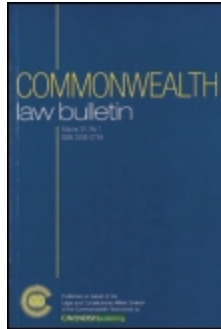


# Critical government and national oil company role in their petroleum resource development: lessons for Guyana petroleum sector.

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**Critical Government and National Oil Company Role in Their  
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Petroleum Sector**

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**Abstract**

The discovery of vast deposits of petroleum resources in any state can arguably lead to many positive outcomes for the country, but for this favourable outcome to be actualised individual players have to perform some significant roles in achieving this goal. It has been proven that some economic development can be achieved through petroleum resources. Some studies have shown the vital roles governments, and national oil companies play in their domestic petroleum sector and even in the global petroleum sector. Recently, the national oil company model of managing petroleum resources has come under scrutiny and has been viewed as a medium of waste and corruption. This paper identifies that the national oil company model can lead to some positive outcomes for the economy of Guyana. Also, this paper identifies and analyses the critical roles a government and a national oil company play in the successful petroleum resource governance and the positive outcomes that can come from transparent and effective management of these resources. Furthermore, this paper argues the case for the presence of a national oil company in Guyana, considering that they are today considered to be a petroleum-rich state due to the sizeable recent petroleum discovery in the country.

**Keywords:** National Oil Companies, Petroleum resources, Guyana, Governments, International Oil Companies, Oil and Gas Law, Natural resource governance.

## Introduction

At a time that government interventions were at an all-time high in their home countries due to the Covid-19 pandemic, highlights the critical roles government play in the progress and economic development of their country.<sup>1</sup> Also, when it comes to petroleum<sup>2</sup> Resources, there is no doubt that the sole aim of any petroleum-rich country, whether a developed or a developing country is to maximise wealth through the exploitation of its petroleum resources. Therefore, if a country wants to achieve the national goal of fully benefitting from the exploitation of its natural (petroleum) resources, the government has a significant, strategic and facilitating role to play. Although, in the critical sense of it, fully benefitting from these resources would be difficult. However, acceptable levels where a more significant number of a population benefits from the exploration of these resources would be viewed as an adequate level, to be considered a success.

Therefore, as petroleum resources are not renewable, the need for careful management of these resources arises, and attention needs to be paid in every sphere of the value chain. Arguably, the onus is on the government to ensure this through the countries petroleum sector regulatory and legal regime. Academics such as Bentham remarked that in the global petroleum industry, petroleum development, and production takes place under many legal systems.<sup>3</sup> Thus, regardless of the particular provisions of a legal regime petroleum exploitation usually goes on, and to consider a regulatory framework sufficient, will arguably lie on the success of the petroleum sector, the level of revenue generated from the petroleum resources and most importantly, and the economic development that is achieved through the exploitation of these resources. This, presumably, will be considered value creation through these resources.

Additionally, governments use their national oil companies (NOCs) as a tool in achieving some beneficial management and exploitation of the petroleum resources for the state. Further, the use of policies and regulations are used to attain these goals, although this is usually contingent on the objectives the governments are looking to achieve. These views to some extent are accepted by

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<sup>1</sup> See 'Government Support Schemes For COVID-19' (*TMF Group*, 2020) <<https://www.tmf-group.com/en/news-insights/coronavirus/government-support-schemes/>> accessed 1 May 2020. See also, Aimee Manning, 'COVID-19 Updates: US Federal & State Government Relief Programs' (*Linnworks*, 2020) <<https://blog.linnworks.com/covid-19-us-government-relief-programs>> accessed 1 May 2020.

<sup>2</sup> In this paper, 'petroleum' resources are used to refer to 'oil and gas' resources. Petroleum resources are predominantly defined as all liquid and gaseous hydrocarbons existing in their natural state below ground, as well as the associated substances with hydrocarbon resources. See, Bernard Taverne, *Petroleum, Industry And Governments* (2nd edn, Wolters Kluwer 2013) 1 – 5. See also, 'Petroleum | Energy, Products, & Facts' (*Encyclopedia Britannica*, 2018) <<https://www.britannica.com/science/petroleum>> accessed 3 December 2018, and 'Petroleum - Schlumberger Oilfield Glossary' (*Glossary.oilfield.slb.com*, 2018) <<http://www.glossary.oilfield.slb.com/en/Terms/p/petroleum.aspx>> accessed 3 May 2018.

<sup>3</sup> R.W. Bentham, 'The International Legal Structure of Petroleum Exploration' in Judith Rees and P. R Odell (eds), *The International Oil Industry* (Macmillan 1987) 62-66.

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3 petroleum industry observers and analysts.<sup>4</sup> Furthermore, as maintained by some industry analysts,  
4 NOCs have demonstrated that they can reach the levels attained by international oil companies (IOCs)  
5 and above. For instance, the creation of public revenues and acting as stewards for the petroleum  
6 resource industry and, also on the contrary if these resources are not properly managed can be a medium  
7 by which a nation's resources can be put to waste, as demonstrated by NNPC of Nigeria and Petrobras  
8 of Brazil.<sup>5</sup> As a natural resource, petroleum resources are vital to any NOC, as this is the single resource  
9 in which most NOCs are established to deal with. Amidst the energy transition arguments from fossil  
10 fuels to renewable energy, there seems to be a consensus that petroleum still has a role to play for the  
11 foreseeable future.<sup>6</sup>

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17 The discovery of petroleum in commercial quantities in Guyana thus calls for government leadership  
18 in achieving sustainable development. With 8 billion barrel estimate for Stabroek Block in Liza field  
19 has shot Guyana into the global petroleum market table.<sup>7</sup> Although the ability to convert these resources  
20 to benefit the country becomes a vital task that Guyana government will have to face, to not fall into  
21 the categories of countries that experience the resource curse. According to Mangal, the government  
22 has one opportunity to get this right.<sup>8</sup> This paper further adds that for there to be successful management  
23 of the revenue that follows, a NOC could be another option to add to Guyana's strategy to achieve  
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35 <sup>4</sup> Silvana Tordo, Brandon S Tracy and Noora Arfaa, *National Oil Companies And Value Creation* (World Bank  
36 2011) xi-xiii. See also María José Paz Antolín and Juan Manuel Ramírez Cendrero, 'How Important Are  
37 National Companies For Oil And Gas Sector Performance? Lessons From The Bolivia And Brazil Case Studies'  
38 (2013) 61 *Energy Policy* 707 and Patrick R.P. Heller, Paasha Mahdavi and Johannes Schreuder, 'Reforming  
39 National Oil Companies: Nine Recommendations' [2014] Natural Resource Governance Institute  
40 <[https://resourcegovernance.org/sites/default/files/documents/nrgi\\_9recs\\_eng\\_v3.pdf](https://resourcegovernance.org/sites/default/files/documents/nrgi_9recs_eng_v3.pdf)> accessed 8 November  
41 2018.

42 <sup>5</sup> See Andrew C. Inkpen and Michael H Moffett, *The global oil & gas industry: Management, strategy and*  
43 *finance* (PennWell Books 2011) 63; Patrick R P Heller, 'Doubling Down: National Oil Companies as  
44 Instruments of Risk and Reward' (2017) 81 *UNU-WIDER*  
45 <<https://www.wider.unu.edu/sites/default/files/wp2017-81.pdf>> accessed 14 March 2018 and David R Mares,  
46 'Resource Nationalism and Energy Security in Latin America: Implications for Global Oil Supplies'  
47 (*Scholarship.rice.edu*, 2010) <[https://scholarship.rice.edu/bitstream/handle/1911/91400/EF-pub-](https://scholarship.rice.edu/bitstream/handle/1911/91400/EF-pub-MaresResourceNationalismWorkPaper-012010.pdf?sequence=1)  
48 [MaresResourceNationalismWorkPaper-012010.pdf?sequence=1](https://scholarship.rice.edu/bitstream/handle/1911/91400/EF-pub-MaresResourceNationalismWorkPaper-012010.pdf?sequence=1)> accessed 4 March 2018.

49 <sup>6</sup> Tina Hunter, 'Redefining Energy Security: The New Prize in a Time of Arctic Petroleum Resources and  
50 Technological Development' in Slawomir Raszewski (ed), *The International Political Economy Of Oil And*  
51 *Gas* (Palgrave Macmillan 2018) 12-15. See also, 'The Oil And Gas Industry In Energy Transition' (*IEA - World*  
52 *Energy Outlook Special Report*, 2020) <[https://www.iea.org/reports/the-oil-and-gas-industry-in-energy-](https://www.iea.org/reports/the-oil-and-gas-industry-in-energy-transitions)  
53 [transitions](https://www.iea.org/reports/the-oil-and-gas-industry-in-energy-transitions)> accessed 5 March 2020, and Anthony J. Venables, 'Using Natural Resources For Development:  
54 Why Has It Proven So Difficult?' (2016) 30 *Journal of Economic Perspectives* 161.

55 <sup>7</sup> See Dylan Baddour, 'Massive Guyana Oil Find Continues To Grow With Fresh Exxon Discovery' (*Forbes*,  
56 2020) <[https://www.forbes.com/sites/dylanbaddour/2020/01/27/massive-guyana-oil-find-continues-to-grow-](https://www.forbes.com/sites/dylanbaddour/2020/01/27/massive-guyana-oil-find-continues-to-grow-with-fresh-exxon-discovery/#5dcd47f62781)  
57 [with-fresh-exxon-discovery/#5dcd47f62781](https://www.forbes.com/sites/dylanbaddour/2020/01/27/massive-guyana-oil-find-continues-to-grow-with-fresh-exxon-discovery/#5dcd47f62781)> accessed 29 February 2020. See also 'Global Oil And Gas  
58 Discoveries Reach Four-Year High In 2019, Boosted By Exxonmobil's Guyana Success' (*Rystad Energy*, 2019)  
59 <[https://www.rystadenergy.com/newsevents/news/press-releases/global-oil-and-gas-discoveries-reach-four-](https://www.rystadenergy.com/newsevents/news/press-releases/global-oil-and-gas-discoveries-reach-four-year-high-in-2019/)  
60 [year-high-in-2019/](https://www.rystadenergy.com/newsevents/news/press-releases/global-oil-and-gas-discoveries-reach-four-year-high-in-2019/)> accessed 1 May 2020.

<sup>8</sup> Jan Mangal, 'Regulatory & Risk: Securing Guyana's Future The Opportunities And The Risks' (*Guyana*  
*Petroleum Summit*, 2019) <<https://www.guyanapetroleumsummit.com/home>> accessed 30 April 2020.

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4 success through their petroleum resources.<sup>9</sup> This paper contributes to the literature on the vital roles  
5 governments and NOCs play in the successful management of their petroleum resources.  
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## 10 **Government Roles**

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13 As vast deposits of minerals are discovered in a country, the onus always falls on the government to  
14 come up with a strategy that will be used in the exploitation of these natural resources. Historically,  
15 during the early stage of the petroleum industry, the governments usually lack the knowledge to  
16 properly develop a coherent petroleum strategy that will enable it to gain from the exploitation of  
17 petroleum resources. For example, Norway, Denmark and the United Kingdom knew little about the  
18 oil and gas resources and its potential when petroleum resources were discovered in the North Sea.<sup>10</sup>  
19 The same scenario can apply to a developing country that discovers large deposits of petroleum within  
20 its territory. Knowledge of petroleum resources, its economic impact and the global petroleum industry,  
21 is vital to any government in developing a sound strategy, and specific legal framework and policies in  
22 assisting the government in making sure the people benefit from the exploitation of these natural  
23 resources.  
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32 Usually, the legal framework applied to the petroleum sectors of a state sets the objectives of the  
33 government.<sup>11</sup> These legal frameworks usually originate from the constitution, and defines the  
34 ownership of petroleum resources, followed by the legislations guiding the petroleum industry of the  
35 state. They also set out these legislation, rights, rules and procedures for granting access to the natural  
36 resources.<sup>12</sup> Thus, establishing the administrative framework that structures the petroleum property  
37 rights, which can be in the form of concessions, licences, leases, or in any other term that is used in the  
38 state, and these can be covered in the types of contracts, or agreements and joint ventures the nation  
39 goes into with other parties, for the exploitation of their petroleum resources.<sup>13</sup> Important to bear in  
40 mind that these petroleum resources are to be utilised for the benefit of the whole country and not for a  
41 select group.  
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52 <sup>9</sup> See Anara Khan, 'Guyana Begins Receiving Royalty From Oil On April 30' (*Department of Public*  
53 *Information*, 2020) <<https://dpi.gov.gy/guyana-begins-receiving-royalty-from-oil-on-april-30/>> accessed 1 May  
54 2020.

55 <sup>10</sup> Svein S Andersen *The Struggle Over North Sea Oil And Gas: Government Strategies In Denmark, Britain*  
56 *And Norway* (Scandinavian University Press 1993) 2.

57 <sup>11</sup> Evelyn Dietsche, Sector Legal Frameworks and Resource Property Rights in Wojciech Ostrowski and Roland  
58 Dannreuther (eds), *Global Resources Conflict And Cooperation* (Palgrave Macmillan 2013) 159.

59 <sup>12</sup> *Ibid.*, 159 -162.

60 <sup>13</sup> *Ibid.*, 161. See also, John van Schaik, 'How Governments Sell Their Oil' (*Resourcegovernance.org*, 2012)  
<<https://resourcegovernance.org/sites/default/files/OilSales-HowGovtsSellOil.pdf>> accessed 20 February 2020.

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4 The debate of government involvement in the petroleum industry, or getting involved in the  
5 exploitation of the country's natural resources has been an ongoing one, since the entrance of  
6 governments through their NOCs in the industry. The level of government involvement in the  
7 petroleum industry varied from country to country. However, in all, there is evidence of regulations  
8 and industry policies, whether these policies changed over time or remained consistent, the importance  
9 of the government involvement was seen as vital, especially during the 1973 - 1974 oil embargo.<sup>14</sup>  
10 Further, as the significance of the petroleum as an energy source grew, the 1973 embargo followed  
11 by the rise of oil price, it then became clear to governments especially the western European  
12 governments, that they had to be directly involved with the petroleum industry.<sup>15</sup> Therefore, to  
13 achieve this they had two options, one was to attempt to regulate petroleum market indirectly with  
14 tariffs, taxes and licenses and the alternative was to participate directly in the petroleum industry  
15 by the establishment of national oil companies.<sup>16</sup> Resultantly, this highlights one of the importance  
16 of a NOC in a petroleum resource-rich country and also, the importance of direct participation in the  
17 industry.  
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27 Grayson pointed out that the rise of oil price in 1979 led to the more substantial involvement of  
28 governments in the global oil and gas industry, and this was done through the establishment of  
29 NOCs.<sup>17</sup> Though, it dawned on these governments the possible huge revenue they could gain  
30 from these resources; hence the need for control grew. Although it is yet to be seen the way  
31 governments will react to the present period of low oil prices. Regardless of what position  
32 governments take, their role remains vital in ensuring that the state benefits from the exploitation  
33 of their petroleum resources. Indeed, government influence might affect the performance of the  
34 NOCs or its ability to carry out its duties rather than attending to that, set by the present government.  
35 Additionally, as more governments started getting involved with the development of their natural  
36 resources and in the petroleum industry through their NOCs, this meant that political considerations  
37 and each country's economic well-being became the main issue, and subject in the petroleum  
38 industry.<sup>18</sup> Private company goals of profit-making became secondary once the interest of the state  
39 became the ultimate goal. Usually, the petroleum industry was controlled and driven by IOCs. The  
40 name of the game was profiting, but as governments and NOCs started getting involved, the  
41 policies had to serve broader economic goals than the maximisation of profits.<sup>19</sup>  
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53 <sup>14</sup> Ibid., 7 - 8. See also Alan H Gelb, *Oil Windfalls: Blessing Or Curse* (Oxford University Press 1988) 3.

54 <sup>15</sup> David G Victor, David R Hults and Mark Thurber (eds) *Oil and Governance* (Cambridge University Press  
55 2014) 5.

56 <sup>16</sup> Ibid. See also, Bassam Fattouh, 'OPEC Pricing Power: The Need For A New Perspective' [2007] Oxford  
57 Institute for Energy Studies WPM 31.

58 <sup>17</sup> Leslie E Grayson, *National Oil Companies* (John Wiley & Sons Ltd 1981) 1-3, 18-20.

59 <sup>18</sup> See Coby van der Linde, *The State and The International Oil Market* (Kluwer Academic Publishers 2000) 9.

60 <sup>19</sup> Ibid.



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3 Traditionally, governments are expected to regulate the state's petroleum industry, to be able to create  
4 value for the public from the exploitation of petroleum resources.<sup>20</sup> This means that the governments  
5 are expected to formulate the policies for all the phase of the state's petroleum industry. Fundamentally,  
6 each government is expected to develop and follow a petroleum policy that targets the promotion of the  
7 state's interest in petroleum affairs within and outside of its territory, as the ultimate goal would be  
8 creating value for the people through these petroleum resources.<sup>21</sup>  
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14 Additionally, the International Energy Agency (IEA) captured the importance of government, policy  
15 and regulatory frameworks in the following statement:

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17 for it is governments that “hold the key to changing the mix of energy investment”  
18 and it is the policy and regulatory frameworks that they establish, nationally and  
19 internationally...<sup>22</sup>  
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21 The IEA statement supports the argument that the government has a huge role to play in the creation of  
22 value and benefits through the petroleum resources of the state. As the drilling of the first oil well  
23 marked the beginning of the petroleum industry, correspondingly this also prompted the start of the  
24 development of mining legislation that would guide the petroleum industry and its operations.<sup>23</sup>  
25 Petroleum legislation consists of all laws, regulations, rules and policies that are designed to regulate  
26 the state’s petroleum industry and its operations.<sup>24</sup> Important to note, that the petroleum industry  
27 changes from time to time as has been evidenced from its history, therefore it is usually expected that  
28 these petroleum frameworks evolve with the industry, as to maintain the state's ability to create value  
29 through the petroleum resources. Although this is generally viewed upon the level of revenue, the state  
30 accrues from exportation of the petroleum resources.  
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39 Furthermore, through policies, laws and regulations, governments directly intervene in the petroleum  
40 industry and directly through its participation and investment in the petroleum industry.<sup>25</sup> According to  
41 Sarbu, differing from the contested main sectoral objective of commercial activities that will increase  
42 the revenue of the state for any petroleum resource-rich developing country, one might argue that this  
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48 <sup>20</sup> Thomas W Walde, 'International Energy Law: Concepts, Context And Players: A Preliminary Introduction'  
49 (2003) 1 OGEL.

50 <sup>21</sup> See Bernard Taverne, *An Introduction To The Regulation Of The Petroleum Industry* (Graham & Trotman  
51 1994) 97 – 80.

52 <sup>22</sup> Neil Gunningham, 'Regulation, Economic Instruments and Sustainable Energy' in Andreas Goldthau *The*  
53 *Handbook of Global Energy Policy* (John Wiley & Sons Inc 2013) 305. See also, Ralf Boscheck, 'The  
54 Governance Of Oil Supply: An Institutional Perspective On NOC Control And The Questions It Poses' (2007) 1  
55 *International Journal of Energy Sector Management* 366.

56 <sup>23</sup> See Thomas Walde, 'Investment Policies in the International Petroleum Industry: responses to the Current  
57 Crisis' in Khan (ed), *Petroleum Resources And Development* (Belhaven 1988) 32.

58 <sup>24</sup> Bernard Taverne (n 19) 115.

59 <sup>25</sup> See Øystein Noreng, 'Global Resource Scramble and New Energy Frontiers' in Andreas Goldthau (n 21) 171.  
60 See also Dr. S.K. Date-Bah and Makbul Rahim, *Promoting Petroleum Exploration and Development: Issues for  
Government action* in Khan (ed) (n 24) 106 – 109.

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3 is not usually obtainable.<sup>26</sup> Instead, the seeking of rent and ways to increase the rents that can be  
4 received from the exploitation of its natural resources is what drives the government and its policies.<sup>27</sup>  
5 The capability for a government to gain huge rents from the petroleum resources is equally  
6 commendable. However, commercial activities by the state's NOC could be a sustainable measure. As  
7 they are mandated by the state to ensure steady revenue stream for the country. Therefore, in a case the  
8 state's petroleum resources dry up one day, then the NOC's commercial expertise can help the  
9 government continue the generation of the revenue through its international petroleum activities.  
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16 Additionally, today the importance of governments in the petroleum industry cannot be ignored because  
17 the development of international petroleum strategies strongly requires the input of governments,  
18 whether from petroleum exporting or importing countries.<sup>28</sup> The government of any petroleum-rich  
19 state is usually expected to be able to manage these resources in the interest of the country. However,  
20 there is a view that governments are often at a disadvantage when entering into a contract with IOCs or  
21 any mineral company, as these companies are more knowledgeable in the industry than the  
22 government.<sup>29</sup> For example, the recent reports on Exxon-Mobil and Guyana contracts, where  
23 allegations were levelled against the IOCs for cheating the Guyanese government and state over 55  
24 Billion Dollars over the agreement they entered into with the company.<sup>30</sup> Whatever the case may be in  
25 Guyana, the burden is on the government to ensure that the people get a fair share and benefit from  
26 these petroleum resources discovered within its territory. Closer attention should be paid in the  
27 agreements the country goes into, and also the petroleum industry is very different from what it used to  
28 be a couple of years back.  
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38 Further, the government playing the role of the sovereign owner on behalf of the people, according to  
39 Sarbu, is one government role that has been contested. However, the energy policies are set by the  
40 government and the part of the NOC also, it can be argued that the government is a steward and not the  
41 owner of the natural resources since the natural resource is for the people.<sup>31</sup> Also, relationships between  
42 governments, NOCs and IOCs are usually guided by upstream legal frameworks and fiscal regimes.  
43 Although, these legal frameworks and fiscal regimes can also, regulate the midstream and downstream  
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50 <sup>26</sup> Bianca Sarbu *Ownership and Control of Oil: Explaining Policy Choices Across Producing Countries*  
51 (Routledge 2014) 26 – 27.

52 <sup>27</sup> Ibid.

53 <sup>28</sup> See Andrew Bauer and Juan Carlos Quiroz, 'Resource Governance' in Andreas Goldthau (n 21) 245 – 246.

54 <sup>29</sup> John Mitchell, Valerie Marcel and Beth Mitchell, 'What Next For The Oil And Gas Industry' (*Chatham*  
55 *House*, 2012)

56 <[https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Energy,%20Environment%20and%20Development/1012pr\\_oilgas.pdf](https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Energy,%20Environment%20and%20Development/1012pr_oilgas.pdf)> accessed 10 February 2018.

57 <sup>30</sup> See Jonathan Gant, 'Signed Away: How Exxon's Exploitative Deal Deprived Guyana Of Up To US\$55  
58 Billion | Global Witness' (*Global Witness*, 2020) <<https://www.globalwitness.org/en-gb/campaigns/oil-gas-and-mining/signed-away-exxons-exploitative-deal-deprived-guyana/>> accessed 9 February 2020.

59 <sup>31</sup> Bianca Sarbu (n 25) 26 – 27.  
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3 sector of the petroleum industry of the state. Expectedly, these are the tools used by a sovereign country  
4 to implement their policies on their petroleum industry.<sup>32</sup> As such different legal instruments may be  
5 enacted by the petroleum law of a state, especially for the upstream sector, as these usually come in the  
6 form of exploration and production agreements.<sup>33</sup>  
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11 Further Le Leuch, in his work, remarked that usually two main approaches are followed by a state when  
12 picking its legal instruments. One, a state following the terms defined in the national legislation and  
13 regulation awards specific petroleum licences, which could be an exploration licence or permit over an  
14 exploration area authorising exploration, or a production licence (or lease or concession) over a  
15 restricted development area allowing the development and production.<sup>34</sup> This was observed in the  
16 exploration terms and obligations in the agreements in countries like the UK, Norway and Denmark.<sup>35</sup>  
17 Two, there is usually a conclusion of the exploration and production contracts in the national law,  
18 commonly observed in developing states that are yet to issue comprehensive legislation and  
19 regulation.<sup>36</sup> This provides the terms and conditions applied to exploration and production not covered  
20 under the legislation and regulation.  
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29 Sarbu commented that developing countries that are endowed with petroleum resources often pursue  
30 policies that will only maximise the inflow of rent into the government coffers rather than pursuing  
31 resource development policies with a long-term view of taking over from the IOCs.<sup>37</sup> It, therefore,  
32 seems that the governments are fixated on getting huge revenues from the petroleum resources, which  
33 could then mean neglect on the other sectors of the economy. Therefore, one might argue that the best  
34 route for sustainable development of petroleum resources would be pursuing commercial objectives as  
35 shown in countries like Norway and Brazil, rather than depending solely on the rents from the activities  
36 of IOCs in the exploitation of its petroleum resources. It is also important to note that commercial and  
37 non-commercial objectives can be achieved. However, most times, the resource-rich developing  
38 countries lack the institutional capacity to carry out these objectives.<sup>38</sup> On the other hand, it can also be  
39 argued that the state lacks the willingness to achieve both objectives, this situation is usually seen as a  
40 state requiring the 'political will' to achieve specific goals.  
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54 <sup>32</sup> Honoré Le Leuch, 'Recent Trends in Upstream Petroleum Agreements: Policy, Contractual, fiscal, and Legal  
55 Issues' in Andreas Goldthau (n 21) 127.

56 <sup>33</sup> Ibid. (n 23) 130.

57 <sup>34</sup> Honoré Le Leuch in Andreas Goldthau (n 21) 130.

58 <sup>35</sup> Ibid.

59 <sup>36</sup> Ibid.

60 <sup>37</sup> Bianca Sarbu (n 25) 26-27.

<sup>38</sup> Ibid.

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3 Accordingly, the state promulgates an upstream petroleum law which defines the whole upstream sector  
4 process, from types of agreements<sup>39</sup> Terms and conditions to be met, exploration, exploitation  
5 operations and the applicable petroleum tax regime.<sup>40</sup> It is important to note that overtime countries  
6 might decide to review or change their policies, especially fiscal policies. Introduction of new terms in  
7 upstream petroleum contracts and tax systems always evolve, and this can be arguably tied to the  
8 political evolution of the country, whether the country is developed or developing, these changes  
9 occur.<sup>41</sup> Hopefully, this change of the country's petroleum framework will have value creation for the  
10 people of the state at heart, thereby ensuring that the people continue to benefit from the petroleum  
11 resources.  
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19 Furthermore, arguments of leaving petroleum resources in the hands of the market or private sector, or  
20 have the government usually intervene by the NOCs which is conventionally the government agent has  
21 been going on for a while. For all the argument against the government intervention in the exploitation  
22 of a developing countries' petroleum resources it is essential to note that the developed or industrialised  
23 countries have a 'self-sustained' economy whereas the developing countries did not.<sup>42</sup> So the discovery  
24 of petroleum resources in these developed countries was made within a well-defined or somewhat well-  
25 structured economy, unlike when petroleum is discovered in a developing country with the less  
26 structured economy. This scenario is somewhat applicable to the case of Guyana.  
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33 These petroleum resources are expected to be managed with the interest of the public at the forefront,  
34 and not the benefit of a select group of elites. According to Van de Linde, the expected government  
35 roles as a maximiser of social welfare both as an economic regulator and a provider of public goods is  
36 what the 'public interest' theories highlights.<sup>43</sup> Although, much criticism has been level on this theory,  
37 mainly that the present government will use this to further its political interests which seldom aligns  
38 with social welfare and therefore create misguided policies.<sup>44</sup> One can say this situation makes it  
39 pertinent for the government intervention to properly regulate the petroleum industry rather than leave  
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47 <sup>39</sup>. The following are the three main types of agreements used in the petroleum industry: Concession Agreement,  
48 Production Sharing Contract (PSC) and Risk Service Contract (RSC) See Honoré Le Leuch, 'Recent Trends in  
49 Upstream Petroleum Agreements: Policy, Contractual, fiscal, and Legal Issues' in Andreas Goldthau (n 21) 132  
50 – 134.

51 <sup>40</sup> Honoré Le Leuch in Andreas Goldthau (n 21) 129.

52 <sup>41</sup> Ibid.

53 <sup>42</sup> Coby van der Linde (n 17) 27-35.

54 <sup>43</sup> Ibid. See also, Richard A. Posner, 'Theories Of Economic Regulation' (1974) 5 Bell Journal of Economic 335;  
55 Gilbert Becker, 'The Public Interest Hypothesis Revisited: A New Test Of Peltzman's Theory Of Regulation'  
56 (1986) 49 Public Choice 223; Theodore E. Keeler, 'Theories Of Regulation And The Deregulation Movement'  
57 (1984) 44 Public Choice 103, and Michael Hantke-Domas, 'The Public Interest Theory Of Regulation: Non-  
58 Existence Or Misinterpretation?' (2003) 15 European Journal of Law and Economics 165.

59 <sup>44</sup> Ibid. See also, Andrei Shleifer, 'Understanding Regulation' (2005) 11 European Financial Management 439,  
60 and Oliver James, 'Regulation Inside Government: Public Interest Justifications And Regulatory Failures' (2000)  
78 Public Administration 327.

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3 it to the world market forces. As a state's petroleum sector is affected by domestic and international  
4 factors.  
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7 Furthermore, control has always been an essential factor in the petroleum industry, from the direct  
8 control over the revenues from the exploitation of petroleum resources to the control of how the income  
9 from these resources is redistributed. This was and is still the concern of these petroleum-producing  
10 state's governments.<sup>45</sup> For example, according to Andersen, control of its petroleum industry has always  
11 been the goal of the Norwegian government, securing the lion share of the possible income from the  
12 exploitation of its resources was the long-term goal, and this was achieved through the control over the  
13 day-to-day activities of the industry.<sup>46</sup> It can be drawn that the intentions and objectives of the  
14 governments towards the management of its petroleum resources can be gleaned from the legislation  
15 enacted that is targeted towards this goal.  
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23 Finally, in elaborating the role of government in petroleum development Van de Linde observed that it is  
24 a well-known fact that the government's role is usually one of law and order; therefore the arguments has  
25 been one of making sense of law and order in an economic dimension, from the NOCs involvement in  
26 production, while also having the government regulate the industry, thereby having an effect on the  
27 private economy.<sup>47</sup> Therefore, this gives a petroleum industry a structure when the government's  
28 framework is one that seeks to create value for the people from the petroleum resource of the state.  
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### 36 **National Oil Companies Role**

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39 Notably, since 1991 nearly 90% of the conventional crude oil reserves have been controlled by NOCs,  
40 however, this control over the petroleum resources over this period has not led to operational efficiency  
41 as the works of Eller and others, suggested.<sup>48</sup> Furthermore, as indicated by Eller and the foregoing  
42 authors. this inefficiency stems mainly from how profits are redistributed and the high degree of  
43 political influence over these NOCs granted that most NOCs are used as political tools by their  
44 governments. One might argue that with the right policies and legal framework that directs and guides the  
45 objectives of the NOCs, they can efficiently perform as well as the IOCs.  
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53 <sup>45</sup> Coby van der Linde (n 17) 27-35.

54 <sup>46</sup> Svein S Andersen ( n 10) 63.

55 <sup>47</sup> Coby van der Linde (n 17) 27 – 35.

56 <sup>48</sup> Stacy L. Eller, Peter R. Hartley and Kenneth B. Medlock, 'Empirical Evidence on the Operational Efficiency  
57 of National Oil Companies' (2010) 40 Empirical Economics. See also, Chidi Basil Ike and Hyunjung Lee,  
58 'Measurement Of The Efficiency And Productivity Of National Oil Companies And Its Determinants' (2014) 17  
59 Geosystem Engineering; Peter Hartley and Kenneth B. Medlock, 'A Model Of The Operation And Development  
60 Of A National Oil Company' (2008) 30 Energy Economics 2460; Paul Markwell and others, 'The New Frontier  
For National Oil Companies' [2014] SSRN Electronic Journal.

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5 Yergin et al. pointed out that the birth of the NOCs generally described being the event that took place  
6 in 1908 Austria-Hungary when Emperor Franz Joseph's approval of the building of a topping plant.  
7 During that period private oil producers encountered surplus supply of crude, and this topping plant  
8 was owned and operated by the government.<sup>49</sup> McPherson pointed out that as the need to secure energy  
9 supplies grew in the minds of the Western governments, the need to establish a government entity that  
10 would achieve the security and diversity of energy supply while going into contracts with IOCs on  
11 behalf of the state also grew.<sup>50</sup> What followed in the coming years was the establishment of NOCs by  
12 various governments around the world.  
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19 Petroleum has been argued to be a political commodity, and the international domain in which  
20 petroleum resources are produced and traded is mainly political. Why one may ask? It is debatable that  
21 the push to secure access to petroleum resources has always been fundamental to geopolitics and  
22 international relations. For instance, energy security has driven international politics, from European  
23 imperial expansion and industrialisation of the 19<sup>th</sup> century and the scramble for raw materials in  
24 Africa.<sup>51</sup>  
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30 Furthermore, often in a developing petroleum-rich state, the NOCs are unceremoniously controlled by  
31 the ruling party and elite group.<sup>52</sup> The politicised NOC board and executive management, coupled with  
32 the controlling elite group who show little or no interest in the overall performance of the NOC, instead  
33 they seek to use the NOC to achieve the group's goals rather than the states.<sup>53</sup> This undermining of the  
34 corporate governance structure of the NOC affects the organisational performance of the NOC and  
35 disrupts the transparency process, which leads to corruption and mismanagement of funds. As with the  
36 other negative examples, NNPC in Nigeria provides a classic example of these governance and  
37 transparency problems. A critical step or process in improving the governance in the petroleum sector  
38 of a state has been observed to be transparency.<sup>54</sup> Powerfully essential to know whether these NOCs  
39 were set up by an act of parliament (legislation) or they were incorporated as a company through the  
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49 In 1914 the government of the United Kingdom purchased 51% ownership share in Anglo-Persian Oil  
50 Company (which later became British Petroleum). See Daniel Yergin, *The Prize* (Simon & Schuster 2012) 130  
51 and Andrew C. Inkpen and Michael H Moffett (n 5) 52 – 55.

52 Charles Mcpherson and World Bank Group, 'National Oil Companies Evolution, Issues, Outlook National Oil  
53 Companies Workshop Current Roles and Future Prospects' (World Bank Washington D.C. 2003)

54 See Roland Dannreuther, Geopolitics and International Relations of Resources in Wojciech Ostrowski and  
55 Roland Dannreuther (eds.), *Global Resources Conflict And Cooperation* (Palgrave Macmillan 2013) 79-81 and  
56 Caroline Kuzemko, Andrew Lawrence and Matthew Watson, 'New Directions In The International Political  
57 Economy Of Energy' (2019) 26 Review of International Political Economy 1.

58 Lindsay Whitfield and Lars Buur, 'The Politics Of Industrial Policy: Ruling Elites And Their Alliances'  
59 (2014) 35 Third World Quarterly 126.

60 <sup>53</sup> See Charles Mcpherson in Andreas Goldthau (n 21) 151 – 152.

<sup>54</sup> *Ibid.*

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3 filing and registration at the company house.<sup>55</sup> Important to know a NOC's legal status can show an  
4 agent of the government, whether it was constituted by an act of parliament or incorporated through the  
5 company act.<sup>56</sup>  
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10 Additionally, NOC failure can have terrible consequences for the country, as has been witnessed in  
11 some petroleum-rich states.<sup>57</sup> It is known that the overall objectives of every states petroleum sector are  
12 defined at the very top of government and depending on the political system in the state when it comes  
13 to a decision making in relations to the petroleum or petroleum resources of the country, it might be  
14 subject to public debate and parliamentary approval.<sup>58</sup> However, in reality, NOCs should be concerned  
15 with the overall economics and industrial matters rather than the political side of the industry.<sup>59</sup>  
16 Although this might be true in some countries, it is clear that NOCs are always affected and influenced  
17 by politics, especially the NOCs from a developing state. This is so because the government is the one  
18 that develops the petroleum policies, and legal framework that guides the NOCs and appoints the board  
19 of directors, and in many cases subsidise the operations of the NOCs.<sup>60</sup>  
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27 In today's global petroleum industry, the definition of a National Oil Company cannot be restricted to  
28 one. Further, in an attempt to define the term national oil companies while noting the ambiguity in the  
29 term, Grayson stated that when a company is being used for a public purpose, it can be said to be a  
30 national oil company.<sup>61</sup> Although, this social purpose has to be connected to the management of the  
31 states petroleum resources, as states do have different government entities that manage various  
32 resources and sectors. Furthermore, Paul Stevens defined a NOC as 'an oil and gas company operating  
33 in some part of the oil and gas value chain owned and controlled by the government'.<sup>62</sup> In other words,  
34 NOCs were created to ensure state control over any country's petroleum resources and to ensure higher  
35 revenues from petroleum production.<sup>63</sup> High revenue and achieving economic development through the  
36 effective management of petroleum resources became the primary purpose of establishing a NOC.  
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45 <sup>55</sup> Eze Emem Chioma, 'How Has The Ability Of The NNPC To Make A Profit Been Hampered By The  
46 Retention Of Its Corporate Status As A Statutory Body Rather Than As A Separate Legal Entity Under The  
47 NNPC Act 1977?' (2015) 8 *International Energy Law Review* 304.

48 <sup>56</sup> V. K. Moorthy, 'The Malaysian National Oil Corporation — Is It A Government Instrumentality?' (1981) 30  
49 *International and Comparative Law Quarterly* 638 and Eze Emem Chioma n 54.

50 <sup>57</sup> Oystein Noreng n 24.

51 <sup>58</sup> Additionally, the type of NOC also defines the decision-making area of responsibility of the government in  
52 the states oil and gas industry. See Bianca Sarbu (n 25) 24.

53 <sup>59</sup> Valérie Marcel and John V Mitchell, *Oil Titans: National Oil Companies In The Middle East* (Chatham  
54 House 2006) 3 – 4. See also, Dag Harald Claes, *The Politics Of Oil-Producer Cooperation* (Routledge 2018) 2.

55 <sup>60</sup> Valérie Marcel and John V Mitchell (n 58) 4.

56 <sup>61</sup> Leslie E Grayson (n 16) 5.

57 <sup>62</sup> Paul Stevens, 'National Oil Companies: Good Or Bad' (2003)  
58 <<https://pdfs.semanticscholar.org/49e9/e0b16dd0bb57fbb6c996ec0f5c5cfb2babbd.pdf>> accessed 4 February  
59 2018.

60 <sup>63</sup> See 'National Oil Companies (NOCs)' (*Extractives Hub*, 2020)  
<<https://extractiveshub.org/servefile/getFile/id/4220>> accessed 27 February 2020.

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4 Although the ability of these NOCs to achieve these goals is another debate altogether. The  
5 above arguments apply to any petroleum-rich state, such as Guyana, that is looking forward to  
6 demonstrate control over their petroleum resources.  
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10 NOCs controlling petroleum reserves can be beneficial to a state, as far as the control results in  
11 efficient redistribution of the petroleum resource revenue that benefits the people of the country. It is  
12 debatable to say that political objectives will overtake the petroleum industry if the NOCs continue to  
13 assert their control over it, is very much debatable.<sup>64</sup> If one follows the history of the global  
14 petroleum industry, even when it was controlled by the IOCS (seven sisters), one can see that  
15 politics and petroleum resources go hand in hand. Hence, that is why petroleum resources are  
16 usually referred to as political commodities.  
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23 Rather than discouraging the continuation of the state control and ownership over their  
24 petroleum industry, the direction should be to encourage these states, and their NOCs to adopt  
25 efficient methods through strong petroleum industry policies and legal frameworks.<sup>65</sup> When a  
26 government is endowed with petroleum resources, it is usually assumed that the way its resources are  
27 regulated, or the regulatory framework guiding its petroleum industry, will show the objectives and  
28 aims of the government, and what it seeks to achieve. For example, this can be observed in the tax  
29 policies adopted by Russia points to a broader economic and geostrategic rationale, which shows  
30 the government's desire to use the control of its petroleum resources to build its economy and at the  
31 same time reassert its authority on the global petroleum industry.<sup>66</sup> However, this strategy has been  
32 argued as a means used by the Russian government in destroying Yukos.  
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40 Furthermore, it is vital for a country that is blessed with an abundance of petroleum resources to  
41 perfect their legislation that concerns these natural resources, also improving the economic  
42 mechanisms for the resource exploitation and, defining and also rectifying the system of licensing  
43 and regulations in the area of the exploitation of its petroleum resources.<sup>67</sup> It is also important to  
44 mention that within the petroleum-producing countries, their various NOCs differ from each  
45 other. While in some of these countries the NOCs participate with other companies or IOCs in a  
46 licensing regime others exercise complete state ownership and control in exploitation.<sup>68</sup>  
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56 <sup>64</sup> See Stacy L. Eller, Peter R. Hartley and Kenneth B. Medlock, 'Empirical Evidence on the Operational  
57 Efficiency of National Oil Companies' (2010) 40 *Empirical Economics*.

58 <sup>65</sup> Harley Balzer, 'The Putin Thesis And Russian Energy Policy' (2005) 21 *Post-Soviet Affairs* 210.

59 <sup>66</sup> *Ibid.*

60 <sup>67</sup> *Ibid.*

<sup>68</sup> Coby van der Linde (n 17) 12–13.



Reasons for establishing a NOC might vary from state to state, but the main aim of the country is to have control over the petroleum resources. Whether, the state is an exporting or importing state, the drive to have a separate government entity that secures these resources or ensures the proper exploitation of the petroleum resources is one that has been evidenced going by the history of the global petroleum industry. Thus, the importance of a NOCs to date are immense. As of 2017, NOCs control assets valued at over three trillion dollars, thus making them considerable players in public financial management, globally and within their states as they are critical players in the global petroleum industry, and also play huge roles in their home-country economies.<sup>69</sup>

### Lessons for Guyana's Petroleum Sector

Guyana can be categorised as a petroleum-rich state, at least after the Exxon Mobil discovery in 2015.<sup>70</sup> Further, the population of the country is about 780,000, therefore, making the country in the top ten amongst countries with the highest petroleum resources per capita and this represents a chance for the state to alleviate poverty in the country.<sup>71</sup> Conceivably, amongst the fundamental principles of petroleum development are that they belong to the people, and the government performs the role of a trustee; thus the national interest must be at the centre of the development and management of revenues from the petroleum resources.<sup>72</sup>

That been said, Guyana is a democratic country, and as with the case for some developing countries is endowed with many natural resources, especially petroleum resources. Yet, within the Western Hemisphere, the state can still be categorised amongst the poorest.<sup>73</sup> Although it can be said that

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<sup>69</sup> See The National Oil Company Database: Report (*National Oil Company Database*, 2019) <<https://www.nationaloilcompanydata.org/api/publications/content/NFInSnhdYNC4ntCohaYqok1u2jHAG4vvLXK1jwrL.pdf>> accessed 25 June 2019.

<sup>70</sup> See Dylan Baddour, 'Massive Guyana Oil Find Continues To Grow With Fresh Exxon Discovery' (*Forbes*, 2020) <<https://www.forbes.com/sites/dylanbaddour/2020/01/27/massive-guyana-oil-find-continues-to-grow-with-fresh-exxon-discovery/#5dcd47f62781>> accessed 29 February 2020. See also, Clifford Krauss, 'With A Major Oil Discovery, Guyana Is Poised To Become A Top Producer' (*The New York Times*, 2017) <<https://www.nytimes.com/2017/01/13/business/energy-environment/major-oil-find-guyana-exxon-mobile-hess.html>> accessed 1 May 2020.

<sup>71</sup> David Mihalyi and Andrew Bauer, 'Challenges And Opportunities In Managing Guyana's Oil Wealth' (2020) 18 OGEL. See also 'Guyana's Dodgy Poll Is All About Oil' (*The Economist*, 2020) <<https://www.economist.com/leaders/2020/03/19/guyanas-dodgy-poll-is-all-about-oil>> accessed 23 March 2020.

<sup>72</sup> Kevin Ramnarine, 'Considerations For A Regulatory Framework To Granting E&P Rights A Regional Perspective' (*Guyana Petroleum Summit*, 2019) <<https://www.guyanapetroleumsummit.com/page/1421919/presentations>> accessed 30 April 2020.

<sup>73</sup> See 'Guyana: Country Review' (*CountryWatch*, 2019) <<http://www.countrywatch.com/intelligence/countryreviews?countryid=72>> accessed 30 April 2020. See also Eric N. Smith, 'A Status Report On Economic And Political Conditions In Guyana, A World Class Hydrocarbon Discovery' (2020) 18 OGEL.

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3 Guyana's upstream petroleum industry is still in its infants' stage, one would imagine that endowment  
4 of petroleum resources should lead to economic and social development, but as the resource curse  
5 theory posits these natural resources does not always lead to financial success and sustainable  
6 development.<sup>74</sup> As always, public expectations require that natural resource wealth should have a  
7 positive effect on a state, even going by simple economic principles. However, it all depends on how  
8 these natural resources are managed.<sup>75</sup> According to Mihalyi and Bauer, Guyana needs a Sovereign  
9 Wealth Fund (SWF) to manage the petroleum revenues and other fiscal rules as a means to mitigate the  
10 harmful macroeconomic effects of huge resource revenue windfall.<sup>76</sup> Considering the expected revenue,  
11 the state will accrue shortly, and it will be an entirely appropriate measure to be taken by the  
12 government. Therefore, strong institutions are vital for the proper management of the petroleum sector  
13 of Guyana as this could lead to a possible doubling of the state's GDP over the upcoming years.<sup>77</sup>  
14 Although a NOC would be an essential government entity to manage the windfall. Consequently, this  
15 paper supports the vital roles the government and NOCs can play in an attempt to achieve economic  
16 development through these natural resources.  
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27 Furthermore, in implementing the upstream petroleum industry in any state, there are various tools  
28 through which this is achieved, and the creation of a NOC is one of the vital tools, as NOCs and State-  
29 Owned Enterprises (SOEs) are tools used by the political leaders in exerting control over the  
30 management of the petroleum resources of the country.<sup>78</sup> Norway is an example of a state that manages  
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38 <sup>74</sup> See Ramez Abubakr Badeeb, Hooi Hooi Lean and Jeremy Clark, 'The Evolution Of The Natural Resource  
39 Curse Thesis: A Critical Literature Survey' (2017) 51 Resources Policy 123. See also Robert Deacon, 'The  
40 Political Economy Of The Natural Resources Curse: A Survey Of Theory And Evidence' (2011) 7 Foundations  
41 and Trends® in Microeconomics 111; Jeffrey A. Frankel, 'The Natural Resource Curse: A Survey' [2010]  
42 National Bureau of Economic Research Working Paper No. 15836; Anthony J. Venables n 2; Frederick van der  
43 Ploeg, 'Natural Resources: Curse Or Blessing?' (2011) 49 Journal of Economic Literature 366 and Hajime  
44 Takatsuka, Dao-Zhi Zeng and Laixun Zhao, 'Resource-Based Cities And The Dutch Disease' (2015) 40  
45 Resource and Energy Economics 57.

46 <sup>75</sup> See Daron Acemoglu, Simon H. Johnson and James A. Robinson, 'An African Success Story: Botswana'  
47 (2001) Working Paper 01-37 SSRN Electronic Journal 1. See also, Peter Cameron and Michael Stanley, *The*  
48 *Extractive Industries Sourcebook* (World Bank Group 2017) 4-6, and Maria Sarraf and Moortaza Jiwanji,  
49 'Beating The Resource Curse: The Case Of Botswana' (*The World Bank*, 2001)  
50 <<https://openknowledge.worldbank.org/bitstream/handle/10986/18304/multi0page.pdf?sequence=1>> accessed 7  
51 March 2019. See also Anthony J. Venables, 'Using Natural Resources For Development: Why Has It Proven So  
52 Difficult?' (2016) 30 Journal of Economic Perspectives 161.

53 <sup>76</sup> David Mihalyi and Andrew Bauer, 'Challenges And Opportunities In Managing Guyana's Oil Wealth' (2020)  
54 18 OGEL.

55 <sup>77</sup> See Morgan D. Bazilian and Paasha Mahdavi, 'New Oil Finds Could Mean A Tripling Of Guyana's GDP'  
56 (*Foreign Policy*, 2020) <<https://foreignpolicy.com/2019/11/26/new-oil-finds-triple-guyana-gdp-avoid-resource-curse/>> accessed 1 March 2020. See also, Christopher M. Matthews and Kejal Vyas, 'World's Biggest New Oil  
57 Find Turns Guyana Upside Down' (*The Wall Street Journal*, 2020) <<https://www.wsj.com/articles/worlds-biggest-new-oil-find-turns-guyana-upside-down-11582909332?redirect=amp#click=https://t.co/PBMgPbuRXS>> accessed 29 February 2020.

58 <sup>78</sup> See Ian Bremmer, 'The End Of The Free Market: Who Wins The War Between States And Corporations?'  
59 (2010) 24 Ethics & International Affairs 249 – 252.  
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3 its petroleum resources well through its tool, which is Equinor (StatoilHydro) in which the government  
4 owns over 60% of the corporation.  
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8 Often seen as the declaration of state sovereignty over their petroleum resources, the establishment of  
9 NOCs in a state has also proven to lead to a positive outcome for a country, although there have been  
10 some adverse outcomes in many, as the NOC model has received much negative evaluation.<sup>79</sup>  
11 Furthermore, ownership of petroleum resources is vested in the state, as stated in the Petroleum  
12 (Production and Exploration) Act 1986. Amidst all the negative evaluation, it can still be argued that  
13 NOC model with the right support and structure, especially from the government can go on to be a  
14 medium for economic and social development for the state, through effective and transparent  
15 management of the petroleum resources. Presently, amongst all the key players in Guyana's petroleum  
16 sector, there still is the absence of the state's entity and specifically NOC. At the moment, the key  
17 players and petroleum block holders in Guyana's petroleum sector are mainly IOCs.<sup>80</sup> Necessary to see  
18 how these IOCs meet the local content requirements of the state, although according to Elias-Roberts,  
19 the present laws regulating the local content provisions are outdated.<sup>81</sup>  
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28 Establishing a NOC can be a positive step on the part of the government of Guyana. However, according  
29 to Ramos, Guyana missed a pivotal moment to develop a NOC to have interest in their offshore blocks.<sup>82</sup>  
30 Interest in petroleum blocks is vital though, through a government entity, it still does deter the need for  
31 a NOC as their roles are diverse and can help the state in achieving sustainable development through  
32 transparent management of their petroleum resources. It is essential to add that the government has had  
33 plans in the works to establish a NOC since 2017 but this plan is yet to be actualised.<sup>83</sup> Although, there  
34 might be empirical evidence against the maintenance of the NOCs, one of the arguments in this paper  
35 is to understand the rationale and mindset when western governments established their NOCs although  
36 some later fully or partly privatised. In that case, should the developing countries also have a period of  
37 this control over their petroleum resources through their NOCs as evidenced previously in some western  
38 states, before moving towards the liberal market option? Therefore, for Guyana, the creation of a NOC  
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49 <sup>79</sup> Serik Orazgaliyev, 'State Ownership And Nationalization In Energy Sector: The Case Of Kazakhstan's Oil  
50 Industry' [2019] Asian Development Bank Institute Working Paper No. 1042.

51 <sup>80</sup> See 'Who's Who In The Oil And Gas Sector In Guyana' (*OilNow*, 2020)

52 <<https://oilnow.gy/profiles/companies/whos-who-in-the-oil-and-gas-sector-in-guyana/>> accessed 30 April 2020.

53 <sup>81</sup> Alicia Elias-Roberts, 'A Review Of The Legal Framework Of Local Content Provisions In Guyana' (2020) 18  
54 OGEL.

55 <sup>82</sup> Charles Ramson Jr., 'Guyana Missed Golden Opportunities To Have National Oil Company With Interest In  
56 Offshore Blocks' (*Kaieteur News*, 2019) <<https://www.kaieteurnewsonline.com/2019/04/12/guyana-missed-golden-opportunities-to-have-national-oil-company-with-interest-in-offshore-blocks-ramson-jr/>> accessed 30  
57 April 2020.

58 <sup>83</sup> *Ibid.*, See 'Guyana To Establish National Oil Company Soon - Guyana Chronicle' (*Guyana Chronicle*, 2018)  
59 <<http://guyanachronicle.com/2018/05/20/guyana-to-establish-national-oil-company-soon>> accessed 30 April  
60 2020.

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3 should help the country to control its resources appropriately, and it brings with it the international and  
4 domestic political advantage.<sup>84</sup>  
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8 Another reason for a NOC creation is the benefits of state control, through direct involvement in the  
9 activity of the petroleum industry by its NOC which can solve the broader socio-economic issues.<sup>85</sup>  
10 Another view is that the establishment of NOCs enable the petroleum-producing states to nationalise  
11 their resources, as it gave them the technical and organisational competence to take control of the  
12 operations of the IOCs.<sup>86</sup> Similarly, Victor and others. also remarked that the fact drove governments  
13 when establishing NOCs, that state ownership of the petroleum resources will assist the government to  
14 effectively promote and control economic development, redistribute the income gotten from the  
15 petroleum resources, and help national pride.<sup>87</sup> How well this worked out for the majority of the  
16 governments that setup NOCs for this purpose is yet to be evidenced, but as evidenced in some success  
17 stories mentioned earlier in this paper proves that for Guyana it should be a plan to consider. Further,  
18 the type of NOC Guyana decides to establish will be determined by many factors as NOCs usually vary  
19 in form or organisational structure: from differences in size, geographical endowment, experience,  
20 mandate, goals set by the NOC as a company and also goals prioritised by their various governments.<sup>88</sup>  
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30 Finally, for all the commentary that the NOC model is not the best option for a petroleum-rich state,  
31 this paper argues against that. Also, the history of the global petroleum industry proves otherwise. The  
32 argument that the days of NOCs as tools of government control of petroleum resources are numbered  
33 is one of this paper's debates. Further, this paper claims that NOCs are still relevant as they were years  
34 ago, and they have the potential to be the critical government entity that could assist Guyana primarily  
35 to reap the benefits of its petroleum resources. As at present petroleum industry experts are concerned  
36 that amid all the political turmoil in Guyana it seems the state is not ready for the vast stream of revenue  
37 coming from the petroleum resources.<sup>89</sup> Further buttresses the point of this paper, because as these  
38 avalanche of petrodollars are received by the state, it should be in a perfect and stable form to properly  
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46 <sup>84</sup> See Bianca Sarbu (n 25) 36.

47 <sup>85</sup> Ibid.

48 <sup>86</sup> Valérie Marcel and John V Mitchell (n 58) 29 -30.

49 <sup>87</sup> David G Victor, David R Hults and Mark Thurber (eds) (n 15) 8 – 9. See also, Ole Gunnar Austvik, 'Landlord  
50 And Entrepreneur: The Shifting Roles Of The State In Norwegian Oil And Gas Policy' (2011) 25 *Governance*  
51 315, and Paul Stevens n 43.

52 <sup>88</sup> See Patrick Heller, 'National Oil Company Database: Global Launch' (*National Resources Governance*  
53 *Institute*, 2019)

54 <<https://www.nationaloilcompanydata.org/api/publications/content/MvBx7qBCgtu0iILVzQGU2yhswUiFrmxxdwNuaT9C.pdf>> accessed 25 June 2019. See also, Saud M. Al-Fattah, 'National oil companies: Business  
55 models, challenges, and emerging trends' (2013) 11(1) *SSRN Electronic Journal* 727–736.

56 <sup>89</sup> See Steve LeVine, 'The Surprising Next Oil Superpower' (*AXIOS*, 2019) <<https://www.axios.com/guyana-could-become-the-next-wealthy-oil-nation-b7d7c831-10ae-4a40-bfe5-cb4e9c58d10f.html>> accessed 6 May  
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59 10 March 2020.  
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3 manage these windfalls. Unless these resources could lead to the nation falling into the category of  
4 countries affected by the resource curse.  
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## 9 **Conclusion**

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12 The above analysis goes to show that government always have a strong role to play in the exploitation  
13 of natural resources. Although some might relinquish their position to the private sector later on, for  
14 the formative years of the petroleum industry in most countries, the government has a dominant  
15 role to play. Importantly, NOC as the tool for achieving the goals of the state towards the  
16 beneficial exploitation of its resources is indispensable. NOCs activities influence domestic  
17 development through its impact on macroeconomic management, investment and overall governance  
18 and stability, and in like manner how well a NOC performs not only affect its local economy, it also  
19 has significant ramification on the international energy supply and security.<sup>90</sup>  
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27 The analysis of this paper draws the theme of the argument of maintaining a NOC. The analysis also  
28 goes to show the need for an entity that can be used to exert control over the petroleum resources. For  
29 a developing country like Guyana, the importance of a NOC as a tool of the government to exercise its  
30 authority over its resources is vital. Mommer remarked that today, NOCs can be transformed into new  
31 liberal licensing, and contracting agencies, which was contrary to their duties in the past where they  
32 were used as rent collecting agents of the state or 'landlord state' as Mommer calls them.<sup>91</sup> However,  
33 nationalisation expanded the role of NOCs tremendously.<sup>92</sup> Although, today one can say, that some of  
34 these NOCs in petroleum-rich states, especially the developing ones, still limit their NOCs to  
35 petroleum-rent collectors. Evidently, when NOCs are well managed and guided by the legal  
36 framework and petroleum policies can be highly beneficial to the people of Guyana. As a result,  
37 delivering substantial value to shareholders through the fiscal revenue contributions to the treasury  
38 of a state, successful exploration efforts, and the development of new skills and technologies is  
39 usually a mark of effective NOCs.<sup>93</sup>  
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54 <sup>90</sup> Charles Mcpherson in Andreas Goldthau (n 21) 146. See Leonardo Maugeri, 'Oil: The Next Revolution'  
55 [2012] The Geopolitics of Energy Project <[http://indianstrategicknowledgeonline.com/web/Oil-](http://indianstrategicknowledgeonline.com/web/Oil-%20The%20Next%20Revolution.pdf)  
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58 <sup>91</sup> Bernard Mommer, *Global Oil And The Nation State* (Oxford University Press 2002) 183.

59 <sup>92</sup> Ibid.

60 <sup>93</sup> See The National Oil Company Database: Report (*National Oil Company Database*, 2019)  
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