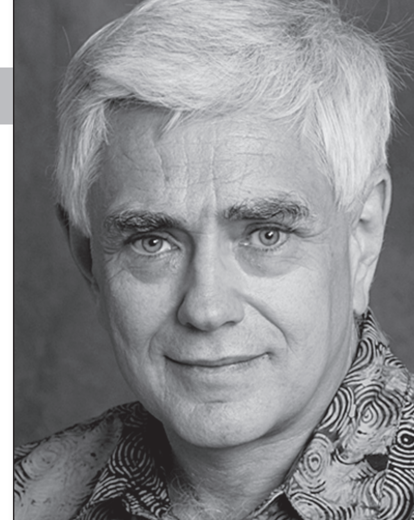
Carbon Bombing the Future: The World's Largest Offshore Project



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The world's largest new oil-and-gas project is taking place 120 miles offshore from the coast of Guyana. Exxonmobil (45 percent share) together with Hess (30 percent), and the Chinese company CNOOC (25 percent) are developing offshore wells that will produce 13.6 billion barrels of oil and 32 trillion cubic feet of natural gas. The burning of these fossil fuels will discharge over two gigatons of CO_2 (for comparison 2019 total world emissions were 43 gigatons).

Guyana is 85 percent covered by tropical forests and is currently a carbon sink. The oil development will, according to the German environmental organization Urgewald, transform it into a planetary "carbon bomb."

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Superficially, Guyana's becoming a petrostate might appear to be alluring, since with a per capita income of \$5,470 a year and only 786,000 inhabitants, it is one of the poorest nations in the Western Hemisphere. By 2030 it could become the world's largest per capita oil producer. Guyana's designation by the world's largest tourism trade fair as the planet's number one future ecotourism destination can't compete.

Despite pledges supporting the 2015 Paris climate agreement, the World Bank and the Inter-American Development Bank approved over \$66 million in loans to Guyana in 2018 and 2019 to manage the oil sector and avoid the "resource curse," whereby huge influxes of income lead to massive corruption, increased inequality, and political instability. The justification for the multilateral banks is always the same: the fossil fuel revenue could provide unprecedented funds for development needs like health and education.

But the World Bank has had disastrous experiences attempting the same before. In 2000 it lent \$350 million for the Chad-Cameroon oil development and pipeline project — another huge Exxon scheme. Chad sunk into unprecedented corruption, violence, and civil war. Oil revenues benefitted Exxon and its partners, and Chad's dictator, who increased the military budget 23-fold to secure his governing clique. Child and maternal mortality actually rose. In 2008 the bank cancelled the project and asked Chad to repay the remaining loans.

What the world needs least right now is new fossil fuel development, let alone facilitating oil extraction through public finance of the World Bank and IDB. The London think tank Carbon Tracker estimates that major oil companies need to cut the emissions from the burning of oil and gas they produce more than a third by 2040 for the world to have a 50 percent chance of meeting Paris accord goals. Major companies like Shell and BP have changed their business plans to gradually phase out of new extraction, diversifying into power production and renewables. Exxon, on the other hand, has doubled down on investing more in petroleum, and the Guyana project is currently its single biggest priority.

Will Guyana truly benefit over the long term? The threats of climate change are huge, since ninety percent of the national population lives on a narrow coastal plain, large parts of which are already below sea level. Most of the country's agricultural production also occurs near the coast. Large floating, production, storage, and offloading vessels have already started the drilling at depths of 17,000 to 21,160, feet in 5,100 to 8,973 feet of water — each one of them a potential Deepwater Horizon. The contract between Exxon and the government puts the full cost of damages for any oil spill or accident on Guyana.

The contract requires the Guyanese government to pay the Exxon consortium all of the development costs, which will probably amount to over \$50 billion. Seventy-five percent of all oil income has to be paid to the consortium until the full \$50 billion plus is compensated. The remaining 25 percent is split 50-50, meaning that Guyana for many years to come will only benefit from 12.5 percent of the revenues, plus a royalty of 2 percent. The contract gives the consortium a total tax holiday. The non-governmental organization Global Witness condemns the deal as grossly unfair, depriving the government of \$55 billion in revenue over the next decades, as compared with typical international practice.

The project was conceived when oil averaged over \$70 a barrel. Many experts foresee future prices staying under \$50 a barrel. The Institute for Energy Economics and Financial Analysis concludes the contract "frontloads revenues to oil interests and backloads revenues to Guyana," while as years pass "oil reserves will lose value and face obsolescence." When Guyana finally receives more oil income, forced relocation of much of the population and agriculture caused by climate-induced rising sea levels may have already begun.