

Oil and Gas Governance Network

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PRESS RELEASE

GUYANA LOSES OUT ON US\$29 BILLION FROM OIL DEAL!

Guyana has sold its oil at US\$29 billion below market value!

Recent research by the OGGN network, a group of financial analysts, accountants, and economists, demonstrates that in the last several years ExxonMobil's return on capital has been around 16%. A similar rate of return on the Guyana oil fields would give ExxonMobil US\$63 billion based on ExxonMobil's current estimate of 3.2 billion barrels of oil. Instead the Petroleum Agreement signed by Minister Trotman will give ExxonMobil and its partners around US\$92 billion!

With a population of 775,000 this deal with ExxonMobil and partners will cost every Guyanese citizen - man, woman and child - about \$US37,400 each! The average salary for a Guyanese worker is US\$4,000 per annum. The Guyanese working population will have to work an extra 15 years to replace the money that should have come in from their oil. That money should have gone straight into the bank accounts of the Guyanese people so they could pay for housing, food, water, electricity, education, and other basic necessities. Instead it will go to some of the richest people in the world – oil companies and their shareholders.

The average pension in Guyana is around US\$1,100 per annum. The Government has removed the subsidy that pensioners used to get for water and electricity. But the deal signed by Minister Raphael Trotman gives ExxonMobil and partners the equivalent of over 26 million years of old age pensions. How can any government defend a deal that is so palpably contrary to the national interest?

In the last three years, ExxonMobil's rate of return on its capital has dropped to 6%. The Government appears to have been totally unaware of the market for oil and the opportunities for securing a better deal for Guyana. A rate of return of 6.7% for ExxonMobil and its partners on the Guyana assets would have given Guyana a massive additional US\$53Bn.

No country can develop without its intellectual capital. 87% of Guyana's graduates leave within a few years of graduation. The Government of Guyana has meekly handed over to ExxonMobil and its partners trillions of Guyanese dollars that could and should have been spent on creating an enabling environment for the full economic, social and intellectual development of the Guyanese people and the protection of Guyana's globally significant biodiversity.

The Government of Guyana's disastrous Petroleum Agreement is based on an oil price of US\$50. As the price goes up (Brent Crude is currently US\$70) the deal gets worse for the people of Guyana. On an IMF graph, which shows how an increase in oil prices affects what an oil-producing country gets, Guyana's deal is right at the bottom – even below Trinidad and Tobago.

There is no doubt that the Petroleum Agreement should be renegotiated, notwithstanding Minister Trotman's refusal to accept the obvious from the figures. The Minister's continued inability to grasp how bad a deal this is for Guyana must surely exclude him from any further activity in the petroleum sector.

We have to ask why the Government of Guyana went into these negotiations without a single competent professional adviser. If we do not have the local expertise, why are we not hiring financial experts, oil analysts and competent lawyers?

Purchasing a house is the largest financial decision most of us will ever make. None of us would buy real estate without getting a professional real estate agent and without getting up to date market information.

Why then did the Government not take the most basic steps to get even an average price for the oil, especially as that oil is owned by the Guyanese people and not by the Government?

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