



OIL AND GAS GOVERNANCE NETWORK

WINTER 2022 NEWSLETTER

ISSUE 1, VOL 1

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Head of the Media Unit, OGGN

The OGGN is delighted to launch this first special 2022 publication of its newsletter as part of its ongoing community engagement and oil education dissemination plan. This complements the OGGN website (www.oggn.org) - a treasure trove of information, research, educational materials, and opinions on oil, gas, and the environment. It contains many articles published in all the major newspapers in Guyana and Guyanese newspapers in Canada and the USA. Some of our articles have also been carried through the News America Now network and a few articles have been published in some Latin American media.

Apart from the superb work of the Kaieteur News and Stabroek News in Guyana, and the groups that have filed environmental lawsuits, the OGGN is probably the next most important advocate and voice for a better deal for Guyana through the renegotiation of the current oil contracts which have given away the national patrimony. In our view, the number one issue for Guyana is to do all it takes to invite the oil companies to the table to review the current Production Sharing Agreement (PSA) for the lucrative Stabroek Oil Block with a projected 10+ billion barrels of known oil, and an ever-increasing quantity as more and more wells are drilled.

While rewarding the investors for their efforts, Guyana's natural resources should benefit Guyanese first and foremost in national income, and provide jobs for Guyanese companies and citizens. With such an abundance of resources more than any country in the CARICOM Region, we can no longer remain a "rich country of poor people," as President Irfaan Ali describes it. Why should Guyana's currency have the lowest value in CARICOM, and why should we remain destitute forever? The time for the working poor - the downtrodden masses of Guyana to benefit is now! Our people cannot wait.

We have the herculean task of convincing both the Guyana Government and the Parliamentary Opposition to join hands and

approach Exxon to review the contracts. We have advised that Government use approval of Yellowtail as a leverage to secure a better deal for Guyana. However, our Government is rushing ahead with the approval of the Yellowtail Project although we are quite unprepared to monitor wells in production now, and despite cautions from environmental nationalists that the Environmental Impact Assessment has not answered many lingering questions.

The Kaieteur News publisher, Glenn Lall, has filed a lawsuit against the government concerning possible violations of Guyana's tax laws in exempting the oil companies from paying VAT and corporate income taxes, and some foreign oil industry workers from paying taxes as other workers do. Also, the Government has passed a new Natural Resource Fund Act without consultation and is poised to start spending these funds.

We at OGGN will not flinch, nor yield any quarter in our quest to support our elected leaders to renegotiate the oil contracts. It is a goal to which we are committed come hell or high water! We see this as our sacred duty and our high calling. We support the KN's lawsuit and hope it will lead towards renegotiation of the oil contracts.

The articles featured in this newsletter reflect the scholarship and strong opinions of our OGGN leaders and members, and supporting partners. We thank all those Guyanese who have signed our petitions, engaged in discussions at our protest and signature campaigns, read our articles in the newspapers, watched our YouTube videos and read our educational materials on our website.

We call on Guyanese everywhere to unite and let us do our part in convincing the Government and Opposition leaders to renegotiate the contracts now. This is an urgent imperative!

- Please share this newsletter to all your friends and family. Visit our website at: www.oggn.org
- Send any responses or emails to: comments@oggn.org
- If you would like to support our work, please contact: comments@oggn.org
- If you would like to join our cause, please send an email expressing your support: comments@oggn.org



Accomplishments of OGGN

Since its formation 5 years ago, the OGGN has made several accomplishments in a short time, broadening its contribution to the cause of renegotiation of the oil contract, tirelessly advocating for oil governance based on full disclosure, transparency and accountability, and utmost protection of the environment. OGGN has called for a fair deal that will increase Guyana's budgetary resources, enrich the people of Guyana foremost and develop the national, social, and economic infrastructure, especially since we are so endowed with an abundance of natural resources. Major accomplishments include:

1. Networking in common cause with oil and gas and environmental groups and resource persons in Guyana and abroad.
2. Sponsoring petitions calling on the Government of Guyana to renegotiate all oil contracts. Over 2,100 signatures obtained so far
3. OGGN members have written hundreds of articles and blogs in newspapers - Kaieteur News, Stabroek News, Guyana Times, Guyana Chronicle, Indo-Caribbean World (Canada), Indo-Caribbean Media (New York), Equality News (Canada), News America Now (USA), Caribbean Camera, etc.
4. Launching of the www.oggn.org website which has hundreds of media artifacts such as articles, contracts, videos and infographics.
5. Sending petition signatures to President of Guyana requesting renegotiation.
6. Sending a letter to the President offering OGGN's willingness to serve on the proposed Oil Commission.
7. Letter to the Minister of Natural Resources requesting information on tax certificates issued to oil companies.
8. Letter to the Minister of Education offering help in developing an oil and gas curriculum for schools in Guyana.
9. Organizing ongoing protests and signing of petitions in Little Guyana, New York calling on the Government of Guyana to renegotiate the oil contracts.
10. Sponsorship of oil seminars in New York with prominent presenters such as Dr. Tarron Khemraj, Dr. Jan Mangal, and Christopher Ram.
11. Completion of Special Projects which included production of a groundbreaking Directory of Jobs available in oil, YouTube videos and infographics on oil (see www.oggn.org/education).
12. Appearance on Kaieteur Radio.
13. Appearance on Globespan.
14. Award of a special grant from an international organization.

Kazakh Model for Oil Monies Would be Recipe for Mischief



By Dr. Tarron Khemraj

Vice President Jagdeo recently added some clarity regarding the long-term vision of the PPP/C administration. This clarification came at the Offshore Technology Conference in Houston, Texas. The first vision pertains to the immediate maximising of oil revenues because of the uncertain prospects for fossil fuel in the coming three decades. The second vision has to do with renewable energy forming part of the national energy mix.

The Low Carbon Development Strategy (LCDS) was invoked in order to justify the second long-term vision. The long vision implies a fairly large hydropower station, most likely Amaila, is the objective. More granular renewable energy sources do not seem to be in the works. By granular, I mean providing incentives for families and businesses to convert rooftops into solar panels for own use and selling the surplus. However, the latter approach need not be inconsistent with a grander plan such as Amaila. They all require legislation and the upgrading of the grid system.

Mr. Jagdeo provides a few rationales in support of his argument for maximising oil revenues now. First, he notes that since Guyana's offshore is a relatively low-cost alternative, then this country's oil ought to take some existing market share from higher cost oil-producing regions. Second, the Vice President argues that if Guyana does not commit deeply right now, others will since there is a market of US\$4 trillion.

It is interesting to observe the inherent strategic uncertainty driving the Vice President's decision to go all in now. Here is the strategic uncertainty: since Guyana (and the Vice President) cannot be sure others will decarbonise - meaning cooperate - for a noble and much larger vision to save the planet, then we might as well pump as much as we can now. I find this to be very interesting as it rings a parallel with a metaphor I have used over the years to analyse Guyana's voting contest and its associated economic development outcome - hence, the internal political strife in the title of this column.

If the Vice President and Guyana play nice and refuse to jump all in immediately (cooperate for the grand vision) while other countries do not (they cheat or defect), then Guyana loses significant amounts of revenue that Guyanese can only hope their leaders will spend wisely and equitably. On the other hand, the defectors (other oil producers) gain the revenues as Guyana loses.

There is of course a theoretical outcome in which the world is better off - where Guyana and all other oil-producing countries play nice and cooperate to decarbonise starting today. However, this depends on a high degree of trust among nations. Guyana has to trust that others will do the right thing and also decarbonise. New upcoming oil producers like the Brazilian offshore also have to trust that Guyana will not jump all in.

Such trust requires a grand global governance, which most scholars in International Political Economy will argue is unattainable. Several countries such as the United States, Germany, the United Kingdom, Canada, and other democracies, have leaders who are beholden to their home constituencies at election time. It is very hard to make deep commitments in the spirit of multilateral governance (think Brexit), particularly in global cooperation for curbing the carbon economy.

Oil producers with authoritarian governments do not fare any better, and in some ways do worse. China, Russia, Saudi Arabia, among others, are still committed to carbon-based economies for a much larger time period in spite of their impressive talks at the international level.

Therefore, the outcome or the equilibrium is all oil producers, including Guyana, become self-serving and pump as much oil now - the worse possible outcome for the planet. The bad outcome is driven by the strategic uncertainty. Some readers following my take on Guyana's internal political economy might have noticed that I am applying a

well-known metaphor in this column: the prisoners' dilemma. This is a very useful analytical tool that is not only relevant for analysing international relations, but also internal politics.

Mr. Jagdeo may have a point, therefore, with respect to gaining enough funds. One can only hope that the funds are going to be used for adaptation since global warming and climate change are now cast in stone and there will be serious adverse consequences in coming decades. Guyana's coastal plain will demand significant amounts of money for adaptation. In spite of reference to the LCDS, there does not appear to be much commitment either when it comes to mitigation: Minister Juan Edghill makes it clear that mangroves can be replaced with concrete walls.

Guyana's adaptation to climate change would require national consensus and cooperation across the political divide, as well as the "maximised" revenues. In the case of Guyana, the political divide is strongly aligned to the ethnic divide. The Vice President will no doubt not be pleased with an application of the prisoners' dilemma (well, the repeated version of the PD) towards understanding the economic underpinnings of the two ethnic security dilemmas in Guyana.

Nevertheless, it is worth repeating it so that the reader can observe the parallel with the revenue "maximisation" example above. It goes something like this: on the day of voting the ethnic base (all good folks) of the PNCR cannot be sure the ethnic base of the PPP/C will cooperate by voting for independent parties (split their votes). On the other hand, the ethnic base of the PPP/C (also good folks) cannot be certain that the ethnic base of the PNCR will cooperate by voting for independent parties (split their votes). What if the PNCR's base split their votes and the PPP/C's does not? Then the latter gets most of the contracts, prestige, scholarships and the pivotal civil service jobs. And what happens if the PPP/C's base split their votes and the PNCR's base does not? Then the supporters of the PPP/C lose most of the prestige and other goodies mentioned previously. The trust is just not there; as a result, the safe strategy is for both ethnic bases to vote solidly for their ethnic leaders (to defect). In doing so, one votes to keep the other side out.

Of course, leaders and supporters of the PPP/C have been saying that their party gets crossover votes since the last population census has the East Indian population at 39%. I am not convinced about the last census that was released two years late in a fiasco. Surveys such as LAPOP and this newspaper's recent report on the PNCR's Brooklyn protest, as well as the stark editorial "The tale of two diasporas" (SN.

21/08/21) tell a different story.

Over the years, one scholar at the University of Guyana, Dr. Thomas Singh, has argued in favour of building trust as a means of transcending from the bad outcome in which both sides are worse off to a more cooperative one in which everyone is better off. It is not going to be an easy task. However, the cast-in-stone climate change ought to be a wake-up call for enlightened adaptation and mitigation. A starting point may be as follows:

- The PNCR and AFC must accept the 2020 election result and recognise the PPP/C as the legitimate government.
- (ii) The PPP/C must recognise that it does not have monopoly on competence and reach across the divide for the PNCR and AFC to be involved in critical decision making in the oil industry, Natural Resource Fund and other institutions that are in everyone's interest.
- (iii) Commence cleaning up and upgrading the voters' list. My personal feeling is a credible voters' list will also be dependent on a new and credible population census.

In closing, maximum production means maximum revenues for the oil companies. Guyana's share for the next decade, at least, will likely be capped at an effective rate of 14.5% per barrel (I think it's 13.5%) given the cost recovery of 75%. One way of maximising upfront revenues for Guyana is to get the cost recovery cap down to 50%. Just that single change to the contract will increase Guyana's take on each barrel to 27%.

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"With such an abundance of resources more than any country in the CARICOM Region, Guyana can no longer remain a rich country of poor people."

OGGN TO GOVERNMENT: Which Production Sharing Agreements Would the VP be Flexing Muscles to Re-negotiate?



There was a recent headline that “VP Jagdeo flexes government’s muscles on future oil sector profit sharing.” According to an August 17 Reuters news report, “the PPP administration has again signaled its intention to move to revise the existing contractual terms that obtain in respect of royalties, as part of a new Production Sharing Agreement (PSA) for future crude and gas projects.” Jagdeo is quoted in the Reuters report as saying that any new PSA will be tougher than the previous one negotiated by the Granger administration with ExxonMobil and that all of the deficiencies in the present agreement will be addressed. Jagdeo is further quoted as saying a new PSA could be ready “within six months.” The Attorney General, Mr. Nandlall, apparently had made similar comments at a recent New York meeting. In a letter of July 6, 2021 to a local newspaper, Mike Persaud of OGGN had asked the AG to indicate what oil blocks do not have an already signed PSA. The AG who usually likes to set the record straight has not responded, nor has the VP or Minister of Natural Resources responded.

We applaud the PPP government’s “engine room” embracing the notion of a “good contract” to give the bulk of the benefits to Guyana, not foreign exploiters. However, the time to act is now, starting with the lucrative, “sweet” Stabroek Block with an estimated 13 billion barrels of oil. While the oil companies have made billions, Guyana has less than US\$400 million and a long list of needs. We need urgent action now, not a pie in the sky promises of some future action. OGGN’s research shows there are nine PSAs or prospecting license already signed – 7 signed by the PPP during the President Ramotar’s administration and 3 signed by the PNC (one of the three is an amended contract previously signed

by Mr. Ramotar). The seven contracts apparently signed by Mr. Ramotar are Berbice – 2013; Canje – 2015; Corentyne – 2012; Demerara – 2013; Kaieteur – 2015, 2 weeks before the election; Roraima – 2013; and the Original Kanuku – 2013. Three contracts were signed by Mr. Trotman (Orinduik and Stabroek – 2016), and an Amended Kanuku contract previously signed by Mr. Ramotar, signed by Mr. Trotman on May 2016. The PPP signed more bad contracts (7) than the PNC (3). So what PSAs are Mr. Jagdeo and Nandlall referring to that will be renegotiated? Will the VP’s gas-to-shore project at Wales be under a different, better contract? Will this go to Parliament and be disclosed to the nation for review?

The Global Witness report which the PPP relied on heavily during the election to say that Guyana would lose an estimated \$US55 billion on 8 billion barrels of oil, had also strongly advised that the Government use the approval of the Payara Environmental Permit as a strategic leverage point to renegotiate the Stabroek contract. Instead, the Government ignored all advice, fired the EPA head, installed a replacement and accelerated the approval of the Payara permit. So, when our government knowingly and willingly facilitated this kind of exploitation of the nation’s resources, the nation is curious to know which PSAs the VP would be flexing muscles to re-negotiate! The nation awaits with bated breath to hear the VP or AG’s response.

OGGN's Reasons Why The Stabroek Oil Block Contract Should Be Renegotiated

By Dr. Ganga Ramdas and Anil Persaud

- The contract was signed with shell companies registered in the Caribbean. If there was a major oil spill, similar to what happened in the Gulf of Mexico, it would bankrupt Guyana. That spill cost BP about US\$62 billion, see reference [1]. This is not conjecture as it was reported in the media that in the Kanuku Oil block we barely avoided a BP type oil spill, see reference [2]. We need to have the parents of the oil companies take on the insurance liability for an oil spill.
- The highly respected non-profit organization, Global Witness, which stands by its financial calculations, see reference [3], showed Guyana loses US\$55 billion on 8 billion barrels when oil is at US\$65/barrel. Since the Global Witness report was published in early 2020 the number of barrels of oil has been projected at 13 billion barrels. As of September 15th, 2021 the price of Brent Crude hovers around US\$75/barrel. Using a similar calculation to Global Witness, and factoring this updated information Guyana loses US\$109 billion dollars. To put that in perspective it is about US\$140,000 for each of the 780,000 citizens in Guyana. The average income in Guyana is US\$4,000/year and 30% of the population lives on US\$2/day. The Global Witness report calculations are based on Guyana being in the middle of the pack of 69 oil regimes in terms of government share. We demand to be treated fairly.
- Guyana is paying taxes on behalf of the oil companies. Our citizens paid taxes to help build the roads and airports that the oil companies use to conduct their business. Our government should not be writing tax receipts for taxes NOT paid. These tax receipts can potentially be used to obtain a tax refund from the IRS. We demand the oil companies pay 25% taxes as per our laws.
- In the 1999 Stabroek contract, a key law was broken with the award of the 600 blocks when the maximum award for any single license should be 60 blocks. This is stated in the 1986 Petroleum Act, regulation 13(2). That Act makes reference to a graticular block, a unit of area of the seabed. The Act states the maximum allowed for a single license is 60 blocks but for the Stabroek block, the then Government gave away 10 times that amount for a single license. We need to enforce our laws.
- Because of a lack of ring fencing, which ensures oil well expenses don't spill over to other wells, we may never see the expenses for Liza 1 fall below 75%. The reason why is that Liza 1, Liza 2 and Payara have infrastructure expenses totaling US\$18.5 billion. Seventy five percent of US\$22.5 billion is approximately US\$16.9 billion, which is less than the US\$18.5 billion expenses. Thus, Liza 1 won't be able to pay off the debt that has accumulated, as part of capital costs, for the Stabroek block. Thus, the maximum we could get from Liza 1 is about 14.5%. In dollar terms that is US\$3.3 billion. The average worldwide government take is 69% from an IMF analysis of 67 oil regimes. We cannot be off the chart with a 14.5% take from Liza 1.
- The Stability Clause in the contract that prevents Guyana from renegotiating a fair deal is unconstitutional. Clause 32 of the contract is ultra vires, unconstitutional, undemocratic, and is

contrary to Article 65(1) of the Constitution of Guyana by purporting to bind subsequent Parliaments under Clause 32.4 of the 2016 agreement. We cannot be violating our own constitution.

- Suriname has discovered about 100 million barrels recently whereas our projected find stands at 13 billion barrels. Our oil reserves are 130 times that of Suriname. However, from the banner below we are a significantly worse deal than Suriname. We can have a fair deal if we renegotiate for a 10% royalty and 25% tax rate. That will bring in an extra US\$109 billion US as mentioned above.
- Demand better local content policy and it should be enshrined in law.
- Establish a petroleum commission with broad representation from all sectors of society including qualified experienced experts from the diaspora with adequate resources to execute its investigative, oversight, and enforcement functions.

References:

- 1 https://www.washingtonpost.com/business/economy/bps-big-bill-for-the-worlds-largest-oil-spill-now-reaches-616-billion/2016/07/14/7248cdaa-49f0-11e6-acbc-4d4870a079da_story.html
- 2 <https://www.kaieteurnews.com/2021/02/22/2019-repsol-mud-spill-could-have-been-as-catastrophic-as-bp-well-blow-out-dr-adams/>
<https://www.stabroeknews.com/2021/01/11/news/guyana/global-witness-withdraws-report-on-exxon-deal/>



OGGN TO GOVERNMENT: Tax Certificates For Oil Companies Not Yet Posted On Ministry's Website

We would like to inform the nation that it has been seven months since we have requested the information below from the Government. We have received no response so far. Guyana had a review by the Extractive Industries Transparency Initiative (EITI) in October 2021 and should be concerned it may get a low grade for transparency and accountability.

According to the Production Sharing Agreement of the Stabroek Block, the Government of Guyana issues Tax Certificates to the oil companies. For the 2020 financial year, the financial statements of HESS Guyana and CNOOC Guyana states that they paid billions of Guyana dollars in taxes. During the recent Guyana Extractives Industry Transparency Week conference, see here <https://geitw.padf.org/> hosted by the Pan American Development Foundation (PADF), in response to a question, Mr. Gossai of the Ministry of Natural Resources had indicated this information will be available on the website. Please see his statement on this matter at this link, <https://youtu.be/sd8oiNNQqXQ?t=2808> this information has not been posted as yet.

On behalf of the people of Guyana at home and abroad, we would like to know as follows:

1. The number of Tax Certificates issued to Exxon, Hess, and CNOOC.
2. The amount of money in each Tax Certificate issued.
3. The date(s) when the Tax Certificates were issued.
4. Copies of each Tax Certificate issued.
5. Additionally, can you say whether Exxon, Hess and CNOOC have used these Tax Certificates to obtain Tax Credits in their home countries?

This request is made under any applicable "Freedom of Information" regulations, and in recognition that the Government of Guyana has committed to accountability and transparency under its membership in the international EITI (The Extractive Industries Transparency Initiative) and its ratification of the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean - the Escazú Agreement - which enshrines the "Principle of Maximum Disclosure" and Citizens Human Rights. We look forward to the Ministry of Natural Resources' gracious assistance and timely response to our request for this information.

Directors,
Oil & Gas Governance Network

"OGGN supports the Kaieteur News publisher, Glenn Lall's lawsuit against the government concerning possible violations of Guyana's tax laws in exempting the oil companies from paying VAT and corporate income taxes, and some foreign oil industry workers from paying taxes as other workers do."

Understanding Guyana's Oil And Gas Industry: Some Basic Oil Terms To Know



By Dr. Jerry Jailall

Here is a transcript of a YouTube video we have on our website.

Hello Guyanese citizens, in this video, OGGN seeks to explain some basic words and terms related to oil and gas. The goal in this video series is to help you understand the oil and gas industry, and to help you be prepared to benefit from all the opportunities that will become available.

The production of oil is new in Guyana, having started in December 2019. The country has just finished 1 year of oil operations in December 2020. We expect Oil and Gas to be a major driver of the Guyanese economy and society. Oil is expected to bring about many major changes including new industries and businesses, new jobs, new training opportunities, and new sources of income for the country.

To understand oil and gas, there are some basic oil terms you need to know.

Let's start with the word "oil." What is oil? Oil, also referred to as crude oil, is a naturally occurring substance, formed millions of years ago by rotted and compressed plant materials. In its unrefined state, this crude oil or **petroleum** product is composed mainly of compounds of hydrogen and carbon called **hydrocarbons**, mixed with methane gas as in cooking gas, together with other organic materials, and salt water.

Oil is a type of **fossil fuel**. These fuels are found in the Earth and can be burned for energy. Coal, oil, and natural gas are examples of fossil fuels.

When petroleum or these fossil fuels are processed and refined, they produce usable products such as gasoline, diesel, kerosene, jet fuel, asphalt, and various other oil products called **petrochemicals**.

One major problem of fossil fuels is, if managed poorly, when such fuel is burned, harmful discharges can pollute the atmosphere and environment.

Oil and Gas are **nonrenewable resources**, which means they cannot be replaced naturally once they are used up. They are a limited resource which can be **depleted** or finished after a period of time. That is why, careful planning is needed to make sure oil resources are used wisely to benefit a country for a long time.

Crude oil obtained through drilling, is usually found alongside other

resources, such as "associated" natural gas.

Oil may be found on land below the earth or below the sea. Where a lot of oil is found in one area, that is called an oil reservoir or an **oil block**. Oil blocks may be large with billions of barrels of oil or smaller with tens of millions of barrels of oil. The Stabroek Block is Guyana's largest oil block containing an estimated 9 billion barrels of oil.

Oil companies have to set up oil wells to pump oil to the surface and into large containers on ships called **oil tankers**. The ships which are used offshore for drilling for oil and gas in the sea are floating vessels called **FPSOs** (Floating Production Storage and Offloading). At this time, all of Guyana's **oil wells** are in the sea, so they are **off-shore oil**. If oil is found by drilling on the land, that will be called in-shore oil. Guyana's oil in the sea is about 100-200 kilometres from the shore. **All operational** materials and food supplies needed by the FPSOs have to be transported from shore. This requires many service providers and creates jobs for workers.

When oil is found, it can be of 2 main types - **light oil** or **heavy oil**. Light oil, also called light crude, is good oil. Heavy oil or heavy crude is not so good.

Crude oil is categorized as "**sweet**" or "**sour**" depending on the level of sulfur in the **unrefined oil**. Light crude oil which contains minimal amounts of impurities, especially low sulfur content, is classified as "**sweet oil**." Heavy **crude oil** with a higher sulfur content is classified as "**sour oil**." A heavy sulfur content in oil is considered undesirable. Therefore, **sweet crude** is typically more desirable and valuable than **sour crude**.

Generally, the heavier the crude oil, the greater is its sulfur content, and the greater is the cost of refining such oil. Excess sulfur is removed from crude oil during refining. **Sulfur oxides released into the atmosphere during combustion of oil are a major pollutant of the environment, unless there are environmental protection measures.**

When wells are drilled to pump out the oil, that oil is measured in barrels per day. By December 2020, the oil companies in Guyana were bringing up 120,000 barrels per day. (One barrel contains 42 gallons of oil). **Please see our other oil videos on our website, for more information. Thank you.**

You Don't Have Time To Read This And They Need It In Houston

By Mike Persaud

I have long considered Steve Coll's book, "Private Empire ExxonMobil and American Power," the Bible on ExxonMobil. All government officials and ministers with responsibilities for the oil portfolio should take the time to do a serious study of this book. This book was published in 2012. Minister Trotman had renegotiated the Oil Contract in 2016 in secret, signed it in secret - and kept it secret for over a year. Trotman should have known about the habit of ExxonMobil to insert the Stability Clause that literally takes away the ability of the leaders of the host countries from performing normal management of their countries. If he hadn't read the book prior to 2016, it is likely he would have been briefed on it by his advisers at the Ministry or by the foreign consultants he had hired. (Read more on this from the Global Witness Report). Here is a brief extract taken from page 159, describing the rationale for the stability clause - and how it came to be inserted in the 1988 Chad oil contract.

"The generous terms were required, the oil companies insisted, to compensate for the exceptional risks they would endure in Chad. No political order in the country was likely to last for thirty-five years. Exxon's negotiators addressed this conundrum not just by negotiating for favorable royalties; they also inserted into the 1988 contract what was known in the oil industry as a stability clause. Article 34, entitled "Applicable Law and Stability of Conditions", placed the terms of the convention beyond the reach of any Chadian law that might be enacted by any government of the future. The clause protected Exxon against political risk. That Exxon had the power to carve out rights trumping any future law passed by any future Chadian regime was perhaps not surprising in this instance; Exxon's 1988 net profits of \$5.3 billion exceeded by several times the size of Chad's entire economy.

Article 34.3 declared: During the term of this Convention the State guarantees that no governmental act will be taken in the future, without prior agreement between the Parties, against the Consortium which has the effect either directly or indirectly of increasing the obligations or amounts payable by the Consortium or which adversely affects the rights and economic benefits of the Consortium provided by this Convention. "The contract was unambiguous about the parties' relative sovereignty: In case of contradiction or inconsistency between the Convention and the laws and regulations of the Republic of Chad, the provisions of the Convention shall

prevail, unless the Parties decide otherwise.". When President Deby of Chad presented the Contract to his Cabinet for approval, recalled Salibou Garba, then the country's Minister for Telecommunications, the president declared, "You don't have time to read this - and they need it in Houston." Even Deby "did not take time to go through it," Garba said. "Only later did he realize that the terms were not as favourable as he wanted." The foregoing passage is as shocking as it is revealing. Leaders are sworn to uphold their nation's laws (never to compromise on sovereignty) and at the minimum to properly read and conduct due diligence in all contracts dealing with your nation's natural resources.

For the Guyanese people, all the evidence on the public record, tells us that what happened in Chad was replicated in Guyana. The Stability Clause is a clear violation of Guyana's sovereignty. Attorney Chris Ram has tirelessly argued for litigation or renegotiation to remove this clause from the contract. Just as Chad's Deby did not read the Contract, Trotman also did not read the Contract. No trained lawyer, as Trotman is, could possibly have read it - and still sign away Guyana's sovereign rights. Except for the fact that Mr. Trotman himself said he had been instructed to sign. In Guyana's case, the contract fiasco is much worse than Chad's. The contract was not even presented to Cabinet for approval. One minister's signature in Houston was good enough - and the contract became legal and binding for the next 35-years.

Every Friday afternoon I am out on Little Guyana Square here in Queens, New York, holding up Banners and Poster Boards pointing out how lopsided the Guyana Contract is - and calling for renegotiation. Last Friday an Indian-Guyanese-born attorney walked up to me and said, "If Burnham was alive today, he would have ordered these SOB's a long time ago back to the negotiation table." Later an Afro-Guyanese woman walked up and said, "Cheddi always told us how the colonial rulers took our bauxite and paid us pennies on the ton. It is a shame this sort of thing is still happening today in an Independent Guyana.' What else can I say? Cheddi Jagan and Forbes Burnham must be turning over in their graves to know how today's crop of leaders have compromised our nation's sovereignty and sold out the nation's patrimony for crumbs. Why did they do it? I will take up this question in my next letter.

Sincerely,
Mike Persaud

Takeaways From Environmental Assessment Board's 'Public Hearing' On Vista Trading Impact Study Waiver



By Dr. Janette Bulkan

URL to article: <https://www.stabroeknews.com/2021/10/10/news/guyana/takeaways-from-environmental-assessment-boards-public-hearing-on-vista-trading-impact-study-waiver/>

The Environmental Assessment Board (EAB) is appointed by the Natural Resources Minister and comprises three persons. No qualifications or experience are listed in the Environmental Protection (EP) Act for EAB members. The EAB Commissioners for the 2021 calendar year are Mr. Omkar Lochan (Chair, third year of service on the EAB), Ms. Pradeepa Bholanauth, who heads the Low Carbon Development Strategy office at the Ministry of Natural Resources and Dr. Garvin Cummings, Chief Hydrometeorological Officer. The EAB convenes as necessary, inter alia, to consider submitted appeals (section 11(3)) against waivers (section 11(2)) of the requirements in the Environmental Protection Act 1996 for an Environmental Impact Assessment (EIA) by Guyana's Environmental Protection Agency (EPA).

Members of the public listened via a Zoom link to two recent 'public hearings' convened by the EAB - the first on 9th September 2021 and the second on 7th October 2021. Both public hearings were held in a blended format: the three EAB Commissioners and some EPA staff were physically in the EPA Boardroom, while appellants (or some of them) and the public connected via the Zoom platform.

Both public hearings were triggered by the waiver of EIAs by the EPA granted to locally-incorporated Trinidadian companies that had applied for permission to construct and operate industrial-scale facilities to service the oil and gas industries. In both cases, the facilities are to be located in coastal communities, the first at Lot 1 & 2 Thuiste to Coverden, on the East Bank of Demerara, the second at Le Ressenouvir, on the East Coast of Demerara.

There were four formal appeals from Coverden residents against a project proposed by 'Non-Destructive Testers Guyana Limited' and two appeals from Le Ressenouvir residents against a project from Vista Trading and Logistics (Guyana) Inc. Only formal appellants entered into the EAB process were allowed to speak, although there is nothing in the EP Act or EP Regulations which allows the EAB to impose such a restriction, which is contrary to section 6(2) of the third schedule in the EP Act and contrary to Articles 4(4) and 5 of the Escazú Agreement ratified by Guyana on 18 April 2019.

Here are some takeaways from the second hearing. A commentary on the Coverden hearing will be provided separately.

1. The Zoom link was only sent to the appellants. John and Jane Public

could participate only IF they had received the Zoom link from one of the appellants. And IF they had access to a computer and Zoom app and could listen in that time slot.

2. The meetings were recorded by the EPA but the recordings are not shared. The EPA Boardroom has poor acoustics and the microphones were too few and poorly positioned so that sound quality was poor.

3. The EPA allegedly only published the Notice of its waiver of an EIA for Vista Trading's specialised concrete batching plant and storage facility in the appellants' community on one day only and only in the State-owned Guyana Chronicle newspaper. However, notification on a single day is all that section 11(2) of the EP Act requires, and is paralleled in forest sector law. According to the lawyer for one of the appellants: "We only now discovered that there was a single 'Public' Notice published in the least read newspaper in Guyana, the Guyana Chronicle, on June 6, 2021. That notice required appeals against the decision of the EPA to not require an Environmental Impact Assessment (EIA), to be filed within 30 days of that notice."

4. Prior to the EAB hearings, the EPA had not complied with the requirement set out in its own Act - the Environmental Protection Act section 11(2)(a/b) - to provide the reasons for its decision on whether or not an EIA is required. While neither of the two cases is covered by schedule 4 of the EP Act, which automatically requires an EIA, they are covered by section 11(1) line 2 of the Act. The EPA was therefore in violation of its Act by disregarding its own legislation.

5. The appellants had not seen the full applications of either developer for an Environmental Authorisation. Only the Vista Trading project summary and Attachment #1 of Non Destructive Testers Ltd. are visible on the EPA website - <https://www.epaguyana.org/epa/project-summary2/category/5-project-summary/>

6. The EPA also said that it uses an in-house project screening procedure to determine whether an EIA is required and that the scorings of the Coverden and Le Ressenouvir projects were below the pre-set thresholds under that procedure. That screening procedure appears to correspond to the criteria provided for in the EP Act. Under the Escazú Agreement 2018, articles 4(4) and 5 of that Agreement should allow access by citizens to the screening procedure and all other documents related to participation and justice in the management of the environment.

7. According to the EPA, Vista Trading scored 530 out of 872 points, the threshold. The appellants who spoke at both hearings echoed the words of one of the lawyers: 'We need a copy of the full application, a copy of the screening tool used. Without those materials, we do not

know how the EPA arrived at their decision (7th October 2021).

8. The lawyer for Singer Guyana Ltd. alleged that Vista Trading's project summary had dishonestly claimed that it was a subsidiary company of Toolsie Persaud Ltd, but at the hearing the developer and shareholder denied that association. The original Vista project summary was removed from the EPA's website on or around 5th October 2021 and replaced with an amended summary.

9. The appellants drew the EAB's attention to the issue of land zoning, that each developer intended to locate an industrial site in a residential area and expose community members to a range of environmental hazards, with immediate (e.g. noxious smells, noise levels 24/7, increased road traffic, threat of road accidents) and long-term negative impacts (inhalation of carcinogenic particulate matter). Since there are industrial sites set up by the government, it would not be unreasonable for industrial-scale projects to be limited to such zones. If the current industrial sites are full, then the relevant government agencies might consider setting up new ones. At the Vista hearing, the EAB or EPA staff said that they had not had a reply from the Central Housing & Planning Authority to a question in late 2020 about the current zoning status of the Vista site. The Vista project summary states (page 4) that it is in a Mixed Commercial zone - so apparently, the EPA staff at the EAB hearing had also not read that summary.

10. Residents would be denied the 'quiet enjoyment' of their homes and neighbourhoods, a concept enshrined in colonial and post-colonial legislation.

11. The EPA had no baseline data for either project. EPA said that it would acquire baseline data from future Environmental Management Plans (EMP). [The term 'management plan' is not in the EP Act or EP Regulations.] The EPA is not required to share EMPs with the public. EIAs are available in the public record only for five years - EP Act section 11(11).

12. Spokespersons for the developers did not provide basic information on the projected size of their operations. Vista Trading did not provide information on the rate of flow (in and out), or even a flow diagram, limiting its response to: 'Our operation is based on the requirements of the oil rigs'. The apparently important Appendix 2 - Standard Operating Procedure for Cement loading process, Analysis Sheets and Silo designs - is mentioned in the Vista summary but not accessible through the EPA website.

13. It appeared at each hearing that the EPA staff were learning details of the two operations for the first time, details which might or might not have been included in the full project applications. The summaries are on the EPA website: <https://www.epaguyana.org/epa/project-summary2/summary/5-project-summary/804-superior-concrete-inc-concrete-batching-plant-proposal>; and <https://www.epaguyana.org/epa/project-summary2/summary/5-project-summary/807-project-summary-vista-trading-revised>. A resident commented in the Zoom chat log: 'Wow the EPA has no idea of the basic operations of Vista. Which mean they have no idea how to gauge the air, noise emissions. How did they really come to the conclusion that no EIA is needed?'

14. In both hearings, the appellants noted that EPA discounted 'social' issues as not being technical, disregarding sections 11(4)(a)(i) and 11(4)(b) in the EP Act. However, there is no obligation in the application form

for Environmental Authorisation for public consultation, or in the EP Act. Vista Trading had held no consultations with the affected community members.

15. 'Social' is the fabric of Guyanese society, passionately defended by the appellants. Some residents on the Zoom call expressed unhappiness at being muzzled and shared their disapproval with the proceedings by typing into the Zoom chat log. At the second hearing, Sheik Samsair wrote in the chat log: 'As the Chairman of the BH-LBI NDC, I am very much concern of this project. Our residents' concerns are of utmost importance'; 'I am assuming EPA has not done enough study on this project'; 'Most of our Councilors are not in approval with this'; 'Also we have to take into consideration the infrastructure deterioration that will be done to the roadways'. Mr. Samsair did not appear to know that Section 7 of the application form for Environmental Authorisation requires a letter of No Objection from the relevant Local Government, RDC, NDC, M&CC, CH&PA...

16. Another resident at the Vista Trading and Logistics (Guyana) Inc. public hearing wrote in the Zoom chat log: 'Residents need to be more integrated into the process. Is there an appeal process for residents if they disagree with your [EPA] decision? Waiver cannot be'. The powers of the appeal Tribunal under section 51(5) of the EP Act do not extend to appeals against either no requirement for an EIA or to the granting of an Environmental Authorisation.

General comments

In both hearings, appellants drew attention to the need for separation between the EPA and EAB, and avoidance of the suggestion of a conflict of interest since 'the EAB is a body which is independent of the Environmental Protection Agency (EPA), and is designated to conduct public hearings into such appeals, to either confirm or set aside the EPA's decision. The EAB also serves as a review body for EIAs, in order to make a recommendation on whether or not a project should be approved.' As a lawyer for one of the Le Ressenouir appellants noted disapprovingly: 'The EPA Boardroom is the venue used by the EAB. And we have to speak to the EAB via an email address that is monitored by the EPA' (7 October 2021).

Institutions are critical in the building of a nation, and need to demonstrate strict adherence to their mandates, to serve under the political administration at the apex of power without fear or favour. Both the EPA and EAB are required to be guard rails and serve the public interest. One of the lawyers drew attention to the unseemly appearance of cronyism between the developers and the EPA: 'The reason why the EIA has been waived is because the EPA is on the side of the developer. It does not want the developer to be delayed by an EIA, which takes between 6 months [and] a year'. Twenty-five years after its passage into law, the EP Act and its several Regulations and Guidelines are long overdue for revision. A revised EP Act should incorporate the Free, Prior and Informed Consent (FPIC) mechanism, which is promoted in the Low Carbon Development Strategy (LCDS) and the livelihoods, justice and environmental information rights in the Escazú Agreement. Like much legislation in Guyana, the drafts of the EP Act were apparently not tested for counterfactual situations, and that should certainly form part of a revision process.

How Much Taxes Should Exxon And The Oil Companies Have Paid?



Dr. Ganga Ramdas

As per the 2016 Stabroek Block contract, for the oil production lifecycle, from the preparation for oil production to when the oil is finally sold, the oil companies pay no taxes (see Article 15.1). The applicable income tax laws assess the Contractor's tax due on taxable income (Article 15.3) and the Minister agrees to pay the tax assessed to the Guyana Revenue Authority on behalf of the Contractor (Article 15.4(a)). How much taxes would have been collected from the oil companies if the Stabroek contract required the oil companies to pay taxes? Except for telecommunication companies, Guyanese businesses pay two rates of profit taxes (called corporation tax): 40% of the chargeable profits from commercial activities and 25% of the chargeable profits from non-commercial activities. Nominally, oil producing companies fall under the 25% category but they do not pay the taxes - the Government does it for them. The oil companies also have business tax exemptions from the raw materials used to enable pumping of oil. Such items as imported steel pipes, cement, protective paints, and so on, are tax-exempt. This is in contrast to regular Guyanese businesses that are subject to taxes on listed raw materials and final profits tax. The reason for this dual tax system, one for taxation of locals and zero taxes for foreign oil companies is because section 51 of the Petroleum Exploration and Production Act 1986, overrides Guyana's operating tax laws. What is even more alarming is the possibility that oil companies may be eligible to use tax receipts or certificates obtained under Article 15.5 from the Guyana Revenue Authority under Article 15.4(b), to receive a tax-credit in the US for taxes they never actually paid in Guyana. The Contractor's tax benefit assigned could be assessed by analysing a press release dated March 10, 2021, in which the Ministry of Natural Resources stated as of February 5, 2021 the total earned from oil in the Stabroek Block was US\$267.7

million dollars. Without royalties the amount was US\$246.5 million. We know that the oil companies can expense up to 75% of oil revenues and Guyana receives a 2% royalty included as an expense. Guyana and the oil companies split the remaining revenues as profit share, with each receiving 12.5%. Using the information presented, we can assume the 12.5% profit share by the oil companies is a taxable income of US\$246.5 million. If we use the 25% tax rate that applies to commercial activities in Guyana, the oil companies should have paid approximately US\$62 million (25% times US\$246.5 million) in taxes. This is revenue lost to Guyana with a long list of basic needs. To put this income assignment in perspective, the average Guyanese pensioner receives about US\$1,400 a year in old age pension. If we assume there are 59,000 pensioners in Guyana, then US\$62 million would enable an additional payment of US\$1,050 per pensioner. The pensioners during their working years contributed to building Guyana's infrastructure by paying taxes that enabled the building of our roads and bridges, paying for the airports and other landing ports, etc. How do we explain to pensioners that the oil companies, who will make billions in US profits off oil, are allowed to use our airports, roads, wharves and other infrastructure and services for free? Pensioners who worked most of their lives to pay for Guyanese infrastructure should question this unfairness. Guyana cannot afford to forgo US\$62 million in taxes; this money is needed to cope with the added demand placed on its old social and economic infrastructures due to the addition of the oil industry to its economy. If the oil companies' intention is to use the tax receipt from the Government of Guyana for a foreign tax credit, the US tax laws were never intended to allow the oil corporations to double-dip. This is a very serious matter under the US tax code, section 482.

Contributors



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Dr. Jerry Jailall is an Education Consultant at the North Carolina State Department of Public Instruction (NCDPI), North Carolina, USA. He has served in education for 30+ years at the elementary-, middle-, high-, and university levels in Guyana, the Bahamas, the USA and the United Arab Emirates. He has taught at the undergraduate and graduate levels in 3 universities - The University of Mount Olive, the University of Guyana and the Abu Dhabi University. His past positions at NCDPI include serving for 11 years as the State Coordinator for the GOALS 2000 School Improvement Program and the Comprehensive School Reform program. Dr. Jailall holds five degrees and several certifications in education, has written chapters in books and journal articles, and is Co-author of a Corwin Press bestseller, *The Principal as Curriculum Leader: Shaping What is Taught and Tested*.

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Dr. Ganga Ramdas is a retired full professor of Business and Economics at Lincoln University in the United States. He has taught courses in economics, accounting and taxation. He worked at the Bank of Guyana working his way up to Division Chief. He holds a Ph.D. in Business/Managerial Economics from Temple University. He obtained a Master of Science in Taxation and Accounting from Temple University. He also has a Masters in Economics from University of Windsor in Canada. A more detailed background can be found here: http://www.oggn.website/wp-content/uploads/2019/10/ganga_ramdas_resume.pdf.



Darsh Khusial

Darsh Khusial is a financial researcher with qualifications in management accounting and securities. He is also an IT expert who once served as the lead designer on the engine behind some of the largest retail sites in the world. He holds a Masters and Bachelors in Computer Engineering from University of Toronto. He has 15 patents granted in eCommerce software, augmented reality, retail, and dental fields. A more detailed background can be found here: <https://www.linkedin.com/in/cloudcommerce>

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Anil Persaud is an enterprise technology leader who lives at the intersection of business and technology. He is passionate about applying data and software to understand and solve complex problems. He is a high school graduate of President's College, in Golden Grove, East Coast Demerara. Anil holds a Bachelor's Degree in Information Systems from CUNY Baruch College, in addition to an MBA in Management from the University of Connecticut. He believes that governance is built on 3 self-reinforcing pillars: (1) transparency - to ensure a free flow of accurate and timely information (2) open dialogue - to empathize with and understand opposing views, keeping in mind that disagreement is not disrespect, and (3) accountability - builds on # 1 and # 2 to ensure that leaders account for the rationale of their decisions. Anil finds inspiration from the lyrics of the West Indies National Anthem - you can find the song here: [West Indies National Anthem](#). You can also connect with Anil here: [LinkedIn](#)

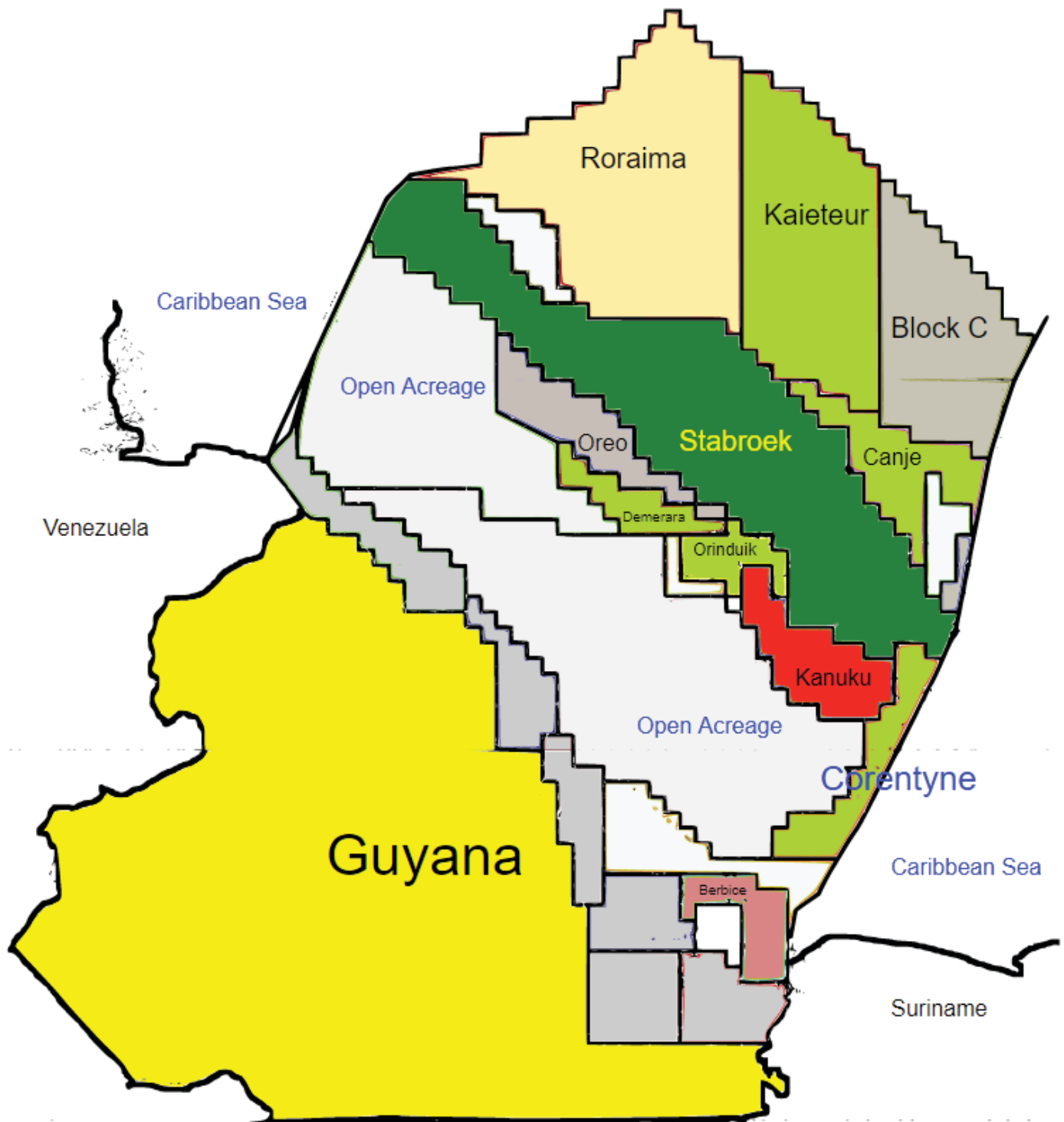


Mike Persaud

Mike Persaud is a NYC high school teacher. Over the decades, he has taught subjects such as economics and history. He writes letters and blogs on topics ranging from oil to civic matters in the Guyanese media. He holds an MBA.

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Guyana Oil Well Data



<https://www.oggn.org/infographics/guyana-oil-blocks.html>