

## **Drilling divides an oil-rich continent | Transforming Business**

<https://www.youtube.com/watch?v=tfZOksZrNaM>

**Transcript: <https://dontveter.com/ec/guyana1.pdf>**

Bigger houses. Bigger bridges. Bigger plans. It was once of the poorest countries in the region.

Now the tiny South American nation of Guyana is one of the world's fastest growing economies.

Because of oil. The government's approach at the moment is we're going to take as much as we can. Guyana isn't alone.

Countries across South America are pursuing new drilling projects despite a shifting oil market and a global push toward decarbonization.

<https://web.archive.org/web/20221018012819/https://realclimatescience.com/wp-content/uploads/2019/09/Image1409122019-2.png>

Others are on a different path. Voters in Ecuador have rejected government plans to drill.

Colombia says it's done with new fossil fuel projects to focus on renewables.

We have this conjunction of water, sun and wind at the same time, at the same place.

One continent. Two different approaches to the wealth buried underground. But which one is right?

What's the point on destroying this land for a couple of years of oil?

You're going to look to extract every last barrel from these reservoirs. And I think the demand is going to be there.

On this episode of Transforming Business: South America at the oil crossroads.

Guyana joined the ranks of the world's oil producers for the first time on Friday, as US oil company Exxon-Mobil said it began producing crude off the coast of the South American country.

This video is from Dec. 2019. But change in Guyana really started four years earlier.

That's when Exxon-Mobil made the first of a series of major oil discoveries offshore.

Over the years the findings have totaled an estimated 11 billion barrels.

And it's oil that is especially prized by refiners, medium density, low in sulfur. That keeps production costs low.

New oil wells are now set to come online throughout the decade, growing Guyana's production by hundreds-of-thousands of barrels at a time.

By 2028, the country could be pumping 1.2 million barrels a day, making it one of the world's top oil producers.

And that could change everything for the country.

Guyana sits on the northeast coast of South America. It has roughly 800 thousand residents.

For many, it's still known as the site of the 'Jonestown Massacre', a massive cult-suicide led by the American preacher Jim Jones.

In 2019, its poverty rate was nearly 50% according to the World Bank.

Now the economy is growing by double-digit figures.

And that growth is already visible. It's changed massively. You would not recognize very much.

Anand Persaud is the editor of the Stabroek News, an independent newspaper in Georgetown.

Every building that's going up is four stories or five.

Every road that you might have seen before is being transformed into four lanes.

Guyana is now pushing new housing developments on a massive scale.

New hotels and corporate offices are rising in downtown.

And the government is replacing a decades-old floating bridge in Georgetown, which it hopes will speed up driving times.

The oil boom has also brought new problems. Locals complained of rising costs. And not everyone is profiting immediately.

The killing is occurring at the upper and middle-income levels.

That is, people making oodles on all of these contracts that are going out.

But the people down at the bottom complain, I'm not seeing any increase in my income.

My cost of living has gone up because the demand up at the top for basic services has forced prices up and I'm not seeing any alleviation of my bottom line.

That hasn't stopped Guyana's neighbors from looking at their own offshore projects.

Brazil is preparing to develop oil blocks along its northern coast.

So is Suriname, which is working with French driller, Total Energies.

And all of this at a time when new oil projects technically should be a thing of the past.

That's at least according to the International Energy Agency.

If the world wants to reach zero emissions by 2050, it needs to live off existing oil projects.

The past few years have challenged that goal. Oil demand surged when the pandemic ended.

The war in Ukraine hit energy markets hard and forced some countries to look for new supplies of oil.

In South America, many new projects involve offshore drilling: that's especially attractive to investors as the oil is easier to access, keeping costs low.

But much of South America's oil-wealth is still on-shore.

And overall production there has been falling after decades of lower investment.

That's hit traditional exporters like Mexico and Venezuela the hardest. Their output has fallen in recent years.

Many of those countries, the production is 100 years old, and without replacing it, there's a natural decline.

In that case, how long does it make sense to continue new drilling?

Growth in demand for oil should slow significantly this decade, driven in large part by the rise of electric vehicles. Peak demand could soon follow.

But so far there are few signs that global demand will plummet.

We think that the oil demand decline story is a little bit overblown.

In the sense that, yes, oil demand may start declining, and we have it declining from I think the early 2030s, so 2031 and 2032, but that does not mean that in less than 10 years time oil demand is going to fall off a cliff.

It's going to plateau and then fall off at a very steady rate.

So for many countries there's still an incentive to drill if they can keep costs down.

The way we see it, whether you're Norway, whether you're Colombia, whether you're Saudi Arabia, you're going to look to extract every last barrel from these reservoirs. And I think the demand is going to be there.

But there are growing reasons why South American countries might hesitate to drill: including opposition in their own countries.

Every single time an oil spill happens, it goes through the rivers, it goes through all of these ecosystems and it impacts all of the communities.

Jorge Espinosa is part of an organization in Ecuador that opposes government drilling in Yasuni national park.

Yasuni is considered to be, per square meter, one of the most biodiverse regions on earth.

It's also home to several indigenous tribes. The block in dispute has been estimated to hold 1.7 billion barrels of oil and the government has been drilling there for years.

In August, protesters scored a major victory when voters across Ecuador clearly rejected the drilling in a referendum.

We won by almost sixty percent. So that's the biggest consensus of all of Ecuador that we've had since we became a democracy again in the 70s.

It's not just Ecuador where public concern over drilling is growing.

Brazil's state oil producer plans to drill in an offshore region known as the equatorial margin. It's right next to the mouth of the Amazon River.

But protesters in the country have pushed hard against the move. There are other concerns.

Like the very climate change being caused by burning fossil fuels like oil.

Brazil has struggled with serious droughts in recent years -- which are expected to become more severe in the future.

It is a tangible, very, very tangible and one of the most efficient ways to combat climate change.

Scientists have said that two-thirds of all fossil fuels need to be kept underground.

No South American government has been become as vocally opposed to oil as Colombia's.

President Gustavo Petro has moved to ban fracking and suspend new oil, gas and coal exploration.

He has called oil an addiction and said that his country needs to focus on the transition to renewables.

While they let the jungles burn, while hypocrites persecute the plants, they convince us to hide the disasters of their own society, they ask us for more and more coal, more and more oil, to calm the other addiction: that of consumption, that of power, that of money.

In some ways, Colombia has one of the better economic cases for transitioning away from oil.

Its reserves were never as large as its neighbors' to begin with and they're getting more expensive to extract as they shrink.

Many of the basins in a country like Colombia are, what we would say, mature and therefore the average discovery size is small.

Colombia has around 7 years of oil production left, the country says. And it'll likely depend on that revenue for some time.

And its no small amount of money: in 2022 revenues from oil exports added up to about 20% of the government's planned budget for the following year.

The plan has not been well received, and it's generated a lot of uncertainty in the sector.

Amilkar Medina is the former minister of mining in Colombia.

The oil and coal industry are our two main export sectors and therefore are the two sectors that generate most of the country's foreign exchange.

Bogota says tourism, and clean energy exports can make up more of that revenue.

But even with a solid base of clean energy, much of it hydropower, Colombia has imported more electricity in recent years than it's exported.

And tourism figures would have to jump dramatically to begin to approach fossil fuel revenues.

And this is tricky part of the GLOBAL transition away from oil, the obligations of individual countries, especially those that are poor.

Unless global demand falls rapidly in the coming decades, or the costs for oil-producers rise massively, the economic case for any single country to drill still remains compelling.

So which is the right way for South America? Do countries there have the same responsibility to limit fossil fuel projects because of climate goals?

Or maybe even a greater one, because of the Amazon basin?

Will locals see resource extraction as a scourge?

They also understand what's the point on destroying this land for a couple years of oil and after everything is taken out, what's going to be left? An empty land, a destroyed land.

Or, as in Guyana, an opportunity to improve their lives, that they won't be lectured about.

That is a big position of the government here.

That is, we don't want to hear from the first world and the developed countries that we must restrain what we've done, because they've been pumping for hundreds of years and polluting and destroying their forests.

We have a right to be able to develop our resources.

In the end, it may depend on the type of drilling, the buy-in from local populations and what it means for the environment.

Even if the consequences of continued oil drilling, on a global level, are quite clear.

For South American countries at the oil crossroads, two different directions, and no simple answers.