

Small oil producers like Ghana, Guyana and Suriname could gain as buyers shun Russian crude

By [Jennapher Lunde Seefeldt](#)

16 Mar 2022

As the [US](#) and [Europe](#) cut back purchases of Russian oil, and energy traders [shun it for fear of sanctions](#), the search is on for other sources. Attention has focused on [Iran and Venezuela](#), both of which are led by governments that the US sought until recently to isolate. But emerging and less-developed producers could also play roles.



Source: Evgenii Bashta © [123RF.com](#)

Among the world's [many oil-producing countries](#), a few are positioned to jump the list and become increasingly active. They include the West African nation of Ghana (No. 33), along with Guyana (No. 42) and Suriname (No. 69), two small adjoining countries on the north Atlantic coast of South America. All three nations have become oil producers within the past 12 years, working with large companies like [ExxonMobil](#), [Tullow Ltd](#), [Chevron](#), [Apache](#), [Total](#) and [Royal Dutch Shell](#).

I study factors that influence [levels of democracy and social justice within nations](#), especially as they relate to natural resources and [economic structures](#). As I see it, these newer producers are in a unique position compared to other oil-exporting nations, such as Nigeria and Ecuador.

In too many cases, developing nations opening their economies to oil production have been expected to accept the terms companies demand, with little room for [negotiation](#) and [continued exploitation of host communities](#). In contrast, Guyana, Suriname and Ghana are better situated to obtain favourable terms.

Striking better deals

As world markets grapple with the current oil price shock, niche producers are in especially favourable positions to secure advantageous contracts and more favourable terms from international energy companies. For example, oil companies typically pay host countries royalties on their revenues that average [about 16%](#). To date, Guyana and Suriname have accepted fees of less than 6.5% in an effort to attract investors. Under current conditions, they may be able to ask for more during new contract negotiations.

Oil production started in Guyana in late 2019, and currently the country produces over [340,000 barrels per day](#). Guyana learned from its first block contract with ExxonMobil to demand more “[local content](#)” – a key condition in oil negotiations that refers to hiring local workers and using locally made goods and equipment. Natural resources minister Vickram Bharrat has called that agreement, made by a previous administration, “one of the worst ever between a government and an oil company”, and Guyanese officials say they [will seek more favourable terms in future agreements](#).

Suriname’s new offshore oil discoveries offer potential. Small operations are currently producing about [20,000 barrels per day](#), and major projects are [expected to start by 2025](#).

Suriname is [demanding increased insurance](#) from oil companies in the event of an oil spill, along with prepared emergency cleanup procedures. These processes are continually reviewed and criticised, keeping companies on their toes.

Ghana started oil development in 2007 and now produces about [163,000 barrels per day](#). However, ExxonMobil pulled out of the country in 2021, reportedly to [focus on higher-value projects elsewhere](#), and depressed demand during the Covid-19 pandemic cut into Ghana’s oil exports.

Now, Ghana’s national oil company, Ghana National Petroleum Corp., is [taking a larger role](#), buying shares in oil fields from companies like Occidental Petroleum. Greater state involvement is raising uncertainty about how much access Ghana will offer to foreign oil companies. Some, including Tullow Oil and Aker Energy, are producing there now, but [Tullow’s shares have plummeted](#) in recent years, and there has been speculation that it may leave Ghana.



Shell stopped from selling Nigerian assets until \$2bn appeal decided

Camillus Eboh 15 Mar 2022



Managing oil income

Nations and states that produce oil or other natural resources often put their royalties into [sovereign wealth funds](#) instead of simply adding them to general treasury funds. A sovereign wealth fund is essentially a rainy day pot that the government can use in times of economic stress to continue funding major priorities, such as infrastructure projects and social programmes.

Some of these funds, notably in [Norway](#) and [Alaska](#), have produced significant benefits for residents. However, some experts argue that they [aren't necessarily well suited for developing nations](#).

According to this view, the success of these funds [depends on many hard-to-control variables](#), such as whether the country has a diversified economy, its level of corruption and global events like commodity price collapses. And managing the funds [requires significant technical skills](#).

“ Guyana is now believed to possess \$130 billion worth of oil deposits over the next 20 years, reports [@FridaGhitis](#).

But in truth, the impending wealth is a mixed blessing. Oceans of oil do not guarantee prosperity, much less wellbeing. <https://t.co/V40PfzFCRM>— World Politics Review (@WPReview) [March 10, 2022](#) ”

[Ghana](#) created an Oil Heritage Fund in 2011, and [Guyana](#) and [Suriname](#) are in the process of doing so. All three may need assistance to manage these funds effectively and maximise benefits for their citizens.



War in Ukraine is changing energy geopolitics

Scott L. Montgomery 11 Mar 2022

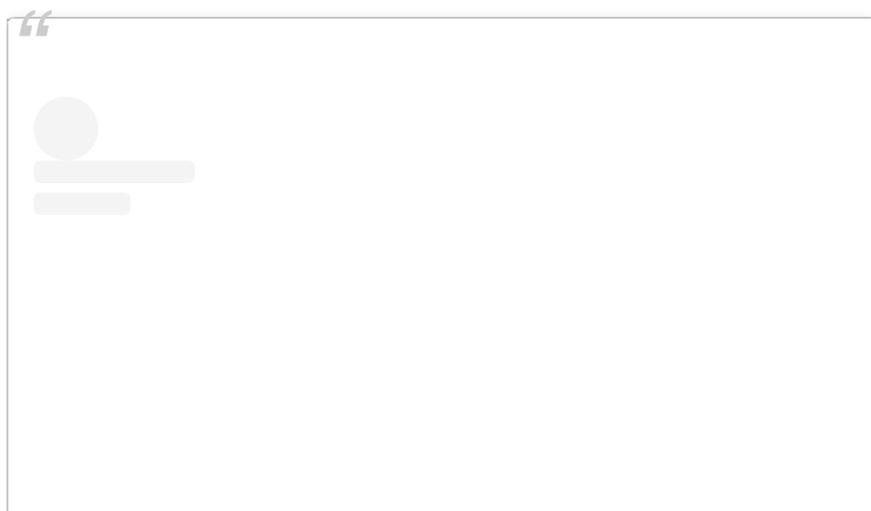


Transparency and peer support

Recognising that it can be challenging for developing countries to negotiate with major corporate investors, a number of nongovernmental organisations have become active in this sector. One that's particularly relevant to oil production is the [Extractive Industries Transparency Initiative](#), which seeks to publicise information about extraction practices, contracts, taxing and spending processes, and more. This benefits the public by tracking where revenue goes and promoting accountability.

The [New Producers Group](#) works to help countries manage resources effectively through peer-to-peer relationships and knowledge exchange. Emerging producers can learn from other nations' experiences and collaborate with other governments on issues that affect them all. For example, the organisation has held several events recently, analysing [what the global transition away from fossil fuels means for emerging oil producers](#), and how these countries can manage the transition while working to end poverty.

As members of both organisations, Ghana, Guyana and Suriname have access to tools that many early producers did not. All three countries have participated in [multilateral meetings and exchanges](#) with peers and [shared information](#) with local citizens.





[View this post on Instagram](#)



A post shared by SIPEX (@surinameoilexpo)



Keeping the public informed helps to hold government officials and corporations accountable and promotes public involvement. Citizens and civil society watchdogs [criticised](#) ExxonMobil's first contract in Guyana for not including citizen feedback and being created behind closed doors.

Public involvement and transparency also reduce the potential for corruption, a common problem in resource-rich nations. Transparency International's [Corruption Perceptions Index](#) measures perceived levels of public sector corruption in nations worldwide. On a scale with 100 as the worst score, Guyana and Suriname scored 39 and Ghana scored 43, so all three states have significant room for improvement.

As the world slowly transitions away from fossil fuels, emerging producers are acutely aware of the need to seize the moment for development's sake, but also seek to meet climate change pledges. Guyana and Suriname may have an [asset](#) in the fight against climate change: dense forests that can absorb large quantities of carbon, helping to offset emissions.

Guyana has unveiled a [Low Carbon Development Strategy for 2030](#) and has [partnered with Norway to generate carbon credits](#) for protecting its forests. I see partnerships like these as ways to advance environmental goals alongside the social and economic development that these nations desperately need.

This article is republished from [The Conversation](#) under a Creative Commons license. Read the [original article](#).

ABOUT THE AUTHOR

Jennapher Lunde Seefeldt, assistant professor of government and international affairs, Augustana University

For more, visit: <https://www.bizcommunity.com>