

# **BECOMING AN OIL PRODUCER: THE FUTURE WE HAVEN'T DISCUSSED**

A CONTRIBUTION TOWARDS SHAPING A  
NATIONAL CONSENSUS ON OIL & GAS

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# 1. Summary

Guyana is drifting into acceptance of being a fossil fuel-producing country as something pre-ordained or inevitable over which we have little or no responsibility precisely when fossil fuels are being exposed as the biggest threat to the future of mankind. Without positive action to prevent it, the anticipated transformation of Guyana will inevitably follow the growth-driven path of the global economy creating an even more unequal society in which everyone striving to better their individual place rather than as a community. This trajectory will be compounded with the intensity of consumerism, testing the limits of an already impacted natural world.

Policy Forum Guyana (PFG) aims to identify a range of issues that Guyana needs to address to better understand the implications of where we are going. The main focus of this booklet will address priority issues which have been addressed either inadequately, or in technical terms that the majority of citizens was unable to follow. Priority policy issues in need of more systematic public discussion and analysis include the following:

## Transforming Life for the Current Generation of Guyanese

During a series of Open Space meetings conducted by PFG around the country to stimulate interest in oil and gas issues, a consensus emerged around a number of important issues which if addressed would (perhaps over a decade or more) significantly reduce the insecurities and anxieties of life in Guyana and improve the well-being of all Guyanese. Suggested mega-projects included, among others, relocation of the population away from coast in the face of rising sea levels, creation of a first-class health service, cheap and efficient public transportation, and a first-rate education system.

## Climate Crisis Raising Profile of Inter-Generational Justice

Permanent assets – sub-soil and sub-sea – along with our freshwater rivers, beaches, savannahs, clean air and forests as a whole have been traditionally categorized as ‘commons’, or property from which everyone should benefit. The State acts as the Trustee of such assets to ensure their preservation for the next generation.

The logic of the sale of assets that belong to everyone is that the benefits of their sale also belong to everyone in the form of a citizens’ dividend. This concept must inform and undergird all decisions made with respect to disposition of income generated from the sale of extractive assets.

Currently in Guyana and around the world extractive assets are sold at scandalously low prices. ‘Luck and chance’ may influence the discovery of gold or oil and gas deposits, but this does not justify the ‘windfall profits’ mentality adopted towards the cheap sale of mineral assets. The current oil contract attracted much public indignation over the evident loss to Guyana of substantial benefits, but this phenomenon seems unexceptional given estimated global losses by the IMF in the extractive sector at USD27 trillion over the past thirty years.

Sub-soil and sub-sea assets are the equivalent of family jewels and other inheritance assets passed from one generation to the next. If sold, the value of the asset must be passed on in the form of an equally valuable asset. This consideration rarely merits reference in determination of oil prices, despite the fact that such sales are technically a ‘depreciation of assets’ not ‘revenue’.

For the first time in human history the continuity of life on earth is in serious doubt as a result of the climate crisis and ongoing onslaught through land use changes such as deforesting forests for pastures, crops or mining. The laws of nature and the laws of the dominant market economics are incompatible. There is no political

will to change the economic system and the laws of nature are not about to change. Averting this impending disaster and preserving the prospects of future generations requires enormous economic, political and social transformations for which a significant percentage of oil revenues must be permanently reserved.

### Impact of Oil on Guyana's Climate Goals

Over the past two decades, the governments of Guyana have developed strong, progressive, bi-partisan positions on climate policies, embodied in the commitments made to COP21, culminating in a 100% fossil-fuel-free future by 2025. However, the discovery of oil seems to have quietly influenced the postponement of this target date to 2035, an omen perhaps of what is to come. Currently, neither major party has addressed the incompatibility of our national climate commitments and the rapid expansion within a short time of Guyana's carbon footprint, conservatively estimated at nine times the current levels once the oil begins to flow.

Little attention has been paid to the fact that the climate crisis has a core of human-rights abuses, an inter-connected threat to life, health, security and property. All living things, not only human life, are affected as a result of abuse, exploitation and a legacy of discrimination, driven by an economic system which thrives on inequality and exclusion.

### A Permanent Asset Fund

The Government of Guyana in 2017 recognized the paramount importance of effective management of the proceeds of oil and gas by circulating a Green (discussion) Paper focused on the concept of sovereign wealth funds. Unfortunately, although it provided a vehicle for those already versed in the issues, the heavily technical nature of the Green Paper precluded genuine national discussion. Moreover, the process culminated in rushing a Natural Resources Fund Bill through Parliament in the absence of the Opposition during the Parliamentary turmoil over the 'No Confidence Vote'. A

major weakness of the Natural Resources Fund is its failure to incorporate other political or civic forces in decision-making relative to disposition of oil revenues. Moreover, despite the intention of making this process participatory, the great majority of Guyanese have no clear sense of the process approved in their name for managing oil and gas revenues.

### Guyana's Political and Electoral Systems Not Ready for Oil & Gas

The profoundly dysfunctional nature of Guyanese politics is rooted in specific structural factors:

- A Constitution originally written to provide a legal façade for a dictatorial Presidency enmeshed haphazardly with elements of the Westminster parliamentary model, which is currently in turmoil.
- An Elections Commission dominated by the two major contending parties without civic oversight or input.
- An electoral version of Proportional Representation in which:
  - Parliamentarians are entirely accountable to the party leader, not electors.
  - Voters do not know the individuals for whom they are voting.
  - Ethnicity-based political parties encourage manipulation of ethnic loyalty as the principle strategy for attaining and retaining political office.

The combination of these factors has ensured that despite abundant natural resources, Guyana remains securely anchored near the bottom of social and economic indicators for Latin America and the Caribbean. The enormity of oil resources *per se* will not inevitably transform this depressing reality. Our past management of other resources such as timber and gold have shown us how ill prepared Guyana is for the management of oil revenues.

This imbalance of international versus domestic influence over oil and gas decision-making is aggravated by the polarizing effect of our ‘winner-take-all’ national elections. Losing an election is equated with losing access to jobs, scholarships and other benefits for one’s ethnic group. At election times, therefore, political parties are least disposed to compromise, cooperate or take collective action at precisely when the national interest requires unified decision-making.

### **The National Challenge**

In addition to the key domestic issues outlined above, a range of other concerns relating to Guyana’s place in the world have not been addressed at all so far in the discussion surrounding extractive activities. What will our collective expectation be as a country as we engage with international issues such as climate change, given that we are now an oil-producing nation? What will our socio-economic role mean for us action-wise on climate-related migrations and disasters regionally and internationally? For instance, what will becoming an oil producer mean for our relations with the rest of Caricom and neighbouring countries? Venezuela has issued exploratory licenses to the Russian State-owned oil company, Rosnet, near the maritime boundary from Guyana, while Suriname has licensed exploration right on Guyana’s border. Will Guyana’s relations with Caribbean territories transmute from the annoying, over-staying relative, to favourite uncle bailing everyone out? Will our political dysfunction be forgotten as we replace Petro-Caribe? Will Guyana become a member of OPEC and what are the implications to us as country? Currently, no discussion has been attempted to raise these issues or to address them in any meaningful way.

While there is much less of a sense of urgency in Guyana, other non-Guyanese actors, both private and State-based, are developing strategies on how best to take advantage of Guyana

becoming an oil-producer. Rather than address the dilemma of becoming a passive collaborator with the fossil fuel industry on the wrong side of climate justice and history, public debate to date has been reactive to details - the Exxon Mobil contract, the bonus, the hiring policy and so on. PFG hopes that a more energetic and principled dialogue will encourage a collective national consensus around important issues within a framework of climate justice to emerge as the only basis on which the transformational impact of oil production will work positively for Guyanese.

PFG is conscious that the current electoral climate in Guyana is not conducive to balanced discussion and wise decision-making. Simultaneously, political parties are more disposed to address issues during electoral campaign even though such commitments need to be taken with 'a pinch of salt'. Even without taking elections into account, the need is urgent for Guyanese to engage the oil agenda in a more responsible manner and take ownership for the outcome.

## **2. REVIEW OF THE KEY ISSUES LISTED**

The following comments are intended to complement the evidence gathered from the series of Open Space meetings held across the country. Open Spaces were aimed at generating a national consensus identifying the 'priority issues' for funding with the oil and gas revenues. Most policy discussions are invariably dominated by finance, whether or not we can afford what we want. However, given the scale of predicted oil revenues, this constraint was able to be set aside during the meetings in order to focus on the future we want without the distraction of how it would be paid for. This allowed space for value considerations other than money.

Acknowledging the truism that good policy comprises appropriate values wedded to sound evidence, the following considerations focus on the value component of policy-making in relation to oil and gas decision-making. Separating the society we want from the question of what money can buy allowed considerations to emerge beyond the technical considerations that normally dominate oil-related discussions.

## **2.1 Transforming Life for the Current Generation of Guyanese**

Like the rest of the world, Guyanese are encouraged to embrace the globalized version of the good life rooted in constant accumulation of material goods. Secondly, the conversation on an alternative to material accumulation as the basis of the good life takes us into previously unexplored territory, a re-vitalized sense of community and how to reduce the anxieties that permeates life in Guyana. Life for the average Guyanese is chronically stressful. Routine issues such as child-bearing, travelling to school or work, coming home after dark, all render daily lives unpredictably nerve-racking and exhausting. In these circumstances, a conversation about a brighter future with people conditioned to life at this level inevitably centers on stress-reducing community-based issues such as the benefits of improved health, housing, education, electricity and Internet access, a safe and clean environment and reliable transportation - the premise of sustainable community.

However, this is not the conversation encouraged by foreign oil & gas experts or their local counterparts, or by those countries that view Guyana as primarily market or investment opportunities. In short, the external interest in Guyana is to ensure Guyanese take their place as consumers of material goods and services in a more predictable manner than is the case at present. The consequences in terms of environmental damage, fragile communities or

personal peace of mind are set aside as ‘private’ rather than policy matters.

The fundamental error in the dominant line of thinking views ‘community’ - particularly ‘community development’ - as relevant only to the poorer class of people or for indigenous communities, with the rest of us considered capable of becoming ‘self-made’ men and women. To rely on the ‘community’ is seen as shiftless, something for the faint-hearted, those who can’t stand on their own, or who need Government Agencies to help them along.

Rather than manifestations of personal inadequacies, the clogged waterways, dilapidated housing, inefficient electricity, potholed roads, poor lighting and high-crime rates so typical of poor communities, reflect the ingrained inequality of the global economics system. The more pernicious effects of this system are not physical, but social and psychological, a sentiment aptly summarized in *Our Common Home*, the climate crisis Statement issued by Pope Francis in 2015:

*A wholesome social life can light up a seemingly undesirable environment. At times a commendable human ecology is practiced by the poor despite numerous hardships. The feeling of asphyxiation brought on by densely populated residential areas is countered if close and warm relationships develop, if communities are created, if the limitations of the environment are compensated for in the interior of each person who feels held within a network of solidarity and belonging. In this way, any place can turn from being a hell on earth into the setting for a dignified life (148).<sup>1</sup>*

While the consequences of the ‘self-made man’ thinking may work considerable hardship on the poor through the neglect of communities, the wealthy are not immune. The impact of

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<sup>1</sup> Pope Francis Laudate Si (op cit) #148

inequality among the wealthy is equally devastating in ways we are only now beginning to appreciate.

*Regardless of individual income levels, people in more unequal societies become more worried about how they are seen and judged...Greater inequality almost inevitably increases the tendency to regard people at the top of society as hugely important and those near the bottom as almost worthless. The result is that we judge people more by status and become more anxious about how other people think we fit in...<sup>2</sup>*

This mind-set also encourages comparison with the life-style and possessions of rich people, which reduces everyone else's satisfaction with what they have, by showing it up as inferior – as less than the best. Evidence from across the globe supports the conclusion that once we are secure with respect to essentials, we use possessions to show ourselves in a good light, to make a positive impression, and to avoid appearing inadequate in the eyes of others. Incessant commercial messages sustain a sense of dissatisfaction with who we are, what we have achieved and with the things we own.<sup>3</sup>

Moreover, this competitive economic thinking, cuts people off from others, devaluing the extent to which social and communal life as a source of contentment and happiness is a valid and valuable achievement that can help off-set the stress induced by poverty.

There are, however, increasing cases where positive aspects of Guyanese life have been highlighted. A recent study indicated that the average Guyanese diet was among the top ten healthiest diets in the world. The 'surprise' referred to by the author is widely shared by Guyanese when they read this quote, having been

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<sup>2</sup> Wilkinson R, & Pickett Kate, *The Inner Level*, 2018, UK, pp 3 and 324. This ground-breaking work argues that more equal societies reduce stress, restore sanity and improve everyone's well-being.

<sup>3</sup> Wilkinson R, & Pickett Kate *The Spirit Level*, Penguin Books, 2010

conditioned and internalized to little or nothing ‘Guyanese’ being of value. *The biggest surprise to come out of the data was that the highest-quality overall diets in the world are mostly to be found not in rich countries but in Africa, mostly in the sub-Saharan regions. The 10 countries with the healthiest diet patterns, listed in order with the healthiest first, came out as: Chad, Mali, Cameroon, Guyana, Tunisia, Sierra Leone, Laos, Nigeria, Guatemala, and French Guiana.*<sup>4</sup>

How does a society, suffused by this constant sense of inadequacy, react to an oil boom? Does it reinforces flight from the ‘negativity’ of being Guyanese to secure a more prominent spot on the global tread-mill of constant material accumulation in order to be a ‘success’ in the eyes of others? The alternative choice made available by the mega revenues of oil is to seek personal security and belonging rather than being rooted in community solidarity, respect for the natural world and an emphasis on the benefits that flow from oil being equally available to all Guyanese as the rightful owners of the oil assets.

We in Guyana have now to face up to the fact that that kind of future we need to choose depends on the values we espouse: will these values take us in a direction characterized by individualism, climate chaos, inequality, tribalism and extinction of species, or towards a sense of belonging, living in dignity, building more secure networks of solidarity, sustainability and multi-culturalism. The advent of oil and gas in Guyana presents opportunities as well as risks. It could be the occasion to develop a new national vision and consensus, or it could aggravate our dilapidated political system to the point of a governance crises. The catalogue of societies which failed to make successful transitions is a reminder that external technical expertise cannot substitute for modern, democratically vibrant politics. The fundamental challenge between positive and

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<sup>4</sup> Wilson B, *Good Enough To Eat - The Toxic Truth about modern Food*, Guardian, UK March 16 2019

negative transformation from oil is political rather than technical readiness, a matter for which we have to look to ourselves, not external expert, no matter how well-intentioned.

## **2.2 Climate Crisis Raising Profile of Inter-Generational Justice**

Since ancient times the concept of natural assets has embraced land, 'right of way' footpaths, freshwater, beaches and more recently a clean atmosphere, broadcast band-width and biosphere. All are considered common property. Common land for centuries was the most widespread example of a shared, free resource for grazing animals. Mineral assets, including sub-sea deposits, also fall within the definition of commons, or commonly-held assets.

The current generation has largely lost sight of natural assets as commonly owned from which all have a right to access and benefit. The modern economy only recognizes values which can be converted to commercial prices, thereby reducing them to commodities available to those with the ability to pay for them. Loss of access to the commons violates the ownership rights of current citizens to equity and fair-play and deprives future generations of any access at all. Handed-down by previous generations, inter-generational justice requires these assets are to be passed on to the next generation with their value intact, or where they are converted into other types of assets, that there be no permanent loss in value to future generations.

Much confused thinking about environmental and mineral resource policy in Guyana stems from the absence of any shared agreement on guiding principles particularly relating to the issue of inter-generational justice. A review of relevant principles has an important place in this contentious situation. The principles accord

with inheritance customs and mainstream property rights widely accepted around the world, and are reflected in relevant human rights, justice and governance principles to which the State of Guyana has subscribed.

The ethical obligation to pass on inherited assets from one generation to the next does not imply they are to be treated as museum pieces, but that whatever use to which they are put should ensure zero-loss of value to the next generation. Modern economics has little time for the concept of zero-loss of inherited assets. Rather, inter-generational justice obligations are re-interpreted by clever pricing techniques, boundless faith in markets and the belief that technological progress is in itself sufficient benefit for the next generation.

When viewed from an inter-generational standpoint, our understanding of internationally agreed principles needs urgent attention. Article 17 of the Universal Declaration of Human Rights, for example, states *“Everyone has the right to own property alone as well as in association with others. No one shall be arbitrarily deprived of his property”* - the ‘everyone’ here being understood to include subsequent generations. Even in Guyana, where only 2% of the country is under private ownership (15% under communal indigenous ownership), access to land is a major historical bone of contention.<sup>5</sup>

In the modern world, with its seven billion people and competitive economy, the right of everyone to private ownership of property is impossible without limitation on the amount any one person is allowed to own. The right to private property has become so entrenched and sacred, that the standard limitation on enjoyments of rights, namely ‘non-interference with the rights of others’ is

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<sup>5</sup> Khemraj, Tarron, *“Land ownership, Use and Some Distribution Considerations”* Sunday Stabroek April 21 2019

effectively marginalized. The only limitation recognized in practice is the ability to pay.

Whether extractive investment actions or initiatives are ethical is determined, according to the *Polluter Pays Principle*, by the extent to which the social and economic costs are borne by those responsible for such actions. The fact that such costs are routinely externalized and passed on to others and to future generations is another example of the febleness with which the principle of equality is valued, compared to private freedoms. Further, who pays the social, environmental and economic costs associated with disasters such as oil spills in the short and long term?

Inter-generational disposition of commonly-owned assets is subject to three additional guiding principles. Firstly, all natural resources including sub-sea and sub-soil minerals belong to all citizens (present and future) for whom the State acts as the trustee (*Doctrine of Public Trust*). Secondly, all the value from the sale of assets must be preserved in a new inheritable asset of equal value, ensuring zero loss to all citizens and future generations (*Preservation of Value Principle*).<sup>6</sup> The benefits are to be enjoyed equally by all citizens, likewise any loss is a loss to everyone equally (*Principle of Citizens Dividend*). Our modern economy having lost sight of the principles inherent in the 'commons' concept, has little difficulty reducing them to commodities with commercial prices.

Current economic and commercial practice in the extractive sector pays little or no attention to these principles and rules, treating the sale of mineral assets as 'windfall profits'. Mineral assets have a value as gold, oil, manganese, etcetera, while in the ground before they are exploited. This is converted into a financial value when they are mined. The 'windfall profits' approach is encouraged by falsely equating the conversion of mineral value to financial value

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<sup>6</sup> Cf These principles were formulated and promoted by the Gia Foundation in *The Future We Need*, Goenchi Mati Manifesto 2016

to winning the lottery, new money that didn't exist before becoming available to the State. These 'winnings', however, can be squandered by the State at a cost to their real owners, the collective of citizens. The State can wind up poorer than it was before the assets were exploited. Indeed, this is the norm.

The Guyana Gold Board, for example, whose essential function is to buy and sell gold – a relatively simple commercial rather than industrial operation, reportedly made “huge loses over a three years period - 2012 to 2014 - totaling GY\$10,077,600,000” (USD489,203,888) (96.4%).<sup>7</sup>

If that particular loss were viewed as a loss of citizen-owned assets on a *per capita* basis, each Guyanese would have been denied G\$138,286 from their inheritance for those three years alone, from gold alone. When extended over the past three decades, the totality of the value of gold lost to Guyanese as a whole becomes immense. In cases where the value of the mineral asset may be converted to an asset of equal value, the benefit of those assets is almost entirely enjoyed privately rather than as a public dividend.

Since mineral extraction around the world routinely results in a scandalous loss of value,<sup>8</sup> Guyana is not peculiar or exceptional in this respect. The IMF data shows significant losses on economic rents are the norm, for example, between 2004 to 2012 the State of Goa, India, lost 95% of the value or USD9billion, of its iron ore, to mining companies.<sup>9</sup> In Guyana, huge losses from gold assets are routine and foretells similar and grander consequences for oil and

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<sup>7</sup> Ram & McRae *GUYANA GOLD BOARD: Special Investigation into Financial Operations and Functioning 2016*, p1.

<sup>8</sup> Op.cit Prof. Edith Brown Weiss “Intergenerational Equity: A Legal Framework for Global Environmental Change 1992/

<sup>9</sup> Goa Foundation *Mitigating the Resource Curse by Improving Government Accounting – A Note for the IMF*, 2019

gas.<sup>10</sup> The concern that should be felt for the gross loss of value of mineral assets is dissipated by viewing such assets like fruit blown from trees which can be consumed without a second thought. Treating minerals as ‘ownerless’ assets in this manner intensify competition involving both local and foreign owned companies miners, politicians, government officials, police and business lobbies in which public assets are frittered away for personal benefit. The current resource extraction practices are akin to the cheap sale of the family jewels.

Treating mineral receipts as revenue falsely boosts government revenue and GDP. The propensity to consume revenue receipts is high, in effect unknowingly consuming capital. Were mining receipts recorded as asset depreciation or sale of capital, rather than ‘revenue’, the political consequences of the losses revealed would be riotous. A more technical phrasing of the same sentiment is to be found in *The Changing Wealth of Nations* study by the World Bank (2011) which found that that since 1970, all countries *in which rent from minerals accounted for more than 15% of GDP had negative Adjusted Net Savings - in simple terms, they became poorer.*<sup>11</sup>

The IMF data shows that significant losses of the economic rent from mining are common – a minimum of 15% for oil and 35% for minerals.<sup>12</sup> The ‘revenue’ approach reduces scrutiny on the terms of mining leases because losses are not explicitly accounted. This issue has gained ground in recent years with the IMF making several reviews to its Guidance manuals for use by Governments. Its 2014 Manual notes,

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<sup>10</sup> Goa Foundation, *Government System of Accounting: The real Threat to the Arctic National Wildlife Refuge*, Letter to Christine Lagard- IMF Managing Director, January 2018 p.2

<sup>11</sup> *The Changing Wealth of Nations*, 2011, Washington, D.C.: World Bank. p. 11.

<sup>12</sup> IMF *Fiscal Regimes for Extractive Industries: Design and Implementation*, paragraph 64. ([www.imf.org/external/np/pp/eng/2012/081512.pdf](http://www.imf.org/external/np/pp/eng/2012/081512.pdf))

*Current guidelines make a distinction between: payments treated as sales of assets; payments considered the payment of taxes; and payments that are treated as rent. .... The classifications of these transactions have significant impacts and changes to the treatment could significantly impact GFS aggregates for countries reliant on income from the exploitation of natural resources.”<sup>13 14</sup>*

All citizens ought to be the direct beneficiaries of endowments generated by national assets in the form of a Citizens’ Dividend, as indicated earlier. The manner in which the State executes this concept may take various forms. At one end of the spectrum is direct payment to each citizen, an option attractive to the poorest class of citizens, but less so to better off citizens since, until the Fund had grown substantially, payments would be small. An alternative approach which would preserve the ‘belongs to all’ principle, would be, for example, to raise the quality of public services such as health, education or public transportation (a ‘sustainable communities’ concept) to a very high level, the benefit of which is available across the society and a source of security open to all. The goal is to maintain as direct a link as possible between citizens and the benefits on offer. Simply building roads or other infrastructure on the grounds that anyone can use them is insufficient.

How to re-vitalize a sense of common ownership in which citizens take a real interest to manage and monitor the operations of mechanisms such as Sovereign Wealth Funds is a major challenge. The sense of common inheritance has been fragmented over time by eroding the commons into private ownership. The fact that the

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<sup>13</sup> IMF, *The GFSM 2014 (Government Financial Statistics manual 2014)* Appendix 4, Box A4.1

<sup>14</sup> This section has lent heavily on the publications of the Goa Foundation which has played a pioneering role in developing the assets approach to mineral resources. Any readers wishing to pursue the assets approach to mineral resources are encouraged to visit the Goa Foundation website. [www.goafoundation.org](http://www.goafoundation.org)

average person does not identify themselves as owners of minerals, contributes, among other things, to the absence of any serious vigilance over what is currently taking place in the extractive sector. Greater public awareness of the concept of a citizens' dividend adds a practical stimulus to the ethical incentive for citizens to protect their children's inheritance. In this way the common inheritance begins to look like the more tangible and visible inheritance.

The '*Universal Basic Wage*' concept currently in vogue in developed countries is effectively an extension of a 'Citizens Dividend', i.e. recognition of a common right of all citizens to benefit from the development process simply by virtue of being citizens of the country.<sup>15</sup>

## **2.3 Fossil Fuel v Climate Justice**

Guyana's climate-crisis commitments and the prospect of becoming a fossil fuel producer need to exist under one coherent framework. Climate change policy-making in Guyana is currently at cross-purposes between a climate-driven agenda and a fossil-fuel agenda.

The contradictions raised between Guyana's stated aims of 100% alternative energy by 2025 and expansion of oil production from 2020 onwards need to be coherently aligned. The appropriate frame of reference for Guyana's climate change policy is the Intended Nationally Determined Contribution (iNDC) submitted to the Paris Climate Conference in 2016. The iNDC benefit from the democratic legitimacy of having emerged from a broad-based consultation of business, civic and governmental sectors. <sup>16</sup>

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<sup>15</sup> The closest to the 'Citizens' Dividend' reached in discussions in Guyana has been C. Y. Thomas' proposals on direct cash payments

<sup>16</sup> Guyana Policy Forum, *Guyana Revised intended Nationally Determined Contribution*, Nov. 2015, p.24

However, the extent to which the INDC framework remains viable is dubious in light of the following recent dismal report:

*Only seven of the 195 signatories to the 2016 Paris Agreement are 'in range' of their carbon emissions pledges. Even if every country was to keep to its target, this could still deliver more than 3°C of warming. The agreed 'must-meet target' in 2016 was 2°C, a level which will anyway almost certainly be enough to cause the collapse of the polar ice sheets, and the attainment of which is now regarded as improbable without the massive implementation of carbon capture technology, a technology that does not exist on any meaningful scale.<sup>17</sup>*

Guyana's commitments to the Paris Accord will be seriously shredded by the onset of oil production.

Exxon Mobil estimates Guyana's offshore oil fields hold more than 5.5 billion barrels of oil and gas, and plans to begin producing 120,000 barrels per day as early as next year. If burned, this would be the equivalent of 18.8 million metric tons of CO<sub>2</sub> greenhouse gas emissions per year—more than nine times the total annual CO<sub>2</sub> emissions of Guyana's entire population.

A more direct local and feasible path to offset the increased carbon footprint generated by Guyana becoming an oil producer would be rigorous and systematic protection of Guyana's tropical forests which, with a capacity to serve as a global storage sink for carbon. Whereas robust protection of Guyana's forest would generate financial benefits for the 4,250 millions of avoided carbon by the deferred deforestation of the REDD+ programme, mining and mining infrastructure destroy an estimated 7,442 hectares of forests in Guyana annually.<sup>18</sup> Robust protection of our forests

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<sup>17</sup> Francis Gooding, "All the News Is Bad", London Review of Books, Vol. 41 No. 15. 1 August 2019

<sup>18</sup> Guyana- Norway REDD+ MOU 2009.

would help in maintaining the ecosystem function for preserving billions of tons of CO<sub>2</sub>, as well as reducing the CO<sub>2</sub> generation associated with extractive activity. *It is estimated that, at current rates, tropical deforestation would produce a further 1.5°C of warming, even if emissions from fossil fuels stopped tomorrow.*<sup>19</sup>

The impending impact on Guyana's hitherto low national levels of carbon generation from oil (and possibly gas) production, has not prompted serious debate over the possibility of offsetting this increase by a corresponding decrease in the extractive sector, particularly gold mining. As indicated earlier, the financial benefits to the nation from gold mining are vastly outweighed by the costs, which are to be counted in terms of forest degradation, pollution of rivers, extinction of wildlife, revenue loss on massive scale and social disruption of indigenous and local community life. In addition to negative financial and environmental effects generated by this sector, projected profits from oil production are more than adequate to meet all of Guyana's development needs.

The impact of artisanal mining on rivers must be of particular concern. Combining forest and river destruction with oil production relegates Guyanese from stewards to squanderers of natural resources - the worst kind of climate deniers.

For some years 'water wars' have been predicted in various parts of the world. Guyana was never thought to be part of that debate. However, the current struggle between the few dominant mining interests fighting to preserve the privilege of polluting major rivers and the rights of the current and future generation to access to potable freshwater contains all the characteristics of an embryonic water war.<sup>20</sup> Freshwater, steadily becoming a resource more valuable than oil, is Guyana's most precious commodity. Fed from the 15% - almost one-sixth - of the world's freshwater reserves

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<sup>19</sup> Francis Gooding, op.cit. p.6

<sup>20</sup> Guyana Human Rights Association, *Illegal Mining Waging War on Water*, May 31 2017

located in the Guiana Shield, Guyana's network of mighty rivers should be a solid bulwark against rising global water shortages. Incredibly, however, the most valuable long-term natural resource Guyana possesses is being systematically poisoned by uncontrolled pollution from gold mining.

Mile after mile of the Puruni, Cuyuni, Mazaruni, Potaro and Essequibo are a ruinous mess of tailings and devastation, unnavigable for large stretches and discoloured by high sedimentation and potential mercury effluent that renders them hazardous to any kind of human contact, much less consumption.<sup>21</sup> The lack of firm action to protect freshwater resources (Guyana sought to eliminate mercury use only by 2027 – seven years later than the international ban from the Minamata Convention comes into force - by which time all of Guyana's great rivers will be irrevocably poisoned by mercury.)<sup>22</sup>

The diet of rhetoric fed to the Guyanese people disguising the fundamental contradiction between expanding extraction and the green agenda continues undisturbed – except in forestry. The closer the prospect of elections loom, the further official public discourse retreats from rigorous and measurable climate commitments.

Transforming ingrained complacency towards water into more alert and realistic practices in all its forms will be a major undertaking. Achieving such change is neither inevitable nor a foregone conclusion as long as artisanal mining - as practiced in Guyana - remains largely incompatible with a Green economy, in whatever way that term is defined.

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<sup>21</sup> Guyana Human Rights Association, *Guyana's Rivers Remain a Battleground Between Present & Future*, April 13 2017

<sup>22</sup> Policy Forum Guyana, *GGMC is Institutionally Unfit for Environmental Protection*, August 3 2019

The current clamour for access to new mining claims is not being accompanied by any assurances whatever to the larger society with respect to environmental guarantees. Small-scale miners do not normally own dredges or mechanized equipment, nor do they possess the capital resources to invest in new claims without reliance on landlordism, cronyism and exploitation. The Guyana Government is correct in resisting the powerful interests posturing as small miners by denying them access to claims in areas which threaten the integrity of the headwaters of the Essequibo river.<sup>23</sup>

The strength of the mining lobby in Guyana is formidable. Political ambivalence is coupled with indifference from the technical agencies responsible for administration of Guyana's rivers, Guyana ratified the 2017 UN Convention on Climate Change which calls for a transformative approach to life as a whole, fundamentally challenging the morality of markets as the dominant mechanism for progress. A green economy implies transformation on an ambitious scale, requiring new governance structures capable of holding corporate extractors to account. A new approach to rivers, comprising national, regional and local interests and, if necessary, diaspora expertise, is the urgent first step to energize a process of transformative action.

International standards governing the relationship between human development and the environment are ambiguous. The Sustainable Development Goals (SDGs), the development flagship programme for international agencies is premised on growth rather than a justice-centered rights-based model of development.

The Declaration of Rio states in Principle 1 that human beings 'are at the center of concerns for sustainable development' but falls

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<sup>23</sup> "Mines officers ordered to remove illegal dredges from Kuyuwini River", Sunday Strabroek Sept 2 2019

short in recognizing a right to a clean and healthy environment.<sup>24</sup> However, the precautionary principle,<sup>25</sup> as the terms suggests, indirectly discourages developmental activity threatening environment disaster ('do not cause a catastrophe') and provides some guidance on how to reach a principled accommodation between the two. The Principle of Sustainable Development also recognizes the responsibility of countries accepting the cost of negative impacts of their development on future generations.<sup>26</sup> Since rich persons and societies are the worst offenders in terms of carbon emissions then fair remedies must surely affect them most (*The Polluter Pays Principle*).<sup>27</sup>

In light of the consequences of unabated emissions, energy should be invested in developing international criminal legislation that recognizes wanton destructive activities as the environmental equivalent of crimes against humanity.

## **2.4 OIL DECISION-MAKING MUST BE SUBJECT TO COLLECTIVE GOVERNANCE**

Inevitably, official discussions of the management of a Natural Resources Fund have been dominated by technical considerations, with fairness, equal access and other principles attracting noticeably less attention. 'Zero loss' for example, is treated as a desirable objective not a central principle: largely because the

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<sup>24</sup> Sands, P & Peel J, *Principles of International Environmental Law 3<sup>rd</sup> Ed 2012* p.42

<sup>25</sup> Rio Declaration 1992 Principle 15 of the Rio Declaration provides that "*Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation*" ability of future generations

<sup>26</sup> Bruntland Report 1987 defines sustainable development as :*Development that meets the needs of the present without compromising the ability of future generations to meet their own needs*"

<sup>27</sup> 1992 Rio Declaration Principle 7 acceptance of the polluter Pays Principle has been vigorously resisted by developed countries.

implication of taking ‘zero loss’ implies a reform of the management of extractive industries too fundamental to accommodate politically. The only reference in the Act to principles is to “a fair inter-generational distribution of natural resource wealth” (Art. 26(1)) but with nothing to indicate how Inter-generational equity is to be operationalized.

Sovereign Wealth Funds are now an established mechanism for careful managing of oil wealth and if properly structured could significantly reduce the political anxiety over the disposition of oil revenues.

The relationship between the functioning of a Sovereign Wealth Fund and the principle of Sustainable Development is an unexplored dimension of the Sovereign Wealth Fund concept.

### **Proposed Natural Resources Fund**

The following limitations of the proposed Fund need to be addressed:

- The Fund must be guided by relevant Principles set out throughout this Report, avoiding the error, common in economics, of equating the concept of ‘value’ and ‘price’. Selection of business and civic sectoral representatives should be entirely in the hands of the sectors themselves.
- Near monopoly powers, either direct or indirect are exercised by the Minister of Finance, underlining the absence of a strong commitment to the concept of citizens’ ownership in the proposed Natural Resources Fund.
- Citizens’ participation is proposed in the form of a Public Accountability and Oversight Committee (POAC) comprising a random selection of named civic organizations with no

reference to criteria for selection, legal, financial status or internal democratic practices (Art.3).

- The proposed PAOC is restricted to advising, monitoring and reviewing but not the exercise of decision-making powers.
- The decision-making Committees comprise only people with advanced economics degrees (Arts. 28, 29).
- Any decision of the PAOC must be supported by 50% of the Regional Democratic Council members of the Committee (10 of the 22 members of the PAOC)) (Art. 22).
- Access to the Fund require a simple Parliamentary majority approval process.
- Although the Natural Resources Fund Act refers to a fair inter-generational distribution of natural resource wealth, it lacks mechanisms to deliver this goal.
- Proposed access to the Fund is technically sophisticated and complex but politically crude requiring only a simple parliamentary majority.
- Criteria for selection to Fund-related committees and mechanisms in addition to competence must take into account personal qualities of candidates, such as public service and issues of character.
- Audited accounts and acceptable internal elections should be required of organizations involved in this Committee.

### **Collective Governance**

- Collective governance works best when Government faces a challenge which cannot be resolved by the ruling party alone.
- Collective governance is not a vague call for all parliamentary parties to be involved in all aspects of politics.
- It is not a call for other actors to take over responsibilities of government, or for governments to avoid taking responsibility.

- Collective governance works best the more clear-cut the emergency and when all players have something to gain by adopting it or something to lose by rejecting it.
- Collective governance is not only between the ruling party and the Parliamentary opposition. All sectors of society have a real stake in decision-making related to oil and gas.<sup>28</sup>
- A major encouragement to a collective approach to oil and gas decision-making is the notoriously poor record of governments as investors. This is not a reference to failure on the part of past or present governments of Guyana or indeed of any Government in particular. It is an inevitable result of the time-constraints imposed on political decision-making. Long-term investment

decisions should be ring-fenced against short-term politics by the restraint and continuity provided by involvement of business and civil sector expertise in the investment process.

## **2.5 GUYANA'S POLITICAL INSTITUTIONS NOT READY FOR OIL & GAS**

The extent to which global economic decision-making is market rather than governance-driven can be gleaned from the extent to which economic decision-making is determined by global transnational corporations rather than countries. Of the top one hundred revenue-generating economic organizations twenty-nine

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<sup>28</sup> Rich Eddie & Moberg Jonas *Beyond Governments: Making Collective Governance Work* 2015 pp151. This excellent work draws on lesson learnt on collective governance in the Extractive Industries Transparency Initiative.

(29) are States and seventy-one (71) are companies. <sup>29</sup>Exxon Mobil ranks 20<sup>th</sup> with assets of USD246 billion. <sup>30</sup>

In addition, therefore, to the specific dysfunctions noted at the outset of this report which have defeated all efforts at political reform, Guyana's political institutions and political parties are nowhere close to being fit for purpose, particularly when part of that purpose requires negotiation with some of the largest global economic organizations on the planet.

The aftermath of events following the No Confidence Vote' in the Guyanese Parliament in December 2018 provided only the most recent evidence of structural dysfunction. Since the Independence era of the 1960s each of the two major parties have governed through five consecutive electoral periods each. In both cases, longevity in office -1964-92 - in the case of the Peoples National Congress (PNC), 1992 -2016 - in the case of the Peoples Progressive Party (PPP)), encouraged corruption, exclusion and inefficiency.

None of the ten occasions (nine general elections plus a referendum) on which Guyanese have gone to the polls since 1968 has produced a government in which Guyanese of all ethnic background could feel included. The only exception to this narrative of systemic electoral failure occurred in 1992 following the combination of a vigorous and independent Elections Commission (GECOM), unprecedented civic and business mobilization by the Guyanese Action for Reform & Democracy (GUARD) and vigorous international monitoring.

Since 1992, the growth and revival of democratic institutions, for which GUARD laid the groundwork, has failed to materialize. Approved electoral reforms under the 2000 Constitutional Reform

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<sup>29</sup> /oxfamblogs.org/fp2p/of-the-worlds-top-100-economic-entities-29-are-states-71-are-corporates/

<sup>30</sup> <http://theconversation.com/who-is-more-powerful-states-or-corporations-99616>

process have never been implemented by either major party and, while both adopt a facade of democratic openness, independent citizens and their organizations remain effectively excluded from positions of influence.

Despite the structural deformities ‘Cooperative Socialism’ and “the New World Order”, the respective visions of the early PNC and PPP, whatever their limitations in practice, both had merit of acknowledging the ideal of a shared society embracing all Guyanese. However, political parties have since abandoned any attempt to provide a shared vision capable of inspiring us to create a better society together. Instead of a better society, the only thing almost everyone strives for is to better their own position – as individuals rather than as a community.

The dysfunction of the past fifty years will not be rectified by the upcoming elections. The fundamental reforms of the electoral and political systems require levels of cooperation which are unthinkable in the deeply polarized political struggle in which the political parties are currently engaged. Traditional electoral rivalries have been aggravated by the lure of oil and gas revenues available to whoever wins the next elections.

In light of the above, a civic initiative is required to bring the society together around a common platform that emphasizes unity on fundamental issues. This platform should be centered on the transformational impact of oil and gas. If that transformation is left to market forces to determine, the results will be disastrous.





