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London-listed oil company SOCO dumps Republic of Congo asset under highly questionable circumstances

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London Stock Exchange-listed SOCO International Plc disposed of one of its last Sub-Saharan Africa assets in a deal that breaches Congolese law and appears to make no commercial sense, a new Global Witness investigation reveals.

On 25 June 2018, SOCO announced it had signed and completed an agreement to sell a subsidiary holding its operating stake in Congo's Marine XI offshore oil block to an opaque shell company with no prior experience, cash or assets called Coastal Energy Congo.

SOCO failed to inform or seek authorisation from the Congo's oil authorities prior to the sale, in breach of Congolese law. It announced completion of the transaction without receiving any money and had at least one better offer, which it declined. Payment for the asset was conditional on certain terms, which ran an eighty to ninety-eight per cent chance of failure, the company reported shortly after the transaction.

Coastal, incorporated just weeks before the deal in the secretive Marshall Islands, promptly installed a close relative of Congolese president Denis Sassou Nguesso to manage its local business, and started to transfer payments to at least one company connected to its CEO.

Overnight, the Congolese government found an empty shell company responsible for running one of its prime untapped oil blocks, and SOCO's shareholders found themselves an asset short with nothing concrete to show for it.

A few months after the deal was announced, Congo's oil authorities commissioned a formal inquiry to establish whether Coastal had the technical and financial capacity to operate the block. The conclusion was negative.

What happens next is anyone's guess. Congo could revoke the licence, which would set a precedent in Congo's oil sector. Or Coastal could sell it on – a classic 'asset flipping' procedure – but to whom, how and at what price?

"Republic of Congo is on the brink of bankruptcy, yet cowboy companies continue to strike oil deals that appear to be dismal both for the country and company shareholders," said Natasha White at Global Witness.



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“For over two decades, Global Witness has investigated corruption in natural resource deals, and SOCO and Coastal’s deal appears to have many of the tell-tale signs. Congo’s oil authorities have begun to investigate; UK regulators must do the same.”

SOCO International sold its interest in SOCO Congo Limited, owner of SOCO Exploration & Production Congo, the entity holding a 40.39 per cent operating stake in Congo’s Marine XI oil block, as part of a wider Sub-Saharan Africa divestment strategy.

SOCO’s history in the region has been mired in controversy. From 2007 to 2015, the company attempted to explore for oil in neighbouring [Democratic Republic of Congo’s Virunga National Park](#), a UNESCO-protected World Heritage Site, paying others who bullied or bribed anyone who got in its way.

In 2005, SOCO acquired the Marine XI licence after it had already been awarded to a Canadian company called Energem Resources Inc. A signature bonus bid between the two companies followed and SOCO won, despite offering US\$15 million less than Energem.

Uproar ensued and an audit mandated by the IMF, which was in the process of negotiating Congo’s debt relief at the time, found the licensing process flawed and conflicts of interest rife. Fourteen years later, SOCO is again at the heart of a controversy over the block.

“Congo is Sub-Saharan Africa’s third largest oil producer, yet as the country seeks its second bailout in less than a decade the revenues from this lucrative but finite resource do not appear to be making it into state coffers,” said White. “It is crucial – in this context more than ever – that the country’s remaining reserves are managed and exploited in a responsible manner. Foreign oil companies must adopt the highest standards in doing so and those that do not must be held to account.”

SOCO “strongly rejects” any allegation that it has been “less than transparent and legally compliant in its handling of the transaction” with Coastal, and Coastal “strongly denies” any allegations of corruption relating to the deal.

Ends.