



## Ministry of Natural Resources

### Budget Speech 2017

Hon. Raphael G. C. Trotman, MP

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#### 1.0 Introduction

I rise to make my contribution to the debate on Budget 2017 under the theme “*Building a Diversified, Green Economy: Delivering the Good Life to All Guyanese*” and without any prevarication or hesitation, let me join with my colleagues in this National Assembly in first commending the Hon. Winston Jordan and his team for presenting to this National Assembly the 3<sup>rd</sup> budget of the Coalition Government; a budget that is designed to “consolidate the gains we have made since accession to office, improve economic performance, and define a sustainable pathway to the happiness and prosperity of Guyana.” (Budget Speech, 2017)

Our able Minister of Finance outlined a number of strategic objectives which include: “stabilizing the macroeconomic and public finances; preparing for oil and gas production; encouraging and supporting entrepreneurship, in particular those that involve new, green technologies and processes; creating more job opportunities; increasing the focus on innovation so as to increase domestic production and boost exports; building climate resilient infrastructure for economic expansion and linking the coastland and hinterland; lifting the quality of life and addressing poverty.”(Budget Speech, 2017). It is about creating opportunities for all Guyanese. It is about improving the well-being of Guyanese through socio-economic growth and the maintenance of the environment, which sustains us.

A Government’s 5 year term is expected to have a corresponding number of budgets. We cannot look at one budget, which is really a snapshot of a period in time, and expect to be fair in its assessment without juxtaposing the budgets that passed before. The budget

therefore must be read in conjunction with those from before – all programmes, policies and resources in these three must be woven together that are taking the country further on a path of realizing a green economy. There is a Chinese proverb that simply states the truism that “*good medicine tastes bitter*”. The Minister of Finance and his staff didn’t conjure up a budget to harm the country, but to heal it. We all remember that vaccination we get at an early age of infancy - the closer to birth the better. I refer to the one that made us scream in pain and anger. We all bear the mark on our arms and today thank our parents and health care workers who administered it. It was painful and made little sense then but now, we realize that it has protected us for the duration of our long lives.

Mr. Speaker one person in the debate yesterday referred to a twilight zone and indeed I believe we are there. Recall that the same budget director and staff of the Ministry of Finance are those who advise the Minister of Finance and assist in the preparation of the budget. They were good enough two years ago but if we are to enter into the imaginations of some, they have suddenly sprouted devilish horns and have lost their reason.

Mr. Speaker as we prepare to enter into a new era of plenty we have to bring some discipline to our fiscal arrangements and the best time to do so is now. Trinidad & Tobago is a case in point where some very tough measures had to be adopted not only to ensure survival for now but viability for tomorrow. In short Mr. Speaker, we can’t put new wine into old wineskins. Taking responsibility is not about whimpering in times of transition and uncertainty; it is about taking action and staying in motion. Mr. Speaker I repeat what I said a few nights ago to the ire of some, “I invite you to get busy” with the Government. It is an invitation, not a command. It is an entreaty not an instruction and we as Government have a duty to prepare the nation and we will do so to the best of our abilities.

On a daily basis we are receiving scores of applications and proposals from abroad for activities in the extractive industries sector. We would like to see more Guyanese involved and this is why we have been hosting and hosting seminars and workshops.

I trust that when we bring the suite of initiatives for support and implementation that it will be forthcoming. I promise Hon. Member Lumumba to include him in our activities and I will do so. Together, we will have to prepare the country for what is to come as these resource are not the preserve of one, but of all.

### **Ministry of Natural Resources**

The Ministry of Natural Resources in continuing the expansion and diversification of the natural resources sector has commenced a series of critical initiatives to improve management and coordination of this sector in the short, medium and long term. The approach to the execution of these initiatives will reflect an inclusive and collaborative approach with stakeholders across sectors.

Mr. Speaker, in 2016, the Ministry of Natural Resources underwent significant institutional changes with the announcement that there would be a delinking of functions as the Ministry of Presidency announced the establishment of the Department of Environment in July 2016. As such the Ministry's environmental portfolio was transferred to the Department of Environment within the Ministry of Presidency. Concurrently, the Natural Resources Ministry had assumed the responsibilities of the emerging Oil and Gas Sector. Thus, it was necessary for the Ministry to revise its Budget Programme Structure to capture the existing programme areas; 1) Policy Development and Administration and 2) Natural Resources Management, and the new programme area: 3) Petroleum Management. The work of the Ministry of Natural Resources is captured under the first programme area while the regulatory work of the Guyana Geology and Mines Commission, Guyana Gold Board and Guyana Forestry Commission is captured under the second programme area. The newly proposed Petroleum Commission that will be established in the first quarter of 2017 will be captured under the third programme area.

Mr. Speaker, in 2017, the Ministry of Natural Resources will continue to discharge its mandate to harmonise policy and sustainably manage the natural resources-based sectors. In doing so, the Ministry will focus on implementing key policy-led initiatives under the three programmatic areas referred to earlier, requiring a financial

commitment of **GY\$798,479M** to cover re-current costs and capital expenditures. Of that amount, GY\$579,879M has been allocated to Policy Development and Administration programme area, GY 17,880M to Natural Resources Management programme area and \$ 200,720M to Petroleum Management programme area.

## **2.0 Policy Development and Administration**

Mr. Speaker, to support the continued development and implementation of robust policies related to our natural resources, while coordinating the work of implementing agencies under the purview of the Ministry, and monitoring and evaluating (M&E) the agencies work programmes, a financial commitment to the tune of GY\$579,879M is necessary to cover the Ministry's re-current and capital expenditures.

### **2.1 Strategic Plan and Policies 2017-2021**

Mr. Speaker, the Ministry of Natural Resources has requested the assistance of the United Nations Development Programme (UNDP) in 2017 to revise and update the Ministry of Natural Resources and Environment Strategic Plan (2013-2018) and Monitoring and Evaluation. Since the new Government has assumed office, the Ministry has undergone significant institutional changes as previously mentioned. And as such, it would be a timely initiative to update the Strategic Plan.

### **2.2 Revision of National Forest Policy**

Mr. Speaker, in 2017, the Ministry of Natural Resources will continue to update and/or create policies and laws relating to the conservation, management, protection and sustainable development of the nation's patrimony, its forest resources. There have been changes in Guyana's economic, social and political landscape over the last six years since the previous forest policy was crafted. An updated forest policy will mark a significant shift in emphasis from the development of the timber potential of our forests to management of the forests' multiple down-stream goods and services for national benefit.

### **2.3 Revision of National Log Export Policy**

Mr. Speaker, in the interest of strategically enhancing the competitiveness of Guyana's Forestry Sector in 2017, the Government has commenced the review of the National Log Export Policy to develop a new policy for immediate implementation. The current policy of 2009, aims at dissuading the export of logs while encouraging value added manufacturing of forest products. It is obvious that this policy was honoured more in the breach than the observance. In this regard, large scale forest companies and operators must begin to increase value added production and harvesting.

### **2.4 Mining Policy**

Mr. Speaker, we cannot underestimate the role that mining plays in the nation's social and economic development. Mining generates jobs and significant revenues. With improved governance, the sector can advance economic diversification and the creation of jobs and enhance sustainable investments in health, education and infrastructure. These positive benefits are difficult to achieve in the absence of a strong policy framework. It is for this reason that the Ministry of Natural Resources through the Guyana Geology and Mines Commission will have a completed draft of the Mining Policy in 2017. Additionally, I am pleased to announce that there is ongoing a review of the bauxite interview with a particular emphasis on the feasibility of an alumina plant.

### **2.7 Legislative Review**

Mr. Speaker, there is a need for a clear legislative regime that enables improved governance and the development of a sustainable extractor sector. In 2016, the Ministry of Natural Resources tasked its regulatory agencies with identifying their strategic priorities, legislative gaps in their existing Act and Regulations, and more recently, a review of the Fees and Fines that are stipulated by their legislation. Following the reviews conducted, it was deemed that the Acts and Regulations were out-dated and many loop-holes were identified and as such, there was a need for the revision of the legislative framework that governs the extractive sector. It is envisioned that the Ministry of Natural Resources for the year 2017, will table 1) revised Fees and Fines Structure for its regulatory agencies 2) legislative changes to the Guyana Gold Board Act, 3) new Forestry Regulations 4) new Mining Regulations and 5) Revised Petroleum

Act and Regulations. On the other hand, the Mining Policy and Forestry Policy that were previously mentioned will inform the revisions of the Forestry and Mining Acts.

## **2.8 Forest Carbon Partnership Facility (FCPF)**

Mr. Speaker, the Co-operative Republic of Guyana remains committed to advancing its REDD+ preparatory activities through the Readiness Fund of the Forest Carbon Partnership Facility (FCPF). With the financial support of the FCPF through the IDB, a Technical Cooperation (TC) valued at USD\$3.8 Million will allow Guyana to undertake a series of REDD+ readiness activities, designed to create the basis for Guyana to receive payments for reducing carbon emissions from deforestation and forest degradation and for supporting conservation, sustainable management of forests and enhancement of forest carbon stocks. Specifically, this TC will support: (i) improvements in the organization and strength of institutions for REDD+ readiness, including robust consultations and meaningful participation of stakeholders; and (ii) the preparation of the Guyana REDD+ Strategy to facilitate access to additional funding under performance-based incentives. Although the project had become moribund at the time we came into office, we breathed new life into it. I am pleased to report that the project was officially re-launched in October with duration of 3 years.

## **2.9 Extractive Industry Transparency Initiative (EITI)**

Mr. Speaker, the quest for becoming EITI compliant remains high on the Government's agenda. Becoming an EITI candidate will signal to both the local and international community, Guyana's commitment to responsible governance of its resource flows, including compliance with principles of transparency and anti-corruption. In this regard, the Ministry of Natural Resources has recommitted to this process. The Government has conducted several workshops with the assistance of the Inter-Development Bank and the Trinidadian EITI Secretariat for the establishment of Guyana's Multi-Stakeholder Group. I am pleased to report that we have been able to achieve consensus on the formation and nominations of the MSG. Within our first Programme Area, we have begun planning and budgeting for the new institutional arrangements – G-EITI Secretariat- that will be required to move the candidacy process forward in 2017.

## **2.10 Corporate Social Responsibility**

Mr. Speaker, it has been a public observation that corporate social responsibility (CSR) is particularly important in the context of Guyana's green economy. A green economy orientation seeks to ensure a reduction in environmental risks and damage from the development of the country's resources for the benefit of Guyanese. It is for this reason, that the Ministry of Natural Resources developed a CSR Framework that was launched in early December. This Framework will provide guidance to companies to undertake voluntary activities over and above the minimum legal requirements that ensure they operate in socially, economically, and environmentally responsible ways. The implementation of this CSR framework in 2017 -2020 is anticipated to make significant inroads in achieving the vision of a green Guyana. The CSR Framework contains four pillars: Greening Communities (creating and maintenance of green spaces), Youth Development in Natural Resources, Land Restoration, and a Green Business Development Fund that will guide CSR contributions.

## **2.11 Ministry of Natural Resources Compliance Division**

Mr. Speaker, the Ministry of Natural Resources has established a Compliance Division to assist in addressing the low compliance and adherence to the relevant mining and forestry laws and regulations.

Mr. Speaker, we admit that there is a room for improvement in the mining sector and that must be changed, clear rules and practices must be applied and enforced which will require additional resources. As a result, the Ministry has budgeted within its programme area through the Compliance Division to roll-out a Corps of Warden Programme in the first quarter of 2017. Under the operational command of the division, 20-30 Corps of Wardens will be introduced into the Natural Resources sector to strengthen compliance and enforcement of the governing acts of parliament, regulations and acceptable codes of practice governing the various industries within the sector. Advertisements for persons will be published soon.

### **3 Natural Resources Management**

Mr. Speaker, to continue supporting the expansion and diversification of the economy by facilitating the rational and sustainable development of Guyana's natural resources, a financial commitment to the tune of GYS17,880M is necessary to implement the Ministry's recurrent work programme. Mr. Speaker that the agencies under this programme area, namely GGMC, GFC and GGB, are semi-autonomous agencies which appear in Appendix T of the Budget, this programme only requires a minimal budget to execute the work of the Ministry and not that of the agencies.

#### **Guyana Forestry Commission**

Mr. Speaker, the forestry sector faced several challenges in 2016 but there are new opportunities with the potential to bring significant growth and development to the sector. In 2016, we saw the global timber market face serious challenges in maintaining the previous high level of demand and pricing of timber in 2015. In 2016, the previously resilient market for Wamara, one of the highly demanded species in 2015, showed a drastic decline in both demand and price. Concurrently, several large forest concessions have reverted to the State for reasons including: expiration and non-renewal; and actions taken against concessionaires who fail to abide by investment agreements. For areas remaining in the allocation system, there is an overall trend of low levels of productivity from concessions, especially large concessions. There are also some concessions that have shown low or no production for the past five years. This underutilization of allocated areas limits development.

#### **3.1 Declaration & Production**

The sector contributed approximately US\$40M-US\$60M in export value over the past 10 years and while production levels of timber and plywood were between 400,000 m<sup>3</sup> to 500,000m<sup>3</sup> annually. However, the production level for 2016 is projected to be 320,000 m<sup>3</sup> which is 30 percent below the 2015 level of 450,000m<sup>3</sup>, while export value is projected to be at US\$38M, a 15% decline from 2015 - US\$46M. In 2017, the projected production level is expected to recover at 380,000m<sup>3</sup> and the total export value is projected at US\$42 M.

### **3.2 EU FLEGT**

Guyana advanced the negotiation process in 2016 under the Guyana EU Bilateral Trade Negotiations on a Voluntary Partnership Agreement (VPA) under the EU's global programme on Forest Law Enforcement Governance and Trade. The trade agreement between the EU and Guyana should be finalized by June 2017 and will create greater access and more lucrative market opportunities for Guyana's forest products exports in the EU and other markets.

### **3.3 Greenheart Ban**

A related challenge that will be addressed in 2017, in collaboration with the Private Sector, Guyana's Foreign Mission in the UK and the Ministry of Business, is the current ban on Greenheart by the UK EPA. Ongoing discussions and efforts to regain access to the UK Market for Greenheart will be further advanced with an aim to re-establishing these markets. There will be direct engagement with the UK agencies and active steps will be taken to provide the necessary documentation to make Guyana's case that strong sustainability rules are already in place.

### **3.4 Forest Allocation**

A total of area of 2.2 million hectares of forest reverted to the State in 2016 and is available for reallocation. In 2017, it is estimated that at least half of this area will be open to expressions of interest from prospective investors. It is planned that by June 2017, forest planning and harvesting in these designated areas will begin. Areas for small and medium scale and local operators will be prioritized. Together with the planned allocation from the available vacant areas, there is the potential to generate approximately 100,000m<sup>3</sup> in 2017 as a startup.

## **4 Guyana Gold Board**

Mr. Speaker, for the year 2016, the Ministry of Natural Resources projected a gold declaration target of **550,000** ounces, which when calculated, is a 21.8 % increase of the previous year's target. **I am pleased to report that to date, we have surpassed that target and gold declaration stands at an unprecedented 641,668 ounces, which is a**

remarkable achievement for our country – the highest gold declaration figure in a calendar year and thus far. Small and medium scale miners delivered 429, 188, Guyana Goldfields and Troy Resources delivered 145,236 and 67,244 ounces respectively. This means that the small and medium scale miners delivered close to 70% of the total and today I pause to congratulate them on behalf of His Excellency President David Granger and to assure them that the APNU+AFC government will neither abandon nor undermine their efforts.

Mr. Speaker, I would like to use the opportunity to reiterate that our gold projection target for the year 2017 is set at 694,000 ounces. It is a difficult, but not impossible, target to reach, but as I reminded the audience at an event recently, we Guyanese are a resilient people with a “can do” attitude. The Ministry of Natural Resources will exert all of its energies to meeting this target not solely because our good Minister of Finance has requested it, but more importantly, because the people of Guyana need us to do so. I am confident that we can achieve this target as we expect that all categories of gold declarants will continue to grow.

#### **4.1 Buying and Selling Gold**

Mr. Speaker, in 2015 the Coalition Government noted that the Guyana Gold Board had over a number of years amassed a deficit of more than GY\$9B. The deficit called for a comprehensive review of the organization that has been in existence for 35 years. The Ministry of Natural Resources has fought tirelessly for the continued existence of the Guyana Gold Board because the Ministry believes that there is merit in having the organization function as a regulator to monitor gold dealers and continue to provide the service of trading gold on a profitable basis. Being a regulator and a purchaser within the sector would allow for manifold benefits - provides statistics that can inform decision making and policy, manage and monitor the trade of gold and ensure a strategic supply of gold to the Bank of Guyana.

In 2016, a complete organizational review was conducted and during the stocktaking process it was realized that the method of buying gold is flawed. Additionally, it is recognised that monitoring and compliance goes beyond that scope to include the

licensed gold dealers. As such, in 2017, legislative changes will be made to allow the Board to enhance its monitoring and regulatory process and increase revenues from application fees and penalties. At this time I can say that the status quo cannot continue and there will be changes.

Therefore, for the Guyana Gold Board must review the method of purchasing gold and this will done in consultation with the representative organisers of miners and the gold dealers.

#### **4.2 Monitoring and Compliance**

Mr. Speaker, during the review process it was noted that the Guyana Gold Board was primarily monitoring gold declaration figures. On the other hand, the Compliance Unit will be expanded, not only in terms of staff complement, but also the scope of the work of that department to include due diligence and monitoring of all gold traders and barterers.

### **5 Guyana Geology and Mines Commission**

#### **5.1 Mines Safety**

Mr. Speaker, as referenced earlier, there were three (3) Inquiries launched to investigate the seven (7) deaths that were recorded in the sector in 2016. The COIs all recommended that the GGMC institutionalize a framework to decrease the number of future accidents. In that regard, a Mines Safety Plan of Action was developed, including strategies for occupational health and safety measures. In addition, there have been calls for GGMC to conduct regular sweeps in all of the mining districts to ensure compliance with the safety guidelines.

In 2017, we will be reviewing our regulations as previously mentioned and we will ensure that sanctions on errant miners become effective. Mr. Speaker, the Ministry through the Compliance Division and the Guyana Geology and Mines Commission has implemented a series of measures thus far to address to issues of mines safety but there is still a very strong need for our miners to be aware that they have to bear some of the

responsibility as well. We will help to cultivate a culture of self-regulation in the sector as collaboration is essential to tackle this issue.

## **5.2 Environmental Management**

Mr. Speaker, the commitment to Guyana's green economy guides the Ministry. There are a number of environmental measures and projects that are being supported in the mining sector. A Mainstreaming Biodiversity Project with support of the Global Environmental Fund (GEF) and UNDP is being implemented with the objective of strengthening monitoring and implementation of biodiversity-friendly practices in Guyana's gold mining sector to reduce biodiversity loss and maintain ecosystem functionality for the benefit of all Guyanese.

The Guyana Geology and Mines Commission has begun mainstreaming land reclamation efforts in their work programme and plans in 2016. Greater focus will be placed on areas that have been previously mined out and also areas that were illegally mined out, most commonly the buffer zones. Land reclamation will be enforced through the GGMC's environmental division, the same division that monitors the turbidity of our rivers as a result of mining.

## **5.3 Mining School & Training Center**

Mr. Speaker, over the past year, the Guyana Mining School and Training Center Inc. with financial support from the Guyana Geology and Mines Commission has been a nexus between the small and medium scale miners and the policies of the Government, to ensure that mining is conducted in a more efficient, safer manner with greater environmental responsibility. In 2016, the Mining school collaborated with the private sector [GGDMA] and our developmental partners [IDB & UNDP] to continue to build the capacity of the mining school and its trainers. During the year, the school responded to the need of the mining sector and trained over three-hundred (300) miners and new entrants to the sector. Mr. Speaker, in 2017, the Ministry will be collaborating with the University of Guyana to restructure the Mining School and Training Center to update the curriculum to integrate biodiversity management, petroleum exploration and production, emphasizing mines safety and occupational health and safety and building

the capacity of trainers for the Mining School on the regulations, best practices, environmental management related to the extractive industries.

#### **5.4.1. Revenue**

Total budgeted revenue for 2017 is \$8,140.7(B). Total royalties to be received from bauxite, gold, diamonds stone, loam and sand for 2017 is budgeted at \$5,708.6(B) compared to \$3,746.0(M) in 2016, i.e., an increase of \$1,962.6(M) or 52.4% above the budgeted 2016 figure of \$3,746.0(M). The table below details the projections used to budget total royalty in 2016 and 2017.

Increased royalties are also expected from Bauxite, as optimistically, the company First Bauxite (GINMIN), is expected to acquire their wash plant and crushing plant in 2017 with an outside chance of operations start up.

Royalty from diamonds have exceeded the budgeted amount of \$24.0(M) by \$63.9(M) for the period January-October 2016. This trend is expected to continue in 2017. I take the opportunity to announce as well that in 2016 thus far, we have seen 109,651 metric carats of diamonds declared which earned the government of Guyana \$73,277,347 in fees and royalties.

#### **(1) Projects**

- (i) The Geological Services Division would be carrying out twelve (12) regional geochemical projects, at a cost of **\$500.9(M)**. The twelve (12) projects would provide a high baseline database of geochemical information including, on deposits of non-traditional minerals of the platinum group and rare earth metals \$1.9(M) would be spent on a COLTAN (Columbite and Tantalite) project to identify areas with COLTAN. Under a MoU with the Ministry of Natural Resources and Environment of the Russian Federation, the GGMC will receive support to carry out this survey.
  
- (ii) The Petroleum Division plans to carry out thirteen (13) field projects (geological, geophysical, and geomicrobial expeditions) at an estimated cost

of **\$36.0(M)**. These are intended to contribute to the onshore geoscientific database as coastal hydrocarbon resources are still to be established definitively.

- (iii) The Environmental division would carry out reclamation exercises in mining districts 2-6, at an estimated cost of **\$314.5(M)**. This would be inclusive of the establishment and propagation of seedlings.

**The benefits are that miners** would be given some assistance in this area and communities in close proximity to mined out areas, would have more post mineral extraction land use options and at the same time addressing land degradation issues which could impact positively on riverain water quality.

## **(2) Assistance to the Mining Industry**

- (i) It is estimated that **\$500.0(M) will be spent on the maintenance/rehabilitation, of interior roads**, to enable miners and other stakeholders to move equipment and supplies with more ease to the benefit of their operations, and the industry as a whole through reduced operational costs and bringing former marginal areas into production.
- (ii) **\$76.0(M)** is estimated to be spent to support the training programs of the Mining School. These programs would benefit the mining industry as a whole, as training and certification are intended for both GGMC's staff and employees with the industry including, General Managers of small and medium scales operations. Training would be in the areas of best practices in mining including, safety and environmental best practices.
- (iii) **\$26.9(M)** is estimated to be spent for technical support to Miners. This would include on-site advice to General Managers, Miners and Amerindian

Council Representatives on improved mining practices with respect to better recovery methods and tailings management. There would also be on site demonstrations of sluice box models, to assist miners with better recovery techniques as well as constructing and operating tailings ponds. This figure is in addition to the mainstreaming of these initiatives via other operational opportunities of the GGMC field programmes.

- (iv) **\$14.5(M)** is estimated to be spent in mining districts 1-6 on the “**A Clean Environment**” campaign to improve sanitary conditions of main landings, mining towns and established settlements.

**(3) Monitoring and Inspection Activities**

Significant amounts are budgeted as follows:

- (i) **\$570.0(M)** is estimated to be spent by the Mines Division – (Mines Technical and Mines Inspectorate departments) and the Environmental Division, for general monitoring and inspection activities in all the mining districts. These activities includes, but are not limited to the below:
- (ii)
- Technical inspection of all large and medium scales operations including bauxite.
  - Implementation of the recommendations of the COI’s report
  - Pilot testing of drones (2) in selected areas as part of monitoring techniques
  - Included in the \$570.0(M) is \$36.0(M) for monthly water quality surveys/testing in the upper Essequibo and lower Mazaruni rivers among others.

Benefits anticipated include increased compliance with the Mining Act and Regulations, increased safety in mining and forward looking actions to

curb the unnecessary stress on the environment associated with mining activities e.g. raiding, waste management.

- (iii) **\$48.1(M)** is estimated to be spent by the Surveying department for the verification of land and river claims and the establishment of geodetic controls.

A further **\$37.0(M)** is estimated to be spent on surveys of sand, stone and loam operations (\$18.3(M)) and for inspections of quarries \$18.7(M).

It is anticipated that these activities, among other initiatives, would improve royalty collection from these minerals operations bring a responsible attitude of order to aspects of this subsector.

**\$38.4(M)** is estimated to be spent by the Geological Services Division to carry out 24 sets of prospecting licence (PL) investigations. Again to avoid unlawful exploitation of our patrimony.

These investigations are also expected to ensure that Prospection Licence holders comply with approved work programs and also to provide hands-on training for Geologists and Geological Technicians.

- (iv) A further **\$25.0(M)** is estimated to be spent by the Commissioner's office to treat with **safety in mining**. Specialists Consultants in this field would be engaged to provide the necessary services to improve safety in mining.

Against this backdrop of high expenditures we have the unbalanced scale of low fees being charged. (Examples>>)

Mr. Speaker, someone has to balance the scale. It is the government that has to do so by providing billions of dollars of scarce resources to not only provide these services, but also, roads, bridges, aerodromes, and security to name a few.

## **6.0 Petroleum Management**

Mr. Speaker, a financial commitment of **GY\$200,720M** is necessary to cover the Ministry's re-recurrent expenditures to support the exploration and production of oil

and gas resources by regulating, managing and monitoring the industry to ensure that the resources are developed in a sustainable manner.

On the 16<sup>th</sup> November, 2016, ExxonMobil made Guyanese history by being the first to formally notify the Government of Guyana, in keeping with the Petroleum (Exploration and Production) Act Cap 65:01, that the discovery of oil is of commercial interest. The oil company assured the Government that before the end of 2016, the developmental plans for the Liza well will be submitted and accompanied by an application for a production licence will take place over the next 2-3 years before production.

## **2.5 Upstream Oil and Gas Policy**

The draft oil and gas policy represents Guyana's attempt at setting out specific policy objectives and implementation measures for the exploration and potential development of upstream oil and gas resources found in the country. While the work executed on the initial draft of the policy in 2015 was extensive, this government recognized the need to improve the policy by including issues such as licensing and contracting, fiscal framework, transparency and accountability, and environmental management. In this regard, an invitation was extended to the Commonwealth Secretariat to return to Guyana to assist in updating the document. An update to the policy included an analysis of the legislative, contractual and regulatory frameworks presently in place. Mr. Speaker, I would like to inform the National Assembly that the Ministry of Natural Resources committed to having the following legislation and policy documents completed by the end of 2016; 1) Oil and Gas Policy, 2) Revised Petroleum Act and Regulations, 3) Local Content Policy and Regulations, 4) Petroleum Commission Bill, 5) Petroleum Taxation and Fiscal Legislation, Health, Safety and Environment (HSE) Regulations and a Bill to provide for Sovereign Wealth/Generational Savings, Stabilization, Infrastructural Social Welfare and Citizens Participation Fund. I am delighted to report that all of the above mentioned documents have been completed and will be rolled out for country-wide consultations in early 2017.

## **2.6 Sovereign Wealth Fund**

Mr. Speaker, it is important that the extractive industries that fuel our growth today also provide for our children tomorrow. In an effort to ensure that the benefits accrued from the natural resources sector reach every Guyanese for generations to come, the Government of the Co-operative Republic of Guyana will develop a framework for a Sovereign Wealth Fund in 2017. The Sovereign Wealth Fund, will enable us to protect the economy from the volatile nature of natural resource revenues, help grow and modernize the sustainable non-extractive sectors of the economy, and further enhance the capacity of our people. We have already indicated that we will consider three sub-funds within the Sovereign Wealth Fund. The three sub-funds are: 1) Stabilization Fund, 2) Infrastructure and Social Development Fund and 3) Citizens Participation Fund. We have already begun seeking advice and guidance on developing such a Fund from the School of Public Policy- University of Calgary and the Commonwealth Secretariat, both of which are equipped with strong expertise on extractive resource governance. Mr. Speaker, the creation of a long overdue sovereign wealth fund will demonstrate to Guyanese and the world at large, that hydrocarbon development, and by extension all other extractive industries and can be catalysts for a green economy.

## **6.2 Petroleum Commission**

Mr. Speaker, the preparedness of Guyanese to respond to the needs of this emerging sector is critical, and as such, much emphasis will be placed on capacity building during the year, as well as the creation of the very important Petroleum Commission. Development of the oil and gas sector is notorious for the risks and threats that it poses to economic and political stability, and the environment. Management of the sector is a major challenge for Governments and domestic institutions across the world. The emerging consensus on how to mitigate risk is the need for transparent and efficient institutions to manage oil revenue. Mr. Speaker, as alluded to previously, the Petroleum Commission's Bill has been drafted and is ready to be tabled in Parliament, I have personally shared the Bill with a wide range of stakeholders, including, civil society and the private sector and the Opposition. For the avoidance of any doubt we have placed in the legislation the specific mention of the parliamentary opposition and civil society in

the regulatory body. Most of the monies that have been budgeted in this programme area will be allocated to starting-up the Petroleum Commission.

### **6.3 Guyana's Road Map 2016-2018**

Mr. Speaker, once the Bill paves the way for the establishment of the Petroleum Commission, the Commission will have to develop its Work Programme for the year 2017. In anticipation of this, the Ministry has already carved out a Road Map for 2017-2018 to guide the work plans for the new Commission. This roadmap entails a comprehensive approach to development under the guidance of advisory teams, committees, stakeholders and developmental partners. The approach includes:

1. Development of an implementation schedule for policies, legislation, regulations and the establishment of early stage governance and regulatory structures;
2. Finalisation of a strategy for public engagements;
3. Review of Guyana petroleum acreage and interests and development of a way forward;
4. Development of an extended training and capacity building plan;
5. Development of a local content plan including the transition of work, intellectual capital and expertise to Guyana;
6. Development of infrastructural plan including establishing an onshore logistics base to support offshore operations;
7. Assessment of the stages of the sector from exploration to production with a view to managing the related decision processes;
8. Development of an evolving framework to address the challenges of increased commercial and developmental activities; and
9. Establishment of a local Data Registry to store and manage our petroleum data.

Mr. Speaker, although the list of activities may appear to be extensive, rest assured that we are committed to developing the sector responsibly while achieving our targets and deadlines in a timely manner.

#### **6.4 Capacity Building**

Mr. Speaker, Guyana is being proactive in its approach to this emerging sector to ensure that all mechanisms necessary for the effective management and the best outcomes for its people are in place before the first barrel of oil is produced. The Government of Guyana, with support from our many partners, seeks to build the capacity of our policy makers, officers, technicians, private sector professionals and all stakeholders on the issues and challenges surrounding this emerging sector. The Government of Guyana recognizes the need for a highly skilled workforce in this sector and as such, we will be investing in building the capacity of our professionals. Mr. Speaker, we have already begun this process in working with the Oil Companies and the Mexican Embassy on accessing scholarship opportunities. Meanwhile, we are building our capacity within the Ministry as technical officers are given the opportunity to attend capacity building workshops, seminars, mentoring exchanges and conferences in Kenya, Uganda, Trinidad & Tobago, and the US to name a few.

Concurrently, we are being provided with legal and technical advisory services for contract negotiations, development of the regulatory frameworks and, fiscal and local content policies. The Government also recognizes those Guyanese who can participate in this sector today and also the need to ensure opportunities for those who can participate in the near and distant future. It is a significant part of our national patrimony and belongs to the people of Guyana. It is therefore our inescapable responsibility as a Government to ensure that this right translates into the concomitant right to work and develop within the sector.

#### **6.5 Partnerships**

Mr. Speaker, it would be remiss of me not to mention the support Guyana has sought, offered and received from a number of international experts and agencies, and developmental partners for the development of the regulatory framework, prudent fiscal management policies, capacity building exercises and transparent processes for good governance thus far. Some of our diligent partners include:

1. UNDP, providing technical advisory services;

2. Commonwealth Secretariat, supporting the drafting of the Oil & Gas Policy and the revised Petroleum laws;
3. United States Government through the Energy Governance Capacity Initiative;
4. Canadian Government through the School of Public Policy – University of Calgary;
5. Government of Mexico in an initiative to establish our own Petroleum Scientific Institute and offering scholarship opportunities;
6. Chatham House in assisting in the review of our regulatory framework and providing a setting – New Petroleum Producers Discussion Group for an open dialogue on the oil and gas industry for new and emerging states;
7. Ugandan counterparts that have provided mentoring exchanges as they intend to start their oil production in 2017; and more recently
8. A Donor Coordination Roundtable in Guyana with our developmental partners – IDB and UNDP along with the diplomatic community.

Mr. Speaker, in 2017 – we intend to continue to work and build upon the relationships and networks that we have already established with these abled partners to develop the sector. We welcome those new partners that are willing to collaborate with the Government however, we must ensure that it is a coordinated approach and efforts are not duplicated.

At every stage we intend to keep the stakeholders, including the parliamentary opposition, and the populace, informed and engaged. As referred to by the Minister of Finance the ***“Government will be embarking on a nationwide outreach programme to enlighten citizens on the implications of the Liza discovery and to present policies and legislation pertaining to the various aspects of the burgeoning oil and gas industry. Apart from covering all ten administrative regions, this outreach programme will engage, also, the private sector, youth, and the Diaspora, among other stakeholders.”*** (See page 44)

Mr. Speaker before taking my seat please indulge me with the opportunity to just highlight a number of other initiatives that we are pursuing and facilitating at the Ministry. These include:-

- The GGDMA/Conservation International “Demerara Gold” project
- The grant of **\$100,000,000m** to University of Guyana from GGMC to aid with scholarships and research
- The opening up of new roads to access lands for mining
- The startup of manganese mining in 2017
- The reallocation of forest concessions to fill the void created by Barama’s withdrawal from the 1.6m hectare concession
- The exploration of new metals and minerals such as Lithium, Tantalum, Niobium, and rare earth elements and semi-precious stones.

## **7 Conclusion**

Mr. Speaker, we must all begin to see our natural resources as part of our God-given national patrimony and aim to develop them in keeping with the Sustainable Development Goals (SDGs). The Government of the Co-operative Republic of Guyana plans to ensure that the country will become a 'Green' economy by 2020, through the development and promotion of green initiatives and practices in the various sectors of the economy. Guyana therefore, has a simple and strong objective to sustainably harness and develop the natural resources with respect for the environment and the promotion of the dignity of the people.

In 2016, we realized even more that the two - energy and the environment, are inextricably and inexorably linked. As Guyana proceeds to address its energy needs, it is doing so by laying a four-fold foundation as part of its transition towards a 'Green Economy.' This entails continued preservation and use of forests for sequestration of carbon dioxide; the development of hydrocarbons through attracting more exploration and development of wells; the sustainable development of non-renewable resources; and improved governance within the extractive industries sector. The importance of

economic diversification and oil revenues can, no doubt, provide much needed resources for further value-added production in our extractive sectors.

Guyana's extractive sector will be a boon to its economic development and though its vast potential has not yet been fully realized, already it contributes to the total wealth of the country. The performance of the gold mining sector was very impressive and very encouraging. Meanwhile, the safeguarding of our forest will make a tremendous difference on climate change impact within the next decade. Therefore, there is an urgent need for Guyana and all countries to undertake policies and actions that are sustainable and are respectful of the environment. We look forward to preparing our people and the economy for the benefits that will be derived from our natural resources sector.

The Ministry acknowledges the role of our stakeholders and partners in supporting the Government to enhance the net contribution of the sector to Guyana's green economy. In 2017, we commit to working closer to secure continued support and ensure various efforts are coordinated, complementary, synergistic, and contribute to a collective aim. Mr. Speaker, The Ministry of Natural Resources has a packed agenda in ensuring that these industries are not only manned, but are managed in a manner that will ensure that all Guyanese can benefit from the gains of the emerging oil and gas sector, so as to ensure a higher standard of living and achieve the Government's mandate of 'a good life for all Guyanese'. I stand firm and committed to this task.

We are serious about utilizing our national patrimony in the best interest of the people of Guyana. Guyana stands ready to accept support to develop this sector and to ensure that at every level, Guyanese will be intimately and intricately involved. Guyana must prosper; its citizens must prosper; today, tomorrow and for future generations to come.

Thank you, Mr. Speaker

May God bless you!