global witness

SIGNED AWAY

How Exxon's exploitative deal deprived Guyana of up to US$55 billion

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Water taxis cross Guyana's Demerara River. *Global Witness*

THE SMELL OF OIL

In April 2016, US oil giant Exxon had a problem. The company had recently found oil off the coast of Guyana – one of a series of finds that would make Guyana the world's newest oil hotspot. But Exxon's Guyanese license was old, shrinking, and would soon expire, putting in jeopardy the company's increasingly valuable asset.

Exxon needed a new deal, and it aggressively pursued one. In early April 2016, the company opened negotiations in Texas by confronting two inexperienced Guyanese officials with a new draft license to be signed within ten weeks. Exxon did not want to change the favorable financial terms from its 1999 license, despite having recently found significant oil reservoirs that would customarily allow the government to ask for more.

Exxon also said that until it got a deal the company would stop developing its oil fields – risking the future of Guyana's new oil sector and the much needed revenue it would generate.

Enter Raphael Trotman, Guyana's Natural Resources Minister, who later that month stepped out of a limousine into the sunny spring heat outside Exxon's Texas headquarters. Trotman and two other Guyanese ministers were meeting with Exxon on a "ministerial visit." He had flown first class, was staying at a pricey hotel nearby, and would dine at Exxon's exclusive Wolfgang Puck restaurant – all on the company's dime.

But despite Exxon's demands earlier in the month, Trotman – responsible for signing Guyana's oil licenses

Exxon's Guyana oil find is one of the largest in recent years. *Global Witness*

– did not appear to spend his time in Texas negotiating. According to a memo summarizing his trip, the minister instead toured Exxon's new glass and steel offices. He and his colleagues were most impressed by the company's facilities for keeping Guyana's oil find samples: "What was most striking was the very strong smell of oil that filled the room."[1]

Mostly keeping to the hurried schedule, in June 2016 Trotman signed Exxon's new deal. Negotiations for the license – an oil block called Stabroek – went well for the company. Exxon got largely the same tax terms as before it found oil and it regained parts of the license area it was supposed to give up.

The same cannot be said for Guyana. Global Witness does not have evidence that Trotman was unduly influenced by his lavish Exxon meeting. But there is evidence that he negotiated badly for Guyana, one of the poorest countries in the Western Hemisphere. Based on the evidence seen,

Exxon covered the cost of hotel rooms, fancy meals, and limousines for Guyanese Minister Raphael Trotman when he visited the company's Texas headquarters. They promised also to pay for his night at the Miami Airport Hilton during a layover. *Global Witness*

Global Witness believes Trotman presented Exxon with feeble negotiation terms and ignored expert advice that more financial information was needed before he signed the license.

Trotman also failed to capitalize on Guyana's strong bargaining position. During negotiations, he knew that the company was analyzing a new possible oil find. Trotman even thought the company would announce its results on a specific day: June 28 2016. But the minister did not wait for these results, which would have allowed Guyana to assess Stabroek's true value and which turned out to be one of the world's largest recent finds. Instead, on June 27, Trotman signed Exxon's license.

And, according to an OpenOil analysis commissioned by Global Witness, the deal Trotman obtained is an exceptionally bad one. OpenOil estimates that Guyana stands to lose up to US$55 billion under Exxon's Stabroek deal. This analysis compares the financial terms of the Exxon license with global industry norms and customary investor profitability. And it concludes that – in a country with an annual budget of US$1.4 billion – Guyana will receive US$168 billion instead of the possible US$223 billion it would get with a deal closer to other countries.[2]

A copy of OpenOil's analysis – entitled *How much revenue will Guyana lose out on in Stabroek?* – is available at globalwitness.org/exxonguyana.

Exxon, Trotman, and Guyana's Foreign Minister Carl Greenidge have all denied that the Stabroek deal is bad and challenged OpenOil's assumptions. Exxon states that Guyana is a "frontier hydrocarbon province" rather than a mature area with a lower risk profile. For his part, Greenidge argues that Guyana focused on security concerns when negotiating Stabroek and that Guyana benefits from Exxon's presence during the country's border dispute with Venezuela. And Trotman says he saw nothing wrong with his extravagant Texas meeting paid by Exxon.

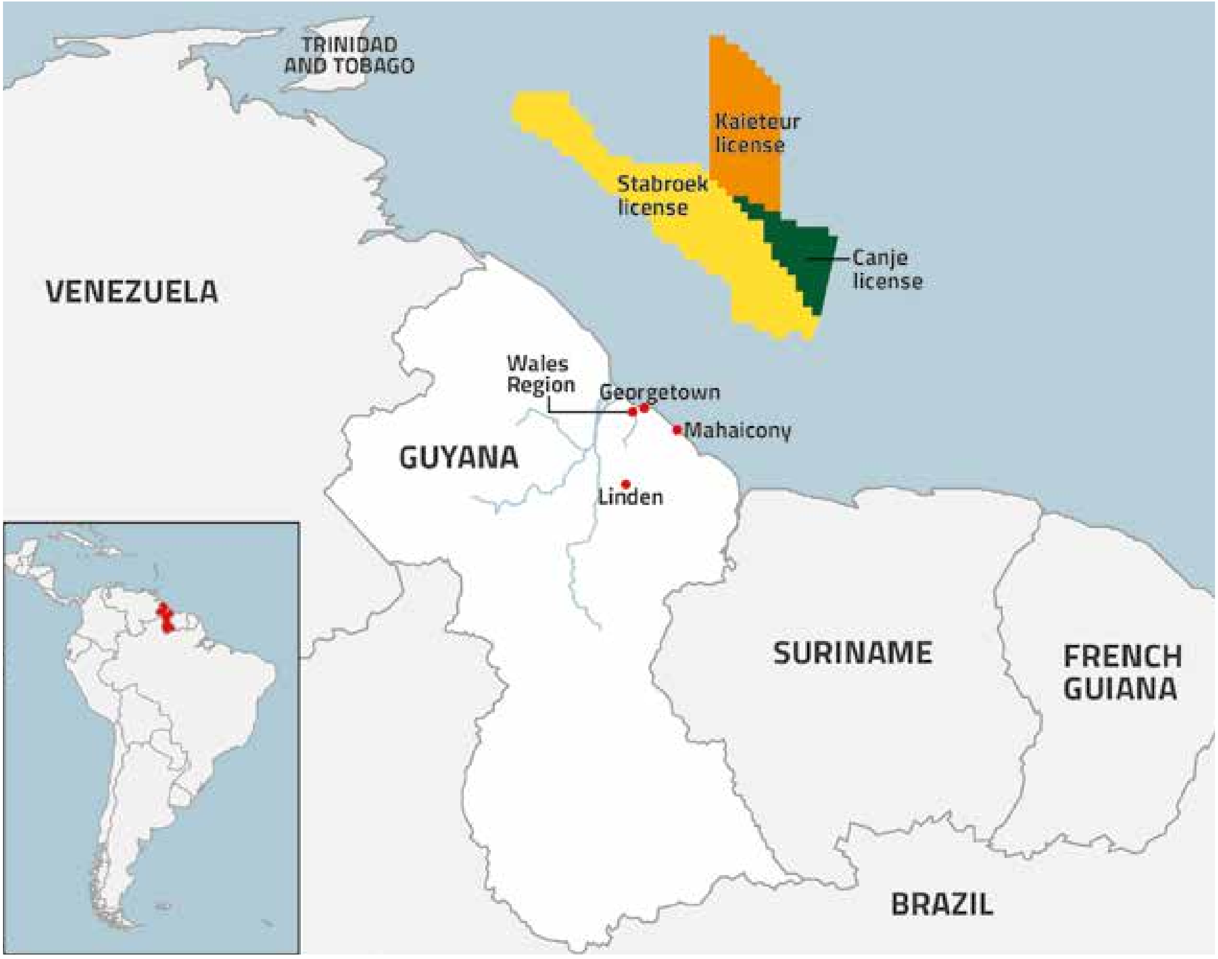
Not satisfied with only one Guyanese oil block, Exxon went shopping for more. Within months of signing Stabroek, Exxon agreed to buy portions of two additional licenses from companies that had obtained them under apparently suspicious circumstances.

These two licenses – called Kaieteur and Canje – were awarded by Trotman's predecessor as Natural Resources Minister: Robert Persaud. Persaud issued the licenses just before leaving office in 2015 and has shown an extraordinary degree of ignorance about the ultimate owners of the winning companies.

Persaud and the companies awarded Kaieteur and Canje have denied any wrongdoing. Global Witness has also written to Exxon requesting comment on its role during Stabroek negotiations and its purchase of shares in the two additional licenses. In response, Exxon stated "we consider the accusations unfounded and baseless. ExxonMobil is committed to the highest standards of business conduct, and we follow all local laws and regulations wherever we operate."[3]

This is a story about how an aggressive company negotiated an exploitative deal with a minister who may not have been working in Guyana's best interests. It is a story about how a country with inadequate schools, a declining sugar industry, and crumbling sea defenses that cannot protect it from rising sea levels deserves a better deal. With an improved deal in hand, Guyana could then do its part to fight the global climate emergency by banning all other oil drilling.

And this is a story about the US, and how it can help. Guyanese activists have raised corruption concerns after the government delayed announcing an US$18 million signature bonus paid by Exxon. The lack of transparency



around this bonus shows why the US should strengthen a proposed rule implementing Section 1504 of the 2010 Dodd-Frank Act. This rule should – but currently does not – require that oil companies publish their payments on a project-by-project basis. The US should also support Guyana if it chooses to renegotiate the Stabroek license, ensuring that Exxon comes to the table.

GUYANA AND EXXON'S BIG STABROEK DISCOVERY

Sitting on the northern coast of South America, Guyana has tropical forests, stunning waterfalls, and a history of exporting sugar and gold to the US, Canada, and the UK.[4] Demerara sugar is named after one of Guyana's many rivers, and imperialists once searched the country for the mythical El Dorado.[5]

For cultural and geographical reasons, Guyana considers itself more Caribbean than South American. But while Guyana has a small population – only 740,000 people in a country roughly the same size as Minnesota – it is one of the poorest in the Americas.[6] One in eight Guyanese people do not have formal work and the country spends a smaller percentage of its GDP on education than almost all of its neighbors.[7]

Most Guyanese people live near the ocean, which is a problem because much of Guyana's coastal area is below sea level and keeps flooding.[8] As climate change causes sea levels to rise, an alarming 90 percent of the population is at risk.[9] Increased flooding will ruin people's homes and drinking water. And because almost all of Guyana's farming occurs on the coast, floods will devastate crops used to feed the country and for export.[10] In 2005, it was estimated that floods caused losses of US$465 million to the Guyanese economy. At the time, this was 59 percent of the country's entire GDP.[11]

Guyana has a 145 mile coastal wall protecting it against the sea, but these defenses are crumbling, with only just over half in good condition and the rest in critical, poor, or fair condition.[12] Guyana is also involved in a long-standing border dispute with its western neighbor Venezuela.

Since 2015, Guyana has also become known as one of the world's top oil hotspots.[13] In May of that year, Exxon announced it had found oil in its Stabroek offshore license. Since then, the license has generated 16 separate discoveries, amounting to over 8 billion barrels of oil. Exxon's hit rate has been exceptional - the exploration success rate for commercial discoveries on the block is an astronomical 82 percent; against a global industry average below 20 percent.[14] Stabroek started producing in December 2019, and based just on its finds so far, Guyana will amount to nearly eight percent of Exxon's entire projected crude output until 2056.[15]

Breaches to Guyana's crumbling sea wall have flooded farms in Mahaicony. 90 percent of Guyanese people live along a coast at risk of devastating floods. *Global Witness*

Guyana has also awarded nine other licenses, although these have not yet found oil on the same scale. Two of these, Kaieteur and Canje, are also partially-owned by Exxon. The other seven have been awarded to companies such as Anadarko from the US, Repsol from Spain, and Tullow from the UK.[16]

Despite the recent flurry of activity in the country, Exxon actually entered Guyana's waters in 1999 when it was first awarded the Stabroek license.[17] In 2016, the company negotiated a new deal for the block,[18] minority shares of which are also held by the Chinese oil company CNOOC and the American outfit Hess.[19]

Stabroek is huge, covering over 10,350 square miles – an area slightly smaller than Massachusetts. Exxon's 2016 deal will allow the company to explore for ten years, after which the company will need to negotiate a new deal if it wants to keep exploring. However, the current deal will allow Exxon to produce oil it has found in the license area for up to 40 years.[20]

The 2016 deal was done quickly and apparently without a competitive bidding process, which is not required by Guyanese law.[21] According to evidence seen by Global Witness, negotiations began on April 4 or 5 at the Exxon headquarters outside Houston, Texas.[22] Twelve weeks later, on June 27, the deal was done – signed by Guyana's Natural Resources Minister Raphael Trotman, Exxon's Vice President Erik Oswald, and representatives from CNOOC and Hess.[23]

Global Witness has been able to determine the roles played by three Guyanese officials during the Stabroek negotiations, although it is likely additional officials were involved. These three were Trotman and the officials who visited Exxon on April 4 and 5: Christopher Lynch and Newell Dennison, both with the Guyana Geology and Mines Commission (GGMC).[24]

For its part, Exxon had a large team involved in the negotiations, which included Oswald and then-Country Manager Jeff Simons.[25] Global Witness does not have evidence that Rex Tillerson, who was Exxon's CEO until January 2017, took part in the talks. According to a source close to the government, Tillerson did meet with high level Guyanese officials on at least one occasion prior to the signing of the license. However, the new license was reportedly not discussed with Tillerson at those meetings.[26]

UP TO US$55 BILLION LEFT ON THE TABLE

With so much oil off its shores, will Guyana benefit from Exxon's 2016 Stabroek license? With such pressing needs, will the license give Guyana a fair deal?

Public reports already suggest that the Stabroek deal is not a good one for Guyana. In April 2018, Bloomberg reported that the International Monetary Fund (IMF) had criticized the deal. It apparently told the government that Stabroek's terms "are relatively favorable to investors by international standards." The IMF singled out one fiscal term in particular, reportedly stating that "[e]xisting production sharing agreements appear to enjoy royalty rates well below what is observed internationally."[27]

The previous month, OpenOil – a company that produces natural resources financial analyses and conducts trainings for governments and organizations – also published an analysis of the Stabroek license. The analysis, which assumed Exxon would produce only 450 million barrels of oil, concluded that "Stabroek yields relatively low government take by almost any standard."[28]

Exxon's license does contain provisions that should help Guyana. The company will pay US$1 million per year in rent and will contribute US$600,000 annually to promote employment, training, and environmental and social protections. It also paid US$18 million to Guyana

Under Exxon's bad deal Guyana will lose out on up to US$55 billion. *Global Witness*

as a signature bonus, although as described below, this payment has been controversial. Exxon's operations should generate some employment as the company will give preference to Guyanese goods and contractors, albeit only if they are deemed internationally competitive.[29]

And, of course, Stabroek will bring Guyana revenues from oil production. In light of critiques of Stabroek's fiscal terms, Global Witness has commissioned OpenOil to determine what revenue Guyana will receive if Exxon extracts the oil it has found to date. This includes an analysis of what Guyana would receive under its current license and what the country would receive were it to renegotiate Stabroek to get fiscal terms that are more reasonable according to IMF data under assumptions set out in the OpenOil report. OpenOil's analysis focuses solely on economic factors and not geopolitical or other strategic considerations.

OpenOil's analysis concludes that Exxon's deal is unfairly exploitative. It finds that Guyana will receive up to US$55 billion less than it should from the Stabroek license; an average of US$1.3 billion per year. The full report – *How much revenue will Guyana lose out on in Stabroek?* – and the fiscal model upon which it is based can both be found at **globalwitness.org/exxonguyana**. Its key findings include:[a]

- Based on a comparison with oil deals in other countries, OpenOil believes Guyana should receive 69 percent of Stabroek's oil revenues, which would be a fair share. Under its current Exxon deal, Guyana receives only 52 percent of oil revenues from Stabroek. As outlined in OpenOil's analysis, some countries like Israel, Mauritania, and Mozambique do allow companies to drill with a government share of revenues around 50 percent. However, these government shares are low because they are for gas extraction, which has smaller profit margins, and not oil extraction, like in Guyana. IMF surveys show that, for oil licenses, a normal government share would be between 65 and 85 percent.[30]

- If Guyana received 69 percent of Stabroek's oil revenues, it is estimated that the country would net another US$55 billion over the lifetime of the license. Instead of receiving US$168 billion, Guyana would receive US$223 billion.

- Based on these estimates, this amounts to an average annual loss of US$1.3 billion in government revenue. These losses will, of course, vary each year. In 2025, for example, it is estimated Guyana will lose US$956 million because Exxon will still be paying off its capital expenditures. However, between 2027 and 2037 – after costs have been paid and when production is at its highest – Guyana could lose an average of US$3 billion annually.

- Exxon can afford Guyana increasing its oil revenue share to 69 percent. Even if Guyana renegotiates Stabroek, estimates show that Exxon will still get a return on its investment of 18 percent.

Exxon and Guyana's Foreign Minister have disputed OpenOil's analysis. In December 2019, OpenOil wrote to Exxon with its analysis – which at the time relied upon Exxon's announced oil production estimates of 6 billion barrels of oil. The company responded that OpenOil's findings were "based on hypotheticals and circular reasoning that do not take into consideration Guyana's status as a frontier hydrocarbon province and fail to acknowledge that the material economic terms were agreed in 1999 and remained in effect in 2016. The conclusions are misleading in that they compare Guyana deep water with mature hydrocarbon producing provinces which naturally have evolved fiscal frameworks reflecting maturity and lower risk profiles."[31]

When OpenOil updated its analysis in January 2020 to reflect an announcement that Exxon had now found 8 billion barrels of oil, it wrote again to the company. Exxon did not respond to this second letter.

In both December and January, Exxon was given an opportunity to comment upon the detail of the fiscal model developed by OpenOil and upon which its conclusions have been drawn. On both occasions, the company did not.

Writing to Global Witness in December 2019, Exxon stated that the company's "work and the support of the Government of Guyana are the basis of a long-term mutually beneficial relationship that will soon lead to the production of oil resources in the Stabroek Block and the creation of a significant value for the people of Guyana."[32]

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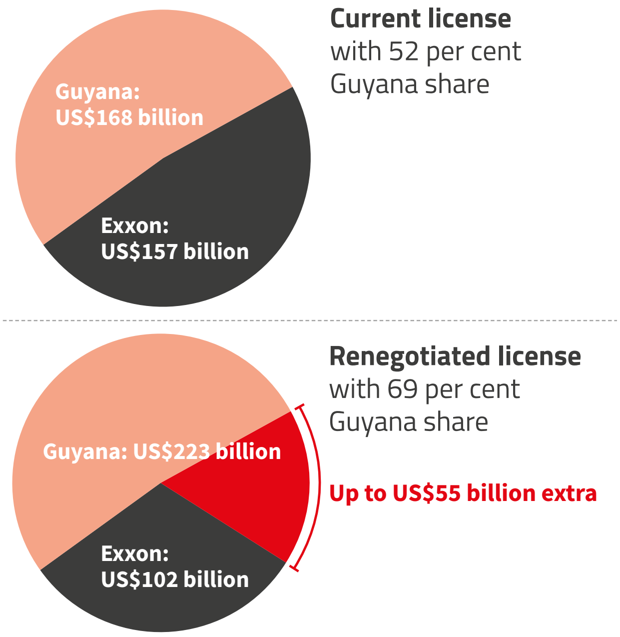
a These estimates use data that is current as of January 2020 for just the Stabroek license. It accounts for the 7.9 billion barrels of oil that Exxon had announced after 16 discoveries in the license and that Rystad estimates the company can extract before its license expires in 2056. The estimates also assume that Stabroek will produce oil from 2020 to 2056, which is the latest that Exxon can drill under its contract and the law. The study also assumes that the price of oil is US$65 per barrel and uses data published by Exxon and Rystad – an industry-leading oil and gas data and research provider. If more Stabroek finds are announced or the price of oil changes, so would the estimates. Other assumptions for OpenOil's conclusions are set out in its report.

What Guyana should get in a new Stabroek deal



Addressing Exxon's statement that when Stabroek was negotiated in 2016 Guyana was a risky "frontier hydrocarbon province," OpenOil argues that this was not the case. OpenOil's analysis evaluates estimates of government revenue share – called "government take" – in over 100 different countries. This includes data from the IMF and other studies. According to OpenOil's report, in 2016 "the first two wells had been drilled and results evaluated... which substantially de-risked the project." These wells included Exxon's first successful find in Stabroek, announced in May 2015 – one year before the 2016 negotiations.

Exxon is correct to say that, in 2016, the company's 1999 Stabroek license was still valid. However, as described further below, the size of this license had shrunk dramatically in recent years and would soon expire in 2018. In 2016, it was in Exxon's interest to negotiate a new license.

Global Witness wrote again to Exxon in January 2020 after OpenOil updated its analysis. The company's response reiterated the points raised in its December letters to Global Witness and OpenOil.

In December 2019, Guyana's Foreign Minister Carl Greenidge also responded to a Global Witness request for comment.[33] Greenidge argued that OpenOil's findings were "estimates based on assumptions which are debatable, if not controversial." The minister also stated that the Guyanese government considered "various relevant factors" when negotiating Exxon's deal, including the fact that other oil companies had proven unreliable, that there had been a prolonged delay of many decades in the development of Guyana's oil sector, and that Exxon was the first company to rapidly develop the wells.

And Greenidge emphasized that any assessment of the Stabroek deal needed to take into account the military threat he said was posed by Venezuela. Guyana and Venezuela are currently locked in a dispute over the location of their mutual land and maritime border, and since 2013 the Venezuelan navy has twice harried oil survey ships operating in waters claimed by Guyana.[34] In 2018, Guyana filed a suit before the International Court of Justice to resolve the border dispute.[35]

Global Witness does not believe Guyana's border dispute with Venezuela can be used to adequately justify the exploitative nature of Exxon's Stabroek deal, a point that is discussed further below.

1. HOW GUYANESE PEOPLE COULD USE US$55 BILLION

In Guyana, the money that the government has left on the table could pay for much of what the country needs.

A recently condemned primary school in Linden. Children now walk miles to class in a secondary school up the hill. *Global Witness*

The abandoned refinery in Wales used to produce Demerara sugar. One in eight Guyanese people are out of work. *Global Witness*

In July 2019, Global Witness interviewed citizens across Guyana, asking what they thought oil revenues should be spent on.

In Linden, a city 70 miles inland, we were shown a collapsing primary school, a dilapidated secondary school, and told that education spending was critical.[36] In 2012, when Guyana last conducted a full census, only 38 percent of young people aged between 15 and 19 were in school.[37]

Meanwhile, on the western bank of the Demerara River, in a community called Wales, laid off sugar workers said they were eager to get back to work and were concerned about their children's future.[38] The latest statistics show Guyana has a formal unemployment rate of over 12 percent, and in 2017 and 2018 alone the shuttering of five sugar farms cost 7,000 workers their jobs.[39] Technical schools could help out-of-work sugar workers find new employment.

And in Mahaicony, Guyana's breadbasket on the coast, we were shown wide swathes of farm fields flooded with salt water.[40] The sea wall had collapsed, crops were ruined, livestock was getting sick, and it would be years before the land recovered.[41] Money was desperately needed to rebuild coastal defenses.[42]

With an average extra US$1.3 billion per year from Stabroek, Guyana could address the concerns of its people. The government's total 2019 annual budget is US$1.4 billion.[43] With additional money from Stabroek, Guyana could double its annual US$172 million health budget,[44] US$251 million education budget,[45] US$185 million infrastructure budget [46] and still have US$700 million left each year.

The Guyanese government will be able to identify which development needs should be prioritized by any new Stabroek revenue. However, Global Witness has sought estimated costs for certain projects as examples. These estimates do not take into account significant considerations such as the costs of staffing hospitals and schools, but can illustrate what is possible.

Need	Estimated Cost
Rebuilding the sea wall to stop catastrophic flooding (145 miles)[47]	US$3,006 million
Hospitals (3)[48]	US$385 million
Technical schools to train unemployed workers (10)[49]	US$50 million
Secondary schools (10)[50]	US$40 million
Primary schools (20)[51]	US$18 million

Guyana's oil revenue can also help the country build an economy that is stronger and, ultimately, not dependent upon the oil sector. In May 2019, the Guyanese government published its Green State Development Strategy, which outlined a spending program designed to strengthen and diversify the economy while reducing the country's carbon emissions. The strategy includes spending on infrastructure, tourism, education, health, and significant improvements to mining and agricultural technology – making the sectors more competitive and environmentally friendly. The government estimates that implementing the strategy will cost US$5 billion.[52]

As discussed in the following sections, it is possible that the price of oil will drop significantly in the upcoming decades if the international community implements policies to meet climate change targets established by the 2016 Paris Agreement. If this happens, oil production in Guyana would cease early. Also discussed below, Global Witness recommends that Guyana bar drilling in all areas other than the 16 finds already made in Stabroek, capping its revenue at the US$223 billion it should receive from just these finds. If either of these scenarios occur, it will be even more important that Guyana spends its oil revenues implementing the Green State Development Strategy.

Finally, in addition to being able to meet immediate development needs and building a new economy, Guyana can also save additional revenues for a time when oil production ceases. In early 2019, the country established a Natural Resources Fund, which could receive additional contributions were the Stabroek license to be renegotiated.[53] This fund could also ensure that future generations gain from oil and that benefits are distributed equitably. However, it is critical that civil society has a say in how the fund is managed.[54]

2. ASSUMPTIONS AND THE PARIS CLIMATE CHANGE AGREEMENT

OpenOil's analysis represents a best effort to determine what Guyana could get under a better deal. It relies, however, upon four critical assumptions. If these are wrong, the revenue Guyana could get from Stabroek could be substantially different.

First, the analysis assumes that the Guyanese government will monitor Exxon's production and costs to ensure the country obtains the share of revenues to which it is entitled. This includes the portion of oil and gas Exxon may use for the operations of its oil drilling, even though this portion is traditionally small relative to the overall production.[55] The government must also ensure it gets a fair market price for its share of oil production.

The Children's Millennium Monument in Georgetown. Guyana should renegotiate the Exxon deal for future generations. *Global Witness*

Second, Guyana needs to develop the capacity to fight corruption. Guyana ranked 93 out of 180 in Transparency International's 2018 Corruption Perceptions Index and many of the citizens interviewed by Global Witness speculated that oil revenues may be stolen by officials.[56] The Guyanese government has taken some steps to build agencies to promote transparency in the oil sector, including joining the international body the Extractive Industries Transparency Initiative (EITI). EITI sets and monitors standards requiring natural resource companies and countries to make public companies' payments, their true owners, and – eventually – their contracts. Through transparency, resources and money flows can be understood and managed well, with the ultimate aim of benefitting people in resource-rich countries.[57]

Global Witness believes this is a critical first step, but that EITI standards are only as good as their implementation. If Guyana is to receive the money it should get from the Stabroek license, the government must also resource its governance institutions like EITI. However, according to a September 2019 IMF report, Guyana still has work to do "addressing institutional capacity weaknesses" in its anti-corruption agencies.[58]

Third, it is assumed that Exxon takes sufficient precautions to ensure major environmental disasters such as oil spills do not occur, and meets its contractual obligations to pay for restoration following any disasters. For context, in 2018 BP's environmental and legal costs following the Deepwater Horizon spill in the Gulf of Mexico stood at US$65 billion.[59] As stated above, the vast majority of Guyanese people live along the country's coast, and are dependent upon farms and water within flood-prone areas. If Exxon does not prevent spills and the government is left to pay the price, an immense cost could fall on Guyana.

Finally, the US$55 billion revenue loss estimate will be incorrect if the international community successfully meets the goals established at the 2016 Paris Climate Conference. The Paris Agreement commits countries to limit carbon emissions so that the global temperature does not rise more than 1.5ºC – a critical limit above which the impacts of the climate emergency will become far more damaging.[60]

If policies are brought into force to meet this goal then demand for oil, and its price, may decrease sharply over the next 20 years. OpenOil has analyzed what such a price drop would mean for Guyana's Stabroek revenue. This models the future price of oil, but continues to use estimates drawn from Rystad on what Exxon will invest. It concludes that Guyana would receive either an estimated US$57 billion from Stabroek under a renegotiated license or US$40 billion under the current license.

However, Global Witness and OpenOil believe that revenue calculations under a scenario where Paris targets are met should be used for illustrative purposes only. This is because, were the price of oil to drop dramatically, the Rystad estimates upon which the OpenOil analysis is based will be wrong. Under this scenario, for example, it is unlikely Exxon would invest in Stabroek on the same scale, or over the same period, as it would were the price of oil to stay constant at US$65 per barrel.

It is critical that the Paris Agreement targets are met. If they are, the resulting changes to oil prices will require further work to model scenarios for the development of, and revenues produced by, Stabroek. However, given the current rapid pace at which Exxon is developing its license, regardless of the future price of oil it is clear that many billions of dollars will be produced through drilling. Guyana should ensure it obtains a fair share of this revenue.

GUYANA AND THE CLIMATE EMERGENCY

It is a fact that the world only has a limited amount of carbon it can produce – a carbon budget – before temperatures rise above 1.5°C and climate change's most harmful impacts become inevitable. It is also a fact that the extraction and use of fossil fuels is one of the largest sources of carbon emissions, and if we are to stop global temperatures from rising above 1.5°C then extraction across the world must be decreased dramatically and rapidly.

Climate and fossil fuel experts have developed a "managed decline" strategy that would combat the climate emergency by prioritizing action through rapidly reducing oil and gas extraction in the most developed countries.[61] This approach requires countries that are most responsible for causing climate change and that have wealthy economies – countries like the US, Canada, Norway, and the UK – to rapidly curtail their oil production. Countries that are more dependent upon oil revenues, or in Guyana's case would benefit most from those revenues, should consider how to transition to a low carbon future, but on a longer timeframe than wealthier countries.[62]

Of course, Guyana also has some responsibility to help tackle the climate emergency now. The country is itself threatened by global warming: as sea levels rise, coastal farms and communities will still be at risk of flooding, even with new sea defenses.

If Guyana renegotiates Exxon's license, it is estimated that the country could receive an additional US$55 billion, bringing total revenue from just the current Stabroek oil finds to US$223 billion. This is an extraordinary sum and alone could be what is needed to create an economy based upon the ambitions established by the Green State Development Strategy. Guyana can use its oil revenue to create an economy that is stronger, diversified, environmentally sustainable, and ultimately does not require additional oil production.

As such, Global Witness recommends that Guyana place a moratorium on any new drilling. The country could allow Exxon to extract oil from the 16 wells it has already drilled, but should allow no additional drilling in the Stabroek license. Guyana should also cancel its nine other allocated licenses and not award any new licenses.

HOW EXXON'S EXPLOITATIVE DEAL HAPPENED

How did Guyana get such a bad deal from Exxon? For its part, Exxon employed aggressive negotiating tactics. At the same time, Guyana's Natural Resources Minister Raphael Trotman – who helped negotiate the deal and ultimately signed it – may have been operating under a possible conflict of interest. The evidence suggests that Trotman also failed to represent his country effectively during negotiations, declining to listen to expert advice and under-valuing Guyana's apparently strong bargaining position.

1. EXXON

Negotiations for Exxon's Stabroek license appear to have begun in earnest in early April 2016. The previous month, Exxon had started analyzing the results of its latest exploration well located in Stabroek – called Liza 2 – although it was yet to announce the well's results.[63] On April 4 and 5, Exxon hosted officials from Guyana's Geology and Mining Commission (GGMC) at its Texas headquarters for a "technical meeting."[64]

According to a report prepared by the GGMC officials, this meeting did not go as expected, with Exxon opening the negotiations for a new Stabroek deal. Exxon "confronted" the officials with the prospect of a new license and had already drafted a contract.[65] The company's terms included:

- It would not spend any money developing oil fields until it got a new deal.[66]

- While Guyanese officials sought an improved royalty, Exxon was "not at all receptive" to any substantive changes to the fiscal terms it enjoyed under its existing 1999 Stabroek license.[67] The 1999 license was signed before Exxon had found oil and its fiscal terms were poor for Guyana, with the company giving the country only 50 percent of the oil produced and a royalty of only one percent. As discussed earlier and in OpenOil's report, this is far below the 65 to 85 percent government share that the IMF has shown to be normal.[68]

The report suggests that the GGMC officials considered it unrealistic to press for a better deal, even though a proposed improved royalty was "left on the table." The official writing the report stated: "I have the view that there may be a fair chance to model some notional improved royalty to kick in, but I also speculate that in

Timeline

2015

2015: Exxon due to give up 75% of Stabroek area

Mar: Exxon finishes Liza 1 drilling

Mar 4: Canje license signed

Apr 28: Kaieteur license signed

May 11: Guyana elections, Trotman replaces Persaud as Natural Resources Minister

May 20: Exxon announces Liza 1 find, but provides no barrel estimates

Sep: New York meeting between Tillerson and President Granger. New Starbroek deal not discussed

2016

Early 2016: Exxon purchases 35% of Canje

Mar 31: Exxon finishes Liza 2 drilling

Apr 4-5: Texas meeting between Exxon and GGMC. New Stabroek deal negotiations begin

Apr 11: Nigel Hughes resigns as AFC Deputy Head, remains tied to party through wife

Apr 28-30: Texas meeting between Exxon and Trotman. New Stabroek deal not discussed

Jun 27: Trotman advised he needs more information when negotiating Stabroek deal. Trotman signs Stabroek deal

Jun 30: Exxon announces Liza 2 find with 1.4 billion barrel estimate

Jul 25: Exxon's purchase of 50% of Kaieteur announced

2017

Feb 9: 50% share of Kaieteur sold to Cataleya

Mar 1: Exxon purchases 50% of Kaieteur

Dec: Guyana publishes Stabroek license after signature bonus leaked

2018

Mar 29: : Guyana files Venezuela border dispute case before ICJ

2019

Dec 20: Exxon starts producing oil from Stabroek

2020

the environment of deep water, deep target development, the price of oil would have to go up significantly [to achieve that].”

There is evidence to suggest that Exxon’s decision to confront GGMC officials in Texas was a bargaining tactic, designed to give the company a negotiation edge while working on their home turf and by setting the terms for negotiations in the absence of senior Guyanese decision makers. According to one source close to the government, Guyana’s President David Granger had met with then-Exxon CEO Rex Tillerson in New York six months earlier. Yet at this meeting, Tillerson reportedly did not raise the prospect of a new license.[69]

Exxon also apparently chose not to negotiate Stabroek at another Texas meeting it would have in late April with Natural Resource Minister Raphael Trotman, discussed in more detail in the next section. At the time, Trotman was the government official responsible for approving Guyana’s oil licenses.[70]

Instead, Exxon presented its hardline deal in Texas at a series of meetings on April 4 and 5 attended by seven company representatives and only two government officials, both of whom worked for the GGMC.[71] The GGMC’s expertise is artisanal and medium-scale mining, not negotiations worth billions with one of the world’s largest oil companies. According to a 2016 report commissioned by UNDP, the GGMC “has only a very few technical personnel trained in oil and gas, with limited experience.”[72]

The Stabroek negotiations appear also to have been rushed. According to the GGMC report, the negotiators aimed to get a deal done in just ten weeks,[73] a deadline that was largely met when the license was signed on June 27.

It is not clear who wanted Stabroek agreed so quickly, but hurrying likely benefitted Exxon. In March 2016, Exxon had finished drilling its Liza 2 exploration well.[74] According to Guyana’s former Natural Resources Minister Robert Persaud, it had taken Exxon only two months to analyze and announce its last successful find – called Liza 1 – between March and May 2015.[75] And according to evidence seen by Global Witness, by May 2016 it appears that Exxon had told Trotman it would announce Liza 2 at the end of June.[76]

Liza 2 turned out to be the world’s second largest find in five years[77] – upwards of 1.4 billion barrels of oil.[78] It is unknown when Exxon determined Liza 2 was so large, including whether the company knew at the April GGMC meeting. However, given the success of its 2015 Liza 1 find and the ultimately immense nature of Liza 2, Exxon appears to have had an interest in rushing negotiations from the outset. If Liza 2 was announced before a deal was done, Guyana would know how valuable Stabroek was becoming, and could reasonably demand a greater share of its profits.

It is useful to note that just as Exxon was finding oil, the company’s drilling area was dramatically shrinking. Under the terms of the 1999 license, Exxon was required to relinquish as-yet unexplored sections of its oil block every few years. By 2015, the company should have given up 75 percent of the original Stabroek area, and clearly did not want to give up any more.[79] According to the GGMC report, at their early April meeting “it was obvious that in the remainder of the license term, all the exploration work to be done could not be achieved.”[80]

Global Witness does not allege that Exxon deliberately misled Guyana or withheld information about Liza 2 while negotiations continued. And Exxon states that it acted lawfully and appropriately during the Stabroek negotiations. Responding to a Global Witness request for comment, the company said “we consider the accusations unfounded and baseless. ExxonMobil is committed to the highest standards of business conduct, and we follow all local laws and regulations wherever we operate.”[81]

Nonetheless, Exxon’s seemingly aggressive tactics worked. As discussed below, Exxon’s 2016 Stabroek license contained fiscal terms that are largely the same as its 1999 license and gave the company access to acreage it should otherwise have relinquished.[82] Obstinate, hurried, and mismatched, Exxon appears to have gotten its way.

2. NATURAL RESOURCES MINISTER RAPHAEL TROTMAN

Trotman signed Exxon’s Stabroek license.
Guyana Ministry of the Presidency via Stabroek News

Evidence seen by Global Witness also suggests that Guyana got a bad deal because it may not have been well represented in subsequent negotiations by Minister Raphael Trotman and his team.

a. Partnership with Exxon’s lawyer Nigel Hughes

As Natural Resources Minister, Trotman was legally responsible for assessing and approving or rejecting Guyana’s oil licenses.[83] However, during the 2016

Stabroek negotiations Trotman had a possible conflict of interest. Trotman's main political partner – Nigel Hughes – had served as one of Exxon's lawyers on other matters, and Hughes' firm periodically represents Exxon as a client.

Hughes speaking at a 2014 political rally. *Stabroek News*

Trotman is the de facto head of Guyana's Alliance for Change (AFC) political party,[84] which since 2015 has served as a junior partner in the coalition government. In early 2016, Trotman's partner in leading the AFC was Nigel Hughes. Hughes' official AFC title was "Chairman," although according to Trotman, Hughes essentially served as his party's deputy head.[85] On April 11 2016, shortly after Stabroek negotiations had begun, Hughes resigned from the AFC leadership, but remains closely tied to the party. His wife Catherine Hughes is an AFC member and serves as a government minister.[86]

Hughes himself is not a politician; even while leading the AFC he did not hold a government post. Instead, he is the managing partner of the law firm Hughes, Fields & Stoby.[87] The firm represents some of the most powerful natural resource companies operating in Guyana, including Baker Hughes, Schlumbuerger, and Hess.[88] It has positioned itself as a specialist in oil and gas law, and in 2018 opened an office in Houston.[89]

Hughes, Fields & Stoby also represents Exxon on assorted matters and has done so since at least 2009.[90] Global Witness does not know whether the firm represented Exxon in the 2016 Stabroek negotiations. In a July 2019 meeting with Global Witness, Hughes was asked whether his firm represented Exxon during the negotiations. He responded that he was not aware of the negotiations because he "personally does not handle that stuff."[91] Global Witness wrote to Hughes in December 2019 asking what, if any, role Hughes, Fields & Stoby may have played during the Exxon negotiations. He did not respond to this question.

Global Witness also has asked Hughes whether he had personally worked for Exxon. In July 2019, he stated that he had been one of Exxon's lawyers but did not specify what he did for the company.[92] In December 2019 Hughes was more specific, saying that he was "not at any material time responsible for advising Exxon" during the 2016 Stabroek negotiations.[93]

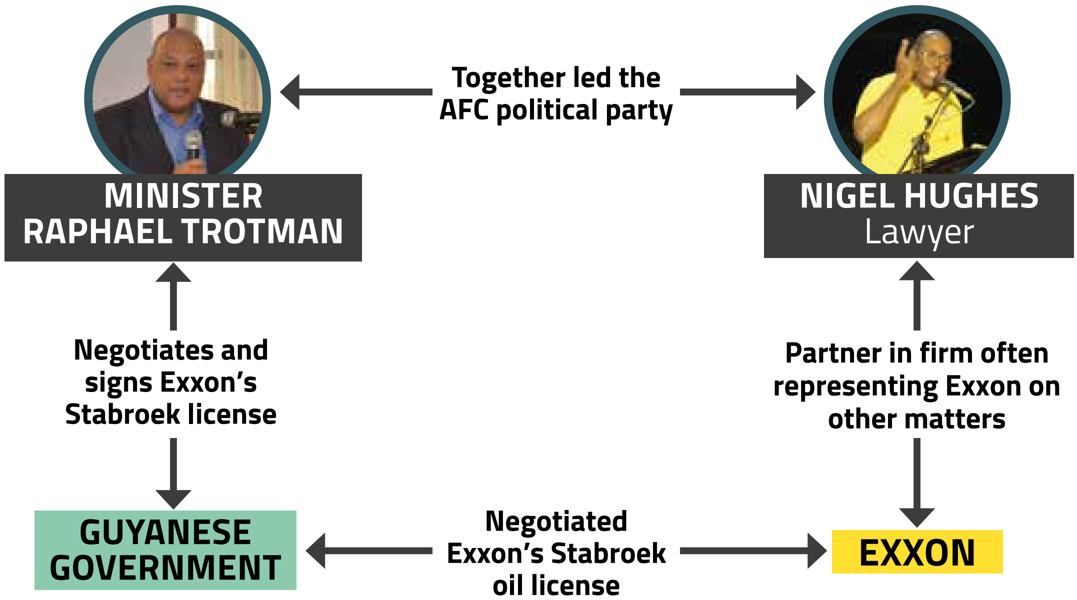
Global Witness does not have evidence that Trotman's Stabroek negotiations were influenced – unwittingly or otherwise – by his relationship with Hughes. However, Global Witness does believes that the relationship between Trotman, Hughes, and Exxon should be investigated to determine the existence or extent of any conflict of interest. As the AFC head, Trotman's political interests were aligned with Hughes – the party's deputy head. Given that Hughes' firm has represented Exxon since 2009 (although it is not clear on what matters), and given that Hughes himself has represented Exxon on other matters, a Stabroek deal that was favorable to the company may have preserved or promoted that lucrative relationship.

Hughes has denied that his relationships with Trotman and Exxon represent a conflict of interest. In July 2019, he told Global Witness that his time as AFC Chairman did not really overlap with Trotman's time as Minister of Natural Resources.[94] Hughes did resign his post as AFC Chairman near the start of the Stabroek negotiations and was not in this post when Trotman was negotiating with Exxon in June 2016. However, as reported in the Guyanese press, Trotman became a minister in May 2015, eleven months before Hughes relinquished his AFC position in April 2016.[95]

Asked again in December 2019 whether their relationship represented a conflict of interest, neither Hughes nor Trotman provided a response.

The law firm of Hughes, Fields & Stoby has represented Exxon periodically since at least 2009. *Global Witness*

The minister and the lawyer



b. Ignoring expert advice and a strong negotiation position

There is also evidence that Trotman may have disregarded certain crucial advice during the Stabroek negotiations that Guyana should not approve Exxon's license until it had more information about whether it was getting a good deal.

In August 2019, Global Witness asked Trotman about his role during the 2016 Stabroek negotiations. The minister responded that his involvement in the deal was "marginal."[96]

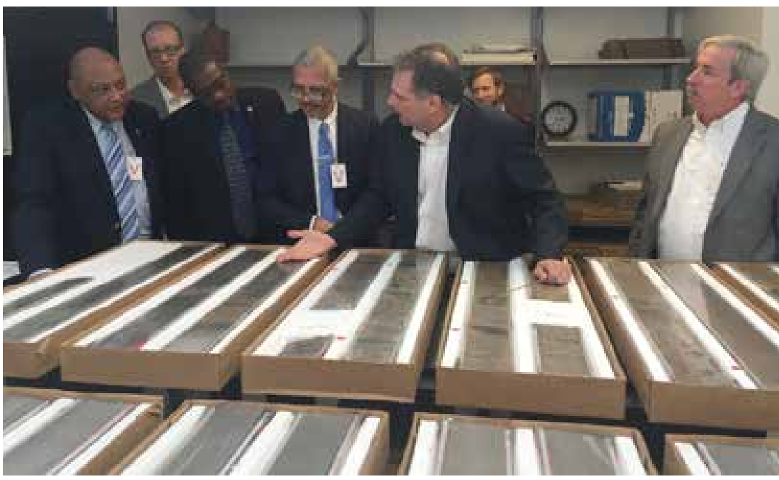
There is some evidence to back up this denial. Between April 28 and 30 2016 – after negotiations had begun – Trotman and other officials met with Exxon at the company's Texas headquarters. The trip was a glamorous affair. Trotman flew first class, slept in pricey hotels, ate at Joule – Exxon's exclusive Wolfgang Puck restaurant – and was chauffeured around in limousines. Exxon paid for it all.[97]

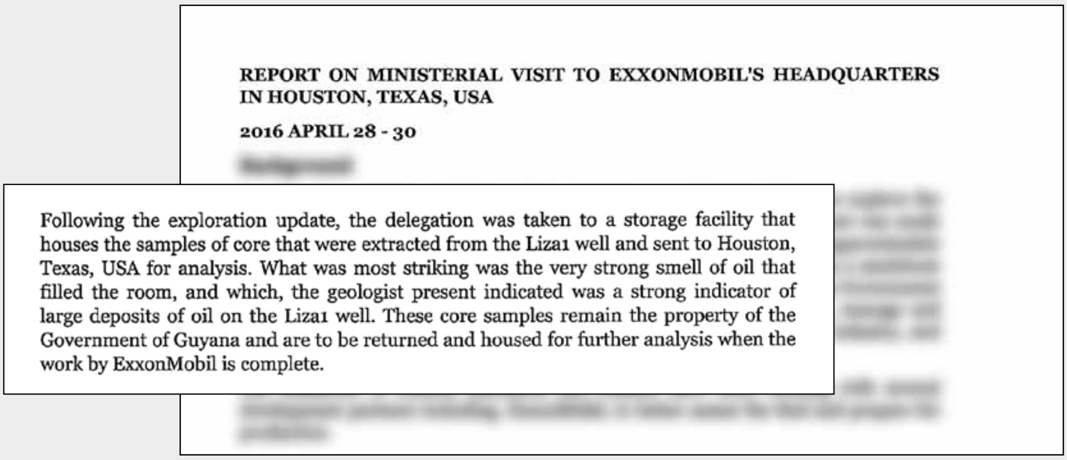
During this trip it appears that the minister and his colleagues did not negotiate a new Stabroek license. Interviewed by Global Witness in July 2019, Trotman stated first that he did not visit Exxon during the Stabroek negotiations, then said he would need to check his notes.[98] The minister subsequently sent Global Witness a memo summarizing his late April 2016 trip, prepared by the visiting officials. The memo shows Trotman did visit Exxon's headquarters while a new deal was being discussed, but makes no mention of negotiations during the trip.

Instead, Trotman's all-expense paid visit to Exxon's Texas headquarters was spent listening to technical presentations and visiting a facility where drilling samples were kept. "What was most striking," the visiting officials wrote, "was the very strong smell of oil that filled the room, and which the geologist present indicated was a strong indicator of large deposits of oil on the Liza 1 well."[99]

Global Witness is not suggesting that Trotman's Texas trip violates US or Guyanese anti-corruption laws. However, given the minister's legal responsibility for negotiating Exxon's oil license at the time he visited the company's headquarters, Exxon's apparent generosity does raise questions about the company's compliance with its Gifts and Entertainment Policy. *See the box Exxon pays a negotiator's expenses.*

Trotman, other ministers, and Exxon staff inspecting oil drilling results during April 2016 meetings. *Guyana Ministry of Natural Resources via Stabroek News*





REPORT ON MINISTERIAL VISIT TO EXXONMOBIL'S HEADQUARTERS IN HOUSTON, TEXAS, USA

2016 APRIL 28 - 30

Following the exploration update, the delegation was taken to a storage facility that houses the samples of core that were extracted from the Liza1 well and sent to Houston, Texas, USA for analysis. What was most striking was the very strong smell of oil that filled the room, and which, the geologist present indicated was a strong indicator of large deposits of oil on the Liza1 well. These core samples remain the property of the Government of Guyana and are to be returned and housed for further analysis when the work by ExxonMobil is complete.

Section of a memo drafted by Trotman and other ministers summarizing their Exxon April 2016 meetings

EXXON PAYS A NEGOTIATOR'S EXPENSES

Exxon's *Gifts and Entertainment Policy* states, in part, that:

"gifts and entertainment are permissible when the gifts and entertainment serve legitimate business purposes, are not intended to improperly influence the recipient, are consistent with the applicable social norms and are in conformity with applicable laws, regulations, corporate policies, corporate guidelines, and corporate procedures. Employees should also consider factors such as the potential to improperly influence pending business decisions and whether the level of gift or entertainment is appropriate for the position of the person receiving and providing it, and the opportunity for reciprocity. Transparency and the exercise of good judgment are basic expectations."[100]

Asked in July 2019 whether he felt uncomfortable having Exxon pay for such a luxurious trip, Trotman said he did not because other Guyanese officials were with him.[101] A December 2019 request for further comment went unanswered.

Global Witness asked Exxon in December 2019 whether paying the expenses of a minister who would later sign its Stabroek license complied with its Guidelines. We also asked who approved these expenses and if a rationale for their approval could be supplied. As above, Exxon responded that it was "committed to the highest standards of business conduct."

Although a new Stabroek deal does not appear to have been discussed by Trotman during his April Houston trip, by June 2016 the minister was very much engaged in negotiations. He would not, however, serve as a strong advocate for his country.

Global Witness has seen a list of Guyana's negotiation terms that were authored by Trotman and dated just before he signed the Stabroek license.[102] These terms demonstrate that, as of late June, the minister was failing to ask for a sufficiently good deal. His key terms were:

- Guyana should get a two percent royalty on all of the oil produced. This was only a slight increase to the one percent royalty required by the 1999 license. Trotman's terms do not include a section on the government's share of oil production, and it appears – at least in late June – that Trotman was not negotiating for an increase in the 50 percent production share contained in the 1999 license. In total, the minister's position was that Guyana should obtain a 52 percent share of Stabroek revenues, far below the IMF's suggested 65 to 85 percent.

- Guyana should receive an US$18 million signature bonus and US$2.1 million in annual fees, including US$800,000 for environmental and social protections. For a deal ultimately worth nearly US$325 billion, these terms were paltry.[b]

Trotman had reason to know that his Stabroek negotiation terms were weak. On Friday June 24, prior to signing the deal, he sent the terms to an oil industry expert for review. Working quickly, the expert responded on Monday the 27th.[103] In a brief, the expert told Trotman that Guyana needed far more information about the value of Stabroek and what a fair deal would be.[104]

Around the same time, Trotman requested advice from a second oil expert. According to the expert, he also told Trotman that the government needed more information about the economics of Stabroek before signing and even suggested where Guyana could get money to hire advisors.[105]

Both sets of recommendations were apparently dismissed.[106] On June 27, only one business day after Trotman sent his request to the first expert and the same day the expert replied, the minister signed Exxon's license. The final deal largely mirrored the same generous fiscal terms Trotman had offered earlier in June, although the company had reduced its annual environmental and social obligations from US$800,000 to US$300,000.

b Not included in the 24 June list of government positions, but included in Exxon's final deal, was a US$460 million write-off for "pre-contract costs" deductible against Exxon's future profits – further evidence that the government was driving a weak bargain. (Government of Guyana, Stabroek License, 27 June 2016, annex C(3.1)(k))

(The company will pay up to an additional US$300,000 annually in job training.)[107]

There is also evidence that Trotman was aware Guyana was negotiating from a position of strength, but failed to capitalize upon Exxon's weak hand. First, according to evidence seen by Global Witness, Trotman was aware that Exxon was eager to get a new deal. The company was worried about its license expiring.[108]

Second, Trotman knew Exxon would soon announce the results of its newest exploration well – Liza 2 – informing Guyana just how valuable Stabroek would be. In May 2016, Trotman wrote that Exxon had "encountered" "hydrocarbon shows" at Liza 2 and that he understood Exxon would announce its results on a specific day: June 28 2016.[109]

Yet Trotman does not appear to have effectively used this information to Guyana's advantage. Global Witness is not aware whether Exxon told Trotman or other Guyanese officials about its Liza 2 find before the company announced them publicly. However, if Exxon did not, then Trotman signed Stabroek only one day before he believed Liza 2 – one of the world's largest recent oil finds – would be announced.

Of course, if Exxon had told Trotman about Liza 2 before he signed, then the minister approved a deal with weak fiscal terms despite knowing that Guyana was now a leading oil hotspot.

Ultimately, Exxon did not publicly announce Liza 2 on June 28. But the company did not wait long: only two days later, on June 30, Exxon announced Liza 2 and for the first time told the world just how much oil it had found in Guyana – then estimated at up to 1.4 billion barrels.[110]

Like Foreign Minister Greenidge, Trotman has stated that getting maximum revenues from Exxon during the 2016 negotiations was not the government's main aim. In an August 2019 email to Global Witness, Trotman acknowledged that Guyana "could have done some things much differently." But the country's principal aim, he said, was to ensure that Exxon remained in Guyana, developing and producing its oil finds. Among other reasons, Trotman felt that the company could help Guyana in its border dispute with Venezuela. If Exxon's license was threatened by Venezuela, he argued, then the US would help defend the company and the country.[111]

Yet whatever concerns Guyana may have about Venezuela's border claims, Global Witness believes they do not justify Trotman's signing of the 2016 Stabroek license on the terms proposed. The deal was the largest in Guyanese history, and Trotman apparently rushed to sign it before the Liza 2 announcement despite soliciting advice from two experts who said he needed more information. He also knew that Guyana had a strong bargaining position, yet negotiated terms that could lose Guyana up to US$55 billion, according to OpenOil's recent analysis.

In December 2019, Global Witness asked Trotman why he apparently ignored expert advice and Guyana's strong negotiating position during negotiations with Exxon. The minister did not respond to this letter.

Global Witness does not allege that Trotman deliberately negotiated a bad deal, or deliberately ignored information that would in fact have got Guyana a better deal. Nevertheless, with the above concerns in mind, Global Witness believes the Guyanese government should investigate Trotman's role in the 2016 Stabroek negotiations. If it is determined that he or others did not represent Guyana well during these negotiations, or there is other evidence of wrongdoing or incompetence, those involved should be held accountable.

Excerpt of Exxon press release stating magnitude of its Stabroek find, announced only three days after the company had a new license. *Exxon*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News

ExxonMobil Says Second Well Offshore Guyana Confirms Significant Oil Discovery

- Potential recoverable resource of 800 million to 1.4 billion oil-equivalent barrels
- Well is second on 6.6-million acre Stabroek block and drilled to 17,963 feet
- Test confirms high-quality oil

Dateline:

IRVING, Texas

Public Company Information:

NYSE: XOM

IRVING, Texas--(BUSINESS WIRE)--Exxon Mobil Corporation (NYSE:XOM) today said that drilling results from the Liza-2 well, the second exploration well in the Stabroek block offshore Guyana, confirm a world-class discovery with a recoverable resource of between 800 million and 1.4 billion oil-equivalent barrels.

"We are excited by the results of a production test of the Liza-2 well,

As Exxon CEO, Rex Tillerson lobbied against Section 1504. *Jason Janik/ Bloomberg via Getty Images*

EXXON'S US$18 MILLION BONUS PAYMENT AND SECTION 1504 OF THE US DODD-FRANK ACT

As described on page 7, one of the few terms Guyana insisted be included in the 2016 Stabroek license was an US$18 million signature bonus. In Guyana, this bonus has been controversial, with press commentators alleging it could be misspent by government officials.[112] In part, this is because the money has been kept in a bank account not reported in the national budget, an exceptional decision the government defended by saying it needed quick access to the funds so it could pay border dispute legal bills.[113]

Exxon's US$18 million bonus has also caused concern, however, because the government did not acknowledge its existence for at least a year after it was paid. The money was transferred to Guyana in 2016, although it is unclear when between June and December 2016 this occurred.[114] Asked in October 2017 whether there was a bonus, Trotman refused to answer. However, two months later Guyana's Stabroek News published a government letter proving its existence, and Foreign Affairs Minister Greenidge was forced to announce the payment had been received.[115]

As previously discussed, Guyana is now a member of the Extractive Industries Transparency Initiative (EITI) and companies must publish their payments to the government. But in June 2016 this was not the case. Guyana was not yet an EITI member and companies were not required under Guyanese law to publish what they pay.

Exxon was required, at the time, to report its Guyanese bonus in Europe. The company's Guyanese payment was made through a Luxembourg subsidiary, and an EU directive requires European extractive industry companies to report their payments to governments worldwide.[116]

Exxon appears to have fulfilled its obligations under the EU directive. However, the company's Guyanese payment was not published in Luxembourg until December 2017 – 18 months after the Stabroek deal was signed, and just after the Guyanese government announcement.[117]

The distrust caused by Exxon's Guyanese signature bonus could have been avoided if the US required timely payment reporting by Exxon and other extractive industry companies at the project level. However, unlike the EU, the US does not currently require such reporting.

In 2010, the US Congress passed the Dodd-Frank Act, Section 1504 of which requires companies to declare their payments to governments. But some oil companies have fought hard to stop Section 1504 from coming into force. As Exxon CEO, Tillerson personally lobbied against this law.[118] And as a result of litigation and lobbying by the American Petroleum Institute, on whose board Exxon has served, a final rule implementing Section 1504 has not come into effect.[119]

The US Securities and Exchange Commission is currently considering how to implement Section 1504, and has recently proposed an alarmingly weak rule that would fail to shine light on payments such as Exxon's signature bonus in Guyana. This disappointing proposal must be strengthened in line with the original anti-corruption purpose of Section 1504 and with the EU directive.

Payments such as those made by Exxon in Guyana should be reported for each project, avoiding the secrecy that has undermined the government's legitimacy. Many global oil companies – like Exxon's Stabroek partner Hess – are not covered by the EU directive, unless they happen to make a payment through a European subsidiary.[120] An equivalent Section 1504 rule would ensure that these companies publish all of their project-level payments, minimizing the risk of exploitative deals that can sow distrust and helping people in countries like Guyana know what their governments are receiving and hold them to account.

EXXON'S PURCHASE OF THE SUSPECT KAIETEUR AND CANJE LICENSES

To date, in Guyana, Exxon has only drilled for oil in Stabroek. But the company has also bought shares in two other offshore licenses, Kaieteur and Canje. Global Witness' investigation calls into question what due diligence Exxon did to make sure the original deals were clean.

1. QUESTIONABLE AWARDS

Sitting on the northern edge of Stabroek, the Kaieteur and Canje licenses were awarded in 2015 to Guyanese and Israeli companies by Guyana's previous government. At the time, Guyana's President was Donald Ramotar and the Natural Resources Minister was Robert Persaud. The licenses were issued in the two months leading up to the 2015 elections, which the government of Ramotar and Persaud lost on May 11. Canje was signed on March 4, while Kaieteur was signed on April 28.[121]

Based on publicly-available documents, the companies awarded Kaieteur and Canje appear to have very limited track records in the oil industry. The Kaieteur license was initially awarded to two companies, each receiving 50 percent of the oil block.[122] The first of these companies was called Ratio Energy, which at the time was owned by an Israeli-based lawyer named Richard Roberts.[123]

On February 9 2017, Ratio Energy was sold to a Canadian company named Cataleya, which is run by two miners: the Canadian Mike Cawood and the Guyanese Ryan Pereira.[124] This was not Pereira's first involvement in the Kaieteur license: in April 2015, he served as the Guyanese representative for Ratio Energy when it received the block.[125]

Neither Cawood nor Pereira appear to have much experience of drilling for oil. However, Pereira is a successful gold miner with the company Golden Eruption and has operations that would have been regulated by Robert Persaud as Natural Resources Minister.[126]

The other company awarded Kaieteur in 2015 was Ratio Guyana, which is ultimately owned by an Israeli company called Ratio Petroleum with some experience drilling for natural gas in the eastern Mediterranean.[127]

On March 1 2017, Exxon bought 50 percent of Kaieteur, paying US$455,000 to Ratio Guyana.[128] According to Ratio Petroleum, Exxon also paid US$350,000 to the other Kaieteur license holder, which Ratio Petroleum called its "local partner." Because the other Kaieteur company was now Cataleya, Global Witness believes it is likely Exxon's payment went to Cataleya – which again, is controlled by Cawood and Pereira. It is notable, however, that Cataleya had acquired its Kaieteur interest only three weeks before Exxon's money was paid.

The Exxon-Ratio deal had been in the works since July 2016, just after Exxon had finalized the Stabroek deal. According to Ratio Petroleum's website, no seismic work was done in Kaieteur before Exxon bought its share.[129]

In December 2019, Global Witness wrote to Cataleya, Cawood, and Pereira regarding their histories in the oil sector and how they obtained the Kaieteur license. In response, Cataleya and Cawood stated the company's acquisition of Kaieteur and assignment to Exxon were "carried out in a manner fully compliant with all the laws of Guyana."[130] Pereira did not respond.

Exxon's former country manager Jeff Simmons, Trotman, and Dookie. *Guyana Information Agency via Stabroek News*

Answering a separate Global Witness request for comment, Roberts stated that he was a registered Ratio Energy shareholder, but otherwise the "assumptions contained" in our letter were "unfounded." He also stated that his law firm ensures that its clients "comply with all the relevant rules and regulations which apply to their activities."[131]

For their part, Ratio Petroleum and Ratio Guyana asserted that "Ratio group has been active in the [Exploration and Production ("E&P")] industry for 3 decades and holds E&P assets in five different countries around the globe (in Asia, Europe and South America)." They also stated that "Three of Ratio's entities are traded on the Tel Aviv Stock Exchange with a total market cap exceeding USD 1 Billion. Ratio maintains excellent reputation and corporate ethics. Ratio uncompromisingly ensures that its operations are fully compliant with the laws and regulations of the jurisdictions in which it operates."[132]

The Canje license was awarded to a company called Mid-Atlantic.[133] At the time, the company was run – in part – by Guyanese businessmen Edris Dookie, and in 2016 Dookie would go on to become Mid-Atlantic's sole shareholder.[134]

At some point during this period, a portion of Canje was acquired by a company called JHI – set up by the Canadian John Cullen.[135] JHI's publicly available documents do not list its shareholders.[136] Dookie and Cullen have a history together of holding Guyanese oil licenses, but not a history of finding any oil in the country.[137]

According to JHI, after it obtained its Canje share the company bought seismic data for the block.[138] However, less than a year after Canje was awarded and before JHI did further work, 35 percent of the license was sold to Exxon.[139] No information is available about how much Exxon paid for this share.

Global Witness has written to Mid-Atlantic, JHI, Dookie, and Cullen regarding their histories in the oil sector and how they obtained the Canje license. In coordinated responses, Mid-Atlantic, JHI, and Cullen responded that the companies "operated transparently and followed all applicable laws and regulations" when obtaining their shares in Canje.[140]

The Kaieteur and Canje awards exhibit multiple "red flags" that a company like Exxon would need to review before buying shares in the licenses. In 2017, the Natural Resource Governance Institute (NRGI) published a guide for identifying potential corruption in extractive licenses.[141] Red flags identified by NRGI included deals in which unqualified companies obtain licenses and deals in which winning companies quickly sell their licenses to third parties without doing any substantial work themselves.

Global Witness does not have evidence proving that the Kaieteur and Canje licenses were awarded illegally. More research is also required to determine whether the companies awarded the licenses were unqualified. However, the awards do exhibit red flags that raise questions about whether Exxon did sufficient due diligence when acquiring their interests in the blocks.

Global Witness sent a request for comment to Exxon regarding its purchase of shares in Kaieteur and Canje. As previously noted, the company provided only a broad statement regarding Global Witness' findings: "we consider the accusations unfounded and baseless. ExxonMobil is committed to the highest standards of business conduct, and we follow all local laws and regulations wherever we operate."[142]

2. FORMER-NATURAL RESOURCES MINISTER ROBERT PERSAUD CLAIMS IGNORANCE

In May 2019, the Guyanese government announced its State Assets Recovery Agency (SARA) would investigate how Kaieteur and Canje "were allocated and the decisions that were made."[143] Eight months later, this investigation appears to have made little progress. Multiple companies have told Global Witness that – as of December 2019 – they have not even been contacted by SARA, including Cataleya, Mid-Atlantic, JHI, and Roberts.

Robert Persaud states he does not know who owned the companies awarded Kaieteur and Canje. *Stabroek News Credit*

According to a source close to the government, one reason why SARA has not been effective is because some officials may have stonewalled investigators' record requests.[144] However, based on evidence seen by Global Witness, there may be an additional likely reason: SARA has failed to focus on former-Natural Resources Minister Robert Persaud. As of September 2019, Persaud had also not been interviewed by the agency.[145]

Like Trotman after him, Persaud was legally responsible for awarding Guyana's oil licenses. Unlike Trotman, Persaud did not sign the two licenses – they were instead signed by then-President Donald Ramotar. However, according to Ramotar, he acted on the advice of Persaud.[146]

Global Witness interviewed Persaud in July and August 2019 and asked him about the Kaieteur and Canje licenses. The former-minister said the awards were made based upon "briefing reports" prepared by GGMC lawyers.[147] Asked who owned the winning companies, Persaud stated that he "did not know who the beneficial owners are" and that it was not necessary for him, as a minister, to know. He did, however, say he knew some of the people who had signed documents for the companies, such as Dookie.[148]

Persaud has said he cannot provide the reports upon which he relied when awarding Kaieteur and Canje. Now out of government, Persaud stated that he did not have access to them.[149] He also said he could not remember the names of who in the GGMC had prepared the documents.[150]

Where Global Witness has been able to identify the owners and directors of Ratio, Cataleya, Mid-Atlantic, and JHI, we have done so based using only publicly available records. Persaud will have had access to these records, but he will also have had access to more detailed ownership information. Under Guyanese law, companies applying for oil licenses must list all individuals who own at least five percent of the company."[151] It is would be extraordinary if the reports upon which Persaud made his Kaieteur and Canje awards did not include this critical information. If Persaud did not know who owned the companies receiving the two licenses – at least at the time of the award – he or his team ought to have made further enquiries.

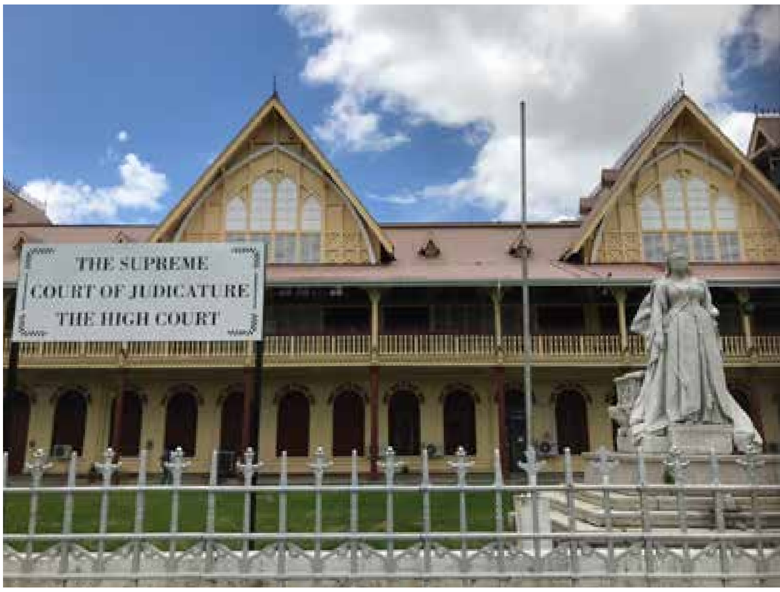
Global Witness has no evidence suggesting that Persaud received anything of value in exchange for his awarding of the Kaieteur and Canje licenses, or is guilty of other wrongdoing. In July 2019, Persaud stated he had not received any money as a result of the awards and was not "involved" in the companies holding the licenses.[152] Asked for further comment in December 2019 on the license awards, Persaud declined to provide additional explanations.[153]

3. WHAT EXXON KNEW

The Kaieteur and Canje licenses were awarded just before an election to companies that appear to have little experience in oil production and which quickly sold shares in the blocks to Exxon. They were also awarded by a minister – Robert Persaud – who claims to be ignorant of legally-required information about the companies' owners.

The Guyanese government should redouble the efforts of its investigation into the award of the Kaieteur and Canje licenses, currently being conducted by the State Assets Recovery Agency. In particular, the government should ensure that the investigation faces no obstacles in obtaining all the evidence it requires. And if the investigation does uncover evidence of wrongdoing, those involved should be held accountable.

At the same time, Exxon should declare how it addressed any red flags associated with Kaieteur and Canje when it purchased shares in the licenses. Exxon's Anti-Corruption Legal Compliance Guide states that the company should undertake careful due diligence when acquiring certain licenses. One scenario outlined by the Guide requiring extra checks is "an interest in a discovered undeveloped oil and gas property that was acquired by a local company five years ago without a public tender in a country with a reputation for corruption."[154]



Guyana's State Assets Recovery Agency should properly investigate how the Kaieteur and Canje licenses were awarded. *Global Witness*

It remains unclear what due diligence processes Exxon has undertaken. In particular, as Guyana's Natural Resources Minister – who was legally required to have ownership information – claims he did not know who owned the licenses, it is unclear how Exxon would have had such information, although there were other potential sources than Persaud. Of course, to ensure it complied with US and Guyanese anti-corruption laws, Exxon should have known who owned Kaieteur and Canje.

In December 2019, Global Witness requested comment from Exxon regarding its purchase of shares in the Kaieteur and Canje licenses. Again, the company did not respond directly, saying only that it "is committed to the highest standards of business conduct, and we follow all local laws and regulations wherever we operate."[155]

THE US AND RENEGOTIATING WITH EXXON

If Guyana does renegotiate Exxon's Stabroek license, for these negotiations to succeed it is likely that a third party will also need to give its blessing: the US. Exxon is an American company, and the US has sway in Guyana as the country's second largest governmental donor, behind the EU.[156]

Speaking in April 2019, US Ambassador to Guyana Sarah-Ann Lynch said that Guyana has the right to renegotiate and that the US "certainly won't interfere with that."[157]

In a December 2019 letter to Global Witness, the State Department's Bureau of Energy Resources – the agency responsible for international oil development – said that it supports transparency and Guyana's membership in the Extractive Industries Transparency Initiative (EITI). The Bureau also stated it had launched a new Energy Resource Governance Initiative under the direction of Assistant Secretary Francis Fannon. The initiative is designed to "engage countries to advance good governance principles, share best practices, and encourage a level playing field."[158] That same month, the US announced a US$500,000 program to support EITI in Guyana.[159]

However, according to the Bureau's December letter, the State Department "does not play a role in commercial negotiations with private sector actors."

This should change. If the Guyanese government does decide to renegotiate, Global Witness believes the State Department should support the government's decision, telling Exxon it needs to come to the table and defending Guyana's right to get a good deal.

But it is critical that this help is seen to be impartial. Fannon has served as a managing director of Murphy Oil. The Bureau's Deputy Assistant Secretary Melissa Simpson has worked for a communications firm representing the oil lobby group Western Energy Alliance.[160] And the current Desk Officer responsible for Guyana in Washington, Seth Wikas, undertook a six month secondment with Exxon prior to assuming his current role.[161]

Responding to a request for comment regarding the previous experience of Fannon and Simpson, the Bureau of Energy Resources wrote that "there is a rigorous and effective vetting process [that] seeks to avoid conflicts of interest in Department of State policy making."[162]

Global Witness did not receive a response specifically addressing Simpson's previous employment. However, the Bureau did respond regarding Fannon's work:

"Prior to his current role, Assistant Secretary Fannon founded a consultancy focused on environment, social, and good governance issues, a private sector experience that has contributed to his background in this area. His further private sector experiences solidified Assistant Secretary Fannon's belief that transparency and good governance are critical for driving a country's success in the energy sector."[163]

Writing for Wikas, the Director of the Office of Caribbean Affairs stated:

"…the Department of State routinely offers academic and practical economic training opportunities for its officers, to include training at NGOS, other US government offices, academic institutions or corporations. Developing relevant subject matter expertise and economic tradecraft skills empowers our officers to better promote the interests and engage on behalf of the American people."[164]

If the State Department is to provide the support Guyana needs, it should ensure staff are transparent about their experience and that they "encourage a level playing field" during renegotiations with Exxon.

GUYANA CAN GET A BETTER DEAL

Oil is a risk for Guyana. With aggressive oil companies, government negotiators ignoring expert advice and possibly biased by their own interests, and up to US$55 billion left on the table according to OpenOil's analysis – Global Witness believes oil may do more harm than good in the country.

But this can change. Countries like Nigeria and Papua New Guinea have recently called for oil companies to renegotiate the terms of their licenses. Guyana can do the same by negotiating a better Stabroek deal and, given how important the license is to the company's future, Exxon should come to the table. Guyana can also prevent future bad deals by investigating how Stabroek, Kaieteur, and Canje were awarded, while the US should implement laws that prevent potential corruption.

And Guyana deserves change. Strategic investment in education, health services, job training, and coastal defenses can drive positive change in Guyana, harnessed to a longer-term vision of managing the oil dividend. The country can use oil revenues to build a stronger economy that is not, in the end, dependent upon oil. And because Guyana can receive such significant revenue from just the oil that has already been found, the country can halt other oil production and help fight the climate emergency.

Change should happen now. The government should get to the negotiating table.

Dusk in Georgetown. The people of Guyana deserve a better deal. *Global Witness*

RECOMMENDATIONS

FOR GUYANA

1. The Guyanese government should renegotiate Exxon's Stabroek oil license. The government should seek a share of revenue that equates with international standards, increasing Exxon's financial obligations such as royalty and income tax payments. Prior to negotiations, the government should commission an independent evaluation to determine what the country deserves from the license, although **Global Witness believes a minimum equitable share of oil revenue for Guyana would be 69 percent.** Negotiations should be undertaken by impartial government officials, drawing upon expert advice. Additional revenue received as a result of renegotiation can be invested in development priorities and managed within a Natural Resources Fund that incorporates meaningful and transparent engagement with civil society. It can also be used to fund ambitions contained in the Green State Development Strategy – ensuring that the country's economy is stronger and ultimately not dependent upon the oil sector.

2. In the context of the climate emergency, and given the revenues that Guyana could receive from the existing Stabroek oil finds, the Guyanese government should place a moratorium on any new drilling. Guyana could allow Exxon to extract oil from the 16 wells it has already drilled, but allow no additional drilling in the Stabroek license. Guyana should also cancel its nine other allocated licenses and not award any new licenses.

3. The Guyanese government should investigate the process by which the Stabroek license was negotiated. This should include a review of whether an apparent conflict of interest prevented Raphael Trotman from fully negotiating in the best interests of the country.

4. The Guyanese government should adequately resource and ensure the independence of its anti-corruption agencies. This should include the Guyana Extractive Industries Transparency Initiative and the State Assets Recovery Agency, the latter of which is currently investigating the process by which the Kaieteur and Canje licenses were awarded.

FOR THE US

1. The US Securities and Exchange Commission must strengthen its proposed rule for Section 1504 of the Dodd-Frank Act. It should require timely reporting of project-level payments made by companies to governments, in line with similar laws in the EU.

2. The US State Department should support Guyana by encouraging Exxon to renegotiate with the country.

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