

Oil Wars: Guyana Venezuela Conflict. Introductory thoughts

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Venezuela is blessed with the world's largest proven oil deposits as well as huge quantities of coal, iron ore, bauxite and gold. Guyana on the other hand is mostly covered in tropical rainforest and the economy is based largely on agriculture and extractive industries like bauxite, gold and timber. Both the countries are neighbours, but have seen border disputes since 1900s. Venezuela was the world's largest and most prolific oil exporter for more than 2 decades from the first world war period, while Guyana is a very recent entrant in the international oil scene – just about a decade old.

Venezuela is engulfed in a political and economic crisis which has led to more than seven million people leaving the country since 2015. But tightened US sanctions made it harder for the Maduro government to sell oil and restricted its access to foreign currency. Venezuela is an example of a petrostate, where the government is singularly dependent on fossil fuel income, power is concentrated, and corruption is widespread. Its peak production was about 3.5 million barrels per day in mid 90s, which fell to less than 300,000 BOPD in 2014,

Notably, Venezuela continues to be the largest repository of proven oil & gas reserves with nearly 300 billion barrels of oil in place. Guyana on the other hand with over 11 billion barrels of oil & gas reserves, has the highest per capita oil reserves in the world. There are other key differences between the two, namely: Venezuela is mainly onshore, heavy oil, sour and sulphur-rich quality, refinable by only select refineries. In contrast, the Guyanese crude is offshore, rather sweet and low-sulphur crude, being developed by the leading multi-nationals.

The International Court of Justice has recently turned down objections by Venezuela that it is not the right body to rule on the long-running border dispute between the two countries over the oil-rich western part of Guyana and says it will now rule on the issue.

In Guyana, the large-scale gold and bauxite mining operations are all foreign-owned, but the vast proportion of gold and diamond mining is done by small and medium-scale miners. Since the first discoveries made by Exxon about a decade ago, the U.S. Geological Survey estimates that Guyana's coastal area has roughly 13.6 billion barrels of oil reserves and gas reserves of 32 trillion cubic feet. Liza-1 well was the first significant oil find offshore Guyana in 2015. It encountered more than 295 feet (90 meters) of high-quality oil-bearing sandstone reservoirs. It was safely drilled to 17,825 feet (5,433 meters) in 5,719 feet (1,743 meters) of water.

Payara is ExxonMobil's second oil discovery in the Stabroek Block. The Payara- 1 well was drilled in a new reservoir, encountering more than 95 feet (29 meters) of high-quality, oil-bearing sandstone reservoirs. It was safely drilled to 18,080 feet (5,512 meters) in 6,660 feet (2,030 meters) of water. The Payara development plan includes a third floating production, storage and offloading (FPSO) vessel, named Prosperity. The project will target 220,000 barrels of oil per day.

Guyana is looking to tap its natural resources, as it has the highest amount of oil reserves per capita – while Saudi Arabia has 1900 barrels per person, Guyana has 3900 barrels per person. Guyana is currently producing and exporting about 380,000 barrels per day (bpd) or equivalent of crude and gas. The Exxon consortium aims at reaching 1.2 million bpd of output by 2027.

Guyana reported revenue from royalties and profit oil of \$439 million in the second quarter, which increased the nation's oil fund balance to \$1.72 billion at the end of June 2023.