

Delivering a Governance Strategy for the energy sector in Guyana

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Guyana is emerging as one of the world's largest emerging oil producers after ExxonMobil, Hess and CNOOC Nexen discovered huge oil reserves off-shore in 2015. The country is anticipating an influx of capital investment, human resources and revenue which will lead to rapid economic, social and cultural transformation. Governance of the natural resources and energy sector is attracting attention nationally, regionally and internationally.

In July 2018, ExxonMobil increased its estimate of the discovered recoverable resources to more than 4 billion oil-equivalent barrels, the previous recoverable resource estimate was 3.2 billion oil-equivalent barrels, and has advanced its evaluation to support a third phase of development and consideration of two additional phases. The increase follows completion of testing at the Liza-5 appraisal well, a discovery at Ranger, incorporation of the eighth discovery, Longtail, into the Turbot area evaluation and completion of the Pacora discovery evaluation. Initial stages of development drilling are being completed for Liza Phase 1, which will consist of 17 wells designed to produce up to 120,000 barrels of oil per day. First oil is expected in early 2020. Phase 2 concepts are similar to Phase 1 with a production capacity of 220,000 barrels per day. A third development, Payara, is planned to follow Liza Phase 2.

Cognisant of its mammoth responsibilities to reduce poverty, manage inherent weaknesses of the country's economic and social infrastructure, build capacity to provide sustainable good governance, deal with global climate change by adopting the Green State Development Strategy (GSDS) and simultaneously encourage the development of a world-class emerging oil and gas industry, the Government of Guyana has decided to boldly embrace international best practices and learn from the experience of other countries.

In Guyana the main Government energy related institutions include the Ministry of Public Infrastructure, the Guyana Energy Agency, the Public Utilities Commission and Guyana Power and Light. There is a recognised need to develop a comprehensive and cohesive regulatory environment.

The Government of Guyana intends to amend the Electricity Sector Reform Act, with specific reference to various aspects, including the interconnection and integration of intermittent renewable energy sources into the public electricity grid. By defining 'Smart Grid', which encompasses large-scale energy management technologies like advanced metering infrastructure, distribution systems, smart building technologies, modern power plant control systems, and the information and communications infrastructure necessary to manage the flow

of electricity, Guyana will consider the advantages gained in the State of California. The country will also leverage opportunities available through international trade and cooperation with many foreign countries including Brazil, China, Germany, the Caribbean Community, USA, EU, Colombia, Mexico and Costa Rica.

In addition to monumental legislative reform, and the strengthening of existing agencies, measures are being taken by the Government of Guyana to establish a series of new institutions, including a department of energy and a petroleum directorate. The Guyana Geology and Mines Commission, which operates a petroleum division, is currently being restructured.

The transition away from fossil fuels will certainly be an unprecedented test of energy governance in Guyana. The GSDS is in progress and to realise its ambitious vision, the Government of Guyana is simultaneously pursuing integrated energy planning, the formulation of policies for energy conservation and efficiency and expanded and improved governance and institutional capacities.

The Government of Guyana has committed to the GSDS within the framework of its declared Sustainable Development Goals. A Green Guyana International Small Business Expo and Summit is scheduled to be held in October 2018 and the Government is expected to announce a small business green economy framework.

Energy efficiency and renewable energy requires strong financial support from the energy sector, adequate skills in energy system planning, as well as predictable and independent regulatory frameworks. All these tools can enable cost-recovery pricing, clear sector and market rules for new capability building, and system operations and distribution.

Energy governance impacts the environment and the communities within range of commercial operations. Many environmental disasters have been caused by poorly regulated extractive companies, like the pollution the world has seen in Zambia's Kafue River to the deforestation of the Amazon. The Guyanese are faced with the dilemma of taking the environmental risks associated with oil and gas production and receiving a substantial increase in revenue. In this regard, good governance will also be put to the test.

One of the very important policies of the current Government of Guyana is linked to its leadership role in proactively and publicly promoting civil society's engagement. The Constitution of Guyana guarantees Freedom of Expression, Freedom of the Press and Freedom of Assembly. The Government has been inviting all the citizens of the country to "hold the Government and all its officials accountable".



Guyana has pursued Extractive Industry Transparency Initiative (EITI) candidacy since May 2010. It took seven years for Guyana to complete the necessary steps and the country became an EITI Candidate country in 2017. The Guyana Extractive Industry Transparency Initiative (GYEITI) has a functioning multi-stakeholder group that is actively engaged in the EITI implementation processes. GYEITI has submitted its inaugural annual progress report, a beneficial ownership roadmap and is currently preparing the first ever Guyana EITI Reconciliation Report. Public awareness events are planned and are taking place in various regions. Capacity building activities have been organised for all stakeholders, the GYEITI has been engaging government agencies and companies and data and information are being collected and analysed as the EITI Report preparation intensifies.

The Government of Guyana publicly declared a clear intention to embark on a comprehensive anti-corruption program. This commendable approach hinges on the institutionalisation of transparency at all levels of government, in the private sector and in civil society. In addition to embracing the EITI Standard, the Cabinet of Ministers made a conscious decision to establish a Natural Resources Multi-Stakeholder Committee. This reinforces the GYEITI pillars by expanding the scope and reach of the levers of transparency and accountability in Guyana. These new elements of governance would require appropriate legal, regulatory and institutional frameworks in order to better achieve the desired objectives.

The provision of data and information by government agencies and companies should become the norm as the new governance environment demands greater citizen participation and public scrutiny. The government has begun drafting Bills, Policy Frameworks and organising country-wide public consultations.

The Government of Guyana has been consistently seeking innovative ways to build energy governance capacity. In 2017 a Draft Petroleum Commission Bill was prepared and widely discussed. This Bill seeks to establish and incorporate the Guyana Petroleum Commission. The functions, duties and responsibilities of the envisaged Petroleum Commission can be seen as cohesive aspects of a comprehensive energy governance policy. Public debates have been taking place on the Bill after which the feedback from citizens will be considered and a revised Bill is expected to be tabled in the National Assembly.

Resource wealth and how it is managed will make a crucial difference to the lives of all Guyanese. There is optimism that a well-governed resource wealth fund would certainly offer a path out of poverty. Strong institutions and policies, as well as

greater transparency mechanisms are absolutely necessary to stifle corruption and reduce the chances of Guyana falling victim to the 'resource curse' and the 'Dutch disease'. An additional effort by the Government of Guyana to managing future petroleum revenues is the establishment of a Sovereign Wealth Fund with internationally acceptable fiscal rules and legislative regime. In August 2018, the Government released a Green Paper on the Establishment of a Sovereign Wealth Fund. Again, the Public has been invited to participate in discussions and debates. This is expected to stimulate discussion on details of specific issues and recommend possible courses of action relevant to policy, legal, regulatory and institutional framework.

The Ministry of Natural Resources of Guyana in April 2017 published a working draft local content policy framework and invited civil society, companies and government personnel to participate in consultations. This is aimed at making the most of the country's oil and gas resources and maximising benefits while retaining value through capacity development, local content and value addition. Guyanese businesses and employees continue to play an important role in ExxonMobil's operations in the country. According to information available on ExxonMobil's website, ExxonMobil and its project partners spent US\$24 million with more than 300 local suppliers in 2017 and opened the Centre for Local Business Development in the capital city of Georgetown to promote the establishment and growth of small- and medium-sized local businesses. ExxonMobil's priorities in Guyana are focused on enabling local workforce and supplier development and collaborating with government to support the growth and success of its economy, both in the energy and non-energy sectors.

The unequivocal announcement of an anti-corruption stance, coupled with the acceptance in internationally recognised transparency associations, solidify Guyana's chosen path to good governance. The enactment of new, and the revision of existing, legislation together with the establishment of new, and the improvement of existing, institutions are characteristic of a viable governance structure.

At this time of rapid economic change, expectations must be effectively managed. The efficiency and productivity of labour, machinery and equipment must be emphasised as essential for sustainable economic and social benefits. The limitations of a short paper do not permit elaborate discussion, but I do hope we have stimulated the reader's interest in some of the more important elements and aspects of the Guyana Sustainable Good Governance Charter during the country's fascinating initial period of anticipated and unprecedented rapid growth and development. ●