

# **The People's Resource\***

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## **Abstract**

The title of the session was “Beyond the Wells: Working with Regulators and Communities”. The presentation dealt with the following: (1) a vision for Guyana considering O&G, per the President of Guyana; (2) the contractual relationship between citizens, government, and oil companies; (3) the role of Corporate Social Responsibility (CSR); and (4) value as perceived by citizens.

# The people's resource



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Session IV: Beyond the wells: Working with regulators and communities

American Association of Petroleum Geologists (AAPG)  
Geosciences Technology Workshop  
Deepwater Exploration of the Columbus & Guiana Basins  
7-8 November 2017  
Georgetown, Guyana

# Change



A massive change is coming

Most people have not yet realized the magnitude of the change

It could be positive or negative

# Contents



- The context for this presentation
- A vision for Guyana
- The entities and the contractual relationships
- Corporate social responsibility (CSR)
- Value

## The context for this presentation



- My remit from the President of Guyana:
  - O&G industry must benefit future generations. Hence the focus is on long-term value and not short-term value.
- Focus of this AAPG session is on citizens, government and oil companies.

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## A vision for Guyana The President's vision



*“our **children** shall be the main beneficiaries of our O&G revenues, not us,  
we are only the trustees”*

-- -- --

*“need to look ahead 5, 10, 15yrs; need a philosophy, a strategic plan,  
towards achieving a **Good Life for ALL Guyanese**”*

-- -- --

*“Guyana must not get **intoxicated** on oil”*

-- -- --

*”this is not a **bonanza**”*

-- -- --

*“revenues must be used **wisely**”*

-- -- --

*“O&G revenues shall be used to develop Guyana’s **existing industries**  
and the **Green Agenda**, in a measured and stable manner”*

-- -- --

*“we need strong **institutions** which are ready for O&G”*

## A vision for Guyana

### Value measures – What is important?



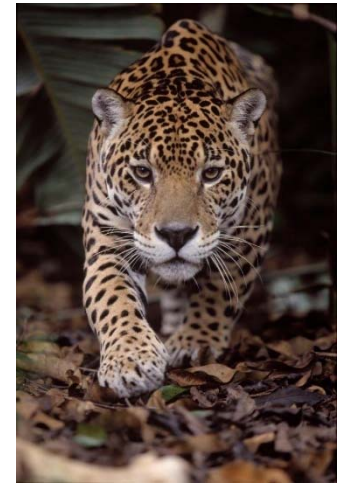
- **Quality of life.** Improvements over the long term, for the children of Guyana. Jobs, health, education, infrastructure, reduced crime, etc.
- **Stable growth.** No boom and bust. O&G is not a bonanza. Existing industries like agriculture must prosper.
- **Social Cohesion.** Need for a dilution of the racial divide and a reduction of the racial politics which has imprisoned Guyana since independence, and resulted in near failure.
- The **Green State** remains the objective.
- **Energy security.** Reduce imports of fuel and use Guyana's energy.
- **Institutional capacity.** Strong competency, governance, and participation. Strong and active civil society, and a functioning civil service.
- **Trust** and transparency. Citizen's trust in the authorities.



# A vision for Guyana The future



Children, Education, Health, Infrastructure, Housing, Agriculture, Environment, .....

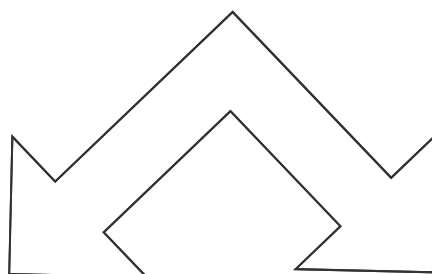


## A vision for Guyana Some big decisions



### Insulate Guyana from a volatile commodity?

**Yes**



**No**

- Create a **Sovereign Wealth Fund (SWF)** for O&G revenue
- Be very careful about creating local industry and jobs  **tied to the O&G industry**
- Use SWF to develop **existing industries**, and to develop new non-O&G industries

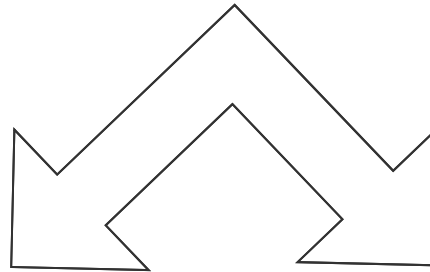
- Let the local economy become **dependent on oil price**
- Guyana will be flooded with **O&G revenue**
- Build businesses tied to the oil market, such as **refineries**
- **Poach workers** from agriculture and other existing industries

## A vision for Guyana Some big decisions



# Insulate the management of Guyana's O&G industry from the political/ election cycle?

**Yes**



**No**

- Industry managed by “**civil servants**”
- Changes of Government will **not impact the O&G industry**
- Will be difficult to implement a **management model**, but there are solutions (with inclusivity, consensus, etc)

- Changes of Government will cause **major upsets** in the management of the industry, as most positions will be political
- The problems surrounding **racial politics** will permeate the management of the industry

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# The entities and the contractual relationships



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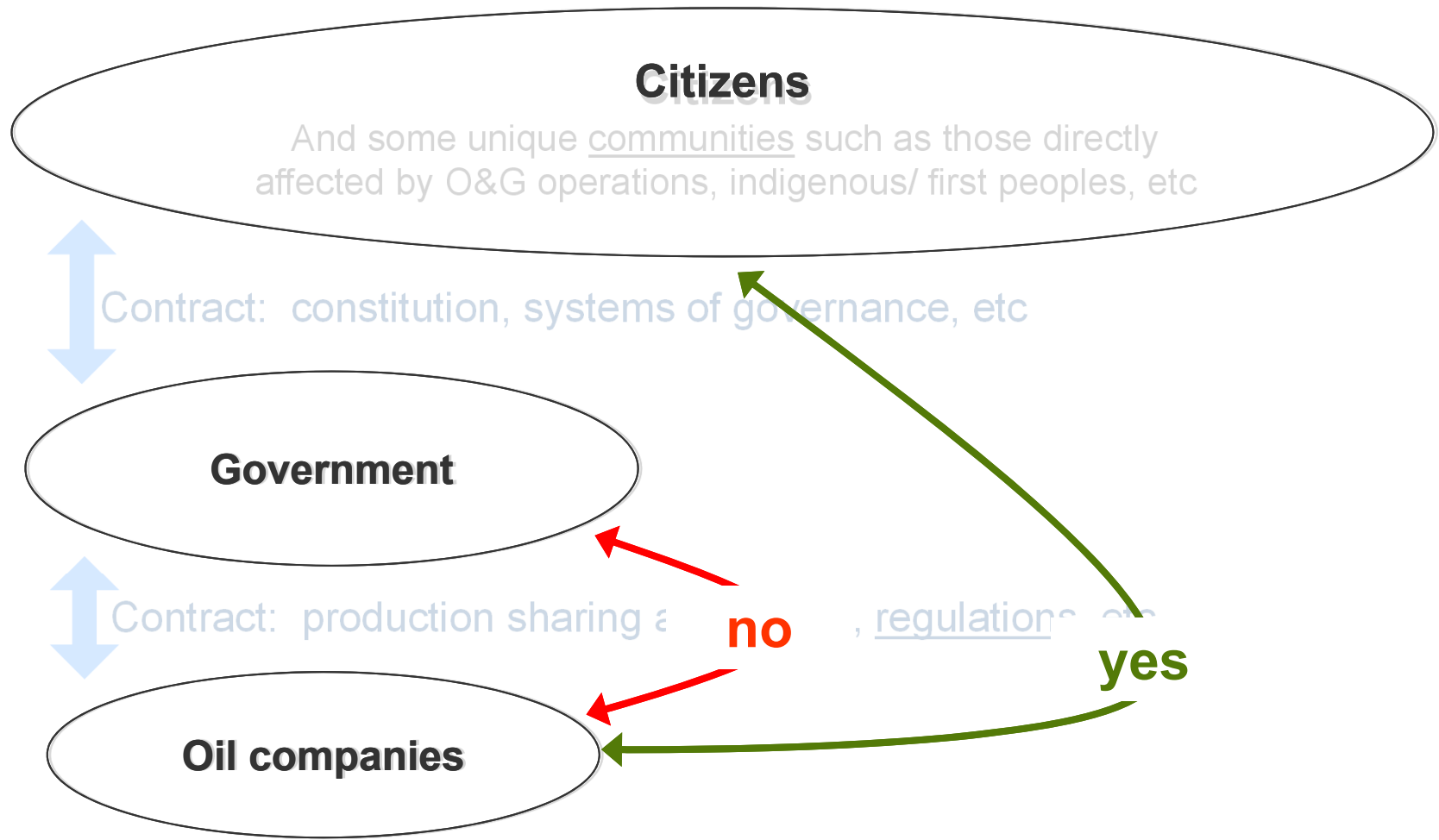
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# Corporate social responsibility (CSR)



- What is an oil company's objective with CSR?
  - To influence Government decision making, or
  - To build a relationship with Citizens

# Corporate social responsibility (CSR)





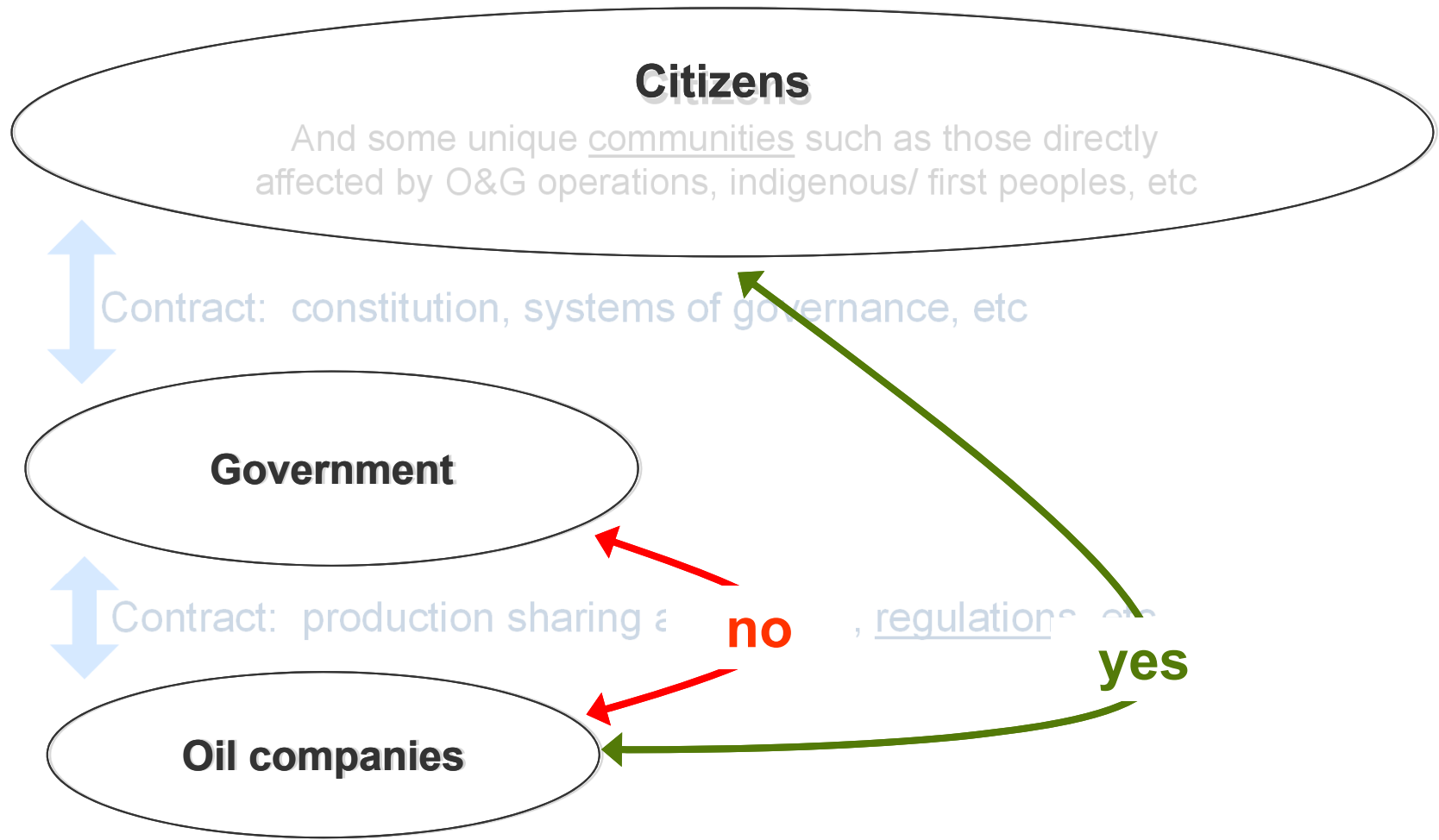
## Corporate social responsibility (CSR)

**No** – Government / Oil company



- The value of CSR projects is usually miniscule compared to the country's total take. Hence CSR could be a dangerous distraction for Government.
- CSR can be used to influence Government, especially if paid early and if paid direct to Government, and this influence is sometimes not in the interest of the Citizens.
- CSR is likely to be more prevalent in countries with weak public services than in countries with strong public services.
  - But CSR should not be used to do government's work. Government should instead focus on maximizing its total take, and doing its work itself, that is on providing strong public services to its Citizens.

# Corporate social responsibility (CSR)



## Corporate social responsibility (CSR)

**Yes** – Citizens / Oil company



- CSR can be an effective tool for building relationships between companies and specific communities, as well as an effective PR tool with the general public. This is especially so in the case of new country entries.
- In countries with numerous distinct groups of Citizens, and often competing groups, companies benefit from being seen as “fair” in the allocation of CSR endeavors.

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## Value Some issues



- The main value for a country and its Citizens is derived from the terms of petroleum agreements.
- The outcome of a negotiated agreement is dependent on the capacity of the negotiators.
- Hence Citizens will consider not only the outcome of a negotiation (in relation to other countries), but also the capacity of their negotiator.
- The expectations and knowledge of Citizens is initially low, but will increase over time, as will the capacity of their negotiators.

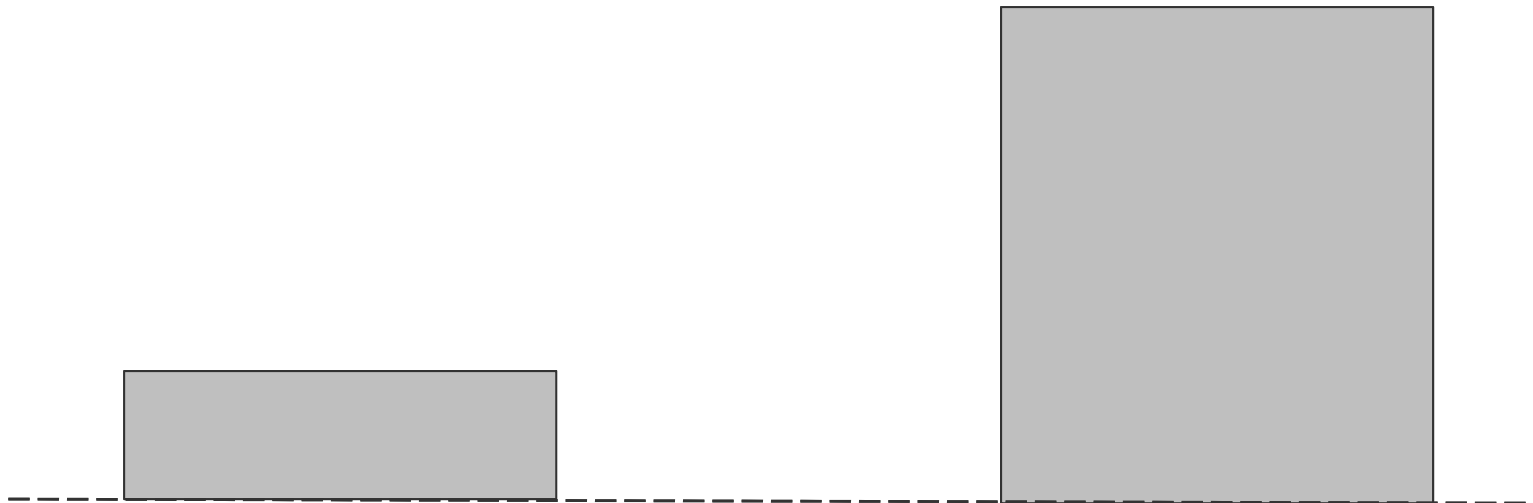
# Value As viewed by the Citizen



Capacity of negotiators / Outcome of negotiations  
(early days of an industry)

Country

Company



# Value As viewed by the Citizen



Capacity of negotiators / Outcome of negotiations  
(early days of an industry)

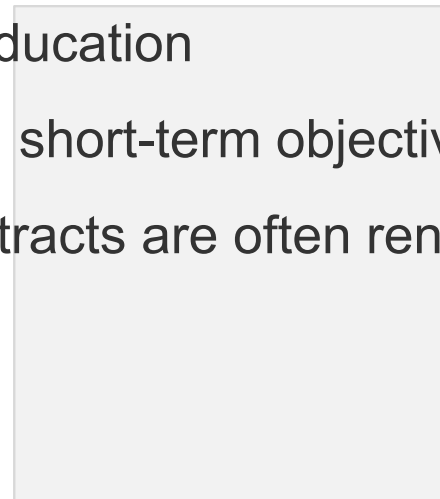
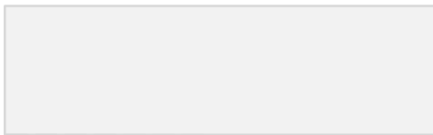
## How to address this issue?

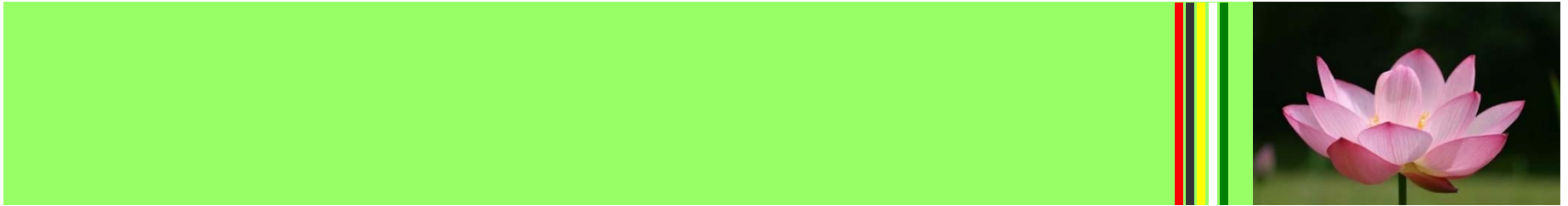
Education, education, education

Sustainable long-term relationship vs. short-term objectives

Rebalancing?: Sanctity of contracts vs. Contracts are often renegotiated

Etc, etc





Thank you