

Second Draft Local Content Policy Framework

This policy document delineates the framework of which local content will be understood, developed, measured and secured. In its policy form, it builds the foundation for future local content legislation and corresponding regulations.

This second draft policy framework was drafted after formative consultations with stakeholders in public and private sectors. These stakeholders were inclusive of

- **Government Agencies:** Ministry of Public Infrastructure, Ministry of Health, Guyana Office for Investment, Small Business Bureau, Civil Defence Commission, Maritime Administration Department, Environmental Protection Agency, Guyana Civil Aviation Authority, Regional Democratic Councils- Region 5 and 9 inter alia
- **Private Sector groups:** Private Sector Commission, Georgetown, Berbice, Essequibo, West Demerara and Linden Chambers of Commerce, GAICO Construction and General Services Inc, Institute of Chartered Accountants of Guyana, Institute of Private Enterprise Development inter alia
- **Education Institutions:** University of Guyana
- **Civil Society Organisations:** Guyana Bar Association, Guyana Women Lawyers Association, African Business Roundtable inter alia
- **Oil and Service Companies:** ExxonMobil, Ratio Oil and Gas, GuyOil inter alia

Local Content under the Guyanese narrative will be understood as the sum of inputs of local goods and services including employment across the oil and gas value chain. The primary aim and objective of the policy is ensuring the education, inclusion, and advancement of as many as possible in the value chain of the oil and gas industry.

In an effort to maximise benefits and retain value from Guyana's petroleum resources, considerable focus will be given towards Capacity Development, Local Content and Value Addition.

This policy framework is built on five themes:

- Value Maximisation
- Training and Employment
- Supplier Development
- Ownership
- Taxation

Its effectiveness is based on viable and multi-faceted Implementation, Enforcement and Governance strategies.

The Government of Guyana recognises and embraces a multi-stakeholder approach to maximise domestic participation across the oil and gas value chain through safeguarding an enabling and supportive environment for Guyanese workforce and businesses to enter, participate and succeed in the emerging oil and gas industry.

The policy framework acknowledges the need for a comprehensive review of the policy, so as to update the position of the Government of Guyana in all aspects of managing our petroleum resources for national development. Even though targeted to our petroleum resources, this policy framework will be replicated in other extractive industry sectors.

This finalisation of this policy will be completed before the end of 2018, following a last round of consultations with stakeholders.

Please send comments and suggestions to lcpcomments@business.gov.gy.

Thank you!

Making the Most of Our Oil and Natural Gas

Maximising Benefits and Value Retention from Guyana's Petroleum Resources Through Capacity Development, Local Content and Value Addition

A Local Content and Value Addition Policy Framework

Ministry of Natural Resources

May, 2018

Foreword

From its earliest days as a colony, and even now as an independent State, Guyana has produced and exported raw materials that are sent for further processing and refining elsewhere; with minimum value-added activity taking place in country. This has been the case for our mineral, agricultural and forest wealth, and along the way, though Guyanese have gained tremendous skills and abilities that made them experts in natural resources management, they still cannot claim to be at the apex of the processing of the natural wealth and patrimony. Despite these gains, many of the acquired skills and knowledge are put into practice abroad and we cannot claim to be the true owners and developers of the various stages of the value chain of the natural resources, our national patrimony. Too many Guyanese remain marginally involved in the industrial development of the natural resources and this has to change.

With the long-awaited announcement that Guyana has oil and gas in commercial quantities, citizens of Guyana have another opportunity to advance the past gains made by the brave men and women in their various endeavours to own, extract and control value from our natural resources. This policy therefore, shall have as its primary aim and objective, the ensuring of the education, inclusion and advancement of as many as possible in the value chain of the oil and gas industry.

This matter cannot be left to chance and must therefore take the steady and deliberate efforts of the Government of Guyana, the operators in the industry, the private sector and civil society- all working together, and with unity of purpose, to ensure the attainment of this singular objective by ensuring that there is an enabling and supportive environment for Guyanese to enter, compete and thrive in the unfolding oil and gas industry.

The Local Content Policy (LCP) will be implemented over time and in tandem with the growth of the industry. At present, Regulations will not be promulgated, but may become necessary as the industry unfolds and expands, and impetus is needed to steer the process or to solidify gains.

Hon. Raphael G.C. Trotman, M.P.
Minister of Natural Resources

Policy Framework for Capacity Development, Local Content and Value Addition for the Petroleum Sector in Guyana

A. Policy Framework Objectives

This policy framework seeks to:

1. Put in context the current and evolving state of Guyana's oil and gas sector, following the recent discovery of world scale petroleum reserves
2. Identify sources of value available to Guyana through:
 - a. participation by Guyanese nationals and businesses in the sector and
 - b. activities along the value chain being conducted within *and outside of* Guyana
3. Present the aim and meaning of local content and value-addition, in a manner that clarifies and simplifies how, through employment, the provision of goods and services and equity participation, Guyanese participation can be achieved and its outcomes measured
4. Articulate a mechanism through which Guyana might use participation via equity investment, employment and the supply of goods and services in sector activities, to build capacity that can support and enhance the petroleum and other sectors for industrialization and national development
5. Acknowledge the current limitations of Guyana and Guyanese, the current state of the sector, locally and internationally and the uncertainty that is part and parcel of the industry
6. Articulate an implementation strategy and plan that are rooted in a pragmatic and collaborative approach to enabling maximum participation of Guyanese
7. State the policy of the Government of Guyana towards:
 - a. The enhancement of capacity to Guyanese firms, institutions and individuals, to meet the standards required by the oil and gas sector,
 - b. increasing the value retained in Guyana from the participation of Guyanese nationals and firms through increasing levels of employment and provision of goods and services in the sector,

- c. adding value to the extracted oil and gas through mid- and down-stream handling processing and manufacturing, and
 - d. transferring technology and know-how to other economic sectors, so as to further enhance national development
8. Articulate a mechanism that provides assurance that the goals and objectives of the policies are pursued and reported on by stakeholders in a manner:
- a. That allows for flexibility to respond to changing circumstances
 - b. by which achievements can be measured and tracked and
 - c. by which stakeholders can be held accountable for delivering on their roles.

B. Introduction and Definitions

Guyana's recent major oil and gas discoveries have focused attention on the value generated by activities surrounding both its ongoing development and anticipated production and the upcoming increase in exploration for additional reserves, as well as from the use, handling and sale of oil, gas and products derived from them.

In addition to revenue accruing to the State via taxes and royalties, Guyanese are aware of the potential to capture and retain value within Guyana through the supply of skills, conduct of activities and the offer of goods and services along the value chain of the resource. The vast majority of these goods and services are currently imported into Guyana.

Further, Guyana's history has made its citizens acutely aware of the opportunities that can be lost through the export of raw, unprocessed commodities, imposed in part by the capacity limitations of its people, institutions, businesses and capital markets, among other things. As other resource rich countries in a similar state of development, Guyana recognises the benefits to be gained through improving the standards and quality of its people and businesses and in industrialisation through power generation and manufacturing from these raw materials.

The petroleum sector requires high standards of quality, efficiency, reliability, ethics, care and attention to the environment, communities and property and the well-being of people. By supporting and participating in the sector, those who develop and provide goods, infrastructure, equipment, facilities, networks, systems and other services that are used by the sector will need to raise their quality, standards, behaviours and culture in order to become competitive. As many of these services are required by other sectors, taking the capacity and behavioural attributes to the non-petroleum sector, will enhance the international competitiveness of these other sectors and Guyana as a whole.

With that in mind, **Local Content** is considered the sum of the inputs of local goods and services, including employment, provided in oil and gas operations. This only occurs when operators hire locals as employees or contractors or buy goods or services from them. Local content therefore is the **outcome** of companies' hiring and procurement activities, often referred to as **backward economic linkages**.

The term **Local** pertains to:

- In the case of individuals, **Nationals** (citizens and legal residents);
- In the case of firms, **Companies beneficially majority owned by nationals**. **Beneficial ownership** is defined in terms of the person(s) who ultimately benefits from the proceeds of the company.

Local content is only possible when locals (individuals and firms) are able to provide goods and services at a **standard acceptable to the industry**. For countries like Guyana, new to oil and gas, the indigenous capacity will be limited, so increasing local content will require enhancing the ability of locals to participate (**Capacity Development**.)

This policy framework will therefore address giving locals a fair (or advantageous) chance at preparing for and providing goods and services and becoming employees, so as to allow them to learn and improve by doing.

Additional value can be created in Guyana and for Guyanese as a consequence of the benefits gained from participating in activities that support the sector and through the use of its produced raw materials. These two mechanisms are additional focus areas of this policy:

1. **Beneficiation**, being the **activities and outputs** in the **mid- and downstream** segments of the value chain, involved in handling and converting raw materials into usable products and selling and delivering these to end users.
 - When done **in-country**, these are considered **Local Value-Add** and are sometimes referred to as ***forward economic linkages***.

2. **Knowledge & Technology Transfer**, from
 - a) **Foreign to Local Participants**:
 - i. Ensure that locals are given the opportunity to participate fully at all levels, in all roles and disciplines required for the conduct of the sector's business and operations, so as to
 - ii. Build and enhance capacity in people, companies, government or other services, utilities, institutions, infrastructure or facilities **to support the oil and gas sector**

 - b) **Petroleum Sector to other Sectors** to:
 - i. enhance the **productivity of other economic sectors**,
 - ii. **improve national competitiveness**,
 - iii. **reduce imports and**

iv. **generate export opportunities.**

These are referred to as ***lateral economic linkages***.

C.Scope and Limitations

Rightfully, aware of the many cases of oil, gas and mineral windfalls being perceived as a curse, rather than a blessing, Guyanese are concerned about both the opportunities and hazards presented by the oil and gas discoveries. Expressions of expectations, hope and fears are abundant. At the core of these are the desire for a better quality of life for current and future generations of Guyanese and the recognition that many issues need to be addressed - policies, regulatory and institutional frameworks need to be developed and administered transparently, other sectors enhanced, rather than destroyed, benefits shared equitably, with citizens expecting development in an inclusive manner.

These are important matters and require special attention. An overarching national policy for the sector is being developed and will provide the broader framework within which specific policies will be developed for other matters, including those not covered in this policy. Because of the urgency required in order to allow Guyanese the best chance to access the very considerable opportunities that are available now and in the coming years, the very important matters of local content and value addition need special attention. This framework therefore precedes the overall sector policy, but will be updated from time to time, so as to always be aligned with overarching sector and national development strategies and policies.

This policy framework is limited in its scope and is **not intended to address directly or in their entirety** the following:

- **Other issues related to the petroleum sector**, such as:
 - Health, Safety, Security and the Environment
 - Community impacts, other than CSR where it relates to local content in oil and gas
 - Tax and fiscal matters

- Governance (beyond local content)
 - Legal/regulatory and administrative frameworks,
 - Transparency, accountability corruption, etc.
 - Contracts and/or licence/regulatory terms and conditions

- **Other national issues**
 - National Development and planning, other than addressing alignment of oil and gas sector operations and management to national development objectives and sustainability
 - Avoiding the so-called resource curse
 - Revenue management and decision making on:
 - Budgeting and spending on infrastructure and government services
 - Savings and investments from oil and gas revenues
 - Wealth distribution

- **Local content:**
 - in other sectors
 - at a Region or community level. This policy is at a national level but recognises that special consideration may need to be given to special interest groups to ensure alignment with other national priorities and development goals. This can be approached through the implementation strategies identified herein.

- **Mid- and Down-stream Value-Addition:**

- While this policy includes local content and participation in the mid- and down-stream sub-sectors, value-addition strategies related to the development and use of natural gas, pipelines, power, refining and petrochemicals are yet to be developed.
 - The volumes and rates of production and contractual terms will determine the levels and timing of oil and natural gas that might be available to be used in Guyana for mid- and down-stream processing, refining, manufacturing, trading and distribution.
 - As these become clearer, with time, market evaluations and evolving national development and industrialization priorities will inform more specific policies for beneficiation within Guyana.
 - The policy framework recognises the need for and recommends continuous review of the policy, so as to update the position of the Government of Guyana in all aspects of managing the resource for national development. Included among these will be a better-informed view on the mid and downstream participation by Guyanese in adding value to oil and natural gas.
- **Corporate Social Responsibility (CSR):**
 - While acknowledging that investments in capacity building specific to other sectors are desirable, in the context of this policy framework, CSR is not considered local content except where it involves building capacity to support the sector and/or procuring goods and services from communities.
 - While this framework provides an **implementation strategy** and some of the **requirements of an implementation plan:**

- it is **not intended to prescribe details of activities involved in implementing** the policy
- it has not had the benefit of an in-depth analysis of upcoming demand and supply for goods and services, given the rapid pace of exploration and reserves additions
- it **does not** identify specific employment and business **opportunities** in the oil and gas sector
- it does not prioritise areas of focus but identifies a mechanism for so doing. Priority areas for Guyanese capacity development and participation will be aligned with national priorities and current market conditions and identified from the Implementation Plan.
- It **is not** intended to identify or recommend specific mechanisms to overcome **capacity gaps or shortcomings** in the Guyanese supply chain

D. Context

Guyana's recent major discoveries of oil and gas have focused attention on the value generated by activities surrounding the ongoing first field development, upcoming further field developments and production and the increased exploration for additional reserves, as well as from the use and sale of oil, gas and products derived from them.

In addition to revenue accruing to the State via taxes and royalties, Guyanese are aware of the potential to capture and retain value within Guyana through the conduct of activities and the offer of services along the value chain of the resource. Almost all of these services are currently imported into Guyana.

Provision of these services requires skills, technology, equipment, facilities, infrastructure and capital, most of which are not currently available in Guyana. We Guyanese are confident that, with a guided strategy, some of our existing skills, services and facilities can be used, improved and enhanced, while, given sustained demand, others can be introduced, supported and grown to:

- meet more of the needs of the sector,
- support the growth of other sectors of the economy and
- perhaps, even be exported.

While Guyanese individuals and businesses naturally see the development and production of oil and gas providing opportunities for participation, we are acutely aware of the realities of the situation in which we find ourselves. We recognise that:

- The oil and natural gas industry in Guyana is in the nascent stage of development.
- There have been multiple successful exploration wells and fields discovered, substantially increasing the proven oil and gas reserves since the first commercial discovery of 2015.
- Although it is world scale and of very significant size, its development will take place during a period of low oil prices and global oversupply of both the commodities and services required by the sector.
- Guyana is a small, developing country, in terms of our human capital, technology base, services capability, infrastructure, facilities and equipment availability, international competitiveness of indigenous businesses and the size of our economy and capital markets.
- Although Guyana has a long history of mining and services to that extractive industry, Guyanese capability and experience in the oil and gas sector, including among those in the diaspora, is very limited.
- Many of the goods and services used by the sector are highly specialised, requiring very high levels of technology, innovation, investment capital and experienced specialists. Some are used only for short periods in any project or operation and require a very large pool of potential clients to be sustained; usually from the global market.
- The oil and gas sector is a high-risk business, involving very high levels of capital and technology and hazards that can put people, property and the environment at risk, therefore requiring high standards of performance by its participants to mitigate operational and business risks.
- Many of these skills, services and behaviours and their supporting ecosystem (technology, institutions, facilities, infrastructure, capital markets, etc.) are

required by other sectors, so access to the world class ecosystem introduced to Guyana by the sector's presence, can serve to enhance the international competitiveness of Guyanese firms and individuals.

- Relative to its potential economic impact, the petroleum industry does not directly generate large numbers of jobs, but of those created, many are of high quality, in terms of the competencies required/developed and benefits to employees.
- That said, additional employment is created through the multiplier effects of the supply chain, the ability of other sectors to grow as a consequence of the enhanced supply chain and government spend of revenue generated by the sector.
- While the industry requires relatively few people, many with highly specialised skills, sustainable employment opportunities are generated by:
 - upstream production operations and maintenance
 - downstream petroleum operations, such as in refining and petrochemical operations.
 - those services that are transferable to other, longer life-cycle industries
- No country in the world manages to get to 100% local content. Most experts acknowledge that accessing a wide pool of talent, drawing upon experience from different locations and situations brings efficiency of operations and can fast track the learning experience of local collaborators, through the transfer of know-how and technology.

Guyana's petroleum discoveries and this policy framework come at a time when several developing countries have been privileged to make similar, potentially transformative discoveries. Many have implemented local content policies and legislation, with varying degrees of success. At the same time, more mature oil and gas provinces have had recent major discoveries and have also used their experiences to implement or enhance local content policies and strategies.

Guyana is fortunate to be able to benefit from the experiences of this range of scenarios and to consider them in designing a policy and implementation strategy that are fit for purpose and allows for fair and relatively simple implementation and oversight, while remaining flexible to respond to changing circumstances.

The availability of oil and natural gas presents Guyana the opportunity to consider using the raw materials as inputs to processing, refining, manufacturing and power generation. These can all support our development goals through enhanced industrialisation, manufacturing, skills development, job creation and revenue generation.

However, the current global situation is one of oversupply in production and availability of both raw materials (crude oil and natural gas) and finished (refined, processed and manufactured) petroleum products.

Other than oil and gas from the first and second phase developments of Liza, the sustained levels of production and volumes available to Guyana for mid- and downstream processing, manufacturing and power are yet to be properly quantified. Given Guyana's location and internal demand, the natural destination for downstream products will be international markets, including neighbouring countries.

This first local content and value addition policy framework, constrained by the limited data available at this early stage of the industry, addresses general principles for beneficiation, while making provision for revision, with the availability of new information and other changing circumstances.

For both oil and gas, there will need to be detailed analyses of the local supply and international demand to determine the areas, timing and scales of investment that can be supported. These will advise Government of Guyana policies in downstream conversion, consistent with Guyana's Green and other aspirations. Natural gas beneficiation via conversion to power and extraction of natural gas liquids and LPG production will not be compromised. A natural gas master plan will be necessary to properly develop that resource and will take into consideration the potential local content, value addition and participation impacts and upstream resource management, including the pace, scheduling and other characteristics of field development.

E. Policy Drivers

While the current situation offers encouragement for enhanced engagement and participation of Guyanese nationals and businesses, the degree and nature of potential

and desirable mid- and down-stream beneficiation require, among other things, a better understanding of the production potential of the recently discovered reserves. For local content capacity development:

- Given the recent discoveries and commencement of development, Guyana is assured of a relatively long period of production operations (at least 25 years)
- Further field developments, beyond the initial partial developments of the Liza discovery, are imminent
- A robust exploration programme is underway in new blocks
- Further field discoveries will no doubt be developed in short order
- There is hope this will yield further discoveries, proven reserves, field developments and production operations and an increase in the associated activities, demand for goods and services and production of oil and gas.

Even so, we are mindful that, in addition to general business services support, the sector requires some very specialised skills and services, always of a very high standard, while only providing a small amount of direct and indirect jobs. For example, in neighbouring Trinidad and Tobago, long known as a significant petroleum producer, the sector has typically engaged less than 4% of the work force.

It is the growth and diversification in the economy and the supporting skills, services, technology and infrastructure base that have catapulted the development of those countries which have managed oil and gas well, not just the direct impact on employment and businesses. These success stories are further generally characterised by good governance of the sector and country; a key requirement for sustainable development.

As a new industry, there is an opportunity to design and operate the required governance framework, institutions and legal and regulatory instruments (including policies, legislation, regulations, contracts, licences, permits, decision making criteria, reporting requirements, guidelines and procedures) to the highest standards required. Done well, this will ensure transparent and accountable management of the resource and can become a catalyst for transformation of the governance of the entire country and economy. This policy and its implementation gives Guyana the opportunity to start on this journey in local content and value-addition, limited, but potentially highly impactful

sub-sets of this most important industry.

Petroleum industry activities are conducted by some of the world's premiere firms, utilising best in class people, technology, systems and procedures to manage their businesses and relationships. Included are those required for IT, HR, accounting, procurement and risk, financial, project and operations management. They are also well governed and engage world leading approaches to transparency and accountability. Their presence in our midst provides a unique opportunity for Guyanese firms and regulators to learn from these major operators and suppliers by working alongside and for them, to create well governed and managed Guyanese companies and agencies that will generate opportunities for locals to invest in the petroleum sector and enhance the local capital market, while raising the competitiveness of the business environment and the quality of governance.

Investments and activities in the sector require long timelines, often out of sync with national election cycles. Robust management of the sector to enable maximum benefit capture therefore requires a common vision or aspiration for the sector and country, across the political divide, which lends itself to predictability in investment, policy direction and sector governance.

In administering the sector, the Government of Guyana must ensure that activities are consistent with provisions of the Constitution and Laws of Guyana, as well as our obligations to our people, investors and the international community, always keeping in mind that the best interests of the people of Guyana are paramount.

F. VALUE MAXIMISATION

Value from the sector can be gained or retained in various ways, many of which are impacted by this policy:

1. Selecting the best safe, efficient and considerate operators and services providers
2. Contracting with them to get the best possible deal for Guyana, while affording investors a fair return on investment
3. Managing their operations to ensure that Guyana and Guyanese have access to

opportunities to capture value from:

- a. **capacity building** of individuals, firms and the capital markets*
 - b. the provision of goods and services (**backward linkages**)*
 - c. benefit to other sectors of the economy (**lateral linkages**) and*
 - d. value addition to produced raw materials (**forward linkages**)*
4. Determining and collecting revenues due to Guyana in an efficient manner
 5. Using and investing those revenues for improving the quality of life of Guyanese and sustainable development, while saving for the future
 6. Administering the sector efficiently and effectively, so as to ensure that the resources are exploited in a safe and efficient manner, always safeguarding the wellbeing of people, property and the environment

To ensure that any policy aimed at value maximization is impactful, it must target those pertinent areas of value and its implementation must be done in a collaborative manner, with appropriate enforcement and stakeholders held accountable for the decisions made and actions taken, through transparency and reporting to the people of Guyana.

Recognising that the oil and gas resources of Guyana -

- are a finite, non-renewable part of our national assets,
- are the property of all Guyanese,
- will be used to repay all the costs associated with finding, producing and selling them, through cost recovery, meaning that their costs are ultimately paid for by the people of Guyana,

it is incumbent on the Government of Guyana to ensure that as much of the value of the resource as possible is retained in Guyana, through diligent management that provides for a fair distribution of benefit and investment in the future sustainability of Guyana. Such a management framework will require an overarching sector policy, supported by policies specific to Guyana's various goals and objectives in pursuing value from the resources.

Value maximization from capacity building and local content will focus on the benefits to

be gained from:

TRAINING & EMPLOYMENT

As mentioned earlier, the upstream part of the industry requires relatively few people, many with highly specialised skills and is thus not a significant employment generator. However, some of these are high quality jobs that will result in personnel who can export their skills. Downstream operations, such as in refining and petrochemicals, can provide more jobs on a sustainable basis. The enhanced training requirements have the potential to catalyse an expansion and upgrade of training and educational institutions, such as the University of Guyana, and so benefit other economic sectors as well

SUPPLIER DEVELOPMENT

Capital and operating expenditures in the oil and gas industry are significant. There is an opportunity to localise supply chains in procuring goods and services that serve the industry. This can have the impact of reducing the level of capital tied up by international investors in non-productive assets (such as spares and stocks) and operating costs in country, while at the same time increasing local participation to create value for both the oil company and the country.

Raising the standards of locals to meet industry standards will enhance the competitiveness of, first, individuals and firms, then, the country, resulting in efficiency and cost benefits to investors.

OWNERSHIP

Partnering for effective transfer of knowledge and technology, can be achieved through various mechanisms. Partnering models allow for varying degrees of integration, participation at different stages of the business, equity investment and retention of profits and/or technology. Of these, joint ventures provide for equity ownership, profit retention and strengthening of the Guyanese capital markets. Setting minimum requirements for ownership through equity participation in joint ventures is a common local content component, aimed precisely at maximizing the benefit to country. Guyana will determine areas and levels of local beneficial ownership, as appropriate.

TAXATION

Public revenues (royalties and taxes) generated from the oil and gas industry can be used by government to provide infrastructure and social services, to counter commodity price volatility and/or saved in sovereign wealth funds, to benefit future generations. Local participation will allow for more locals to be employed and more Guyanese companies to make profits, enhancing the tax base in country.

Foreign suppliers should also pay taxes in country, but an immature tax authority will be less efficient at pursuing and collecting taxes from foreign based suppliers. Furthermore, the multiplier effect of their operations generates jobs, revenues and taxes in a foreign jurisdiction, if work is done outside of Guyana. This will be addressed in the implementation of this policy. To the extent that the administrative effort is reasonable, foreign companies doing business as agents, contractors, or sub-contractors to operators in Guyana will be required to register a local company and pay taxes in Guyana.

Limited in number as we are, Guyanese nationals have grown into leading thinkers and doers in all spheres of human endeavour, across the globe. We take pride in the achievements of our countrymen and fellow West Indians who have historically taken our limitations to be a source of inspiration and allowed us to take on the world and prosper. “You can’t do it because...” has been a rallying call

Policy Goals

To be inspired is a necessary requirement for achieving great things. To be foolhardy is a recipe for disaster. Guyana will approach the oil and gas sector in a very pragmatic and thoughtful manner.

Through innovative and collaborative mechanisms, and in the context of changing circumstances, Guyana intends, by way of capacity development, local content and value addition, to capture so much value and benefit from our oil and gas resources and the related activities, that we shall translate the blessing of our oil and natural gas resources below the ground to a sustainable economy above it, faithful to our green brand and the heritage of our people. We shall be counted among those few developing nations who have managed an extractive industry and used the patrimony as a source of national development and sustainability.

Using the opportunities to participate in country, made possible by the world scale resources recently uncovered, Guyanese oil and gas professionals and services companies will grow in competence all along the value chain, becoming world class and internationally competitive, developing an export industry.

Building those competencies will be done in a manner that allows us to enhance other sectors of the economy so as to support national sustainable development with seamless adjustments in the economy in spite of the inevitability of swings in fortune of the oil and gas markets and depletion of our bounty.

The petroleum sector will be characterised by world class capacity in key State institutions and high quality governance, which will act as a beacon to raise the standards of government services across the country.

G. Policy Statement

This policy recognises that the petroleum resources of Guyana belong to all its people, and represent an asset of significant intrinsic value, which, once removed, diminishes the wealth of the nation, unless there is transformation in value from resources below the ground to improved quality of life above it, for current and future generations of Guyanese.

Guyana will approach the development of its petroleum resources, people and businesses in a pragmatic, collaborative, transparent and accountable manner, but with clarity of

purpose. This will be conditioned by existing circumstances and an analytical approach to understanding the resource, the activities it engenders and our input capabilities. We shall aggressively pursue strategic opportunities for local capacity development and participation that give us the maximum possible benefit now and, in the future, and ensure strong regulatory instruments and administrative institutions are in place, properly resourced and functioning adequately and that stakeholders are accountable to the people of Guyana for the outcome of this policy.

Guyanese will participate in a manner that gives us preferred access and opportunities to improve and enhance our capabilities, provide goods and services and, in so doing become internationally competitive and progressively provide a greater share of future services. All participants in the sector will be in no doubt that this condition of engaging in and with Guyana's petroleum sector will not be compromised.

In our desire to enable more value retention, ***costs related to capacity development***, including those which are cost recovered and therefore paid for by the people of Guyana, ***will be seen by Guyana as our investment in our people, rather than a cost to us.***

In maximizing benefit from oil and gas activities, Guyana will develop capacity in our citizens and businesses and use them to benefit from:

- **Backward linkages** - making use of the supply chain (i.e. local content)
- **Forward linkages** - making use of the produced resources (i.e. mid and downstream value addition, including using power for industry)
- **Lateral linkages** - making use of the sector to benefit other sectors (in this case, using the O&G sector to invest in capacity that it needs and which can benefit other sectors.)

Achieving the policy goals will require collaboration with industry, development partners, advisers and other development stakeholders, including civil society to:

- i. Determine what is *possible* in terms of provision of goods and services to the sector
- ii. Identify what is *desirable* to economic growth and support national development objectives
- iii. Select, invest in and pursue those that are *viable and sustainable*
- iv. Monitor, evaluate, report, learn and continuously improve the approaches being taken.

We shall continue to learn from both the success and mistakes of others, especially those who have been able to use local content as a facilitator of national development and

By thorough analysis and collaboration with those who know more than we do, Guyana will determine the **POSSIBILITIES** for our participation.

Knowing who we are and where we want to go as a nation and a people, Guyana will select from among those possibilities what we find **DESIRABLE** to engage our people and propel us into development.

We shall be pragmatic enough to recognise our limitations and those of our industry and only invest in those that are **VIALE and SUSTAINABLE**.

industrialization. In so doing, we shall follow the pragmatic approach of “**Doing it in Guyana if we can; doing it by Guyanese will follow.**” This will involve:

- i. Promoting and facilitating the entry into Guyana of international service providers and experts, to allow for ease of knowledge and technology transfer, while supporting and facilitating efficiency of ongoing operations
- ii. Giving preference to Guyanese where the capability exists
- iii. Developing the competencies of Guyanese where the demand supports the required investment
- iv. Partnering international participants with Guyanese, to enable technology and knowledge transfer and access to investment opportunities for Guyanese
- v. Extending Guyanese participation where it supports national development and/or

enables global competitiveness

- vi. Using the petroleum sector's demand to build new and enhance existing strategic assets, skills, education and training institutions and businesses that support the sector, putting emphasis on those that can be leveraged for lateral benefits to other sectors
- vii. Developing and implementing appropriate regulations and administrative tools to ensure clarity, transparency, accountability and consistency in the application of this policy.

This policy will apply to participation by Guyanese in all parts of the value chain, including the mid and downstream activities of the sector, whether conducted within or outside of Guyana, where practical.

H. Implementation Strategy

Given the limitations and uncertainty as to the future potential level of activities and demand for goods and services that will be required, any investment to facilitate and support capacity building for Guyanese participation and value addition in Guyana must be well considered, strategic and flexible to respond to changing circumstances around the state of the petroleum resource base, activity levels and the capacity of the local supply chain.

Recognising that our investment partners may have more experience and preferred ways of doing business, the government will seek to influence them by making it clear that ***all decisions must first consider the best interests of all Guyanese***, including future generations. Acknowledging that the use of new or unfamiliar suppliers introduces an element of risk, the Government of Guyana will work with industry partners to ***mitigate those risks, rather than completely avoiding them***.

We are confident that, given the industry's hallmarks of innovation and risk management, along with our partners, we can come up with mutually beneficial solutions that will convert those challenges into opportunities for our people.

Recognising the *status quo* re Guyana's readiness, the pace of development and existing

arrangements, the Government of Guyana will implement these measures in a pragmatic and staged manner, involving mechanisms to review progress and adjust our approach, as needed:

- Recognizing that circumstances will change over time, all decisions and priorities will be based on robust, **ongoing** analysis of:
 - the demand and supply bases; these will be underpinned by easy accessibility to reliable and up to date information on planned and ongoing projects and operations and the local supply chain
 - national development priorities
- Starting with areas where Guyana has existing capabilities or where some of its service providers can readily transform to meet the industry needs
- Focusing growth on areas of major spend and of strategic interest to Guyana's development
- Working in collaboration with industry to identify the roles required to conduct their activities and the requisite competencies and certifications, so that Guyanese are prepared in advance for future opportunities
- Using this information to work with other stakeholders, including development partners, educational and training institutions, professional bodies, services companies, civil society and individuals, to inform training and other capacity development programmes, infrastructure and facilities development and local financing and investment in the sector.

We take pride in the knowledge that, in spite of our small population and limited resources, through our history we, along with our neighbours in the region, have had to overcome much bigger challenges and have flourished, rather than wither at the prospect of facing difficult odds. We have faith in the ability, resilience and persistence of our people to enter and succeed in this new sector and the phase of our development that it will usher in if we stay true to our purpose. We know that to do so, we have to work collaboratively, drawing on the knowledge and experiences of others and *putting national interests first.*

The **Implementation Strategy** will be characterised by *fairness*, through ease of access to opportunities, information on the capabilities and availability of Guyanese citizens and businesses and transparency of decision-making.

These will be ensured through *accessible data and timely, useful information*. These will serve to help Guyanese understand clearly:

- 1. Demand** - the full range of possible activities and requisite skills, goods, services, standards and certifications required in conducting the whole business of oil and gas, along its entire value chain, both within and outside Guyana, from exploring for it to the final use of its end products.
 - Very early in the life cycle of operations, the government of Guyana will work with operators, advisors and others to identify and simplify these and to make them accessible, so that all Guyanese can have an appreciation of the requirements, scale and scheduling, so as to make good decisions in matters involved, from educating their children or themselves to investing in their businesses or their land.

- 2. Supply** - the Government of Guyana will identify the existing supply base, in terms of skills, services and certifications, and make these available and accessible to operators and contractors (local and international), other agencies of government, training institutions, development partners and individuals in Guyana and the diaspora, so as to:
 - Allow locals a fair chance to submit their credentials to be considered for participation
 - Enable international operators and services companies to identify local employees and suppliers from within Guyana and in the diaspora
 - Enable local and international suppliers to identify and access suitable Guyanese individuals and firms to engage as employees or partners.

- 3. Identifying and Closing Gaps** - The Government of Guyana will work with stakeholders, including development partners, investors, financiers and skills

development agencies to determine deficiencies, design and deliver training programmes and support services to individuals and firms, appropriate to the sector's needs.

There will be a focus on progression from:

- i. Giving preference to existing capabilities;
- ii. enhancing these to become world class;
- iii. extending into related or complementary areas;
- iv. elevating appropriate ones to become internationally competitive.

4. Success in implementation - will require *procurement strategies* by operators and their international contractors, which will be characterised by local capacity development and local content strategies and plans for all major programmes of work at all stages of the petroleum life cycle, inclusive of:

1. *Procurement strategies* which will support this national policy and strategy
2. *Capacity development* programmes for local employees and contractors
3. *Support for national education, training and research and development* programmes and institutions
4. *World class supplier development strategies* by sector participants that seek to facilitate access by Guyanese through mechanisms such as:
 - Where practical, unbundling of contracts to reflect the state and growth potential of the local market
 - Market conditioning, including early notification of intended activities
 - Preferential treatment of locals
 - Contract management with supplier performance improvement strategies
 - Facilitating partnerships between Guyanese and international suppliers
 - Providing contract terms that facilitate access to competitive financing and opportunities to learn and grow
 - Transparency of and accountability for decision making in procurement
 - Measuring and reporting on local content policy implementation and achievements

- Benchmarking, best practice sharing and continuous improvement.

Local Supplier Development will progress from:

- ***Giving preference*** to existing capabilities; then
- ***Enhancing*** these to become world class; then
- ***Extending*** them into related or complementary areas
- ***Elevating*** developed and qualified ones to become internationally

Contributing to National Sustainable Development

For expansion of the supply chain in Guyana and among Guyanese, priority will be given to those goods and services that are sustainable in demand and which can provide viable investment opportunities. Through the participation of individuals and mutual funds, this will enable capital aggregation and sharing of the benefits of the sector by a wider section of the population.

Recognising that our limitations constrain Guyanese from participating in all aspects and/or fully in many aspects, the approach to local participation will focus primarily on those areas that align with existing local capabilities and/or support national development objectives, especially industrialization and the enhancement of other sectors of the economy.

Supply chain development, encapsulated in plans and procurement strategies, will address national development by investing in skills, training institutions equipment, technology, infrastructure, facilities, capital aggregation and services that can support the enhancement and safety and security of mining, manufacturing, construction and other industries and economic sectors that are strategic to Guyana's national interests.

By demanding high standards and supporting suppliers to attain them, the industry will raise the standard of services, competencies, across the board, to enhance the competitiveness of our firms and Guyana.

The Government of Guyana shall do its part by:

- regularly reviewing the implementation of this policy and improving it to

capture more value for Guyanese, particularly in terms of mid- and downstream beneficiation;

- implementing and maintaining a world class governance system for administering this policy, which can become a model for good governance in the Government of Guyana.

Enforcement:

To ensure compliance with this Policy, there will be required a governance framework, inclusive of institutions and legal and regulatory control instruments for overseeing the various stages of the business, projects and operations life cycles. Potentially, these can comprise one or more of legislation, regulations, contracts, licences, permits, approvals, reporting requirements, guidelines, operating policies and procedures.

Given the nascent state of Guyana's governance framework and recognizing that the industry will not stand still while existing gaps are filled, elements of the regulatory framework will be developed and implemented in parallel with capacity building of the respective regulators, so as to provide for effective enforcement.

Until a comprehensive system is in place, with capable and adequately resourced regulators, existing laws and contracts will be supplemented, as required, with fit for purpose, new instruments from among the set identified above, which will place emphasis on the key requirements for successful delivery of the policy - capacity development, procurement and reporting for projects, plans and operations.

New and existing contracts for International Oil Companies and major international services companies (contractors) will be administered using similar approval, reporting and oversight tools, so as to reduce the administrative burden on the regulators. Similarly, plans and projects submissions for approval and reporting formats and content will align with industry best practice for project and operations management and cost control, so as to minimize the burden on operators and contractors.

I. Implementation

Implementation of this policy requires a thoughtful and disciplined approach for success.

The first stage of implementation will be designing a plan of action to give life to this policy through the strategy articulated.

This will be done in collaboration with industry and other stakeholders, so that there will be sharing of ideas, experiences and resources and a clear, common understanding of the approach, roles and requirements of stakeholders and the state of play at any point.

Among the elements of that plan will be:

1. Key deliverables and priorities
2. Risk identification and management strategies
3. A timeline with key milestones
4. Creating and maintaining databases of supply and demand, relative to goods, services and skills/competencies;
5. Providing collaboration platforms for stakeholders to engage and share information with each other;
6. Developing standard guidelines, procedures, tools and templates;
7. Capacity building programmes for individuals and firms;
8. Establishing metrics for local content reporting
9. Establishing target setting, measuring/monitoring and reporting methodologies
10. Identifying review and improvement/update mechanisms
11. Identifying and potentially securing sources of funding for capacity building and other needs
12. Identifying advisory services for Guyanese businesses, in areas such as Partnering (including JV formation), risk management and other technical and business support requirements
13. Assurance in policy implementation, inclusive of:
 - a. Regulatory framework and instruments, including rules, procedures, accountabilities, targets and penalties, as appropriate
 - b. Policy review process
 - c. Accountability of stakeholders

J. Governance

Recognising that development of the sector with Guyanese as viable participants in it requires stewardship and collaboration for managing the risks involved, governance of the sector will require policies and strategies that engender and leverage partnerships between the Government of Guyana and other participants.

For assurance, this policy will be:

- Enforced through appropriate legislative mechanisms and
- Regulated by capable, well-resourced and accountable institutions/agencies

The Regulator will:

- Be steered by a multi-stakeholder body representing those Guyanese parties involved in delivering national development and sector goals that support and/or are impacted by local capacity development and participation in the sector.
- Report to the people of Guyana through their elected representatives in the Parliament of Guyana, as provided for in the Constitution of Guyana.
- Require international operators and contractors to manage their procurement through local content policies and strategies that align with the national policy, for every:
 - Licence or contract awarded by the GoG
 - Major Exploration, Appraisal or Development Plan, Programme, Project and Operation
- **Monitor**, evaluate, report, review, learn and improve, via
 - Requiring **registration** and **licensing** of suppliers
 - Transparent and accessible **databases** of:
 - Suppliers
 - Guyanese professionals and technicians, within Guyana and the diaspora
 - Demand – projects, activities and timelines
 - Certification of suppliers:

- Competency based
- Local content level re beneficial ownership and level of inputs of suppliers
- Use work permits and the licensing/registration of international firms as tools for capacity development and knowledge transfer, rather than barriers to entry of skilled personnel and competent companies
- Setting targets, measuring performance and reporting – “*What gets measured gets done*”:
 - As progress is made and market conditions evolve, the regulator setting targets to drive performance, but which are realistic and developed in consultation with industry and capacity development agencies
 - Ensuring that these targets and performance against them are made public and participants held accountable for performance
 - Catering for clear, consistent oversight and reporting, metrics and reporting will be:
 - kept simple, consistent, measurable and transparent
 - supported, monitored and reported with common reporting guidelines, templates and procedures
 - based on standard industry practice, as far as possible.