

Guyana's development hinges on a crude oil opportunity

*Guyana, a small South American nation of less than 800,000 people, is set to become the next oil hotspot. Since 2015, more than ten billion barrels of oil and gas have been discovered and the country is expected to produce one million barrels per day by the end of the decade. **Mandeep Rai** argues that Guyana's oil presents an opportunity to significantly enhance the country's infrastructure, industry, agriculture, and education systems.*

I have travelled to over 175 countries seeking the single value that defines each. Guyana was the last country left for me to visit in South America when I spent time there in January 2022. Amazingly, this small nation of less than 800,000 people is set to become the next oil hotspot and transform beyond recognition. Since 2015, more than 10 billion barrels of oil and gas have been discovered, with the country expected to produce 1 million barrels of oil and gas per day by the end of the decade, quintupling the country's tax revenue. In four years, Guyana expects oil revenues twice the size of its 2022 Budget.

With oil comes a higher international profile, and it's only a matter of time before the rest of the world comes knocking at their door. The current conflict in Ukraine may accelerate this even further, as countries cut off the Russian oil supply and search for alternative oil producers.

Collaboration between nations

The end of February saw the Guyana Energy Conference and Expo – oversubscribed with 31 nationalities in attendance including key political and industry leaders from around the world. The question on everybody's lips was how this small nation can ensure that fossil fuels are extracted in a responsible manner, which Guyana and rest of world in a better place. This is not easy to achieve at a time when the pressure is on countries to abandon fossil fuels, combined with the corruption that is endemic to so many resource-rich countries.

Guyana's success will certainly hinge on close collaboration with its other oil rich nations – including Trinidad and Ghana – as it seeks to learn lessons from those countries who have already trodden this tricky path. By inviting Suriname they also seek to partner closely with their neighbour, whose oil reserves in 2021 amounted to 89 million barrels.

The Minister of Energy for Ghana attended the conference to share the African nation's journey since discovering oil in 2007. Ghana's gas and oil prospects are significant, and the government has been seeking to fully maximize these over the past few years. Drawing on these experiences, Ghana has already assisted Guyana with a local content bill. Such strong ties could also pave the way for CARICOM to become a member of the African Union, as with the digital revolution links don't only have to be made with those physically close, but also those with cultural ties.

Infrastructure

There is a huge opportunity here for Guyana to significantly enhance infrastructure, industry, agriculture and education systems to name but a few, as long as they can avoid falling into the corruption trap of other oil-rich nations – for example Venezuela, which is on the brink of recession.

Last month, President Irfan Ali [unveiled his "One Guyana" plan](#) to usher in an age of unity that will see all Guyanese share in the country's future prosperity. Their aim is not just to transform but to be transformational. To share with the world with integrity and strong values, and to be working on human advancement. President Ali told me on a recent visit to the UK that the government aims to subsidize fuel and reduce the cost of energy by 50% so that Guyana can be competitive in the region, especially in agriculture. The government will use revenue to invest in the education and upskilling of its own people in areas such as coding and software development to create a knowledge economy to service the growth of industries across the region.

Guyana's opportunity is also the region's opportunity. Avinash Persaud – trusted confidante to the Prime Minister of Barbados – outlined to me the need to integrate manufacturing, services and entertainment within the CARICOM region, so that the newly wealthy nations of Guyana and Suriname are able to import goods from their neighbours rather than foreign sources, such as the US.

Right now it is easier to fly to the UK from Guyana or Barbados than internally within the Caribbean. Lack of travel infrastructure, including expensive transport between neighbouring islands and lack of air bridges must quickly be addressed, so that goods can be manufactured and moved easily between nations. For this reason, the improvement of sea transport will be key. For Barbados there is high economic incentive to create greater, more accessible links with Guyana, as there will be opportunities to provide professional services such as accountancy, risk management and international banking.

The climate challenge

Internationally the pressure is on nations to abandon hydrocarbon and 'go green' immediately. The World Bank has been criticised in the past for providing \$55m (£43m) to aid fossil fuel extraction in Guyana, at the same time that it has pledged to stop direct funding of oil and gas production. I learned from conversations during my visit that more recently Guyana was refused a further loan by the World Bank.

Avinash Persaud shared with me during the energy conference that in fact there are high levels of awareness of climate change in Guyana region – more in fact than most other areas of the world, as sea levels and temperatures are rising each year with a visible impact on the local environment. Indeed at COP 26 the CARICOM nations were more vocal than many about the need to lead change. Protection of environment and net zero are still priorities for Guyana – hence its 78% of forests, which creates low carbon energy strategy.

However moving to green energy is extremely costly and takes time to embed. Rather than hindering, Guyana's hope is that its newly found wealth will help drive them towards that goal more quickly. Persaud expressed to me during the energy conference – "these are poor countries with a \$5000-\$6000 per head income – one tenth of income of UK. To say they can't take advantage of something such as oil, which western countries took advantage of and became rich from many years ago is unreasonable."

People have been subjected to below average conditions in Guyana for many years and the recent oil discovery presents the opportunity to grow the Guyanese economy and allow the people to enjoy lives people in other countries enjoyed decades ago. Certainly, the government's aim is to invest money straight back in so that Guyana can eventually transition to a non-oil economy with a long shelf life.

Hope for Guyana

I clearly see, from spending time in Guyana, that the government is committed to championing prosperity in all its forms. President Irfaan Ali has been in place for 18 months now and during an interview with him I get the sense that he has a long-term vision of empowering and creating leaders of the future – making sure the youth of the country are equipped to be leaders in every sphere of life.

Guyana will experience staggering levels of development over the next few years due to its oil haul. However my impression is that it appears to be committed to using its newly found wealth to shape the future in a positive way for its people and humanity. Time will tell if the Guyanese people and the wider world really benefit from this oil legacy, rather than succumb to corruption and ethnic division observed in other oil-rich countries. However, I remain hopeful.

Author's disclaimer: I do not have any kind of official relationship or affiliation with the government of Guyana.



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