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THEDIALOGUE

FEATURED Q&A

What's on the Horizon for Guyana's Oil Sector?

Earlier this year, Guyanese Minister of Natural Resources Raphael Trotman said there was growing interest in Guyana's hydrocarbons from other oil companies in addition to Exxon Mobil. // File Photo: Guyanese Government.

Q A year ago, Exxon Mobil announced a major oil find at its Liza-1 well in the Stabroek Block, about 120 miles off the coast of Guyana. The Venezuelan government subsequently ordered the drilling at the block to stop, saying the area belongs to Venezuela. The Guyanese government, which offered Exxon Mobil the contract for the project, has said the oil find could be worth up to 12 times the value of its entire economy. What are the latest developments with the large oil find? What is the outlook for E&P activity in Guyana's offshore region overall? How is the territorial dispute between the two countries playing out, and how is political uncertainty in Venezuela affecting the development of Guyana's oil sector?

A Anthony T. Bryan, professor at the Institute of International Relations at the University of the West Indies in St. Augustine, Trinidad: "Oil exploration efforts offshore of Guyana have intensified since the Liza-1 discovery. Exxon Mobil began drilling a second appraisal well close to the original strike earlier this year, driven by the company's plan to accelerate commercial viability in the offshore region. Exxon Mobil is seeking contractors on the design of a temporary floating production facility that could win the first oil as early as 2018 with a start-up of 60,000 barrels per day, and then be replaced by a permanent unit that could have a capacity of between 150,000 and 200,000 bpd. Exxon Mobil plans four wells offshore this year. Meteorological and oceanographic surveys in the Stabroek Block and the Canje block have also commenced. Exxon Mobil, Hess and a subsidiary

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TODAY'S NEWS

POLITICAL

Colombia, FARC Nearing End of Talks: Mediator

Colombia's government and the Revolutionary Armed Forces of Colombia, or FARC, rebels have a peace deal in sight, said Norway's foreign minister.

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BUSINESS

TransCanada to Build $2.1 Bn Gas Pipeline in Mexico

TransCanada said the Sur de Texas-Tuxpan pipeline would be constructed through a joint venture with Sempra Energy's IEnova unit.

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POLITICAL

Maduro's Allies Ask High Court to Block Recall Vote

The head of a panel that Venezuelan President Nicolás Maduro established asked the Supreme Court to halt the opposition's effort to hold a recall referendum. Such a vote must be held by mid-January in order to trigger a new presidential election.

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Maduro // File Photo: Venezuelan Government.

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POLITICAL NEWS

Maduro's Allies Ask Venezuela's High Court to Block Recall

Allies of Venezuelan President Nicolás Maduro on Monday asked the country's Supreme Court to block the opposition's effort to hold a referendum to recall Maduro, Agence France-Presse reported. Last week, electoral authorities accepted as valid petitions that opposition leaders say contain 1.3 million signatures of Venezuelans in favor of holding a recall vote. The electoral agency said it would proceed to the next step of verifying those signatures with fingerprint scans. However, in asking that the Supreme Court block the process, Jorge Rodríguez, the head of a panel that Maduro appointed to oversee the recall process, said the court should intervene in order to "protect Venezuelans' constitutional rights," AFP reported. It would be "perpetrating a brutal fraud to authorize [the opposition to proceed to the next stage," Rodríguez told journalists outside the court. The opposition is rushing to hold the vote by Jan. 10. A vote to recall Maduro after that date would simply result in power being passed to Maduro's vice president, rather than triggering a new election. Opposition leader Henrique Capriles this week is touring other South American nations to seek support for holding the recall vote. [Editor's note: See related Q&A in the May 17 issue of the Advisor.]

The court should intervene to "protect Venezuelans' constitutional rights," said Rodríguez.

ECONOMIC NEWS

Supreme Court Rules Puerto Rico Can't Restructure Utility Debt

The U.S. Supreme Court on Monday ruled that Puerto Rico cannot restructure its public utilities debts and must have congressional approval for legislative action to resolve its debt, The Hill reported. In 1984, Congress ruled that Puerto Rico would not be considered a state under U.S. bankruptcy code. In 2014, however,

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of China National Offshore Oil Cooperation have huge stakes in the enterprise, and if appraisal results meet expectations, E&P activity will accelerate rapidly in Guyana's offshore region overall. In the long term, the territorial dispute may be headed for a judicial settlement by the International Court of Justice, based on international law. In the interim, Guyana has the support of the Caribbean Community, or Caricom, but there is unpredictability. New extra-regional players, like China and Russia, and sub-regional organizations, such as the Community of Latin American and Caribbean States, or CELAC, are prompting a readjustment of traditional relationships. PetroCaribe is waning as the Venezuelan energy lifeline to the region, and the specific foreign policy toward the Caribbean of the dominant MUD opposition coalition in the Venezuelan congress is uncertain. But the development of Guyana's oil sector will continue rapidly, unless Venezuela invades militarily—an unlikely prospect at this stage."

Sadio Garavini di Turno, former Venezuelan ambassador to Sweden, Guatemala and Guyana: "Earlier this year, Guyana gave a new concession for oil exploration, the Orinduik Block, to a British-Canadian consortium. The concession is west of

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NEWS BRIEFS

Colombia, FARC Nearing Conclusion of Talks: Mediator

Colombia's government and the FARC rebel group are nearing the conclusion of their three-and-a-half year peace talks, Norway's foreign minister said Monday at a conflict-resolution seminar, Reuters reported. "We're making progress in Colombia and I think we hopefully are close to a deal," said Borge Brende. Norway and Cuba are mediating the talks.

Venezuelan Government Eases Power Rationing

Venezuelan Electricity Minister Luis Motta said late Monday that due to rising water levels in the Guri reservoir, which provides two-thirds of the country's electricity, state workers could return to work until 1 p.m. on Wednesdays, Thursdays and Fridays, Reuters reported. The decision ends the controversial two-day work week for government workers that had been put in place in April in an attempt to conserve energy. Weekend electricity rationing will also end, and schools—which had been closing on Fridays in another power-rationing move—would resume full-week schedules.

Argentina, Monsanto Reportedly Close to Deal on Soybean Inspections

Argentina's government is close to inking a deal with Missouri-based agrochemical and agricultural biotechnology corporation Monsanto over the inspection of shipments of genetically modified soybeans, the chief of Argentina's Ministry of Agri-industry said Monday, Reuters reported. Monsanto and President Mauricio Macri's administration had been at odds since March over the company's request to have exporting companies inspect soybean shipments to ensure that farmers were paying royalties on seed technology.

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the Puerto Rican government enacted legislation allowing the island to restructure its public water and electric utilities debt separately from how it would handle the rest of its debt. The 5-2 ruling on Monday affirmed a lower court ruling that the 2014 law is not allowed under U.S. bankruptcy law. Justice Clarence Thomas delivered the ruling that Puerto Rico could not rewrite a statute Congress had enacted, saying that "the plain text of the Bankruptcy Code begins and ends our analysis." Justices Sonia Sotomayor and Ruth Bader Ginsburg dissented, saying Puerto Rico is facing a "humanitarian crisis." Sotomayor said that without being able to restructure the utilities debt, "vital public services will be imperiled" which will lead to rolling blackouts, less access to safe drinking water and a lack of adequate road maintenance. Such a ruling "means that a government is left powerless and with no legal process to help its 3.5 million citizens," she added.

BUSINESS NEWS

TransCanada to Build $2.1 Bn Gas Pipeline in Mexico

Calgary-based energy infrastructure company TransCanada said it would build and operate a $2.1 billion natural gas pipeline in Mexico, Reuters reported Monday. TransCanada will own a 60 percent stake in the project, and San Diego-based Sempra Energy's IEnova unit will hold the remaining stake. TransCanada said Monday the Sur de Texas-Tuxpan pipeline would be built through a joint venture between the two companies and be backed by a 25-year transportation service contract with Mexico's state-owned power company. Houston-based Spectra Energy said it won a contract to build and operate a $1.5 billion natural gas pipeline in Texas that would connect to the 497 mile-long Sur de Texas-Tuxpan pipeline. The Sur de Texas-Tuxpan pipeline is expected to be in service by late 2018 and is the largest of three new projects in Mexico that TransCanada has recently announced. Construction has already begun on the $500 million Tuxpan-Tula pipeline and the $550 million Tula-Villa de Reyes lines. "This new project brings our footprint of existing assets and projects in development in Mexico to more than $5 billion," TransCanada CEO Russ Girling said in a statement. U.S. President Barack Obama rejected TransCanada's Keystone XL oil pipeline expansion last year, and the company is currently struggling to gain approval for its Energy East project in Canada.

THE DIALOGUE CONTINUES

Will Cuba's New Policy Unleash Entrepreneurs?

Q The Cuban government announced in late May that it would legalize small- and medium-sized private businesses, a move that could significantly expand private enterprise in the communist country, according to the Associated Press. Though a non-state sector of the economy has informally existed for years, Cuban business owners and economic experts are hoping that the move to officially recognize private firms will allow them to import supplies and export products to other countries for the first time. Analysts also anticipate that the changes are likely to extend some legal rights to businesses alongside individuals, as well as allow private companies to establish bank accounts, conduct business with government-owned firms and participate in international trade. Will Cuban businesses benefit as much as they hope from the change? How will Cuba's relationship with the United States evolve in light of the change? Will Cuba successfully integrate the private sector into its plans to maintain a centrally-planned economy?

A Daniel Hellinger, professor of international relations at Webster University: "The Communist Party's endorsement of private property for small businesses provides legitimacy for small-scale entrepreneurship and some affirmation of President Obama's objective of encouraging capitalist liberalization through the normalizing of relations. However, the Party Congress changed no existing laws or regulations governing the cuentapropistas (workers 'on their own account'), which now operate in 178 officially approved areas and are estimated to number more than 500,000 workers. Many entrepreneurs are capitalized by the Cuban diaspora, meaning there is a gap between legal and economic 'ownership.' The government is carefully monitoring, as it should, the impact of liberalization on the island's economically vulnerable. Earlier in the year, the government increased regulation of urban food markets, which offer farmers the opportunity to sell products outside the state sector, as rising demand (much of it generated by tourism) caused a spike in food prices. Nothing in the party resolutions opens the wholesale supply sector to cuentapropistas. Still, the party's affirmation of private property suggests that the next few years will see legal and constitutional changes to increase owners' economic security versus the state. But many small entrepreneurs will face other kinds of threats if liberalization proceeds too hastily. Driveway pizza joints, corner sandwich shops and garden-hose car-washes will someday compete with international chains and highly capitalized foreign investors. Many cuentapropistas are employed workers, more likely female and Afro-descendent. Cuba's mass organizations, created in a very different historical moment, do not incorporate small entrepreneurs and their workers. The party has yet to address that void."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Monday's Advisor.

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the successful discovery of the Liza field in the Stabroek block of Exxon Mobil, in partnership with the China National Offshore Oil Corporation. Stabroek is a very broad grant that ranges from clearly Guyanese waters to areas of the Venezuelan Exclusive Economic Zone, passing through waters of the Essequibo Claim Zone. Exxon cautiously began its exploration in the Campo Liza, located in Guyanese waters. The Venezuelan government, for many years, had kept the Essequibo claim in oblivion. It only gave the claim a place at the top of the agenda for a few months. It is evident that the government had the following objectives: 1) Try to recover popular support in view of the parliamentary elections, manipulating the nationalist message; 2) Distract attention from the socio-economic disaster; 3) Make life difficult for the opposition, demanding national unity against the United States and Exxon; and 4) Calm the Armed Forces, who were worried about the claim. All told, in view of the overwhelming electoral defeat, it is obvious that the strategy did not work. Now the matter is in the hands of the U.N. secretary general, who, as provided in the Geneva Agreement of 1966, must select one of the methods of peaceful settlement of disputes established in article 33 of the U.N. Charter. It is and will remain a long story. I think Exxon will also continue to act cautiously."

Sally Yearwood, executive director of Caribbean-Central American Action: "Border disputes, in times of political or economic crisis, can be a convenient distraction for a disaffected population, and the Guyana-Venezuela land and maritime dispute has long been a source of contention between the two countries. Indeed, maps printed in Venezuela generally show the Essequibo region as Venezuelan, or at a minimum as being a 'reclamation zone.' In 2015, a beleaguered President Maduro had nothing to lose in rehashing this issue, and he received broad national support for his statements, while Guyana has steadfastly held that the existing border has been internationally recognized for more than a century, and that any threats to its territory are a direct threat to the economic interests of one of the hemisphere's poorest countries. With the disputed land and waters being rich in minerals and oil respectively, the extent to which Guyana, a net fuel importer, may benefit from finds that could change the economic future of the country cannot be underestimated. To complicate the current iteration of this issue, Venezuela's Petrocaribe program was effectively deployed as a tool to mute the regional response, and, not surprisingly, the Venezuela/Guyana fuel-for-rice exchange program was suspended. In the meantime, President Granger of Guyana has warned of the potential negative economic consequences that this dispute could provoke. However, to-date, there is no clear evidence that investors' interest in exploration and production has diminished in Guyana's territorial waters. So far this year, the clash has quieted somewhat, but it has not been resolved. Caracas accepted the new ambassador from Guyana, and a U.N. team has visited both countries to advance arbitration efforts, but there is no reason to believe that Venezuela will drop its claims in spite of far-reaching implications that go beyond the Essequibo. After all, to paraphrase an old saying, 'there's gold in them thar hills (and black gold in them thar seas)'; and that combination can be tempting to even the best of neighbors."

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>
> **— Sally Yearwood**

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