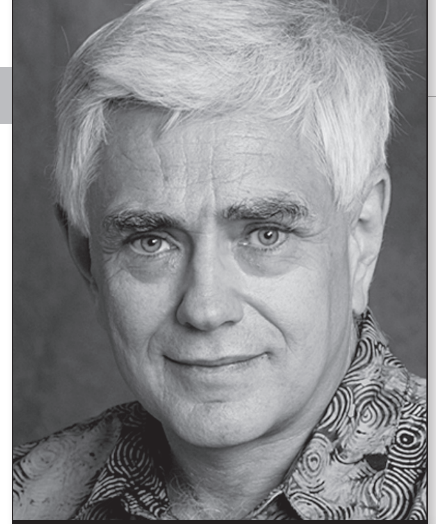
Climate 'Madness': Public Finance Abetting Gas and Oil in Suriname



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On March 21, UN Secretary General Antonio Guterres offered a bleak assessment in the aftermath of the 26th Conference of the Parties to the U.N. Climate Convention. Glasgow offered a ray of hope that governments and the private sector might take stronger actions to promote a climate-friendly world economy. Guterres said that these hopes were "naïve optimism," that virtually no concrete follow-up has occurred, and that the world is "sleepwalking to climate catastrophe." Worse, the Russian war in Ukraine is pushing governments to seek other sources of oil and gas, with the effect that they "kneecap policies to reduce fossil fuel use." "This is madness," he lamented.

The war in Ukraine is "kneecapping policies to reduce fossil fuel use," said Guterres

An example of sleepwalking to climate catastrophe is the massive international public finance abetting exploitation of the world's largest newly discovered offshore oil and gas deposits, along the coast of Guyana and Suriname. At the very least one would expect development institutions supported by richer nations to encourage reduced fossil fuel production. This column examined in early 2021 investments of ExxonMobil and the Chinese oil company CNOOC off the coast of Guyana, facilitated in part through loans by the World Bank and Inter-American Development Bank. Rather than reconsidering this approach, these institutions have doubled down, as if the Glasgow agreements took place on a different planet.

Next door to Guyana, oil exploration off the shore of Suriname has found so far an estimated 3 to 4 billion barrels of reserves. Last year the *New York Times* reported that Exxon, Shell, Total, and Apache (now APA corporation) were "gearing up operations" in Suriname. Chevron and Petronas, the Malaysian oil giant, are also involved. Fifteen or more new wells are planned for development over the coming months.

Since 2019 the IDB, International Monetary Fund, and World Bank approved $805.5 million in government budget support and specific fossil fuel-related investments in Suriname, whose population is only 596,000. These loans included $34.5 million from the IDB for technical assistance in the natural gas sector and port expansion for offshore oil services, a $23 million World Bank loan for extractive industries technical assistance, and another IDB loan of $50 million for budget support last March.

The IDB and World Bank are preparing another $280 to $550 million to be approved in the near future, to support the debt-ridden nation's government. Suriname defaulted on its sovereign bond payments last year. The IMF approved a 36-month $688 million budget support loan last December, to be disbursed over exactly the period of the most intensive oil and gas development. Such "non-project" loans have no provisions for excluding their use for oil and gas development.

This multilateral funding is oriented to sustain the Suriname government until fossil fuel revenues start flowing in 2025. A study by the German NGO Urgewald notes that the IMF and IDB lending programs impose austerity measures to raise income, such as increasing electric tariffs ("which has led to social unrest in the past"), a new value-added tax, and reducing public employment costs—measures which all disproportionately affect the poor.

The IMF claims its bailout has nothing to do with oil and gas development, and that its program will "soften negative impacts from program adjustments on the most vulnerable," inter alia, through a 0.5 percent increase in government payments to the poor. But the IMF and IDB loans do not address what is fiscally much more important—the bad financial deal of the fossil fuel contracts offered by the government. The royalty rate is 6.25 percent, while the average rate in developing nations, according to the *New York Times,* is around 16 percent. The foreign contractors are exempt from Suriname import and export taxes. As in the Guyana contracts, most of the income—80 percent—goes to the fossil fuel companies until exploration and development costs are paid back. The remaining 20 percent is divided between the companies and the Suriname government by a "recovery ratio" which gives little to the Suriname government at the outset. In desperate financial straits, Suriname offered the world's major fossil fuel companies one of the cheapest new extraction deals on the planet.

The over $1.3 billion which the international financial institutions are lending Suriname amount to more than $2,300 in additional official debt for every inhabitant of the country. These loans are de facto subsidies to accelerate climate change, and multinational gas and oil profits, with few long-term sustainable benefits for the country's inhabitants. This indeed is madness.

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