necessity of the FGS to maintain good relations with the US is enhanced by the US being the FGS’s largest donor of humanitarian assistance and a strong party in the fight against al-Shabaab and piracy (USAU, 2015; GHA, 2015). For the time being the FGS has only expressed its objection to the ‘unlawful’ exploration agreements by Somaliland and Puntland (Hussein, 2014) but commercial oil discoveries will increase the pressure from the US oil majors on the FGS. The meeting between ConocoPhillips federal affairs manager Kay Larcom and officials from the FGS Oil Ministry in 2014 is a relevant example of this pressure. Here the ministry guaranteed ConocoPhillips work, determined by their force majeure agreements covering ‘*North*’ and ‘*North-East Somalia*’ (UNMG, 2015: 21–22). In addition, the deliberate use of the denominations *North* and *North-East Somalia* as a reference to Somaliland and Puntland, respectively, is a clear indicator of the widespread disunity between the Somali political entities, which also plays into the historic power struggle between Darood/Harti and Hawiye (Menkhaus, 2014; Hansen, 2013; Drysdale, 2010).

For Somaliland and Puntland, oil and other natural resources hold different strategic bearings. For Somaliland oil is strongly related to the wish for international recognition. In this perspective – as the majority of the interviewees stressed – it is simply not an option to cede any sovereignty over oil to Mogadishu. In terms of Puntland, oil exploration is, likewise, a matter of autonomy and even though Puntland subscribes to the federal idea, oil discovered

in Puntland will strengthen its economic viability and decrease its dependence vis-à-vis Mogadishu. In line with this argument, senior researcher Berouk Mesfin,<sup>33</sup> stated that if oil is found within Puntland it could increase the likelihood of Puntland pursuing independence in the style of Somaliland. This scenario is further considered probable, as no guidelines currently exist on how to divide future oil revenues between Garoowe and Mogadishu (Walls & Kibble, 2012: 532).

### **Overlapping Concession Agreements**

As indicated by the oil mapping (Table 1) this paragraph will elaborate on how the current oil-related activities are complicating and intensifying the above-identified territorial and legal disputes, and partly act as conflict catalysts. An illustrative example of the complicated web of overlapping concession agreements is the block SL18 covering parts of the Sool and Sanaag regions.

In SL18 the oil companies DNO and Horn Petroleum have both signed concession agreements with Somaliland and Puntland, respectively. Due to the political tension that followed the signing, Horn Petroleum informed the government of Puntland that it will reduce its presence in the area and requested Puntland for a two-year extension of the exploration period in order for the: '(...) *political challenges to be resolved*' (Horn, 2015 B). While this statement might reduce the potential for current on-site clashes, it certainly puts pressure on Puntland to find a solution to the territorial issues, if the federal member state is to receive more of the much desired oil-related investments in terms of e.g. infrastructural projects.

The concession right to SL18 is, furthermore, at the forefront of the above-mentioned legal dispute. The block is also claimed by Shell and ConocoPhillips, which both have agreements with the FGS currently on hold due to the 1991 force majeure (Ali, 2013). To further complicate the circumstances, SL18 is situated in the territory also claimed by the Khaatumo State, which likewise claims exclusive ownership of the presumed oil resources (Khaatumo, 2015; Balthasar, 2014; UNMG, 2013: 266–268). While SL18 might be a crude example of the complicated web of overlapping concessions within the Somali inhabited territories, similar conflicts exist in block SL6, SL7, SL9, SL10A, SL10B, SL13, SL12, SL14, and SL19 (see Table 1).

Letters from 2013 Khaatumo State president and the chairman of Khaatumo Forum for Peace, Unity and Development, both addressed to the oil company DNO, illustrate the widespread disputes permeating the area (UNMG, 2013: 266–268). DNO is harshly criticised for making an agreement with '(...) *the renegade one-clan secessionist enclave calling themselves "Somaliland"*', concerning SL18, which is '*rightfully*' owned by Khaatumo State, and DNO is thus urged to immediately withdraw from the void agreement as tensions and conflict in the area might otherwise intensify (UNMG, 2013: 268). It is stated:

<sup>33</sup> Interview with Mesfin, 09-04-15, Addis Ababa

(...) [T]here is no way that DNO can exploit our God-given resources over our heads' ... '[u]nless DNO rescinds this unlawful contract with Somaliland, Khaatumo State would be forced not only to foil it on the ground but also take the matter to all our sisterly Muslim countries (...) (UNMG, 2013: 268)

These accounts depict how oil exploration agreements, even prior to exploitation, can lead to disputes and controversies both between the different political entities in the region and with international oil companies. Several violent manifestations of these tensions have been registered as well. In 2014 a DNO exploration team was ambushed in Sool by a clan militia, forcing DNO to flee to Hargeisa (Hovland, 2014; allAfrica, 2014). In Puntland, however, exploration activities have claimed several fatalities as activities of Range Resources resulted in the intensification of a clan dispute in a local community south of Bosaaso in 2006. In this case Puntland's military, which supposedly was ordered to protect the equipment of Range Resources, in an alliance with local elders killed more than thirty people and provoked the creation of a new militia in the area (Reitano & Shaw, 2013: 673).

In this relation, the letter dated 10 September 2015 from the Puntland authorities to the oil company Spectrum ASA is alarming (AC, 2015). In this missive the director general of the Puntland Petroleum and Minerals Agency, Issa Mohamud Farah, denounces the newly signed deal between Spectrum and the FGS covering parts of Puntland's claimed offshore territory and states that any Spectrum vessels in Puntland territory will be seized. A similar threat is made towards the Chinese BGP Inc. and its offshore seismic activities (Garowe Online, 2016; Hanad, 2016). This practice is not unfamiliar to Puntland's Maritime Police, as it has previously detained foreign vessels accused of illegal fishing (AC, 2015: 6).

### **Local Grievances and Oil Units**

In numerous cases exploration activities have had tangible implications for the actual livelihood of communities living in the affected areas, which were highlighted repeatedly during the interview with Somaliland Non-State Actors Forum (SONSAF) Executive Director, Mohamed Ahmed Muhamoud. As one of several examples, Muhamoud pointed out the exploration activities conducted by Genel Energy in the Nugaal area in 2013. Allegedly, Genel Energy arrived in the early morning in a massive convoy of trucks and conducted exploration activities before leaving the area shortly after. While no shots were fired, it caused great confusion and resentment within the local community, as inhabitants had not been satisfactorily informed in advance of the exploration activities.

It was further emphasised that SONSAF often confer with clan elders in areas of oil exploration and that the elders are generally positive towards oil exploration and exploitation as long as they are informed in advance and included in the activities in their area. As Muhamoud stated: '(...) *you cannot just one day move to the place and start operations without building gradual awareness, understanding,*

*communal consultation*'.<sup>34</sup> As the majority of the population in Puntland and Somaliland live as pastoral nomads dependent on herds moving freely, the intrusion of the oil companies might have severe consequences for the everyday life of inhabitants (Hoehne, 2015: 13; WB, 2015).

As a response to the possible security issues arising from the interaction with the local communities, specially trained oil security forces have been established – the OPU in Somaliland and the ESU in Puntland (UNMG, 2014: 34–35; Gridneff, 2014; Balthasar, 2014: 10). Senior internal security coordinator and head of the Oil Protection Unit at the Interior Ministry of the Republic of Somaliland, Ahmed Kochin,<sup>35</sup> emphasised that the OPU was established in order to assure the safety of the international oil workers. Additionally, several ministry officials in Somaliland presented the picture of oil exploration and possible exploitation as being done in a peaceful manner with support from the local population. Another rationale for establishing the police units could, however, be that the OPU and the ESU are not only to protect oil companies against attacks from local inhabitants like those experienced by DNO in Sool, but also in order to strengthen territorial defence against hostile neighbours and militias in the contested borderlands.

Concurrently, chief of staff of the Presidency of Puntland, Deeq Yusuf, considers Somaliland's OPU as being: '(...) *part of the continued aggression and clan expansion of Somaliland against the territory and people of Puntland*' (Gridneff, 2014). The tension is in line with Philippe Le Billon's notion (2003: 31–32) that the hiring of local security forces – or in the cases of Somaliland and Puntland the creation of special forces – is increasing the potential for conflict. In this sense, the creation of oil protection units across the northern Somali inhabited territories can actually be seen as a conflict-escalating factor rather than as an initiative increasing security because oil companies are now to be escorted by heavily armed personnel, which can provoke violent clashes, especially in disputed areas.

It is worth noting that both the OPU and the ESU allegedly are funded directly by foreign oil companies. In Somaliland Genel Energy is supposedly funding the OPU, and Canmex/Erin Energy is perceived to pay monthly salaries to the ESU in Puntland (Balthasar, 2014: 10).

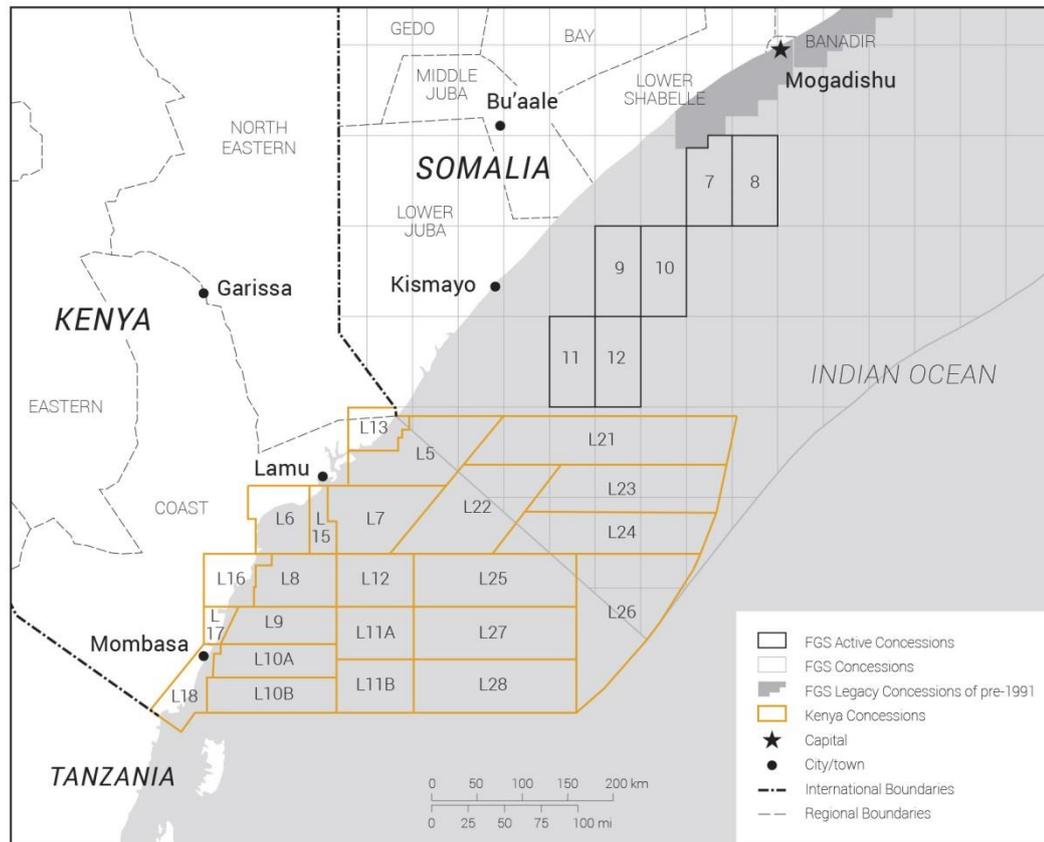
## **OIL IN SOUTH-CENTRAL SOMALIA**

Oil-related conflict within south-central Somalia is mainly, but not exclusively, anchored in the potential for offshore oil along the vast, underexplored coast. Offshore exploration is inherently different and usually more expensive compared to onshore exploration. As emphasised by Le Billon, offshore oil deposits are far more challenging for armed groups to capture or attack, and the risk of exploitation, theft and extortion is low as offshore oil platforms are more isolated and difficult to manage (Le Billon, 2006: 37–38; Le Billon, 2003: 33, 37).

<sup>34</sup> Interview with Muhamoud, 14-04-15, Hargeisa

<sup>35</sup> Interview with Kochin, 16-04-2015, Hargeisa

## Offshore FGS-Kenya



As the following illustrates, conflict scenarios are, nevertheless, possible. This section will include an outline of the conflict potential regarding the newly established GRS and subsequently the unfolding dispute between the FGS and Kenya.

### Galmudug Regional State

GRS is located south of Puntland and constitutes the union of the Mudug and the Galgaduud regions. Until recently, Galmudug was a self-declared semi-autonomous state but on 4 July 2015 Galmudug was officially recognised as the Galmudug Regional State and became a member state of the Somali Federation (UNSO, 2015; Abbas, 2015). Most of the exploration in GRS has been offshore and the sporadic and diffuse onshore exploration was mainly undertaken between 1960–1990 (Purcell, 2014; Hussein, 2012: 4). The oil dispute with the FGS dates back to February 2013 when the then self-declared administration of Galmudug entered into an oil exploration agreement with PetroQuest Africa as the deal was immediately denounced by the FGS and its partner Shell (Balthasar, 2014: 10; UNMG, 2013).

As the oil mapping shows (Table 1), Shell is still claiming legal rights over several offshore blocks including the one PetroQuest signed a contract to explore.

Shell refers to its legally binding contract and that the company intends to recommence its engagement in Somalia (Reitano & Shaw, 2013: 671; Manson, 2013). At the same time, in a letter from PetroQuest to Shell addressing the accusations of an unlawful contract PetroQuest underlines that the government with whom Shell entered into an exploration agreement in 1988 no longer exists and until the current discrepancy between the Petroleum Law and the Provisional Constitution has been harmonised the legal authority over hydrocarbon resources lies within each regional state and not within the FGS (UNMG, 2013: 260–262). On the contrary, the following quote from Somalia President, Hassan Sheikh Mohamud, expresses a clear discrepancy in the understanding of the legal latitude between GRS and the FGS: *'Galmudug should not ever offer any block to any company let alone the Shell block; it should not be signing contracts (...) there's only one president'* (Manson, 2013). In addition, Shell has increased the pressure on the FGS to: *'(...) take action to safeguard (...)'* its concession rights to offshore oil exploration overlapping with those of PetroQuest (Manson, 2013). With uncertainty in terms of what these safeguarding actions could entail, it is a clear sign of how oil companies are complicating and intensifying already existing tensions between the regional political entities and the FGS. In the closing part of the correspondence between the companies PetroQuest offers Shell the opportunity to buy them out.<sup>36</sup> However, talks between the FGS's Minister of Petroleum and Mineral Resources, Daud Mohamed Omar, Shell, and ExxonMobil in June 2014 related to offshore exploration suggest that Shell declined the proposition and continued to pursue its endeavours through the FGS (Faafin, 2014). It must, however, be noted that since this meeting the price of oil has dropped significantly, which arguably dampens the interest in these high risk concessions.

Despite the mechanisms idiosyncratic to offshore exploration and exploitation reducing the possibility of e.g. violent conflicts, the conflicting claims can prove highly problematic. With GRS's engagement with PetroQuest the claims by Shell could, at worst, ignite resistance and hostility from the local inhabitants and the GRS forces towards future Shell activities in Galmudug (Manson, 2013). The recent incorporation of GRS into the federal system can, however, be seen as having a mitigating effect on the dispute, as GRS is now officially part of the federation and a political solution to the oil issue seems more likely.

Concurrently, the recognition of GRS has resurrected another conflict. While GRS officially relinquished its original claim to the northern part of Mudug, which is also claimed by Puntland, deadly clashes over border demarcation occurred in 2015 (EASO, 2016: 67–68). If oil is to be found within the disputed area or mere exploration is initiated, either onshore or offshore, a further escalation of the border dispute seems probable.

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<sup>36</sup> This correspondence is, however, more than two years old and it has not been possible to acquire a valid update on the current situation as none of the companies have agreed to do interviews.

## FGS-Kenya

The dispute between the FGS and Kenya concerns the demarcation of the maritime border in the Indian Ocean. While Kenya claims that the maritime border runs parallel to the latitude from the point where the two countries' land border reaches the Indian Ocean, the FGS claims that the maritime border continues to run in the same southeast direction as the land border. This creates an offshore triangle claimed by both governments (Malingha & Gismatullin, 2013).

In 2012 Kenya licensed several international oil companies the concession rights to blocks, which fully or partially cover the disputed area while the FGS has recently announced its intention to award companies with exploration licenses within the disputed area as well (Total, 2012; Mbaria, 2014; Hill, 2016). According to Kenya the issue has already been resolved as in 2009 the Transitional Federal Government of Somalia signed a memorandum of understanding defining the maritime border in favour of the Kenyan claim. However, this deal was rejected by the FGS and on 28 August 2014 the case was brought before the International Court of Justice (ICJ) (Mbaria, 2014; ICJ, 2014 A). The dispute concerns 64,000 square kilometres and is especially tense because the area includes a large part of the Lamu oil basin, where commercial oil deposits have already been located (Mbaria, 2014). According to the FGS the Kenyan behaviour is a clear violation of Somali Law No. 37, which was signed in 1972 and acknowledged in 1989 as Somalia ratified the UN's Convention on the Law of the Sea. This law demarcates the Mogadishu continental shelf to include the disputed triangle (Mbaria, 2014).

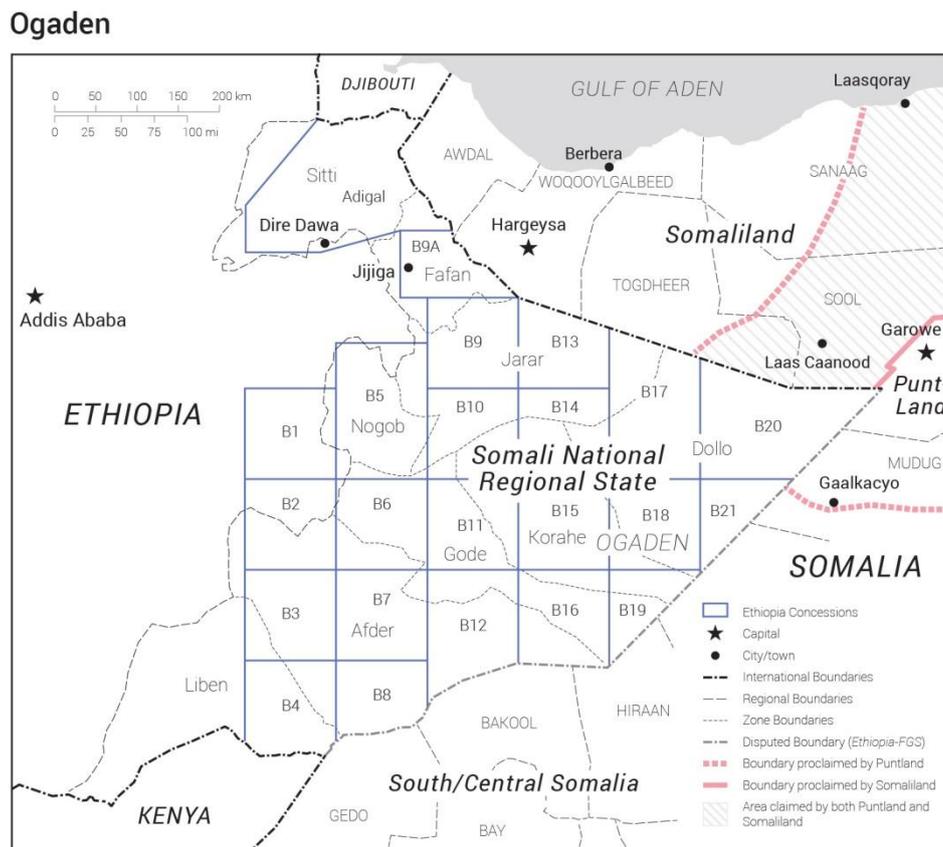
As the previous sections have illustrated, oil across the Somali inhabited territories is for the most part beyond de facto control of the FGS which is why the potential commercial oil and gas discoveries offshore become increasingly important. In this perspective offshore oil is arguably worth *more* than its actual price on the world market, and it constitutes a strategic asset in the FGS's broader statebuilding endeavour. The current low oil price might, however, curb the interest in the expensive offshore exploration.

As the FGS is upheld by AMISOM troops and international donors, a military confrontation with Kenya is unlikely. However, the largely unexpected Kenyan military intervention in southern Somalia in the autumn of 2012 is worrisome. This invasion officially had the objective of defeating al-Shabaab but the maritime and land border dispute and the potential oil profits also appear to have been drives of the action taken by Kenya (Balthasar, 2014; Manson, 2013; INSCT, 2014).

For the time being Kenya and the FGS are awaiting the ICJ decision and the deadline for presenting evidence is 27 May 2016 (ICJ, 2014 B). The decision could be the end of the dispute but the continued signing of concession agreements from both parties is alarming and might lead to further tensions.

## OIL IN THE OGADEN

The Ogaden<sup>37</sup> region of Ethiopia has historically been perceived as an underdeveloped and peripheral region and today neither the Federal Government<sup>38</sup> nor the Somali National Regional State (hereafter SNRS) have full control over the entire territory (Hagmann, 2014 B: 726; Hagmann, 2005: 511; HRW, 2008: 75). The SNRS has its own security mandate but major decisions are ultimately taken in Addis Ababa, close to the Prime Minister (Hagmann, 2014: A: 29–31, 48; Hagmann, 2005: 517–518).



We argue, that in order to understand how oil exploration is exacerbating already existing conflicts in the Ogaden it is necessary to look at the decade-long, and ongoing secessionist insurgency characterising the region, and the fact that the current exploration is being conducted along the vast peripheral border to the remaining Somali inhabited territories.

<sup>37</sup> The Ogaden is part of Ethiopia's SNRS. The term 'Ogaden' is used in the present paper because the majority of the oil exploration in the SNRS is in the area usually referred to as the Ogaadeeni heartland, which roughly corresponds to the five administrative zones: Nogob, Koraha, Jarar, Gode, and Dollo. This area is largely, but not exclusively, inhabited by Somalis from the Ogaadeen clan (HRW, 2008: 11; Hagmann, 2014 A: 12).

<sup>38</sup> The Federal Government consists of people from or loyal to the ruling party EPRDF, which has been in power since 1991 (Foltyn, 2015).

It is necessary to underline that the oil-related conflict in the Ogaden stands out compared to the other Somali inhabited territories analysed in the paper. The statebuilding in Ethiopia is considerably more consolidated, and the political jurisdictions of each region (e.g. SNRS) are clearly demarcated. Ethiopia is a legitimate recognised state and the conflict in the Ogaden is therefore essentially different in character compared to the earlier-mentioned territorial and ownership conflicts.

### **ONLF and the Secessionist Conflict**

The ONLF started out as a diaspora movement and not until the collapse of the Derg regime in 1991 did the ONLF formally enter into the political system of the newly established SNRS, and then it ruled the region up until 1994. When the constitutional promise of a referendum to determine the future of the Ogaden did not materialise the ONLF was deposed from power by an EPRDF-allied coalition of non-Ogaadeenis and the ONLF fled to the bush and began the armed struggle that has continued ever since (Hagmann, 2014 A: 38; Hagmann & Hoehne, 2009: 47).

From its establishment in 1984 until today the ONLF's objective has been to place the political destiny of the Ogaden in the hands of its inhabitants (ONLF, 2015; Hagmann, 2014 A: 37–38). At the time of writing the ONLF is considered to be relatively weak but they represent the only real opposition to the EPRDF/SNRS and the ONLF is likely to continue its strategic and symbolic hit-and-run tactics for years to come (Hagmann, 2014 B: 728).

In relation to resources, a revealing indicator of this abysmal disunity between the regime in Addis Ababa and the Ogaadeenis is one of several slogans used during an Ogaadeeni diaspora demonstration in London in December 2014 against Chinese and Ethiopian hydrocarbon exploration in the Ogaden, which simply stated: '*Ogaden territory is not for sale*' (Wariye, 2014).

### **Exploration of the Periphery**

Several resource curse authors emphasise that the further away from the capital hydrocarbon exploitation is conducted the more likely violent conflict over resources becomes (Le Billon, 2003; Ross, 2004: 337, 343–344, 350; Collier & Hoeffler, 2005: 627; Lujala, 2010: 17). This insight is highly relevant in the case of the Ogaden as every concession block along the international border to Somalia is currently undergoing exploration, and oil exploitation here is, *theoretically*, more conflict-prone. During the Ethiopian military intervention in Somalia from late 2006 to 2009 with the objective of defeating the Islamic Courts Union it became obvious how problematic it is to control the Ogaden beyond the main towns (Menkhaus, 2007 B: 371). Throughout this campaign the military had to control not only the supply lines back to the capital but also rural areas near the Somali border (Hoehne, 2009: 268). If oil or gas are to be exploited along the vast, porous border to Somalia, this would certainly put the Ethiopian military and the Liyu

police<sup>39</sup> to the test. Put simply, it can be argued that the further away from Addis Ababa and Jijiga oil is found the more difficult it will be to secure the oil companies and related investments.

The borders between the Ogaden and the remaining Somali inhabited territories are highly porous and characterised by cross-border trade with a wide range of contraband and sporadic movements of armed groups from Somalia (Hagmann, 2005: 510, 512; Devereux, 2006: 13, 49, 57). Border regions with natural resource deposits which have little or no central authority are often described as being more exposed to interference from rebel groups as it becomes increasingly difficult for the governments involved on both sides to fight off rebel groups (Le Billon, 2006: 35). With the combination of an impressive reach and operationality, and with Ethiopia as a declared enemy, al-Shabaab is an obvious threat to any oil activities in the Ogaden (UNMG, 2015: 26–27; UN, 2015). During the interview with senior researcher Berouk Mesfin, al-Shabaab was mentioned as an obvious threat to oil installations and personnel in Ethiopia. According to the UK Foreign Ministry, credible sources indicate that al-Shabaab, though primarily based in south-central Somalia, has the capacity and will to carry out terrorist attacks within Ethiopia (UNMG, 2015: 26–27; Gov.UK, 2015; UNMG, 2014). With resources being located in the border area it seems likely that al-Shabaab will play a part in the future exploration and exploitation in the Ogaden.<sup>40</sup>

### **Oil-Related Conflict and Local Grievances**

As mentioned above, the desire for and fight over secession (mainly expressed by the ONLF) is nothing new and oil exploration is therefore not the main catalyst of the ongoing conflict. The exploration activities have, however, incited new clashes and deepened the conflict and are likely to continue to do so.

Abuses and extrajudicial killings, insecurity as a political tool, and everyday humiliation carried out by government forces have, for decades, been part of the reality for the Ogaadeenis and seem to have become part of the Ogaadeeni collective memory (Hagmann, 2005: 526; Hagmann, 2014 B: 728, 731–735). In relation to oil, recent reports indicate that human rights violations and forced evictions are taking place in areas close to oil exploration sites (HRW, 2013: 118).

An example is the current engagement by the Chinese company Poly GCL, which is conducting exploration in eight blocks across the Ogaden (HRW, 2008: 11). In order to ensure the safety of the Chinese investments and workers, the Ethiopian military and the Liyu police have, with financial support from Poly GCL, forcibly removed the local population living in proximity to oil and gas sites. The local population is generally perceived as a threat and the ONLF accuses the Liyu police of targeting the civilian population by burning fields of crops not to mention reports of women being raped (McKenna, 2014; Wariye, 2014).

<sup>39</sup> The Liyu police are a special police force conducting counter-insurgency in the Ogaden.

<sup>40</sup> Note that al-Shabaab and the ONLF have clashed several times concurrent with allegations of their cooperation, which makes it difficult to assess the likelihood of an alliance (George, 2012).

Furthermore, the current exploration creates huge impassable areas of important pastureland, where pastoral nomads are denied access with their herds (Daly, 2014).

These harsh living conditions provide a key insight to understand the political situation in the Ogaden and the existence of the ONLF. As oil exploration is worsening already challenging living conditions and increasing grievances among ethnic Somalis the legitimacy and the *raison d'être* of the ONLF is being strengthened (Hagmann, 2014 A: 67). This is the perspective from which the 2007 ONLF attack on the Abole oil field must be understood.

In April 2007, the ONLF carried out an unprecedented deadly attack on the Abole oil field located in the Degehabur zone in which nine Chinese oil workers and 65 Ethiopian soldiers were killed (Hagmann, 2014 B: 731). The response came immediately with the initiation of a total war strategy and the subsequent establishment of the Liyu police. The police force was established to destroy the ONLF by targeting everyone perceived as ONLF, collaborators or even supporters hereof, through killings, rape, and torture (Hagmann, 2014 B: 731, 734; HRW, 2012). When asked about the establishment of the Liyu police and its actions the Director of Petroleum Licensing & Administration, Ketsela Tadesse (20-04-15, Addis Ababa) vaguely expressed that: '*... those who are against your development have to be put under control ... For this you need some mechanisms*'.<sup>41</sup>

The ONLF attack is notable for several reasons. First, to some extent, it contradicts the theoretical notion of *greedy rebels* (Humphreys, 2005: 511) trying to secure profit, as it works directly against the establishment of operating oil wells with the associated opportunities for theft and extortion. Second, the attack clearly shows that the ONLF views foreign oil companies and their exploration activities as an act of aggression and a plunder of resources belonging to the Ogaadeenis, and in this way the matter of hydrocarbon resources becomes closely linked to the ONLF's broader struggle for secession. Lastly, the attack exemplifies how the static (in geographical terms) character of oil exploration makes its operation highly exposed – a liability that will only mount if actual exploitation is initiated. If oil is discovered in the Ogaden a comprehensive pipeline infrastructure needs to be established for transportation. This web of pipelines will run many miles through Ogaden territory beyond the control of the Ethiopian army and will be highly vulnerable to hit-and-run attacks, theft, and sabotage causing further unrest and violent conflict in the Ogaden.

<sup>41</sup> Interview with Tadesse, 20-04-15, Addis Ababa.

## CONCLUSIONS AND POLICY CONSIDERATIONS

Only limited research has been conducted on emerging oil producers and the unique challenges associated with this initial phase. From the present working paper the overall finding is that prior to any oil exploitation, and even prior to any commercial oil discoveries, several of the negative dynamics associated with the resource curse are fully at play within the different Somali inhabited territories. The paper thus illustrates that the politics of oil in the Somali inhabited territories have already led to corruption and examples of diversion of funds, forced evictions, diplomatic crises, legal disputes, clan tensions, and border disputes – not to mention the known killings of more than 100 people in the Ogaden and Puntland directly related to oil exploration. The mere *myth* of oil thus contains strong mechanisms that, even before exploitation, influence politics in general and conflict dynamics at all political levels across the Somali inhabited territories.

The mapping of exploration activities reveals the magnitude of overlapping concession claims and the extensive use of joint ventures, which is a clear indication of the risk assessments made by the oil industry. Oil-related investments flowing into the political entities have not only resulted in cases of corruption, but also in the establishment or endeavour to establish two well-equipped oil police units in Puntland and Somaliland and contributed to the establishment of the Liyu police in the Ogaden. The privatisation of security reduces transparency, prompts questions of affiliation and loyalty of security forces and the units become dangerously powerful parties to the ongoing myriads of conflicts.

In **Somaliland** and **Puntland** oil exploration has already spurred conflict in the borderlands and the oil police units currently being established in both Puntland and Somaliland signify that clashes over oil territories might turn out to be even more deadly in the future. The hostility between Somaliland and Puntland is nowhere *only* created by the current oil exploration, as historic issues related to e.g. access to grazing land and water as well as border demarcation have existed for decades. However, the presence of oil companies is exacerbating and accelerating the existing tensions, as the establishment of the two oil protection units exemplifies. In this way, and as highlighted by numerous interviewees, oil exploration and prospects of future exploitation are complicating and, in several incidents reigniting already existing conflicts between the political entities of Somaliland, Puntland, and partly the Khaatumo State.

The unsolved legal dispute related to the FGS and its claim over any hydrocarbon resources in both Puntland and Somaliland is currently a major issue, which will only escalate if commercial oil is discovered. Also, here, the current widespread engagement of oil companies only further complicates the situation.

The hostile correspondence between **GRS** and the FGS and the oil companies illustrates the widespread disagreement between the different actors in the region. While the recent recognition of GRS as a federal member state of Somalia must be perceived as reducing the risk of conflict with the FGS, the very same recognition

has reignited a territorial dispute with Puntland, which will be intensified if on- and offshore exploration is initiated.

In terms of the offshore dispute between **the FGS** and **Kenya**, the risk of violent conflict between the two states must be perceived to be relatively low while a diplomatic crisis is currently unfolding. The disputed area is of strategic importance to the FGS, as oil discoveries *have* actually been made within the offshore basin. Added to this, the lack of capacity of the FGS to claim and control the potential onshore oil deposits, especially those within Somaliland and Puntland, is further adding to the strategic importance of the disputed offshore area. Besides, the potential oil revenues represent a way for the FGS to increase its de facto independence, as a huge oil discovery will decrease its donor dependency. On a general level, the marked interrelationship between the FGS and Kenya, including especially the mutual endeavour to combat al-Shabaab, must be seen as conflict-reducing mechanisms.

The presumed hydrocarbon deposits significantly shape security affairs in **the Ogaden**. Most of the oil blocks currently undergoing exploration are situated in proximity to the border of Somaliland, Puntland, and south-central Somalia where the SNRS does not have full control. While continued oil exploration might increase the possibility of hit-and-run attacks, as seen in Abole in 2007, it is unlikely that the ONLF will have the capacity to secede, as both the Liyu police and the Ethiopian military have proved highly determined to suppress any resistance. Commercial oil discoveries in the Ogaden will be of significant strategic importance to the Ethiopian government and possibly result in the continuation of the rough counter-insurgency campaign. This will undoubtedly help to increase the legitimacy of the ONLF. Additionally, if oil is discovered close to the south-central Somalia border it is likely that it will attract the attention of al-Shabaab and/or other militias.

Despite the drop in oil prices since mid-2014 and the volatile security environment, the extent of oil exploration across the Somali inhabited territories remains significant. This indicates that the conflict manifestations are likely to become increasingly evident in the future development of the Somali inhabited territories, especially if oil in commercial quantities is discovered. It is therefore relevant to ask how these conflict trajectories can be avoided.

If the extensive exploration continues within the Somali inhabited territories and runs parallel to the creation of political settlements, the statebuilding process will constantly be affected by developments from the ongoing exploration and it will potentially change the different negotiating positions. A way forward is therefore to temporarily suspend the exploration activities and focus on creating solid political solutions to the territorial, clan-related disputes and find legal solutions concerning ownership and distribution of natural resources. While this is of course immensely difficult in the Somali inhabited territories, it is problematic that the actual process is roughly done the other way around. When the exact locations of oil deposits are discovered, the possibility of finding political and non-violent solutions to decade-long disputes will become tremendously more difficult as every actor, be they oil companies, political entities, local clans or

the FGS, will be willing to take necessary means to secure the vital assets. Ironically, the low oil price may benefit the Somali situation, as oil activities might be postponed until higher prices emerge, providing more time to reach political settlements.

Other key aspects that can work to reduce the possibility of conflict and secure a more sustainable solution are the inclusion of the local communities in the decision-making process and, concurrently, the management of public expectations. Through interviews and general discussions in both Addis Ababa and Hargeisa it was repeatedly highlighted that the local populations expect oil to improve their living conditions substantially. If oil is then found and it turns out not to benefit the people, especially those living in proximity to future exploitation sites, it will create dissatisfaction and likely spur violent conflict due to the harsh living conditions in many parts of the territories. It is therefore crucial that the local communities are included comprehensively into and informed about all stages of the politics of oil. As SONSAF director Mohamed Ahmed Muhamoud clearly expressed, the local clan leaders are generally not hostile towards oil-related activities, as long as they are informed sufficiently in advance, which is evidently not the case so far.

A final consideration, which mostly relates to Somaliland, Puntland and GRS, is that some sort of coordination between these political entities and their engagement with the international oil companies and the FGS must be obtained. Currently, it is possible for the oil companies to play the entities off against each other, which benefits only the oil companies and not any of the entities let alone the Somali people.

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