

## \$5B US for Liza Phase One Development

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By Stacy Carmichael-James

### Overview of Liza Phase One Development



Oil giant, ExxonMobil's country representative Jeff Simons this morning (Thursday, March 2, 2017) during a media breakfast organized by the Ministry of Natural Resources revealed that the Liza Phase One Development would be executed at a cost of Five Billion US dollars.

According to Simons Floating Production Storage and Offloading (FPSO) would cost two billion US dollars, Subsea Umbilicals, Risers and Flowlines (SURF) One billion US dollars and drilling two billion US dollars, bringing the total production cost to the five billion US dollars.



Jeff Simons  
Country Rep ExxonMobil

ExxonMobil and the Government of Guyana entered into a 50/50 contract following the discovery of a large high grade of oil in the Stabroek Block. Simons, giving a brief overview of the project said the amount of oil currently available amounts to one billion barrels, with an estimated 100 thousand barrels of oil per day.

He noted too that 17 wells would be drilled at the off-shore location. The company has applied for its production license, submitted its development plans and has recently signed a contract with SPM, which is a large company that supplies tankers and specializes in FPSO construction.

Oil, gas and water are accumulated from the seabed and Simons explained that the oil is stored in the tanker, then the gas and water re-injected into the reservoir. The Country Representative said Exxon is working with the contractors and Government of Guyana to determine the best use of resources to ensure capacity building.

## Oil Refining



Raphael Trotman  
Minister of Natural Resources

Minister of Natural Resources, Raphael Trotman in response to questions posed by media operatives said Government has not yet made a decision regarding the refining of the oil that would be obtained.

According to Trotman Trinidad and Suriname have both expressed interest in refining Guyana's oil, however, he said the facilities in both countries are currently underperforming, which also raises questions regarding the feasibility of Guyana investing in an oil refinery.

Minister Trotman noted that while this suggestion has been touted Government still has to consider if investing some two billion US dollars in the facility would make economic sense if a similar situation arises as in the cases of Trinidad and Suriname.

Cabinet had given its approval for a consultancy firm to examine this possibility. Since the contract between GoG and ExxonMobil is a 50/50 arrangement, the Minister said the company would wish to seek its own options in this regard.

Exxon's Country Representative highlighted that Trinidad currently refines a lower grade of oil, while Guyana has a higher grade, raising speculations with that country refining Guyana's oil.

## **Natural Gas**

The Natural Resources Minister pointed out that a quantity of natural gas was found and the GoG is working with ExxonMobil to determine how much was discovered and if there would be enough left over to power the generators to supply electricity.

“We are speaking about a Green Economy, natural gas is not green, it is cleaner and so there is some consideration being given to whether or not it can be used for a specialized function, that is the alumina plant we would like to resuscitate,” Trotman disclosed.

A study, he informed is currently ongoing to this effect.

The minister noted that the idea of using it as a transition source so that when the country moves to hydro and/or solar or a combination “there is something to take us there.”

“And/or we can use natural gas for redundancy because everything that is mechanically in place breaks down or needs to come offline or sometimes for repairs and so natural gas could be as a standby...the point is there is an amount of gas that can be made available question is whether Guyana would wish to have it for any domestic use or whether it may wish to have it sold elsewhere looking at the cost per cubic foot of gas now and projected in the future and what it would take to develop that,” the Natural Resources minister pointed out.

These are matters the Government is actively considering, Trotman said.

## **Regulation**

As it relates to the regulation of the sector Minister Trotman disclosed that a new Petroleum Commission Bill would be brought before the National Assembly to facilitate a separate regulatory body for the sector, to keep in tandem with the rest of the world with regard to Oil and Gas.

This follows a total overhaul of the Petroleum Act which was recently completed. The legislation, Trotman noted has been shared extensively with stakeholders including the Opposition and should be brought up at this month’s sitting of the House.

He noted too that it was felt that the GGMC has had a traditional focus on alluvial and hard rock mining and there must be a reorientation of focus towards Petroleum.

The Draft Sovereign Wealth Fund Bill is in existence and was prepared with assistance from the Commonwealth Secretariat. Trotman said it has been in possession of the Government since December 22, 2016 and is now with the Minister of Finance because

essentially it is a financial matter and would be taken to Parliament after the minister finishes his review.

Regulations for health, safety and the environment and a Local Content Policy which is aimed at getting Guyanese involved in the industry have been crafted too.

According to him, his Ministry has been in overdrive, sending staff to be trained and building capacities at the GGMC.