Energy, Environment and Resources
Meeting Summary

CHATHAM HOUSE
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Third Meeting of the New Petroleum Producers Discussion Group

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Introduction

This forum was the third meeting of the New Petroleum Producers Discussion Group. It was hosted by the Tanzania Petroleum Development Corporation in Dar es Salaam. The co-organizers were Chatham House, the Natural Resource Governance Institute (NRGI), the Commonwealth Secretariat, the Africa Governance Initiative (AGI) and the World Bank. The UK Foreign and Commonwealth Office's Africa Prosperity Fund, Shell and the Columbia Center on Sustainable Investment all supported the forum.

The New Petroleum Producers Discussion Group brings together various stakeholders to debate issues of concern for emerging producers of oil and gas. The group includes officials and national oil company (NOC) executives from both emerging and established producer countries, as well as petroleum sector and governance advisers, representatives of international NGOs, independent researchers and oil company executives (major, junior and African). Approximately half of the participants were attending the discussion group for the first time. The group's discussions are non-adversarial and take place under the Chatham House Rule.[1]

Emerging producer participants in the New Petroleum Producers Discussion Group in 2015[2]

Country	Status of oil & gas sector development
Afghanistan	Development of a significant discovery delayed several times, additional exploration ongoing
Belize	Producing roughly 1,700 barrels per day (bbl/d), additional exploration ongoing
Democratic Republic of the Congo	Producing roughly 20,000 bbl/d, additional exploration ongoing
Ghana	Producing roughly 100,000 bbl/d from the Jubilee field, which came online in 2011; several other projects at various stages of development.
Guyana	Recent offshore oil discovery, subject to significant uncertainty
Jamaica	Exploration, no commercial discovery yet
Kenya	Developing onshore oil discoveries in Lake Turkana region, not yet on stream
Lebanon	Exploration, no commercial discovery yet
Liberia	Exploration, no commercial discovery yet
Madagascar	Development phase for some onshore heavy oil fields; offshore exploration, no commercial discovery yet
Mauritius	Exploration, no commercial discovery yet
Seychelles	Exploration, no commercial discovery yet
Suriname	Producing roughly 17,000 bbl/d, additional exploration ongoing.
Tanzania	Developing large offshore gas discoveries, not yet online; some gas production already from smaller offshore fields
Uganda	Development phase for sizable onshore oil finds, not yet on stream

The 2015 meeting benefited from the participation of established producers – namely, Angola, Trinidad and Tobago, Nigeria and Mexico – that can share their experience with new or prospective producers.

The group's discussions are producer-led, which means that participants from emerging and established producers give most of the presentations. It does not endorse the cases made in those presentations as

[1] When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.
[2] Patrick Heller, 'New producers must manage great expectations in a time of low oil and gas prices", 13 July 2015, at http://www.resourcegovernance.org/news/blog/new-producers-must-manage-great-expectations-time-low-oil-and-gas-prices

'best practice'; rather, they serve as a frame of reference for the discussions. Recommendations emerge from areas of consensus in the discussions. Instead of the best practice advice along the lines of a 'one size fits all' model, our project aims for the following: better practice, which foresees incremental improvements in governance of the petroleum sector; appropriate practice, which is adapted to the national context; and effective practice, which can provide a positive impact quickly.

The group's 2015 meeting was held against the backdrop of a steep fall in global oil and gas prices, which has dampened the exploration boom in frontier areas and caused delays to and the shelving of development projects in many areas. While emerging producers around the table reported a slowdown in investments, there was nonetheless the expectation – and, indeed, the hope – that the market disruption would prove only temporary. Comments made by participants during the course of the meeting, which took place over three to four days,[3] showed that this initial optimism waned and the new price reality was increasingly accepted. The discussions focused on how national development plans, licensing, messaging to the public and local content could be adapted to the new context.

Adjusting to the new price reality

How low and how long?

To ground the discussions in a realistic assessment of the current and future outlook for investment in the oil and gas sector, the first session offered an independent analysts view and an industry view on supply and demand going forward.

An oil and gas company executive highlighted the potential for a global over-supply of gas: for every tonne of LNG demand, there are an estimated three tonnes of potential supply that can emerge from competing projects. Gas industry players have a long-term view and thus require long-term reassurance about the suitability of the host partner. 'What are the right terms becomes a source of tension', one analyst commented.

For oil analysts, the opening presentation and ensuing discussion highlighted that the structure of the industry is out of kilter because junior companies (which carry out exploration and take risks in frontier areas) were no longer finding equity partners. Licensing terms must be flexible to entice these players.

A key message that emerged from this discussion was the need for companies and projects to be robust in the lower price environment. Further, it was highlighted that the regulatory and institutional systems of the new and emerging petroleum producers must be as flexible as possible to meet the challenges of the changing times. They must also be stable, so that investors have sufficient certainty in what is currently a context of market and price uncertainty.

And what now?

Although low prices and investor reluctance are clearly having a negative impact on emerging producers' plans for their petroleum sector, several participants noted that the current environment also has various benefits. First, it offers some space in which to reflect on the broad strategic directions of the national petroleum sector. Second, it helps officials and technocrats prevent both political and popular expectations about windfalls from the oil and gas sector becoming too high.

[3] Participants attended training sessions on 29 June that covered licensing design, NOC costs and finance, reforms in the petroleum sector, the use of information tools, changes in global energy use and local content. The conclusions from these sessions are woven into the main summary notes of the discussion group's meeting.

A strategic vision for the sector

Throughout the meeting, there was tension between two competing assessments of the potential for significant domestic gas use in emerging producers with limited power and industrial infrastructure. One of those assessments argued that if the host governments developed an integrated national development plan and supported the construction of the required infrastructure, it would be able to leverage the available gas resources to achieve a higher level of development. According to the other assessment, such plans could succeed only when the price of the gas is sufficiently low (and often such success can be had only with associated gas).

Another key dichotomy is that between two compelling narratives discussed at the meeting. The first is that of Trinidad and Tobago as a developing country investing its oil export revenues into the development of a gas industry and diverting it at a discount at cost for domestic industry feedstock in order to stimulate industrial activity. The identification of the industrial activity to stimulate and nurture was a strategic choice made by that country. The outcome could be characterized as fossil fuel-driven economic development through which, over time, a range of sophisticated goods and services have been produced locally. In short, Trinidad progressed from a factor-driven economy through an investment-driven economy to an innovation-driven economy.

The second narrative is one in which there is no dependency on domestic hydrocarbon consumption to spur growth but a carbon-constrained world is anticipated by focusing on access to energy that is sustainable and reduces environmental impacts. ‘The question is not whether you can burn your fossil fuels - you can burn as much as you want. The question is whether you *want* to’ said one analyst. Developed countries have largely accepted that lower-income countries can burn more or less what they want while developed countries must bear the burden of lowering their consumption of fossil fuels. But, as a Nigerian participant commented, the big framing questions have changed so that ‘new producers have to think about what is going to drive them.’ It was suggested that domestic energy use should be considered strategically at an early stage so that a country does not become locked into unsustainable consumption patterns when it could be using innovative technologies to leapfrog ‘dirty development’ and ensure access to energy.

In any case, a country should evaluate what its resources are worth to its economy. One East African participant made the following remarks:

‘The fall in prices has been good because it helps us to address expectations. We don’t have a story like Norway or Trinidad. This is a process we are beginning to think about. The story from Trinidad really challenges us a lot. The government has looked at these questions and the climate change discussion, but I am not sure that these issues take precedence over building roads and education. How do we begin to create development? Knowing very well that our needs in this part of the world are very different from those in your part of the world.’

It is important to note that the development pathways of countries like Ghana or Tanzania will certainly be different from that of Trinidad, which benefited from large, low cost-gas reserves and a favourable market and price environment. However, a key transfer of learning relates to Trinidad’s consultative process in which the country elaborated a strategic vision for its economic development. In 1963 the Commission of Enquiry into the Oil Industry of Trinidad and Tobago asked some important questions,

such as 'To what extent has there been a plan of development for the industry?' and 'How far has this been coordinated with the development plan for the nation as a whole?'[4]

The group's discussions stressed the importance of such a vision for the development of the country – one that makes clear the role that the petroleum sector should play in realizing that vision. It is a long-term sector that needs a long-term vision. At the same time, it was emphasized how politics can impede strategic planning. 'How do we delink the long-term vision from the electoral cycle?', one participant asked. Ideology in the post-independence period helped some political leaders to focus the national debate on aspirational and strategic goals. But the ideology changed, sometimes affecting the direction of strategic planning. 'Consistency of policy is more important than ideology' as another participant commented.

This may be a challenge for Guyana, which embarked on a low-carbon development direction at a time when there were no prospects for oil production. A recent discovery (not yet proved commercial) has generated public enthusiasm and expectations that cheap petrol will be available. 'There will be challenges to keep the two paradigms [low carbon economy and cheap petrol] working', argued one participant.

Indeed, policy consistency is crucially important. It is what the foreign oil companies and investors require in order to commit to long-term investments – in particular, in the gas sector and LNG. But it is also what national industry requires to ramp up skills and expand infrastructure to meet the needs of the sector and the broader economy.

Another strong message was that while strategic-level plans are very important, there was no benefit if they were not implemented. Many producers seconded that assertion, providing examples of gaps in implementation. Two countries in the exploration phase and another close to production detailed how they had carefully elaborated national development plans only to see them derailed by short-term political demands. Corruption, an issue examined in detail below, was similarly identified as an obstacle to implementation, while civil-society participation was mentioned as a means of increasing accountability and sharpening the focus on long-term issues.

For several other emerging producers, the main problem was the lack of political will, leadership and vision. 'We have the necessary policies and regulations in place, but we have no leadership, no vision. Should we proceed to develop our sector without leadership or vision?', one participant asked. A member of the group from another country facing political instability echoed that concern, noting that elaborating a development strategy in such a context was very difficult. Moreover, in a country that has urgent development needs, it is difficult to focus on the long-term strategy.

From this discussion emerged a strong learning message: 'We don't need government to do it for us.' In the absence of political direction and leadership, officials with technical knowledge of the sector, petroleum and non-petroleum professional associations and civil society can all take the lead and engage citizens in a strategic discussion about the future of the sector. Once the national debate takes shape, politicians are likely to engage in the process of elaborating a long-term agenda for the petroleum sector and national development.

[4] Anthony E. Paul, presentation at the New Petroleum Producers Discussion Group meeting, 30 June 2015.

How to attract and retain investment while preserving long-term national interests

Trying to reconcile government and investor interests is a delicate balancing act. The government is eager to reap the social and economic benefits of projects, while the companies have to worry about keeping capital expenditure as low as possible, avoiding blowouts, coping with plummeting oil prices and pleasing shareholders who expect at least reasonable returns on their investment.

The group's discussions examined which licensing terms are appropriate in the new price and market contexts. The conclusion was that those terms should be flexible. Host governments (and the NOCs licensing on their behalf) should adapt to make their country more attractive to investors and should retain the latter's interest by demonstrating flexibility and lowering in-country investment risks.

Suriname was taken as an example. The NOC Staatsolie has invested in improving the quality of company data and making it available free of charge. This is remarkable given that data sales can make a significant contribution to operating cash flow, while the strategy of fleshing out and adding value to the data decreases risk for the investor. In addition, Staatsolie has focused on promoting small independents, which, it concluded, are more suitable for exploring Suriname's frontier offshore acreage than are the major oil companies owing to the speed at which they are able to execute projects and their willingness to pick up small assets. Caution was required in determining the pre-qualification criteria in order to avoid those companies that would have neither the capacity nor the interest to implement the work programme.

Indeed, one participant noted that 'They come and charm you at the beginning, like [in] a romantic relationship. But those companies are there to flip assets and get their money back fast.' An example was given of an oil company from the Gulf of Guinea that holds a licence in Ghana but is not doing any work. Several measures can discourage 'sitting on acreage', such as an aggressive relinquishment policy and shorter renewal periods for licences; but it is important to offer some flexibility in a low-price period. Capital gains taxes discourage 'flipping' but are a disincentive for junior companies and explorers. For this reason, Suriname does not impose such a tax.

The case of Liberia shows just how much impressions count, especially those from the perspective of the international market. Liberia spent a considerable amount of time to secure the support of reputable firms such as E&Y and TGS and inter-governmental organizations such as the IMF in the design, marketing and evaluation of their bid round programme. More broadly, they tried to 'create a buzz' in the industry around the marketability of both the acreage and the country. The only biddable work was the signature bonus. Despite having no commercial discoveries to date and despite licensing during a period of falling prices and an Ebola outbreak, Liberia was able to secure signature bonuses for exploration work – a feat that impressed many of the meeting participants.

That success notwithstanding, various participants highlighted the risk that when development needs are urgent, the push towards short-term solutions is all the stronger. Indeed, Liberia's focus on the signature bonus was driven by urgent government priorities, and the Liberian authorities decided to make the signature bonus tax recoverable. This explains why it was arguably easier for investors to part with upfront capital. It was generally agreed that new producers seeking capital for exploration should focus on work programmes rather than signature bonuses. If both can be achieved, all the better.[5]

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5 One participant stated that the work programmes in Liberia's latest contracts showed an 82 per cent improvement over their predecessors.

The following strategies to attract and retain investors emerged from the presentations and main discussion:

- Regulatory and institutional flexibility to accommodate the significant cost consequences of lower prices for international oil company (IOC) partners;
- Progressive fiscal systems that respond to price or cost-driven changes in profitability and flexible licensing systems to accommodate alterations to investor work commitments during price slumps (which can materialize owing to periodic review clauses, as in the case of Liberia);
- In line with the assertion 'You can only limit the risks you can control', temporary exemption on certain taxes (but not those on royalty or income), as in the case of Suriname, as well as attractive infrastructure and improved geological data; and
- Lower royalties for smaller companies and more frontier acreage.

One participant from a small producing country noted that in the absence of capacity or experience in licensing design, it was important to rely on external help: 'There is no shame in saying I don't know how to do this. Can you help me?' Another participant from an emerging producer echoed that sentiment, explaining that they had relied on external partnerships to bring in capacity but had first laid out a clear strategy – a roadmap for action – which had allowed them to coordinate the activities of external partners and donors. Several participants felt that significant external capacity was available at no cost to producers. They emphasized the importance of tailoring such external support to the national context in order to avoid the 'cookie cutter' solutions. To this end, an adviser encouraged producers to make every effort to engage external support in the formulation of the plan of action.

Adapting expenditure plans and managing public expectations

The case of Ghana illustrated the impact that lower oil prices were having on new producers. The fall in prices in 2014–15 caused oil's contribution to GDP to shrink from 3.1 per cent to 1.1 per cent, leading to a significant reduction in revenue to the state and, consequently, to GNPC (which receives a share of the petroleum revenues). This made it challenging for GNPC to fulfil its role as national gas aggregator since significant investment is required in the gas and power sectors. Moreover, it reduced the capacity of the NOC to borrow money to implement its strategic plans to develop into an operator. For example, a planned US$700m prepayment loan was cut back to US$350m as the allocated cargoes could no longer meet the debt repayment obligations. Similarly, low prices lead to a weakened balance sheet and affect the ability to borrow cheaply, which, in turn, causes the cost of borrowing to rise as risks increase commensurately. However, despite these challenges, the company is not delaying its plans to expand and grow into an operator. It sees opportunities: lower revenues have not only prompted the company to improve operational efficiency and cost monitoring; they also signal potential opportunities for the acquisition of assets at a lower cost. The downturn has also led to industry-wide redundancies and opened up the talent pool for recruitment. This positive twist was echoed by another NOC executive: 'The flip side of the coin is that [low prices] give us a chance to go back to basics and get rid of the gold-plating side of things.'

Many NOCs have had to cut back on capacity-building projects and social projects. However, an adviser voiced the concern that most NOC boards see a low price environment only in the short to medium term (that is, up to five years) and have not taken measures to revise expenditure and strategic plans. An industry observer commented that job cuts were occurring in the services and ancillary sectors, not just at

the oil companies. Cost-cutting means that, 'Local content will take a big hit and ultimately the losers will be the local companies.'

Changes to IOC and NOC plans and government expenditure such as those described above must be explained to the public. An emerging producer participant suggested that taking a proactive approach to managing expectations was important: 'Don't wait for people to ask what happened.' Uganda's communications strategy is a good model to follow. The Ugandan authorities organized radio talk shows, op-eds in local newspapers and seminars for local communities, all of which contributed to addressing some of the concerns expressed by the public:

- Why have prices fallen?
- Who will be affected?
- Is it the fault of the government?
- What does it mean for the local refinery?

Another participant from an emerging producer country commented that it is important to use credible communication outlets that are not perceived as politically controlled.

Local content: Can it be low cost?

Much has been written about local content – notably by the IPIECA working group on local content but also by the World Bank.[6] The discussion group focused on two new angles:

- How to make local content low cost and attractive as an investment; and
- What local content policy is appropriate for a country still in the exploration phase or with a small resource base?

It investigated various avenues for making local content both a smart investment and low cost. Viewing regional capacity as local content was considered to be a promising strategy.

Licensing

In the most recent licensing round in Liberia, the government urged local companies to participate in bids in order to facilitate learning and the development of appropriate expertise. Several countries have included a requirement for foreign companies to partner with a local company, but experience has shown that where local technical upstream capacity is lacking and local equity limited, the local partner has often turned out to be a shell company (or a '5 per cent company'). In Liberia, the 20 per cent local equity component of the 2002 Petroleum Law resulted in a bidding round without any bids whatsoever, and it was subsequently considered a mistake. More recently, in an attempt to find a win-win solution that would incentivize local participation, NOCAL sought feedback from IOCs before proceeding. The new provisions give bidding companies a 20 per cent uplift on the signature bonus (e.g., a US$30m signature bonus is regarded as US$36m) if they include an African upstream petroleum company operating in the Economic Community of West African States (ECOWAS) with 25 per cent Liberian equity participation. To avoid a scramble to incorporate, it is stipulated that the Liberian company must have been incorporated for at least 12 months. In addition, there are requirements about disclosure of beneficial ownership. A benefit of this model is that the Liberian company would, in effect, be housed within the

[6] See http://www.ipieca.org/publication/local-content-strategy-guidance-document-oil-and-gas-industry.

regional company and would stand to learn from a firm whose experience is much closer to that of Liberia (than an international major could offer).

Many participants saw value in this model. At the same time, it generated some debate. An emerging producer participant asked, 'Is there really room for making mistakes?' In other words, can a developing country afford to entrust a less qualified local or regional company with a project that can generate significant revenues to fund development? In Ghana, for example, there has been dissatisfaction with some African companies that have acquired licences, and questions have been raised about granting licences to operate in the risky offshore to companies with insufficient experience and capacity. Pre-qualification requirements are necessary to weed out under-qualified companies, but an industry observer pointed out that without adequate due diligence, performance monitoring and punishment for failure to deliver, setting high standards means nothing. Another producer argued that in the context of limited national or regional capacity, there is a risk that one or two companies will be the only ones to pre-qualify and will therefore secure all the partnerships.

An oil company executive asked what local or regional companies contribute to exploration. The response from around the table was that they offer the potential to increase political and local support for petroleum contracts. If the hiring of local people and the creation of local supply chains increase the benefits to local people – especially those who are 'politically engaged' – the participation of local and regional companies gives investors a 'wall of protection' against the tendency of each new government to claim that previous contracts were no good: 'Direct benefit ensures protection of contract and social licence.' Moreover, a local or regional company involved upstream mitigates the feeling among some societies that there has been an 'invasion'.

Supply of local goods and services

Several participants noted the value of having a flexible approach to 'local' content. For example, Uganda's local content policy has a unique feature: companies providing goods and services must be registered in Uganda. The logic behind this is that any activity based in Uganda promises indirect economic benefits, regardless of the nationality of the employees or the provenance of the capital. Thus Uganda promotes local value-added rather than local ownership, which often results in encouraging imports but not local production. A flexible approach to local content can involve seeking out the views of oil companies about what opportunities and obstacles exist nationally.

An industry observer pointed out that 'local content is low cost when it can be used again and again'. Several participants agreed that focusing on low-hanging fruit – for example, training welders and technicians and promoting other 'artisanal skills' – is beneficial to both industry and the country. These skills take less time to develop than those of an engineer or geologist, while there are more such jobs available in the lifecycle of an upstream project and the skills are more transferable (offering 'dual-use' potential) to other sectors of the economy. Timely investment in skills was seen as crucial so that capacity is available when industry requires it.

An independent oil company participant identified the following objectives for a sound approach to the issue of local content:

- Achieve clarity of overarching state strategy;
- Accumulate experience and develop expertise above all through 'learning by doing' (that is, making sure people do not just observe but do the work);

- Devise policy that is in tune with the oil price environment – and especially that is low cost during a low-price period;
- More haste, less speed (that is, do not force the issue and jump right in simply to achieve local content objectives);
- Stay flexible;
- Aim for small, quick wins (especially in the services sector); and
- Know where you are in terms of capacity and be honest with yourselves in assessing this.

Regional integration

Regional integration of energy markets and infrastructure increases the scope for monetizing the development of resources. The group considered whether, in a low-cost environment, connecting upstream gas potential to a broader regional market for gas could make the investment more attractive to oil companies and it examined the obstacles to such an approach. Similarly, it looked at whether investments in refining would be more attractive if markets are better connected. And it also discussed the value of sharing technical expertise as a means of accessing skills and information at a lower cost.

Power-sector integration

A key obstacle to regional power markets is price. It can be a challenge to find a regional (or domestic) buyer for the gas or the power at a price that offsets costs and provides sufficient return on investment – especially in the case of non-associated gas, which costs more to produce. The group discussed whether government would need to invest in the related infrastructure in order to support industrial development around the gas resource and to increase domestic access to energy. There was no consensus on this issue, but a number of participants said they believed such state involvement may be warranted and even necessary.

Downstream and midstream investment

The group examined the Ugandan experience to illustrate the issues related to developing refining capacity and integrating regional downstream markets. When taking its immediate environment into account, Uganda saw that a number of East African countries had made discoveries but imported up to US$5 billion of refined products each year, which amounted to more than 35% of their combined import bill. At a meeting of East African heads of states in 2013, agreement was reached to build another refinery in the region and that Uganda would construct it (Uganda later offered 10 per cent of its 40 per cent share to the East African Community). IOCs were opposed to the construction of the refinery on the grounds of commercial feasibility (their preference was to export all crude produced rather than sell some to a local refinery). But thanks to a regional initiative led by Uganda, the project (which foresees crude oil for power generation, a refinery and a crude oil export pipeline) will go ahead.

Key lessons learned from that effort are:

- Leadership at the level of heads of state is crucial to make such projects happen;
- Market and commercial considerations must be taken into account;
- The wider developmental aspects of regional infrastructure must be taken into account;
- Infrastructure development should be phased in;
- It is necessary to be realistic and creative about the funding of such infrastructure; and

- Responsibilities must be clearly delineated.

Integrating technical resources

A large number of open access databases allow data sharing on a range of issues, but these data are largely underused. As open access has increased, producers have expressed particular interest in data providing for the benchmarking of operator costs, oil trading prices and transfer pricing as well as information on petroleum laws and regulations and due diligence investigations (above all, those related to private companies). A question raised during the discussion is how to make such information relevant to a specific national or project context and increase benchmarking applications.

As for the sharing of technical skills – in the form of a roster of technical experts who would be available to a group of countries – the benefit would be that the costs of developing highly specialized skills would be shared. But as a participant from an established producer country pointed out, 'Before we go there, we need to get regulators and NOCs out of "secrecy" mode – the idea that you have to keep "secrets" from your competitors, which keeps this discussion caged.'

Corruption – a high-cost failure

The discussion of this delicate issue kicked off with the question, 'Have we in the petroleum sector improved in terms of controlling corruption and becoming more professional?' The feeling around the room was that the industry has certainly improved in this respect– 'Not only because we want to, but because we have to.' The pressures exerted by regulations such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the US Foreign Corrupt Practices Act (FCPA) and the upcoming regulations requiring US, European and Canadian oil-company disclosure of tax payments on a project-by-project basis, along with international scrutiny of financial transactions, all play a positive role. Some frustration was expressed about the fact that a number of companies (foreign and domestic private companies as well as NOCs) did not come under the scrutiny of the various regulatory bodies (e.g., the SEC). As one participant commented, 'Bribes are not exchanged between public-sector officials!' Officials are found culpable in taking bribes, but the private sector should bear the legal consequences too.

At the same time, transparency had increased professionalism, although one participant from an established producer that recently reformed its petroleum sector noted, 'You can have transparency and corruption at the same time.' Transparency alone is not enough, and strong state institutions (especially the judiciary) provide key checks and balances. Corruption also thrives when the public expects nothing else and becomes apathetic. Education is an important antidote to corruption, as are local NGOs that both inform and empower the public. One participant expressed suspicion about foreign involvement in or influence over the agenda of civil society groups (in particular, hidden political agendas), while another pointed out that these organizations need to be held to account too. Nevertheless, the discussion group recognized the value of engaging with civil society and having it on board because it has 'the trust of the people'.

Conclusions

Perhaps the most important conclusion to emerge from the group's discussions was that all emerging producers need to accept today's price reality. While there was no consensus on how long this period would last, it was generally thought it would be long enough to force a reassessment of licensing terms, the approach to local content, NOC expenditure plans and messaging to both the public and politicians.

More fundamentally, an investment pause offered the opportunity to stop and think strategically about how to use petroleum resources for the long-term benefit of the country.

Looking ahead, the group intends to devote more time to assessing the optimal use of resources in a specific national context. Indeed, as was pointed out during the 2015 meeting, establishing a sound policy is not sufficient; it is the implementation of such policy that is essential for success.

The Commonwealth

Natural Resource Governance Institute

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