

# Esso Guyana

CHAMPIONING THE ECONOMIC  
REVOLUTION IN GUYANA



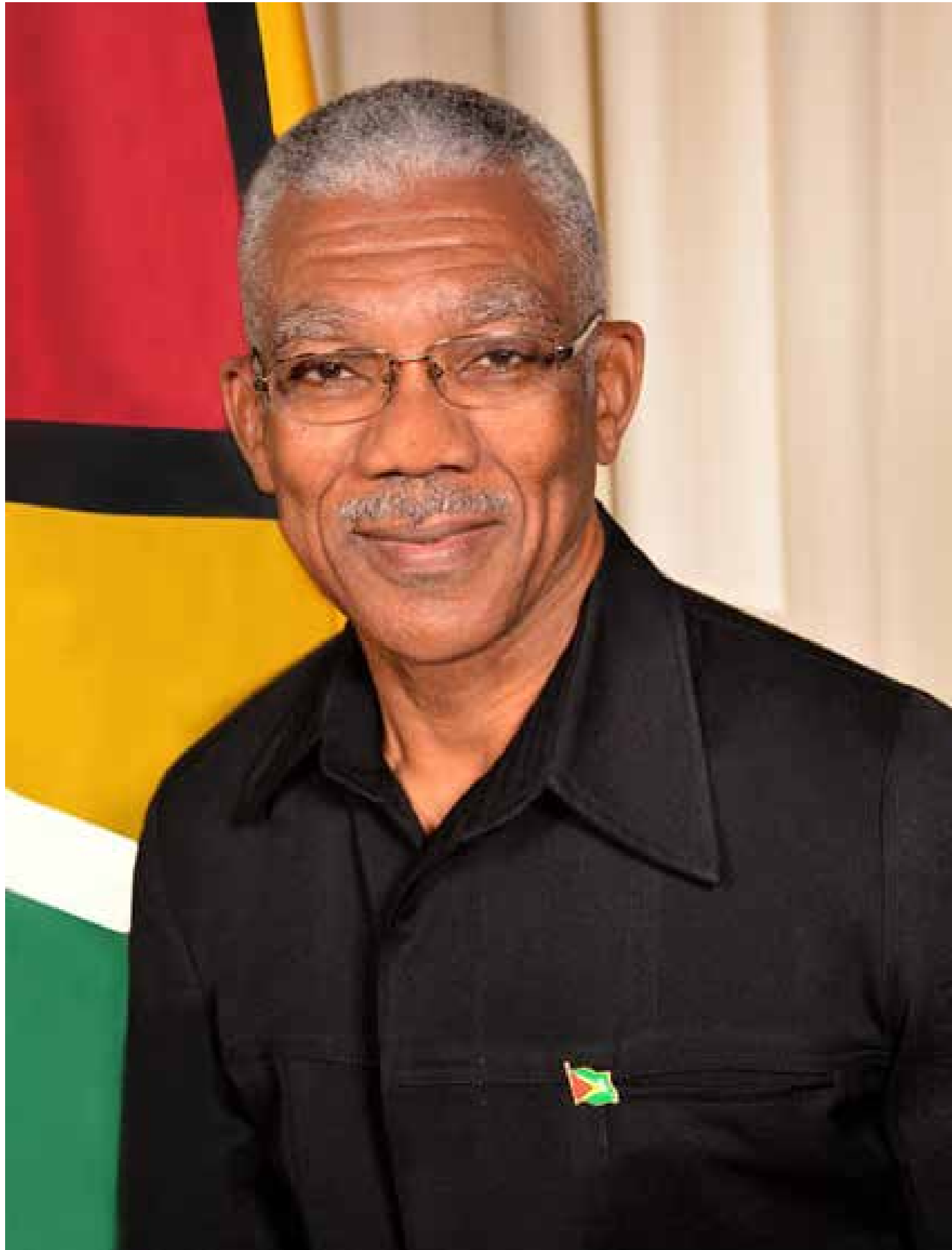


Esso Guyana

# CHAMPIONING THE **ECONOMIC** **REVOLUTION** IN GUYANA

*Business Excellence was fortunate to be given the opportunity to gain some insight from Esso Guyana about the project and the transformative impact it is already having on the country.*

RESEARCH BY *Kaye Kalu*



**I**n 2019, the national economy of Guyana grew by 4.7%, the largest increase since 2014. But while most countries would be delighted with a hike in GDP of this magnitude, for Guyana it really is only the beginning; oil production in the country is set to generate GDP growth of double figures for the foreseeable future.

By some estimates, revenues generated by oil production could bring in as much as \$10 billion annually - approximately two and a half times the country's current GDP of \$3.7 billion. One of the protagonists behind this oil boom is Esso Exploration and Production Guyana Limited (EEPGL), the driving force behind phase one and two of Guyana's groundbreaking Liza Project.

Business Excellence was fortunate to be

potential, naming it the second most attractive under-explored basin in the world.

It wasn't just the mineral extraction potential that made Guyana attractive, however. The country may also be the most investor-friendly country in the region. With a stable democratic government in place, it treated foreign investors the same as domestic investors, incentivizing the option to explore for companies such as Esso. FDI - although yet to receive the boon that's coming its way - was already recording new levels on an annual basis.

In 2005, EEPGL's exploration efforts were rewarded in 2015 with the discovery of the massive Liza oil field in the Stabroek block (which has subsequently proven to be highly prolific), located approximately 120 miles

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given the opportunity to gain some insight from Esso Guyana about the project and the transformative impact it is already having on the country. We were able to gain a fascinating overview of a project that is truly creating a positive economic revolution in Guayana and will dramatically enhance the prospects of the country and that of its people.

**Background to a new era**

In 2008, Guyana's government granted a licence to EEPGL to begin exploration of its offshore waters for oil. Although oil production already existed to a limited extent in Guyana, this promised to be a new ballgame: the US Geological Service had underlined the Guyana-Suriname Basin as a basin which was not only underexplored, but also of massive

offshore Guyana. The first drill of the well suggested it contained more than 295 feet (90 meters) of high-quality oil-bearing sandstone reservoirs. It was the first small step in what promises to be a transformative journey for the country.

**The Liza Oil Field**

The Liza Oil Field was just the first of eight separate oil discoveries in the Stabroek block between 2015 and 2018. EEPGL, a subsidiary of ExxonMobil, operates the block and holds 45% with the remaining share being held by Hess Guyana Exploration (30%) and CNOOC Nexen Petroleum Guyana (25%). Its first production began in December 2019 and at its peak, the liza Oil Field is expected to produce up to 120,000 barrels per day, with



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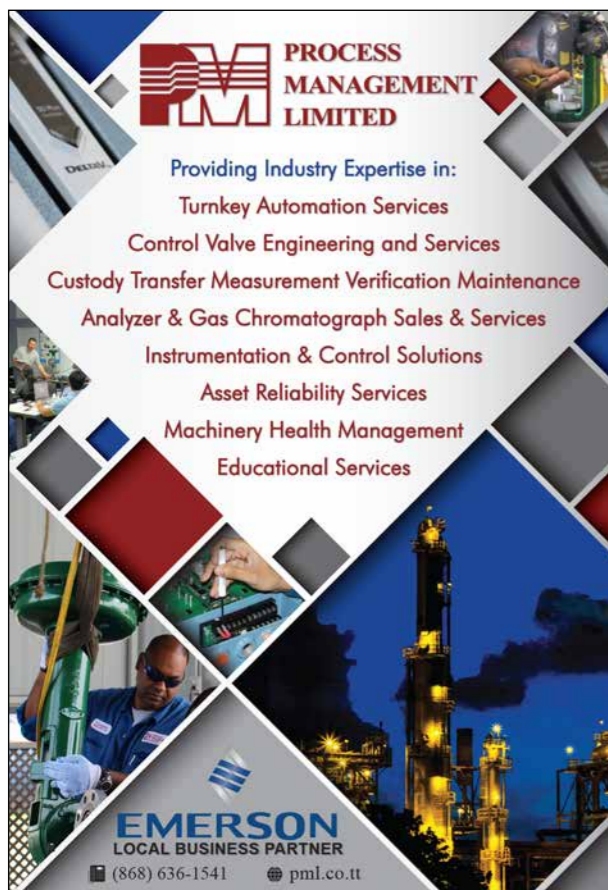

*“Phase 2 is expected to cost around \$6 billion, including a lease capitalization of \$1.6 billion for the Liza Unity floating production, storage and offloading (FPSO) vessel.”*



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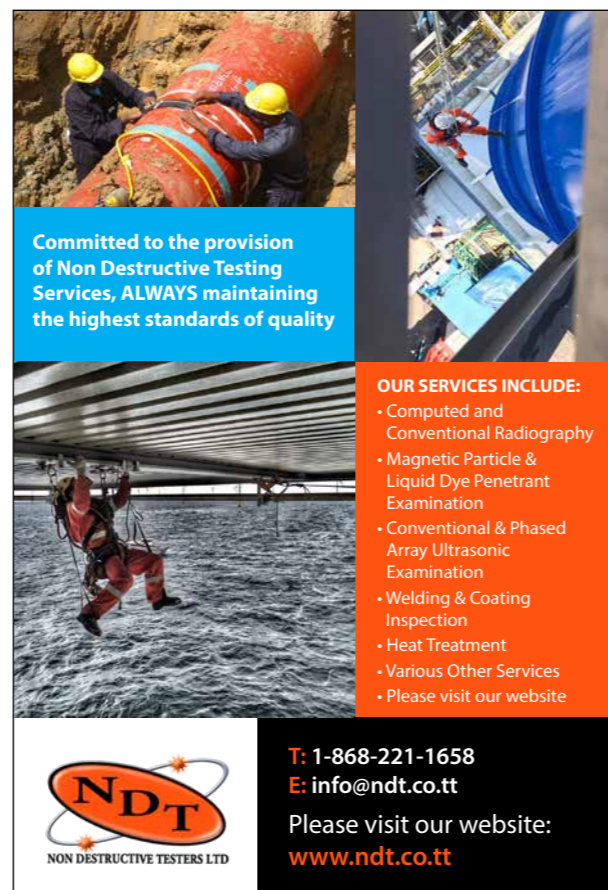


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the Stabroek Block as a whole expected to produce up to 750,000 barrels per day by 2025.

Phase one of the development, being led by EEPGL, involves eight production wells, six water injection wells, three gas injection wells and a floating production, storage and offloading vessel. In total, this facility alone has a crude oil storage capacity in excess of 1.5 million barrels and is projected to process around half a billion barrels of oil over its lifetime.

Phase 2 startup is expected to occur in mid-2022 and will develop around 600 million barrels of oil Phase 2 is expected

to cost around \$6 billion, including a lease capitalization of \$1.6 billion for the Liza Unity floating production, storage and offloading (FPSO) vessel.

There is a possible third phase to the Liza Oil Field, being called the Payara Project. This is currently pending government and regulatory approval, and a final investment decision is expected in 2020. This third phase is projected to produce up to 220,000 barrels per day with an estimated startup in 2023. ExxonMobil is currently evaluating additional development potential in other areas of the Stabroek Block, including at the Turbot area and Hammerhead.



**A Social Revolution adds to the Economic Revolution**

The opening paragraph mentioned projected oil revenues of \$10 billion per year for Guyana but this overlooks something: the growth in human capital which a project like this brings. The knock on effect of the development of the Stabroek block for the people of Guyana will be nothing short of revolutionary. The stability of the Guyanese government means that the people will be the ultimate beneficiaries of the revolution.

This is already being witnessed. EEPGL already employs 139 people on the ground in Guyana, 81 of which are Guyanese. The total workforce supporting the operation is currently estimated at 3,480 employees, of which 1,379 are Guyanese. So far, the project has led to more than \$121 million being spent directly with companies in Guyana on everything ranging from food to engineering. To put this figure in context: it was just \$1.7 million in 2015.

Over 700 vendors are now regularly used by EEPGL in its day-to-day operations, showing the trickle-down effect of an oil find which is managed responsibly. There have also been over 200,000 hours of training of the local workforce, the payoff for which will be seen in a range of ways over the coming decades. And 40 locals are being trained internationally to gain the technical expertise needed to fulfill their roles.

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EEPGL also works closely with the Guyanese government to ensure that there’s a structured system in place to ensure that human capital is enhanced across the board. Its safety program, entitled Train the Trainer Program, is being run with a group of instructors from eight Technical and Vocational Training (TVET) institutions across Guyana. This is just the first of what promises to be many such initiatives in the years ahead.

**CSR Initiatives**

In addition to its government and community partnerships, EEPGL is proud to support the WeLead Caribbean Women’s Entrepreneurial Opportunity Project, which works to achieve women, youth and community empowerment in Guyana. The company leads this initiative

**Did you know?**

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which deploys technologies that accelerate the development of these groups so that they can make a sustainable impact on the local economy.

Elsewhere, EEPGL has contributed over GYD\$2 million to the University of Guyana’s student support fund and GYD\$4 million to the Faculty of Agriculture at the university for the completion of its gasifier project. In extracurricular activities, EEPGL has launched the Jefford Track and Field Classic X for young, amateur athletes in the country.

**Partners and Suppliers**

As the previous paragraphs mentioned, EEPGL already works with more than 700 separate businesses in Guyana and this figure is growing. However, it would be remiss not to

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*“With a stable local government and an experienced team at the helm of the Liza Project, the Guyanese people stand to benefit massively from the mineral wealth of their country.”*

mention at least some of these partners and suppliers for what they bring to the operation.

Highlights include local engineering firms like Guysons and V75 and construction firms like GAICO Construction. The considerable machinery and equipment requirements of EEPGL are catered for by firms like Atlantic Marine Supplies, Farfan and Mendes and Beharry Automotive. Petroleum and oil drilling-related services are provided by Guyoil, Totaltec and SOL Guyana.

On the port logistics side, EEPGL counts on Guyana Shore Base Inc (GSBI) and is covered for safety and insurance by ERM Guyana and Assuria General. Finally, the company’s IT is all managed by local firm the BrainStreet Group and its growing number of employees are ferried about by Cyril’s taxi service.

SBM Offshore was awarded the front-end engineering and design (FEED) contract for the Liza-1 FPSO as well as being granted responsibility for the construction, installation,

lease, and operation of the Liza-1 FPSO. Keppel Shipyard was subcontracted by SBM Offshore, for the FPSO conversion work, in October 2017. Meanwhile, TechnipFMC was awarded the contract to engineer, manufacture and install the subsea production system equipment for phase one.

Elsewhere, Saipem was awarded the engineering, procurement, construction and installation (EPCI) contract for the subsea umbilicals, risers and flowlines. The scope of the contract also included the transportation and installation of umbilicals, manifolds and the associated foundations for production, as well as water and gas injection systems for the Liza phase one.

Noble Corporation was awarded a three-year drilling contract to drill Liza development wells while Stena Drilling was awarded the drilling contract for the exploration and evaluation of the Liza field, using the Stena Carron ultra-deep water drillship.

**Summary: A positive outlook for Guyana**

All too often, large oil finds occur in countries which lack the governance required to capitalize on it for the greater good. Thankfully, in Guyana that is definitely not the case. With a stable local government and an experienced team at the helm of the Liza Project, the Guyanese people stand to benefit massively from the mineral wealth of their country. The economic revolution in Guyana is truly underway. **BE**

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