

# **Local Content Policy for the Development of Guyana’s Petroleum Economy**

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**A Policy Guidance for Managing Guyana’s Petroleum Resources to  
Enhance the Local Workforce, Supply Chains and Business Environment  
for Transforming the Economy and Well-Being of Guyanese.**

**Ministry of Natural Resources**

**Co-operative Republic of Guyana**

**Revised Draft – February 2021**

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## Foreword

Increasing hydrocarbons finds offshore Guyana will offer significant opportunities for our country to fast track economic development and ensure that public welfare improvements are delivered every Guyanese. One approach to doing is the development of this productive and progressive Local Content Policy (LCP). This is an industry integrated LCP that will enable Guyana to capture the benefits of foreign direct investment by enabling conditions for investors to ensure value addition in the country for our local industries.

The purpose of developing this national local content policy for the petroleum sector is to increase the value generated by the exploitation of a resource that remains in the domestic economy; and to develop linkages between the oil sector and the rest of the economy. What matters is not only what happens in the sector but what happens beyond. As such, local content can encompass forward, lateral, and backward linkages. Backward linkages are those created by the commercial relations between oil operators and their supply chains, which include the transfer of technology and know-how, employment of nationals, and sourcing local goods and services. Lateral linkages utilise the demand of the sector to develop skills, services and infrastructure that can positively impact on other sectors of the economy while allowing locals to participate in the petroleum supply chain. Forward linkages involve the construction of facilities that process and export these resources, such as refineries and petrochemical facilities. Therefore, our local content benefits are set in a good practice that is based on the idea of creating ‘shared value’. In this policy document, shared value is the foundation for a business strategy designed to achieve both project competitiveness, and stability and economic development in the local community and the entire country.

Guyana’s LCP will ensure that business projects can create shared value by generating and growing economic opportunities related to their workforce, local supply chain and surrounding communities, in ways that also support their bottom line. Therefore, as we are an emerging petroleum producing and exporting nation, it is my government’s guiding principles that this LCP focus on being:

1. A guide towards a national strategy for economic development
2. A mechanism to create value beyond the sector
3. Grounded in the objectives of a realistic assessment of our resources and capabilities
4. Adaptive to our energy mix and transition objective toward a low carbon economy
5. Integrated to the procurement strategy of the national economy

Therefore, local content policy remains the single most important driver in Guyana’s economic transformation from its petroleum resources and it also seeks to address the development imbalance by way of linking investment incentives with local content policies. Local content will generate jobs and economic diversification in developing our economy.

**His Excellency, Dr Mohammed Irfaan Ali,  
President of the Co-operative Republic of Guyana**

# 1. Introduction and Background

## 1.1 Introduction to this Policy Version

Since the discovery of major commercial quantities of petroleum resources in 2015, the Government of Guyana (GoG) have made participation by Guyanese in the activities of the sector a priority. During the period of 2017 and 2018 two drafts of a local content policy were produced on behalf of the Ministry of Natural Resources for public comment. The second involved extensive public consultation among the range of stakeholders across the country and industry and included an implementation strategy and the framework for an implementation plan. In 2019, on behalf of the Government of Guyana, the second was revised and expanded into a third draft, inclusive of a detailed implementation plan. Thereof, the draft was further revised by a team from the Commonwealth Secretariat (CS) out of which a comprehensive report was produced for the Government of Guyana, inclusive of guidelines on its implementation and pointing towards the utility of regulations and lessons learnt in different jurisdictions, including new oil producing countries. In January 2020, the report was finalised and published. Hitherto, each revision reflected the rapidly changing circumstances and evolving stakeholder needs and government direction while underscoring the need for supporting legislation/regulations to efficiently enforce the provisions of the policy.

During this period, and in tandem with the ongoing revision of the local content policy, development of Guyana's first discovery, Liza 1, was quickly unfolding. The manifestation of first oil soon followed following the approval of the Field Development Plan and Production Licence. Notwithstanding the aforementioned, exploration and production continued unabated. To date, two additional plans have been approved (Liza 2 and Payara) and are currently being implemented. The operating companies have indicated that at least eight additional field developments are likely to come on stream in the coming years.

In August 2020, the incoming government emphasised its commitment to Local Content Requirement (LCR) policies and the need to rapidly put in place a revised policy and enabling legislation. His Excellency, The President, established an Advisory Panel with the intention to *“maximise opportunities for goods and services produced by Guyanese or sourced locally and to take advantage of opportunities that exist now, even as we plan for the future”*. The main task of the panel was to undertake *“a review of all existing initiatives and draft policies relating to local content in the petroleum sector and to provide guidance for the development of Guyana's Local Content Policy (LCP) and Legislation through a consultative process engaging with a wide range of stakeholders”*. The Panel executed its mandate and submitted its report to the Minister of Natural Resources in November 2020, making recommendations on the way forward for a new policy, enabling legislation and implementation. This document considers the recommendations from the Panel report.

This policy intends to inform the amendment process (and drafting, where necessary) of existing legislation, contracts, treaties and local, regional, and international experience, local content legislative instruments for public consultation and parliamentary approval, as appropriate. An updated Implementation Plan (IP) will be developed separately, in line with

the final policy and legislation/regulations. It will identify specific initiatives, measures, and targets to deliver each of the identified policy objectives.

## 1.2 Background – The Benefits of Local Content

Guyana's major oil and gas discoveries have focused attention on the value generated by activities surrounding both its ongoing development and anticipated production and the upcoming increase in exploration for additional reserves, as well as from the use, handling and sale of oil, gas and products derived from them.

In addition to revenue accruing to the State via taxes and royalties, Guyanese are aware of the potential to capture and retain value within the local economy through the supply of skills, conduct of activities and the offer of goods and services along the value chain of the resource. The vast majority of these goods and services are currently imported into Guyana.

Further, as have been done with other resource rich countries in a similar state of development, Guyana recognises the benefits to be gained from improving the standards and quality of its people and businesses, and in industrialisation through power generation and manufacturing from these raw materials.

The petroleum sector requires high standards of quality, efficiency, reliability, ethics, care and attention to the environment, communities and property and the well-being of people. By supporting and participating in the sector, those who develop and provide goods, infrastructure, equipment, facilities, networks, systems, and other services that are used by the sector will need to raise their quality, standards, behaviours, and culture in order to become competitive. As many of these services are required by other sectors, taking the capacity and behavioural attributes to the non-petroleum sector, will enhance the international competitiveness of these other sectors and Guyana as a whole.

Therefore, **Local Content** is considered the sum of inputs of local goods and services, including employment, provided to oil the and gas operations. This occurs when operators hire locals as employees or contractors or buy goods or services from them. Local content therefore is the **outcome** of companies' hiring and procurement activities, often referred to as **backward economic linkages**.

**The purpose of developing national local content policies is to increase the value generated by the exploitation of a resource that remains in the domestic economy; and to develop linkages between the oil sector and the rest of the economy.**

This policy framework will therefore address giving locals a fair (or advantageous) chance at preparing for and providing goods and services and becoming employees, so as to allow them to learn and improve by doing.

## 2. Purpose of the Policy Guidance

This policy guidance document seeks to:

1. Put in context the current and evolving state of Guyana's oil and gas sector, following the recent discovery and start of production of world scale petroleum reserves and the changed views of the world after the iconic events of 2020.
2. Identify sources of value available to Guyana through:
  - a. participation by Guyanese nationals and businesses in the sector and
  - b. activities along the value chain being conducted within *and outside of* Guyana
3. Present the aim and meaning of local content and value-addition, in a manner that clarifies and simplifies how, through employment, the provision of goods and services and equity investment, Guyanese participation can be achieved, and its outcomes measured.
4. Articulate a mechanism through which Guyana might use participation via equity investment, employment and the supply of goods and services in sector activities, to build capacity that can support and enhance the petroleum and other sectors (such as agriculture, food processing, mining, manufacturing, forestry, ITC, construction, and other strategic sectors) for industrialization and national development.
5. Acknowledge the current limitations of Guyana and Guyanese, the current state of the sector, locally and internationally and the uncertainty that is part and parcel of the industry.
6. Articulate an implementation strategy that is rooted in a pragmatic and collaborative approach to enabling maximum participation of Guyanese, while benefiting investors
7. State the policy of the Government of Guyana towards:
  - a. the enhancement of capacity to Guyanese firms, institutions, and individuals, to meet the standards required by the oil and gas sector;
  - b. increasing the value retained in Guyana from the participation of Guyanese nationals and firms through increasing levels of employment and provision of goods and services in the sector;
  - c. adding value to the extracted oil and gas through mid- and down-stream handling processing and manufacturing;
  - d. transferring technology and know-how to other economic sectors (such as agriculture, food processing, mining, manufacturing, forestry, ITC, construction, and other strategic sectors,) so as to further enhance national development, and
  - e. being a lever for preparing Guyana for the Energy Transition and taking a leading role in the low carbon economy that is to follow.
8. Articulate a mechanism that provides assurance that the goals and objectives of the policy are pursued and reported on by stakeholders in a manner:
  - a. that allows for flexibility to respond to changing circumstances;
  - b. by which achievements can be measured and tracked and
  - c. by which stakeholders can be held accountable for delivering on their roles.

## 2.1 Policy Statement

***The Goal of this Local Content Policy (LCP) is to maximise the level, quality, and benefits of participation in the petroleum sector value chain by Guyanese.***

This will require improving the capacity of Guyanese and their businesses, institutions, and governance, in a manner that allows the country to enhance existing sectors of the economy and add new and emerging ones so as to support national sustainable development. It is the government's intention to use these as a springboard for Guyana's transformation into a sustainable and low carbon economy.

This policy recognizes that the activities and benefits available from Guyana petroleum sector presents a unique and significant transformational opportunity for every sector of the local economy. The petroleum resources of Guyana belong to all of its people, and represent an asset of significant intrinsic value, which, once removed, diminishes the wealth of the nation, unless there is transformation in value from resources below the ground to improved quality of life above it, for current and future generations of Guyanese.

Guyana will approach the development of its petroleum resources, people and businesses in a pragmatic, collaborative, transparent and accountable manner and with clarity of purpose. This will be conditioned by existing circumstances and an analytical approach to understanding the resource, the activities it engenders and the country's input capabilities. Guyana will aggressively pursue strategic opportunities for local capacity development and participation that will allow for achievement of the possible maximum economic benefit now and in the future. The government will ensure that strong regulatory instruments and administrative institutions are in place, properly resourced and functioning adequately and that stakeholders are held accountable to the people of Guyana for the outcome of this policy. These will provide incentives to drive extraordinary effort and appropriate sanctions for lack of compliance.

Guyanese will participate in a manner that gives them the preferred access and opportunities to improve and enhance our capabilities, provide goods and services and, in so doing become internationally competitive and progressively provide a greater share of future services. The GoG shall also ensure that investors must benefit from the availability of a skilled workforce and high-quality services.

With the desire to enable more value retention, costs related to capacity development, including those which are cost recovered and therefore paid for by the people of Guyana, will be seen by Guyana as an investment in the people, rather than a cost to the nation.

This will require ***improving the capacity*** of Guyana's citizens, businesses, institutions, and governance, in a manner that:

- i. Allows their competitive participation in the oil and gas sector,
- ii. Fosters the enhancement of existing sectors of the economy (in particular agriculture, food processing, electricity, mining, manufacturing, forestry, ITC, finance,



engineering, construction, and environmental and maritime services), so as to avoid negative effects of the “Resource Curse” and

- iii. Introduces and builds complementary, new activities, so as to support Guyana’s transformation into a Low Carbon and Green Economy for sustainable national development.

Therefore, in maximizing benefit from oil and gas activities, Guyana will develop capacity in the citizens and businesses and use them to benefit from:

- **Fiscal linkages** are the revenue which can be captured by government from production and sale of oil or gas. There is a parallel set of linkages to the balance of payments from export revenues. The strength of the link will be a function of the net value of the output and the fiscal terms which govern the sector. The link arises through revenue available to the government for expenditure on consumption or investment outside the petroleum sector and the foreign exchange earned from exports to pay for imports to the non-petroleum sector of the economy.
- **Forward linkages** refer to the provision of oil products or gas to the rest of the economy either as energy or as feedstock.
- **Backward linkages** cover the factor inputs in the supply chain from the domestic economy into the oil and gas sector in the form of labour or local content which would not otherwise be employed or would be employed at lower productivity.

Taken together, these linkages provide a ‘multiplier effect’ from the petroleum sector to the rest of the economy. The multiplier effect depends partly on how the government allocates its revenues between consumption and investment, and partly on the capacity of the economy to benefit from the output and input linkages.

This *policy recognizes and acknowledges* that:

- i. Activities in Guyana’s oil and gas industry are temporary and provide both opportunities and hazards,
- ii. By virtue of the scale and quality of its reservoirs and the fluids they contain, Guyana’s oil and gas resources are of extremely high value to investors,
- iii. Guyana provides a unique opportunity for industry participants to benefit for many years to come, at a time when demand for their inputs and products face the threat of steep and sustained decline, to the point where resources in other parts of the world, including both traditional and new producers, face the peril of being stranded as the world transitions to lower carbon and cleaner fuels,
- iv. the activities and benefits available from its petroleum sector present a unique and significant **Transformational Opportunity** for Guyana,
- v. the petroleum resources of Guyana belong to all its people, and represent an asset of significant intrinsic value,
- vi. once removed, the wealth of the nation is diminished, unless there is transformation in value from resources below the ground to improved quality of life above it, for current and future generations of Guyanese,
- vii. Guyana has a limited human resource, business, and capital base,

- viii. Guyanese must approach sector participation with clarity of purpose and in a pragmatic, collaborative, transparent and accountable manner,
- ix. effective participation will be conditioned by existing circumstances and an analytical approach to understanding the resource, the activities it engenders and the country's input capabilities.

Therefore, achieving the policy goals will require a realistic and strategic approach to Guyanese participation and collaboration with industry, international partners, advisers, and other development stakeholders, including civil society to:

- i. Determine what is *possible* in terms of provision of goods and services to the sector
- ii. Identify what is *desirable* to economic growth and support national development objectives
- iii. Select, invest in, and pursue those that are *viable and sustainable*
- iv. Monitor, evaluate, report, learn and continuously improve the approaches being taken.

Implementation will be enabled by legislation and regulations, with an empowered and accountable regulator, supervised by an inter-Agency (Governmental) Coordinating Committee and supported by a Multi-Stakeholder Working Group.

In moving towards its goals and objectives, measures, initiatives, targets, and schedules will be set in the implementation plans and regularly reviewed through collaboration with stakeholders and made available in an accessible manner.

**To achieve its Goal, the Government of Guyana will:**

1. Ensure that ***Guyanese are given preferred access*** to opportunities for employment and to provide goods and services, particularly where the capability exists and from traditionally under-served or disadvantaged groups or communities<sup>[1][2][3][4][5][6][7][8][9][10]</sup>
2. ***Identify and aggressively pursue strategic opportunities*** for local capacity development and participation that give Guyanese the maximum possible benefit now and in the future by:
  - a. developing the competencies of Guyanese where the demand supports the required investment in capacity building,
  - b. ensuring that Guyanese get an opportunity to gain experience in those areas where they are not yet at the requisite level of competence,
  - c. extending Guyanese participation where it supports national development and/or enables global competitiveness,
3. View costs related to capacity development, including those which are cost-recovered and therefore paid for by the people of Guyana, as **an investment in its people and their future, rather than a cost to the country.**
4. Ensure that Guyanese improve and enhance their capabilities through ***participation and partnerships***, so as to become internationally competitive and progressively provide a greater share of future inputs to the sector,
5. Ensure the longer-term benefits of supply chains relocating to Guyana are achieved through mechanisms that allow for ease of knowledge and technology transfer, while

- protecting intellectual property and supporting and facilitating efficiency of ongoing operations,
6. Ensure that international *investors benefit* from the availability of a skilled workforce, high-quality services, and an efficient and transparent business environment,
  7. Facilitate and encourage *collaboration* with industry, international partners, neighbours, civil society, and development partners,
  8. Ensure that *procurement, partnering,* and other activities *facilitate Guyanese participation* and are not designed or practiced in a manner that frustrates the goals of this policy or misleads as to the outcome,
  9. Ensure that Operators practice good supply chain management, inclusive of designing procurement strategies with the local supply chain in mind and maintaining a relationship with Guyanese suppliers by retaining a significant supply chain management capability in Guyana,
  10. Ensure that stakeholders are held accountable to the people of Guyana for their roles in the outcome of this policy,
  11. Ensure that this policy is *enforced by an appropriate legislative instrument*, that allows for, among other things:
    - a. ensuring clarity, transparency, accountability, and consistency in the application of this policy,
    - b. the setting of targets and schedules of progression for local content in specific goods and services, based in detailed market analyses,
    - c. the reservation for and/or first consideration/preferential treatment of certain goods and services to Guyanese,
    - d. a collaborative approach to identifying and a clear mechanism for reviewing the above,
  12. Ensure that there is in place a *strong Regulator that is:*
    - a. properly resourced,
    - b. overseen by a multi-stakeholder supervisory body, and
    - c. held accountable to the people of Guyana for the outcomes of this policy by reporting to Parliament,
    - d. empowered to:
      - i. access, analyse, collate, and disseminate information relevant to capacity development, procurement, and the local supply chain,
      - ii. monitor, measure, and evaluate the performance of stakeholders,
      - iii. learn from Guyana's and other countries' experiences to continuously improve the approaches taken, and
      - iv. make readily accessible, information needed by Guyanese to facilitate their participation,
  13. Improve the ease of doing business, access to financing and the cost of capital to facilitate participation by local businesses,
  14. Ensure the *enhancement of University of Guyana and Government Technical Institute*, so they become centres of excellence for the region,
  15. *Provide incentives to drive extraordinary effort* and appropriate *sanctions for lack of compliance*, and
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16. ensure that all participants in the sector are in no doubt that this condition of engaging in and with Guyana's petroleum sector *will not be compromised*.

Moreover, it is the goal of the GoG to explore the opportunities of our energy mix to ensure that our future is also set in a net zero carbon emission economy for the future. This will involve:

- i. Promoting and facilitating the entry into Guyana of international service providers and experts, to allow for ease of knowledge and technology transfer, while supporting and facilitating efficiency of ongoing operations
- ii. Giving preference to Guyanese where the capability exists, especially those from traditionally under-served or disadvantaged communities
- iii. Developing the competencies of Guyanese where the demand supports the required investment in capacity building, by ensuring that Guyanese get an opportunity to gain experience in those areas where we are not yet at the requisite level of competence.
- iv. Partnering international participants with Guyanese, to provide experience, enable technology and knowledge transfer and access to investment opportunities for Guyanese
- v. Extending Guyanese participation where it supports national development and/or enables global competitiveness
- vi. Using the petroleum sector's demand to build new and enhance existing strategic assets, skills, education and training institutions and businesses that support the sector, putting emphasis on those that can be leveraged for lateral benefits to other sectors.
- vii. Developing, implementing, and empowering appropriate regulations, regulatory entity, and administrative instruments to ensure clarity, transparency, accountability, and consistency in the application of this policy.

This policy will apply to participation by Guyanese in all parts of the value chain, including the mid and downstream activities of the sector, whether conducted within or outside of Guyana, where practical.

### **3. Policy Scope, Context & Drivers**

#### **3.1 Scope and Limitations**

Given that there are many cases of oil, gas and mineral windfalls being perceived as a curse, rather than a blessing, Guyanese are concerned about both the opportunities and hazards presented by the oil and gas discoveries and their production. Expressions of expectations, hope and fears are abundant. At the core of these are the desire for a better quality of life for current and future generations of Guyanese and the recognition that many issues need to be addressed - policies, regulatory and institutional frameworks need to be developed and administered transparently, other sectors enhanced, rather than destroyed, benefits shared equitably, with citizens expecting development in an inclusive manner.

These are important matters and require special attention. As such, there will be an overarching national policy for the sector that is being developed and will provide the broader framework

within which updated legislation and specific sub-sector policies will address other matters of the oil and gas value chain, including those not covered in this policy, such as:

- support of national development
- support of other economic sectors, infrastructure, institutions, etc.
- revenue management (taxation, revenue collection, savings, investment, budgeting, etc.) natural gas management (including master planning, flaring, etc.)
- licensing and exploration
- development and production management (including depletion rates, levels, and mechanisms of extraction; shared infrastructure, maximising the value of investments and sunk/recovered costs, etc.)
- decommissioning
- Environmental, Social, and Corporate Governance (ESG)

Therefore, because of the urgency required in order to allow Guyanese the best chance to access the very considerable opportunities that are available now and in the coming years, the very important matters of local content requirement policies and value addition need special attention. This policy guidance therefore precedes the overall sector policy, but will be updated from time to time, so as to always be aligned with and supportive of overarching sector and national development strategies and policies.

While it may be desirable for a LCP to encompass other sectors, this policy guidance can also offer inspiration and serve as a guide to sectors such as manufacturing, information technology, broadcasting, agriculture, fisheries, forestry, food processing, tourism, shipping/maritime services, mining, and others, which may see the value of such a policy in their domain or even an overarching national local content policy.

### **3.2 Local Context**

Guyana's high exploration success rate, series of major discoveries of oil and gas and low-cost production have focused the attention on the value generated by activities surrounding the production and ongoing exploration and further field developments, as well as from the use and sale of high-quality oil and associated gas and products derived from them. However, there are still large proportion of these services for the oil fields development which continues to be imported into Guyana, during these first phases of production and exportation of oil.

Provision of these services requires skills, technology, equipment, facilities, infrastructure, and capital, most of which are still at the early stages of development for the local market. Therefore, Guyanese are confident that, with a guided strategy, some of their existing skills, services and facilities can be used, improved, and enhanced, while, given sustained demand, others can be introduced, supported, and grown to:

- meet more of the needs of the sector,
- support the growth of other sectors of the economy,
- prepare Guyana for life after oil and gas, and
- become competitive for export services.

While Guyanese individuals and businesses naturally see the development and production of oil and gas providing opportunities for participation, it is recognised that:

- The oil and natural gas industry in Guyana is still in the emerging stages of development.
- Since the first commercial discovery in 2015, multiple exploration wells have been successful with additional fields being discovered. Yet exploration continues apace, substantially increasing the proven oil and gas reserves and development and production activities that will be generated.
- Although the resource is world scale, low cost to produce and of very significant size, its development is taking place during a period of turmoil and uncertainty in the industry, characterized by low prices and demand and global oversupply of both the commodities and services required by the sector.
- Concerns about the state of the planet and its climate have caused nations to reassess their use of fossil fuels, while technology is rapidly driving down the cost and competitiveness of cleaner fuels, further putting pressure on the demand for oil and natural gas.
- Guyana is a small, emerging economy, in terms of our human capital, technology base, services capability, infrastructure, facilities and equipment availability, international competitiveness of indigenous businesses and the size of our economy and capital markets.
- Although Guyana has a long history of mining and services to the extractive industry, Guyanese capability and experience in the oil and gas sector, including among those in the diaspora, are very limited.
- Many of the goods and services used by the sector are highly specialised, requiring very high levels of technology, innovation, investment capital and experienced specialists. Some are used only for short periods in any project or operation and require a very large pool of potential clients to be sustained, usually from the global market.
- The oil and gas sector is a high-risk business, involving very high levels of capital and technology and hazards that can put people, property, and the environment at risk, therefore requiring high standards of performance by its participants to mitigate operational and business risks.
- Many of these skills, services and behaviours and their supporting ecosystem (technology, institutions, facilities, infrastructure, capital markets, etc.) are required by other sectors, so access to the world class ecosystem introduced to Guyana by the sector's presence, can serve to enhance the international competitiveness of Guyanese firms and individuals.
- Relative to its potential economic impact, the petroleum industry does not directly generate large numbers of jobs, but of those created, many are of high quality, in terms of the competencies required/developed and benefits to employees.
  - Thus, additional employment is created through the multiplier effects of the supply chain, the ability of other sectors to grow as a consequence of the enhanced supply chain and government spend of revenue generated by the sector.

- While the industry requires relatively few people, many with highly specialised skills, sustainable employment opportunities are generated by:
  - upstream production operations and maintenance
  - downstream petroleum operations, such as in refining and petrochemical operations.
  - those services that are transferable to other, longer life-cycle industries
- No country in the world manages to get to 100% local content. Most experts acknowledge that accessing a wide pool of talent, drawing upon experience from different locations and situations brings efficiency of operations and can fast track the learning experience of local collaborators, through the transfer of know-how and technology.

Guyana's petroleum discoveries and this policy guidance come at a time when several developing countries have been privileged to make similar, potentially transformative discoveries. Many have implemented local content policies and legislation, with varying degrees of success. At the same time, more mature oil and gas provinces have had recent major discoveries and have also used their experiences to implement or enhance local content policies and strategies.

Guyana is fortunate to be able to benefit from the experiences of this range of scenarios and to consider them in designing a policy and implementation strategy that are applicable to its specific purposes and allows for fair and relatively simple implementation and oversight, while remaining flexible to respond to changing circumstances.

The availability of oil and natural gas gives Guyana the opportunity to consider using the raw materials as inputs to process, refining, manufacturing, and power generation. These can all support the development goals through enhanced industrialisation, skills development, job creation and revenue generation.

However, aside from the pressure to reduce carbon emissions related to oil and natural gas, the current global situation is one of oversupply in production and availability of both raw materials (crude oil and natural gas) and finished (refined, processed and manufactured) petroleum products.

Other than oil and gas from the first and second phase developments of Liza and of Payara, the third field, the sustained levels of production and volumes available to Guyana for mid- and down-stream processing, manufacturing and power are yet to be properly quantified. Given Guyana's location and internal demand, the natural destination for downstream products will be international markets, including neighbouring countries.

*This LCP continues to be constrained by the limited data available at this early stage of the industry, so addresses general principles for beneficiation, while making provision for revision, with the availability of new information and other changing circumstances.*

For both oil and gas, there will need to be detailed analyses of the local supply and international demand to determine the areas, timing and scales of investment that can be supported. These will advise Government of Guyana policies in downstream conversion, consistent with Guyana's Low Carbon Economic and other aspirations. Natural gas beneficiation via conversion to power and extraction of natural gas liquids and LPG production will not be compromised. A natural gas master plan will be necessary to properly develop that resource and will take into consideration the potential local content, value addition and participation impacts and upstream resource management, including the pace, scheduling and other characteristics of field development.

### 3.3 Policy Drivers

While the current situation offers encouragement for enhanced engagement and participation of Guyanese nationals and businesses, the degree and nature of potential and desirable mid- and down-stream beneficiation require, among other things, a better understanding of the production potential of the continuously discovered reserves. For local content capacity development:

- Given the recent discoveries and commencement of development, Guyana is assured of a relatively long period of production operations (at least 25 years)
- Further field developments, beyond the initial developments of the Liza and Payara discovery, are imminent.
- A robust exploration programme is underway in the pioneering Stabroek Block and others, where discoveries have also been made
- Further field discoveries will be developed in the medium-term
- All the activities will more likely yield further discoveries, additional proven reserves, new field developments and increased production operations and an increase in the associated activities, demand for goods and services and production of oil and gas.

However, in addition to general business services support, the sector requires some very specialised skills and services, always of a very high standard, while only providing a small amount of direct and indirect jobs. Therefore, it is the growth and diversification in the economy and the supporting skills, services, technology, and infrastructure base that have catapulted the development of those countries which have managed oil and gas well, not just the direct impact on employment and businesses. These success stories are further generally characterised by good governance of the sector and country, a key requirement for sustainable development.

As a new industry, there is an opportunity to design and operate the required governance framework, institutions, and legal and regulatory instruments (including policies, legislation, regulations, contracts, licences, permits, decision making criteria, reporting requirements, guidelines, and procedures) to the highest standards required. Done well, this will ensure transparent and accountable management of the resource and can become a catalyst for transformation of the governance of the entire country and economy. This policy and its implementation give Guyana the opportunity to start on this journey in capacity development,



local content, and value-addition, limited, but potentially highly impactful sub-sets of this most important industry.

Petroleum industry activities are conducted by some of the world's premiere firms, utilising best in class people, technology, systems, and procedures to manage their businesses and relationships. Included are those required for Information and Communications Technology (ICT), HR, accounting, procurement, and risk, financial, project and operations management. They are also well governed and engage world leading approaches to transparency and accountability. The presence of international petroleum sector service providers and manufacturers in the economy provides a unique opportunity for Guyanese firms and regulators to learn from these major operators and suppliers by working alongside and for them, to create well governed and managed Guyanese companies and agencies that will generate opportunities for locals to invest in the petroleum sector and enhance the local capital market, while raising the competitiveness of the business environment and the quality of governance.

Investments and activities in the sector require long timelines, often out of sync with national election cycles. Robust management of the sector to enable maximum economic benefits to be achieved therefore requires a common vision or aspiration for the sector and country, across the political divide, which lends itself to predictability in investment, policy direction and sector governance. Similarly, investors need a consistent and predictable policy and legislative environment to make otherwise risky investments.

In administering the sector, the Government of Guyana must ensure that activities are consistent with provisions of the Constitution and Laws of Guyana, as well as the obligations to the people, investors, and the international community, always keeping in mind that the best interests of the people of Guyana are paramount. Furthermore, a vision of the outlook of Guyana and the role the sector will play in such objectives will allow all participants to be clear on their roles in achieving the country's goals and also to be aligned to work together for the common good.

The scale and scope of activities available to Guyana due to the nature of the oil and gas discoveries and the circumstances under which they are being explored for, developed, and produced provides Guyana a unique opportunity to leverage those same activities to prepare itself as a major oil and gas producer. Guyana's entrance into the sector also allows it to better position itself to follow its objective of being a low carbon economy. Thus, with prudent macroeconomic management the petroleum sector can provide the local economy with the capabilities it needs to become a world leader during the energy transition phases.

Moreover, the major social and economic shifts of 2020, caused by the COVID-19 Pandemic and the global movement to redress historic systemic social injustice have come at a time that presents Guyana with an opportunity to shape the conversation with an investor base that is redesigning the way they work and relate to host countries. Given the nature of the geology of the oil and gas fields in Guyana, the investors see a long term, profitable relationship with the

country. The moment is ripe therefore for a conversation about “business not as usual,” a way of working that is mutually beneficial as it:

- allows all parties an ideal workshop to heal the planet and laboratory to prepare for the energy transition;
  - Guyana offers the potential for very significant carbon sequestration in the quest for a net-zero world;
  - Guyana will secure its place in the world as guardian of the rainforests and Amazon ecosystem;
  - Guyana can become a model for Sustainable Development;
  - The companies can play a significant role in helping develop capacity in engineering, ITC, innovation, environmental sciences, and research and development;
- Moves away from the historic model of exploitation by extractives companies in the developing world;
- Is less reliant on a transient work force, the dangers of which were exposed by the pandemic;
- Rewards people for their inputs rather than their origins, so that Guyanese do not have to leave their homeland to earn a decent wage and can bring their considerable talents to bear in developing Guyana.

The extraction of natural resources can have enormous implications for many parts of an economy irrespective of any LCP, including government revenues, public expenditures, investments, salary levels, demand for labour and expertise. Moreover, the resource rents are usually much larger than the economic value of any local content generated. Hence, government management of these incomes (taxation, expenditures, macro management, and so forth) is likely to play a more important role in poverty reduction and development than even the most effective local content requirements. In addition, there is likely a trade-off between the use of the resource revenues for LCPs and other welfare-enhancing and poverty-reducing investments (such as education, health, and infrastructure) that could be important.

Therefore, one key option for Guyana is to adopt a localist approach for its LCP. A localist approach can be utilized to address a number of other problems associated with extractive resource development that have historically impeded other sectors of the local economy from fully realizing the potential benefits of the extractive resources. It can also be used to improve company-community relations. It can be used to partially compensate the local resource-bearing communities for any negative impacts of oil and gas development.

The private sector has an important role in the adoption of Local Content Policies (LCPs); however, they are just one of many stakeholders. Local content must also attract attention from civil society groups. State agencies must make a strong effort to engage civil society, and for their part, many organisations simply must give sufficient attention. Outside of the international oil industry, local institutions must understand local content’s potential and significance. For that reason, there is a lot that can be accomplished through applied research and encouraging public participation in the creation, implementation, and enforcement of these

important policies as well as in ensuring an enabling governance environment for local content to operate and make good on Guyana's development through its emerging petroleum industry.

### 3.3.1 Adopt a structural approach through:

- 1) Promoting the localization of materials and service.
- 2) Creating of business opportunities in downstream.
- 3) Developing workforce: training and entrepreneurship
- 4) Support attracting and enabling foreign investment in Guyana.

The enforcement of local content policy regulations should address two critical policy instruments (human capital and domestic firm capability development) to remain effective and beneficial to the domestic economy. The embeddedness of human capital and domestic firm capability development practices within the local content policy regulation linked to investment incentives policies can contribute to the broader economy in the short and long term.

## 4. Concepts and Principles

The following are key definitions of terms as used in this policy document and the Implementation Plan.

### Guyanese/Local

The term **Local** means:

- In the case of **Individuals, Citizens** of Guyana, as defined under the Constitution of the Co-Operative Republic of Guyana Act, Chapter 1:01, 1980, which includes *inter alia* a person born in Guyana (Article 43) and a person born outside Guyana who is a child of a parent with Guyanese Citizenship (Article 44).
- In the case of **Firms, Companies beneficially majority owned ( $\geq 51\%$ ) by Citizens;**
- In the case of **goods and services, those provided by local individuals or firms.**

**“Guyanese Person” or “Guyanese Citizen” or “Guyanese”** means a person or persons who have Guyanese Citizenship under the Constitution of the Co-Operative Republic of Guyana Act, Chapter 1:01, 1980, which includes *inter alia* a person born in Guyana (Article 43) and a person born outside Guyana who is a child of a parent with Guyanese Citizenship (Article 44).

**“Non-Guyanese person”** means a person who is not defined as a “Guyanese person”.

**Beneficial ownership** is defined in terms of the person(s) who ultimately benefits from the proceeds of the company.

**“Guyanese-Owned, Registered in Guyana”** (for efficiency, also referred to as a “Guyanese Supplier”) means an existing or potential supplier or sub-contractor company that has fifty-one percent or greater ( $\geq 51\%$ ) of its share capital or partnership share **beneficially owned** by Guyanese Citizens, and is registered in Guyana with the Guyana Revenue Authority, and where the offices, plant or facilities of the company that relate to the supply, distribution or

manufacture of goods or the provision of services for petroleum operations in Guyana are located in Guyana.

**“Guyanese-Owned, not Registered in Guyana”** means an existing or potential supplier or sub-contractor company that has fifty-one percent or greater ( $\geq 51\%$ ) of its share capital beneficially owned by Guyanese Citizens, and is not registered in Guyana with the Guyana Revenue Authority or does not have offices, plant or facilities of the company that relate to the supply, distribution or manufacture of goods or the provision of services for petroleum operations in Guyana that are located in Guyana.

**“CARICOM-Owned, Registered in Guyana”** (for efficiency, also referred to in this policy as a “CARICOM Supplier”) means an existing or potential supplier or sub-contractor company that has fifty-one percent or greater ( $\geq 51\%$ ) of its share capital beneficially owned by Citizens of a CARICOM country that is not Guyana, is registered in Guyana with the Guyana Tax Authority, and where the offices, plant or facilities of the company that relate to the supply, distribution or manufacture of goods or the provision of services for petroleum operations in Guyana are located in Guyana.

**“CARICOM-Owned, not Registered in Guyana”** means an existing or potential supplier or sub-contractor company that has fifty-one percent or greater ( $\geq 51\%$ ) of its share capital beneficially owned by Citizens of a CARICOM country, and is not registered in Guyana with the Guyana Revenue Authority or does not have offices, plant or facilities that relate to the supply, distribution or manufacture of goods or the provision of services for petroleum operations in Guyana located in Guyana.

**“Foreign-Owned, Registered in Guyana”** means an existing or potential supplier or sub-contractor company that has less than fifty-one percent ( $< 51\%$ ) of its share capital beneficially owned by Guyanese Citizens or Citizens of another CARICOM country, and is registered in Guyana with the Guyana Revenue Authority, and where the offices, plant or facilities that relate to the supply, distribution or manufacture of goods or the provision of services for petroleum operations in Guyana are located in Guyana.

**“Foreign-Owned, not registered in Guyana”** means any existing or potential supplier or sub-contractor company that has less than fifty-one percent ( $< 51\%$ ) of its share capital beneficially owned by Guyanese Citizens or Citizens of another CARICOM country, and is not registered in Guyana with the Guyana Revenue Authority or is not registered for tax purposes in another CARICOM country.

**“CARICOM/Foreign-Owned, registered in Guyana”** means the combination of the following:

- CARICOM-Owned, Registered in Guyana
- Foreign-Owned, Registered in Guyana

“**Guyanese Resources**” means goods and services provided by Guyanese Suppliers and/or goods and services that are derived from raw materials or the territory of Guyana.

“**Certified Made-in-Guyana Good**” means a specified material, product or equipment that has been issued with a certificate by the relevant Guyanese certifying agency, stating that the good meets requirements of domestic value addition to be classed as ‘Made-in-Guyana’.

“**Certified Beneficially Guyanese-Owned Company**” means a specified company that has been issued with a certificate by the relevant Guyanese certifying agency, stating that the company meets requirements of being beneficially Guyanese owned.

“**Certified Guyanese Service**” means the portion of the value of a specified service attributable to a Guyanese Citizen or a Certified Beneficially Guyanese-owned Company(ies) that has been issued with a certificate by the relevant Guyanese certifying agency, stating that the service meets requirements of being Guyanese local content.

### **Local Content and Value-Addition**

**Local Content** is considered the **value of the inputs** of local goods and services, including employment, provided in oil and gas operations, **measured in monetary value**.

- Describing Local content and capacity development in terms of units of input, such as man-hours, number of people trained or employed, level of skills or competency developed or certified, tonnes of material used, etc. is useful for tracking progress, but for the sake of computing local value addition, must be **normalised to the common factor of cost**.

Local Content only occurs when Operators or Contractors hire locals as employees or sub-contractors or buy goods or services from them. Local content therefore is the **outcome** of companies’ hiring and procurement activities, often referred to as **backward economic linkages**.

Local content is only possible when locals (individuals and firms) are able to provide goods and services at a **standard acceptable to the industry**. For countries like Guyana, new to oil and gas, the indigenous capacity will be limited, so increasing local content will require enhancing the ability and number of locals to participate (**Capacity Development**.)

While Guyanese content in the oil and gas sector is an absolute necessity, it must be made absolutely clear that at no point is it the intention of the Government of Guyana to exclude foreign investors and participants. The definition of Guyanese content is for measurement, even if that is as a minority partner, as is expected in the many areas where majority ownership by Guyanese is not viable.

**Additional value** can be created in Guyana and for Guyanese as a consequence of the benefits gained from participating in activities that support the sector and through the use of its produced raw materials. These mechanisms are:

- 1) **Beneficiation**, being the **activities and outputs** in the **mid- and downstream** segments of the value chain, involved in handling and converting raw materials into usable products and selling and delivering these to end users.

When done **in-country**, these are considered **Local Value-Add** and are referred to as **forward economic linkages**.

2) **Knowledge & Technology Transfer**, from

a) **Foreign to Local Participants** to:

- i. Ensure that locals are given the opportunity to participate fully at all levels, in all roles and disciplines required for the conduct of the sector's business and operations,
- ii. Build and enhance capacity in people, companies, government or other services, utilities, institutions, infrastructure, or facilities **to support the oil and gas sector**

b) **Petroleum Sector to other Sectors** to:

- i. enhance the **productivity of other economic sectors** (such as agriculture, food processing, mining, manufacturing, forestry, ITC, finance, and construction),
- ii. **improve national competitiveness,**
- iii. **reduce imports and**
- iv. **generate export opportunities.**

These are referred to as **lateral economic linkages**.

### **Capacity Development/Enhancement of Institutions, Companies and/or Individuals**

**“Capability”** means the ability of the institutions, companies, and competent workforce to fit into appropriate challenges, assignments, and job positions in the industry.

**“Competency”** refers to the performance of the institutions, companies and workforce with the appropriate proven and certified knowledge, skills, and behaviour to deliver quality goods and services to international standards without compromising quality, cost, and schedule.

**“Capacity”** means the number and/or productivity of institutions, companies, and competent workforce in the industry.

**“Capacity Development or Enhancement”** means increasing the number and/or capabilities of institutions, companies, and workforce with requisite competencies to meet the needs of the industry.

### **Petroleum Value Chain Life Cycle**

**“Upstream”** is that stage of the oil and natural gas industry that is responsible for the exploration and production of crude oil and natural gas deposits. The Upstream stage is sometimes known as the Exploration and Production (E&P) sector.

“Petroleum Operations” means Prospecting Operations and/or Production Operations, as defined in the Petroleum (Exploration and Production) Act No.3 1986.

“**Exploration Phase**” means the phase comprising all the activities companies undertake to find hydrocarbons (oil and gas) including geophysical and geological data collection, processing, and analysis, such as seismic data related activities, and drilling of exploration and appraisal wells.

“**Development Phase**” of an oil and gas project comprises all the activities and investments related to preparing a field for production. Development requires extensive analysis and field planning to guide crucial decisions regarding the number and design and drilling of producing and injection wells and the engineering, procurement, fabrication and construction of surface and subsurface equipment, facilities, and infrastructure.

“**Production Phase**” starts when the first marketable hydrocarbons (first oil and/or natural gas) flow from the wellhead. Production volume will depend on various factors including the number of producing wells and the capacity of the installed production facility(ies). This is the longest phase of an oil and gas project and can extend over one or more decades.

“**Decommissioning Phase**” means the decommissioning activities involves the safe plugging of wells in the earth's surface and disposal of the equipment used in offshore production.

“**Midstream**” is that stage of the oil and gas value chain that is responsible for storage and transportation of crude oil and natural gas. In the case of natural gas, it includes separation of the component parts of the natural gas stream into its individual components by physical means, such as cooling. Power generation from natural gas is often considered a midstream activity.

“**Downstream**” is that stage of the oil and gas value chain that is responsible for the chemical conversion of crude oil and natural gas into refined or manufactured products and the trading, marketing and distribution of crude oil and natural gas and their derived products.

#### **Major Project/Operations Life Cycle:**

Activities in every stage and phase are undertaken after considerable planning and analysis. The stages involved before operations commence are called the project life cycle and include:

1. Appraising the situation and feasibility to pursue the undertaking – the **Appraise Stage**;
2. Evaluation options and Selecting the preferred concept to undertake the exercise – The **Select Stage**;
3. Conduction detailed analysis, design, and costing to come up with a detailed Plan– the **Define Stage**;
4. Executing the Plan – the **Execute Stage**;
5. Operating the field or plant (in the case of a construction project) – the **Operate Stage**

Stages 1 to 3 are defined as the “**Front-End Stages,**” prior to project execution. The Operate Stage includes production and maintenance.

### **Goods & Services Providers**

“**Operator**” means the party charged with conducting day to day activities under a Petroleum Agreement

“**Petroleum Agreement**” means an agreement between the Minister responsible for petroleum and one or more persons relating to prospective or production operations, including without limitations such agreements as described in the Petroleum (Exploration and Production) Act of 1986, Article 10.

“**Supplier**”, “**Sub-Contractor**” or “**Contractor**” means a third party to whom the Operator or a Primary Contractor has entered into a contract, agreement, or alliance for the supply of goods or provision of services for petroleum operations

“**Primary Contractor**” means the five (5) to ten (10) of the largest contractors involved in Operator activity by contract value for each stage of a project. Primary Contractors are responsible to the operator for the completion of a scope of work under the contract terms and may utilise and manage subcontractors or hire people for specific parts of the work.

“**Partner/Partnership**” refers to any form of alliancing between two or more entities including the full range of legal relationships from arm’s length vendor/reseller, agent, supplier, contractor, licensee, Joint Venture partner, etc. but is not intended to refer to the legal use of the term as in firms made up of individuals engaged in law, accounting, and consulting, for instance

### **Supply Chain Management**

“**Supply Chain Management**” refers to all the stages involved in procuring personnel, services, goods, supplies, and equipment for use in project and/or operational activities related to the petroleum sector. These stages include:

- market analysis to determine demand and supply characteristics, quantities and timing;
- procurement strategy development, inclusive of scale and scope of goods and services, duration of contracts, preferential treatment, etc.;
- Market conditioning via supply of information to potential suppliers;
- Procurement, inclusive of tendering, bid evaluation and award;
- Contracting; and
- Managing supplier performance.

To support Capacity Development of suppliers, a **Supply Chain Management Strategy** will involve:



- Identification of goods, services, and firms to be targeted for preferential treatment and/or capacity enhancement;
- Providing potential suppliers with timely and appropriate access to:
  - Information;
  - Business opportunities;
  - Alliancing opportunities with established Primary Contractors or other suppliers;
  - Technology and know-how;
  - A procurement process (systems and procedures) suited to the scale and capacity of the local market;
  - Contract and payment terms that facilitate competitive financing and growth;
  - Performance management systems and procedures, with feedback and support for improvement.

**“Procurement process”** means the process of acquiring goods and services including all stages in the tendering and contracting processes, sole or single sourcing, the receiving of goods or delivery of service, the storage of goods and the payment process for goods and services.

To assess **competitiveness** effectively, a clear definition of the scope of the measurement is required within the Guyanese context. Therefore, competitiveness is defined as: “Ability of a firm, Industry, or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them”. This LCP considers competitiveness of the industry in the context of a system of interdependent entities who participate in the industry. Within this context, the extent to which a single actor can excel in terms of overall performance is dependent the capacity and capability of the system as a whole. The competitiveness framework considers the four phases of the oil and gas value chain; Exploration, Development & Execution, Production and Abandonment, while also considering operators, supply chain entities (including entities that manufacture, and or deliver products and services), as well as the regulatory environment within which the industry operates.

The **“low carbon economy”** refers to the green ecological economy based on low energy consumption and low pollution. The concept of a low-carbon economy (also referred to as a decarbonised economy) has emerged as a means for addressing climate change. A low-carbon economy is simply an economy that causes low levels of greenhouse gas (GHG) emissions compared with today's carbon-intensive economy.

The **Fourth Industrial Revolution** refers to how technologies like artificial intelligence, autonomous vehicles and the internet of things are merging with humans’ physical lives. The concept refers to how a combination of technologies are changing the way we live, work, and interact. It can be described as the advent of “cyber-physical systems” involving entirely new capabilities for people and machines.

**“Local Content Plan”** means a master plan from the entire life cycle of any major project, operations stage or undertaking at any point along the value chain. The duration of this plan may be for the entire life of a project, such as a Field Development Plan, or specified period of operation, say 5 or 10 years, as approved in a Production or similar Licence. Such a plan will include a Supply Chain Management Strategy that will describe forward-looking local content **objectives** and related schedules, activities and programs, and quantifiable **targets**, including:

- the estimated utilisation of Guyanese persons (**the Employment Plan**)
- the estimated utilisation of Guyanese goods, services, suppliers, and sub-contractors (**the Procurement Plan**)
- the training of Guyanese persons, the capacity building of Guyanese Suppliers and training and other institutions, research and development and other capacity building initiatives to support the objectives of Government policy for local content in the petroleum sector (**the Capacity Development Plan**)

**“Annual Local Content Plan”** means a yearly plan from period 1<sup>st</sup> January to 31<sup>st</sup> December, or part thereof for the first year as applicable, submitted by the Operator to the Minister within sixty (60) days prior to the beginning of each year and updated annually, describing the annual input components and deliverables of the Employment, Procurement and Capacity Development Plans.

**“Local Content Report”** means, at a minimum, half-year and end-year reports, each submitted by the Operator to the Minister within 30 days after the end of each half year, providing evidence of progress in achieving the objectives, activities, programs, and estimated utilisation of local content contained in the Operator’s Local Content Plan.

#### **Governance**

**“Government”** means the Government of the Cooperative Republic of Guyana and its ministries and agencies

**“Minister”** means the government Minister with the authority to administer this policy his/her nominated representative/s. At the issuance of this policy, it is the Minister of Natural Resources.

**“Legislation”** refers to the Petroleum (Exploration and Production) Act No.3 1986 and the pending Petroleum Commission Bill, when it becomes law.

**“Regulations”** refer to Regulations related to Local Content and Capacity Development, as envisaged under the pending Petroleum Commission Bill, when it becomes law.

**“Regulator”** refers to the entity responsible for enforcing the relevant Petroleum and/or Local Content Regulations. On Passage of the Petroleum Commission Act, this will be the Petroleum Commission.

**“Multi Stakeholder Working Group on Local Content”** means a body set up and chaired by Government, involving representatives of key stakeholders’ groups, including the major

international oil and services companies, local private sector including the financial sector, education and training institutions, non-governmental organisations, labour and civil society. The Working Group will advise the Inter-Agency Coordinating Committee and support collaboration and coordination among and between stakeholder groups and allow for early action on critical items required for operationalizing of this Local Content Policy.

**“Inter-Agency Coordinating Committee”** means the body, made up of senior officials of the various government ministries and agencies that will be charged by the Minister to oversee the implementation of this Local Content Policy, by:

- Reviewing and supporting the work of the Local Content Unit
- Coordinating research and development and other capacity development programmes
- Coordinating and supporting collaboration among the Local Content Unit and other government stakeholders
- Promoting local supplier and enterprise development
- Removing administrative barriers to local participation in the sector
- Reporting on local content and capacity development activities and achievements
- Managing development and periodic review of this local content policy
- Recommending changes to other government policies, legislation and/or regulations that impact on local content and capacity development.

**“Local Content Secretariat”** means the department, division or team within the Petroleum Commission/Regulator that is set up by the Legislation/Regulations, with responsibility for overseeing the implementation of this Policy and the pertinent regulations, facilitating access by locals to opportunities, ensuring that locals are given the appropriate opportunities by Operators and Contractors and measuring and reporting on the performance of Operators and the industry in setting and meeting local content and capacity development objectives.

## **5. Policy Goals and Objectives**

### **5.1 Policy Goals**

By way of capacity development, local content, value addition, and taking into account the uncertainty of the future of oil and gas, Guyana intends to capture much of the value and benefits from its oil and gas resources and related activities. These blessings will be used to transform the country into a sustainable and low carbon economy that encompasses the heritage and aspirations of the people. Through collaborative mechanisms with Operators, Contractors, citizens, and other stakeholders, the country will be counted among the first developing nations who have managed an extractive industry and used its patrimony as a source of national development and sustainability.

*The ultimate goal of this Local Content Policy (LCP) is to provide a springboard for Guyana’s national sustainable development and transformation into a sustainable and low carbon economy, well prepared for the fourth industrial revolution and net-zero emissions.*

To achieve this, Guyana intends to use the oil and gas sector for the development of its citizens, regardless of race, ethnicity, religion, or sex. The aim is to create a world class supply chain, workforce, and business environment for the Petroleum Sector to facilitate and attract investment beyond oil and gas, in innovation, technology development and environmental preservation. These will provide the portal through which Guyana makes its transition into a leadership position as a net-zero carbon emitter, in keeping with its commitments to mankind, made before oil and gas were discovered.

Using the opportunities to participate in country, made possible by the world scale and profitable resources recently brought under production, Guyanese oil and gas professionals and services companies will grow in competence along the value chain and develop an internationally competitive export industry.

More importantly, those *competencies will be built in a manner that allows us to enhance existing sectors of the economy and add new ones so as to support national sustainable development* with seamless adjustments in the economy in spite of the inevitability of swings in fortune of the oil and gas markets and depletion of our bounty.

The petroleum sector will be *characterized by world class capacity in key State institutions and high-quality governance, improving the ease of doing business and acting as a beacon to investors in our bounteous resources.*

## 5.2 Policy Objectives

The objectives of this policy are to:

1. Enhance the skills and competencies of Guyanese Citizens.
2. Promote maximum use of Guyanese in the petroleum sector workforce.
3. Maximise the use of locally sourced goods and services in the Petroleum sector.
4. Domesticate key capabilities and activities that international investors traditionally retain at Head Office.
5. Enhance the capacity of Guyanese businesses and supply chains to become internationally competitive.
6. Enhance and make world class the training, technology, innovation and research and development base of Guyana.
7. Bring value to investors, through high-quality skills and services.
8. Promote alliances between Guyanese and world class firms for the transfer of technology and knowledge transfer and research and development in the industrial sectors.
9. Enhance the quality of business support services, infrastructure, and facilities.
10. Enhance the global competitiveness of Guyanese industries.
11. Promote and facilitate access to finance, local investment in businesses and industries, capital aggregation and enhance the depth and quality of the Guyana's capital markets.
12. Enhance the level and quality of innovation and research and development.
13. Enhance the quality of the business environment and governance in Guyana to improve the investment climate of Guyana.

14. Provide equitable access to all Guyanese, giving preference to communities traditionally under-served or disadvantaged for social, economic, or historical reasons or by virtue of disability.
15. Increase the level and quality of in-country supply chain management of Operators and Primary Contractors.
16. Promote in-country value addition and retention along value chains.
17. Position Guyana as a leader in the Energy Transition.

The **Implementation Plan** that is being developed to support this policy, **will identify specific initiatives and measures** to deliver each Objective. **Targets and schedules** will be progressive to reflect the changing state of the domestic supply base and the forward demand. As with this policy, implementation will be undertaken in a collaborative manner with stakeholders and will include regular reporting in a manner that is easily accessible and comprehensible to all parties.

## 6. Local Content & Capacity Development Approach

In keeping with the goal of this policy to maximise benefits to Guyanese, the strategy for implementing this policy focuses on identifying sources of value, including intrinsic potential, and pursuing and securing them for Guyanese, in a manner that is mutually beneficial to both Guyana and its investors.

### 6.1 Value Maximisation

Value from the sector can be gained or retained in various ways, many of which are impacted by this policy:

1. Select the best safe, efficient, and considerate Operators and services providers.
2. Seek best possible deal for Guyana while affording investors a fair return on their investment.
3. Ensure adequate access to opportunities in the oil and gas sector in order for Guyana and Guyanese to benefit from:
  - a. **capacity building of individuals, firms, and the capital markets**
  - b. **the provision of goods and services (backward linkages)**
  - c. **other sectors of the economy (lateral linkages) and**
  - d. **value addition to produced raw materials (forward linkages)**
4. Have an efficient revenue collection mechanism in place.
5. Invest in transformational projects targeting the livelihood and wellbeing of Guyanese and have an intergenerational saving fund in place.
6. Ensure that the resources are exploited in a safe, efficient manner environmentally friendly manner.

To ensure that the targeted value maximization is impactful, the policy must focus on pertinent areas of value. Further, implementation must be done in a collaborative manner with appropriate enforcement and, stakeholders held accountable for the decisions made and actions taken.

Having recognised the umbilical link between the oil and gas resources of Guyana and its people, it is role of the Government of Guyana to ensure that much of extracted oil wealth are retained in Guyana through shrewd and transparent management practices. Such a management framework will require an overarching sector policy, supported by policies specific to national development.

For Guyana, **Value Maximisation** will include:

1. skills development and jobs creation;
2. slowing and reversing the brain-drain;
3. inclusivity, especially finding affirmative actions to attract and retain women, Indigenous people, the disabled and otherwise disadvantaged communities;
4. supply-chain development and management; *international experience has demonstrated that, as multinational firms centralised their procurement processes, local firms have suffered, and the host country has lost the opportunity for its citizens to learn these most important skills and procedures that are so important for every business and government needs to be successful;*
5. preference to increasing in-country activities by foreign parties;
6. investment by Guyanese to enhance the local capital markets and be part of business development and brand building, rather than just suppliers of labour;
7. good governance, inclusive of improving the ease of doing business and accountability of regulators;
8. an optimised tax system.

**Value Retention** would include:

- i. midstream and downstream value enhancement;
- ii. the transfer of enhanced skills, services, infrastructure, facilities, capital markets, etc. to other local sectors;
- iii. sustainable development through enhanced social and environmental monitoring and care.

## **6.2 Training, Skills Development & Employment**

The nature of the upstream industry is capital intensive with few highly skilled labour and is thus not a significant employment generator. Notwithstanding, some of these specialised knowledge could be transferred to the local level and hence applied to other sectors within the domestic economy. Downstream operations, however, such as in refining, power, petrochemicals, and manufacturing, can provide more jobs on a sustainable basis.

The enhanced training requirements have the potential to catalyse an expansion and upgrade of training and educational institutions, such as the University of Guyana and technical and vocational institutions, and so benefit other economic sectors as well. Institutional capacity enhancement is a priority in the implementation of this strategy.

### **6.3 Supplier Development**

- Raise the standards of locals to industry standards will result in efficiency and cost benefits to investors.
- Boosting productivity through training, mentoring coaching, enterprise development facilities, and partnering.
- Transfer of knowledge and technology through integration, participation, equity investment and retention of profits. Of these, joint ventures facilitate equity ownership, profit retention and strengthening of the Guyanese capital markets.
- Setting minimum requirements for ownership in joint ventures through equity participation. While it is not the intention of Guyana to mandate joint ventures for providers of all goods and services at this point, mechanisms will be put in place, including Licensing to require international parties who have substantial work in Guyana to engage with a local “partner” as defined herein. From time-to-time Guyana will determine and publish areas and levels of local beneficial ownership for the provision of selected goods or services, as appropriate.

### **6.4 Capital Market Enhancement - Creating Investment Opportunities**

Capital and operating expenditures in the oil and gas industry are significant. There is an opportunity to localize supply chains in procuring goods and services that serve the industry. This can have the impact of reducing the level of capital tied up by international investors in non-productive assets (such as spares and stocks) and operating costs in country, while at the same time increasing local participation to create value for both the oil company and the country.

However, this requires both increasing the amount of capital available in the local market and the efficiency of its distribution and use. By having locals participate, revenues and profits will accrue to the domestic economy. For that to happen there must be access to affordable and competitive funding. Multiple approaches have been used in different jurisdictions, including the provision of specially capitalized and managed funds and innovative contracting and lending mechanisms.

### **6.5 Enhancing the Tax Base**

Public revenues (royalties and taxes) generated from the oil and gas industry can be used by government to provide infrastructure and social services, to counter commodity price volatility and/or saved in a sovereign wealth funds for intergenerational wealth transfer. Local participation will allow for more locals to be employed and more local companies to make profits, hence, enhancing the tax base of the country.

Foreign suppliers are required to pay their fair share of taxes. To the extent that the administrative effort of the local tax authority is reasonable, foreign companies doing business as agents, contractors, or sub-contractors to operators in Guyana will be required to register a local company and/or be Licensed and pay taxes in Guyana.

## 6.6 Transformation and Sustainable Development – Sustainable and Low Carbon Economy & 4<sup>th</sup> Industrial Revolution<sup>1</sup>

Implementation of this policy will emphasize the building of capacity in environmental, social and governance (ESG) while using oil and gas proceeds to drive a structural transformation process, inclusive of changes that support energy transition, sustainable and low carbon development and the fourth industrial revolution.

Guyana will exploit its strategic geographical location, favorable climatic conditions, landmass, rich biodiversity, and forestry resources to attract investments in research, development, and manufacturing to support the development of a sustainable and low carbon economy and digital technology.

## 6.7 Good Governance

Good governance is highly recommended and encapsulates:

1. clear and utilitarian regulations
2. an empowered and accountable regulator
3. accountability and transparency
4. participation among government agencies and between government agencies and other stakeholders

## 7. Minimum Local Content in Goods and Services

To ensure maximum participation of local suppliers in the petroleum sector and development of Guyanese persons companies shall comply with the below sliding scale targets of the respective sectors.

Table 7-1: Local content levels to be attained from date of effectiveness of licence or petroleum agreement

<b>Upstream</b>						
<b>No.</b>	<b>Items</b>	<b>Start</b>	<b>3-years</b>	<b>5-years</b>	<b>7-years</b>	<b>10-years</b>
1	Management Staff	10%	20%	25%	35%	45%
2	Supervisory Staff	15%	25%%	35%%	50%%	65%
3	Technical core staff	20%	30%	40%	65%	75%
4	Professional support staff	30%	40%	55%	75%	80%
5	Semi-skilled	50%	60%	60%	80%	90%
6	Unskilled	100%	100%	100%	100%	100%
<b>Midstream and Downstream</b>						
<b>No.</b>	<b>Items</b>	<b>Start</b>	<b>3-years</b>	<b>5-years</b>	<b>7-years</b>	<b>10-years</b>
1	Management Staff	20%	30%	35%	45%	50%
2	Supervisory Staff	25%	35%%	45%%	60%%	70%
3	Technical core staff	30%	40%	50%	75%	80%

<sup>1</sup> Klaus Schwab, founder, and executive chairman of the World Economic Forum, describes the fourth industrial revolution, as a world where individuals move between digital domains and offline reality with the use of connected technology to enable and manage their lives (Xu et al., 2018).



4	Professional support staff	35%	45%	65%	85%	90%
5	Semi-skilled	60%	70%	80%	90%	100%
6	Unskilled	100%	100%	100%	100%	100%

Table 7-2: FEED<sup>2</sup>, Detailed Engineering and other services

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
1.1 FEED and detailed engineering on onshore facilities	20%	40%	55%	75%	90%	Man-Hour
1.2 FEED and detailed engineering on offshore facilities (shallow water)	10%	25%	50%	70%	95%	Man-Hour
1.3 FEED and detailed engineering on LNG facility	10%	25%	50%	65%	90%	Man-Hour
1.4 FEED and detailed engineering gas gather facilities	20%	45%	65%	75%	90%	Man-Hour
1.5 FEED and detailed engineering on deep offshore facilities—hull and topside modules	10%	30%	50%	75%	95%	Man-Hour
1.6 FEED and detailed engineering on deep offshore concrete structure	10%	25%	50%	70%	90%	Man-Hour

Table 7-3: Fabrication, Construction and Storage

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
3.1 Terminal or oil movement system	20%	40%	60%	75%	90%	Volume
3.2 Drilling modules or packages	20%	35%	50%	70%	95%	Tonnage
3.3 Piles, anchors, buoys, jackets, bridges, flare brooms, storage tanks, pressure vessels umbilical	20%	40%	60%	75%	95%	Tonnage
3.4 Topsides module (process modules and storage modules)	10%	30%	50%	75%	90%	Tonnage
3.5 Accommodation module	10%	30%	50%	70%	90%	Tonnage
3.6 Subsea systems	10%	30%	50%	70%	90%	Tonnage
3.7 Pipeline systems	10%	40%	55%	75%	100%	Tonnage
3.8 Risers	10%	40%	55%	75%	100%	Tonnage
3.9 Utilities module or packages	10%	30%	50%	65%	80%	Tonnage

Table 7-4: Materials and Procurement

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
4.1 Steel plates, flat sheets, sections	30%	50%	65%	80%	100%	Tonnage
4.2 Steel pipes	25%	50%	70%	85%	100%	Tonnage
4.3 Low voltage cables	40%	60%	70%	85%	100%	Length

<sup>2</sup> Front End Engineering and Design

4.4 High voltage cables	30%	50%	70%	90%	100%	Length
4.5 Valves and pumps	20%	40%	55%	75%	90%	Number
4.6 Drilling mud-baryte, bentonite	20%	40%	50%	65%	85%	Tonnage
4.7 Cement	30%	50%	70%	80%	90%	Tonnage
4.8 Heat exchangers and other piping accessories	10%	40%	50%	70%	90%	Number
4.9 Steel ropes and other mooring accessories	30%	50%	65%	75%	90%	Tonnage
4.10 Protective paints	30%	50%	60%	80%	95%	Litres
4.11 Glass reinforced epoxy (GRE) pipe	20%	40%	60%	70%	85%	Tonnage

Table 7-5: Research and development relating to in-country services

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
5.1 Engineering studies-reservoir, facilities, drilling etc.	20%	40%	60%	75%	90%	Spend
5.2 Geological and geophysical services	20%	40%	60%	75%	90%	Spend
5.3 Safety and environmental studies	40%	50%	65%	75%	95%	Spend
5.4 Local materials substitutions studies	20%	40%	60%	70%	90%	Spend

Table 7-6: Transportation, supply, and disposal services

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
6.1 Tugs, remotely operated vehicles (ROV) support, driving support vessels	30%	40%	60%	70%	90%	Spend
6.2 Barges	30%	50%	60%	75%	95%	Spend
6.3 Accommodation platforms, vessels	30%	50%	60%	75%	95%	Spend
6.4 Disposal, distribution, and waste transport services	40%	50%	65%	85%	100%	Spend
6.5 Rental of cranes and special vehicles	40%	50%	65%	85%	100%	Spend
6.6 Freight forwarding, logistic management services	40%	50%	65%	85%	100%	Spend
6.7 Supply base, warehouse, storage services	40%	50%	65%	85%	95%	Spend
6.8 Truck package product, transportation services	40%	50%	65%	85%	100%	Spend

Table 7-7: Well drilling services

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
7.1 Reservoir services	20%	30%	50%	70%	90%	Man-Hour
7.2 Well completion services (permanent gauges & intelligent wells)	20%	40%	55%	75%	95%	Man-Hour

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
7.3 Wire line services (electric open holes, electric cased hole, slickline)	20%	40%	50%	65%	80%	Man-Hour
7.4 Logging while drilling (LWD)	25%	40%	55%	70%	85%	Man-Hour
7.5 Production or drilling service	30%	45%	55%	75%	95%	Man-Hour
7.6 3D Seismic data acquisition services	30%	40%	60%	80%	95%	Man-Hour
7.7 Well overhauling or stimulation services	30%	45%	55%	75%	95%	Man-Hour
7.8 Wellhead services	30%	40%	50%	70%	90%	Man-Hour
7.9 Directional surveying service	20%	40%	60%	75%	90%	Man-Hour
7.10 Cutting injections and cutting disposal services	30%	45%	55%	75%	95%	Man-Hour
7.11 Re-cutting inspection services	35%	45%	55%	70%	90%	Man-Hour
7.12 Cased hole logging services (gyro, perforation, gauges, gyro PLT performance, PLT gauges)	30%	45%	55%	75%	95%	Man-Hour
7.13 Well watch services	20%	30%	50%	65%	85%	Man-Hour
7.14 Cement services	30%	40%	50%	65%	80%	Man-Hour
7.15 Coiled tubing services	25%	40%	50%	65%	80%	Man-Hour
7.16 Pumping services	30%	45%	55%	75%	95%	Man-Hour
7.17 Fluid or bottom hole sampling service	30%	40%	50%	65%	85%	Man-Hour
7.18 OCTS services (cleaning, hard banding, re-cutting, rethreading, Storage)	30%	45%	55%	75%	95%	Man-Hour
7.19 Well crisis management services	20%	40%	60%	80%	95%	Man-Hour
7.20 Other drilling services	30%	45%	55%	65%	85%	Man-Hour
7.21 Petrophysical interpretation service	20%	40%	50%	70%	85%	Man-Hour
7.22 Extended well test or early production Services including provision of floating or jack up production unit	10%	30%	50%	60%	70%	Spend
7.23 Rental of drill pipe	25%	45%	55%	70%	80%	Spend

Table 7-8: Health, safety, and environmental services

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
8.1 Site clean-up services	30%	45%	55%	75%	95%	Spend
8.2 Pollution control	10%	20%	30%	50%	60%	Spend
8.3 Wastewater treatment and disposal services	30%	40%	55%	75%	90%	Spend
8.4 Fire and gas protection system services	30%	40%	55%	75%	90%	Man-hour
8.5 Ventilation, heating, sanitary services	40%	50%	60%	80%	95%	Spend
8.6 Waste disposal, drainage services	40%	50%	60%	80%	95%	Spend

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
8.7 Industrial cleaning services	40%	50%	60%	80%	95%	Spend
8.8 Safety, protection, security, firefighting system services	30%	45%	55%	75%	95%	Spend
8.9 Preservation of mechanical and electrical components services	30%	45%	55%	75%	95%	Man-hour
8.10 Equipment brokerage services	30%	45%	55%	75%	95%	Spend
8.11 Temporary accommodation, camp services	40%	50%	60%	75%	95%	Spend
8.12 Catering service	50%	75%	100%	100%	100%	Spend
8.13 Cleaning and laundry services	50%	75%	100%	100%	100%	Spend
8.14 Security services	50%	75%	100%	100%	100%	Spend
8.15 Medical services	30%	45%	55%	75%	95%	Spend
8.16 Other supporting services	40%	50%	75%	85%	95%	Spend

Table 7-9: Information systems, information technology and communication services

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
9.1 Network installation, support services	40%	60%	70%	85%	95%	Spend
9.2 Software development	30%	40%	50%	75%	85%	Spend
9.3 Software support services	40%	50%	60%	80%	95%	Spend
9.4 Computer based modelling services	20%	40%	60%	80%	90%	Spend
9.5 Computer based simulations and training programme services	20%	40%	60%	80%	90%	Spend
9.6 Hardware installation support services	40%	50%	60%	75%	100%	Spend
9.7 Operating system installation and support services	40%	50%	60%	75%	100%	Spend
9.8 User support-and help desk services	20%	40%	60%	75%	90%	Spend
9.9 Information Technology Management consultancy services	30%	40%	50%	75%	90%	Spend
9.10 Data Management services	30%	40%	50%	75%	90%	Spend
9.11 Telecommunication installation and support services	40%	50%	60%	75%	95%	Spend
9.12 Other Information Technology services	30%	40%	50%	65%	85%	Spend

Table 7-10: Marine operations and logistics services

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
10.1 Telecommunications services	40%	50%	60%	75%	95%	Man-hour
10.2 Supply of crewmen for domestic coastal services	40%	60%	75%	85%	95%	Number
10.3 Driving or ROV or submersible operations	20%	30%	50%	65%	80%	Man-hour

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
10.4 Hook-up and commissioning including marine installation services	20%	30%	50%	65%	80%	Man-hour
10.5 Dredging services	40%	50%	60%	80%	95%	Man-hour
10.6 Gravel and rock dumping service	50%	60%	70%	80%	95%	Man-hour
10.7 Floating storage units (FSU)	20%	30%	40%	50%	60%	Man-hour
10.8 Subsea pipeline protection services	10%	30%	50%	60%	80%	Man-hour
10.9 Installation of subsea packages	10%	25%	40%	60%	75%	Man-hour
10.10 Mooring system services	40%	50%	60%	75%	95%	Man-hour

Table 7-11: Financial and insurance activities

Description	Start	3-years	5-years	7-years	10-years	Measured Unit
11.1 Local deposits	30%	50%	65%	80%	95%	Value
11.2 Credit advance (loans)	20%	40%	50%	65%	80%	Value
11.3 Insurance	40%	50%	65%	80%	95%	Value

## 8. Implementation Strategy

An implementation plan for this policy would be developed to address the aforementioned policy objectives. Based on prior stakeholders' engagements, several concerns were raised, and recommendations were propounded for immediate actions to be taken. It is anticipated that some would form part of the upcoming implementation plan while others will provide guidance.

It is important to note that all stakeholders involved in capacity development and local content delivery has an important and complementary role to play. While this document focuses largely on the role of Government, local content requires the will, skill, and investment of operators.

To get prepared, Guyanese must know what goods and services are needed, what capability and competencies these require, how many, when and for how long the goods or services will be needed. Only then can Guyanese institutions design and deliver training and development programs efficiently and effectively or can businesses invest in equipment, materials, facilities, technology, etc.

Therefore, access to accurate, up-to-date, and appropriately granular data and information are critically important to decision making for this range of stakeholders at this early stage. Thus, any investment to facilitate and support capacity building for Guyanese participation and value addition in local economy must be well considered, strategic and flexible to respond to changing circumstances around the state of the petroleum resource base, activity levels and the capacity of the local supply chain.

## 8.1 Stages of Implementation

1. **Identification of opportunities** for Guyanese participation and capacity development needs. Detailed and up to date analyses of demand, based on planned and approved programmes of work, and the local skills base and supply chain will form the basis of databases to guide capacity development focus and employment, partnering with and procurement from locals.
2. **Prioritising** of needs and investment in capacity development will be guided by sector and national development strategies and plans.
3. Plans for all major projects and operations will have to include **employment, local content and capacity development plans and procurement strategies** that will be reported on and reviewed regularly during the life of the programme. **Employment and procurement strategies** will:
  - be developed and/or approved at the **Project Appraisal and/or other early parts** of the project life cycle, rather than at the implementation stage,
  - include training and capacity development, knowledge and technology transfer, support for local training institutions and research and development,
  - **give preference to Guyanese,**
  - **reserve certain jobs, goods, and services** for Guyanese,
  - **identify metrics for setting targets** for levels of local content and participation,
4. This policy will be enforced by **Regulations and related legislative instruments**, such as **Licences, Permits, Schedules, Rules and Guidelines**,
5. **The Sector Regulator** will:
  - include a dedicated and empowered **Local Content Unit**,
  - **measure and report** on the **local content performance** by Operators and Contractors, in a **transparent** and consistent manner.
  - be **supervised and supported by multi-sectoral stakeholders**, in its role in implementing this policy,
  - **report to the Parliament** on the performance of Operators, Contractors, and the industry,
  - based on detailed analyses of supply and demand, and guided by the ultimate goal of this policy, **identify those goods and services to be reserved for Guyanese**,
  - **set targets** for local content and participation in the provision of key goods and services and **review same** from time to time.

## 8.2 Setting Priorities

Recognizing the *status quo* of Guyana's state of readiness, the pace of activities and existing arrangements, the Government of Guyana will implement these measures in a pragmatic and staged manner, involving mechanisms to review progress and adjust its approach, as needed:

- Since circumstances will change over time, all decisions and priorities will be based on robust, *ongoing* analysis of:

- the demand and supply bases; these will be underpinned by easy accessibility to reliable and up to date information on planned and ongoing projects and operations and the local supply chain
- national development priorities
- Working in collaboration with industry to identify the roles required to conduct their activities and the requisite competencies and certifications, so that Guyanese are prepared in advance for future opportunities
- Starting with areas where Guyanese have existing capabilities or where some of its service providers can readily transform to meet the industry needs; these will be determined in consultation with stakeholders, as will commitments to enhance the available capacity
- Focusing growth on areas of major spend and of strategic interest to Guyana’s development.
  - Given the Government of Guyana’s stated national development objectives, areas of strategic interest will include, but are not limited to maritime services including agriculture, food processing, mining, manufacturing, forestry, shipping and the development of deepwater ports, environmental sciences, maritime ecology and the related R&D, engineering, fabrication, construction, Information and Communications Technology, innovation, project planning and management, supply chain management, financial services.
- Using this information to work with other stakeholders, including international partners, educational and training institutions, professional bodies, Contractors/services companies, civil society, and individuals, to inform training and other capacity development programmes, infrastructure and facilities development and local financing and investment in the sector.

### 8.3 Gap Analysis

The **Implementation Strategy** will be characterised by *fairness*, through:

- ease of access to opportunities
- information on the capabilities and availability of Guyanese citizens and businesses
- transparency of decision-making.

These are contingent on *accessible data, timely and useful information*. They will also help Guyanese to understand clearly:

- a) **Demand** - the full range of possible activities and requisite skills, goods, services, standards, and certifications required to conduct businesses in the oil and gas sector, including the entire value chain, both within and outside Guyana, from upstream to downstream. During the early stages of operation, the government of Guyana will work in tandem with operators, advisors, and others in order to identify and streamline the numerous business opportunities that are available to interested Guyanese.
- b) **Supply** – in collaboration with the operators, the government of Guyana will
  - identify potential suppliers based on the availability of appropriate infrastructure, facilities, equipment, skills, experience, services, and certifications, and make them available and accessible to operators and contractors (local and international).

- allow locals a fair chance to submit their credentials to be considered for participation.
- enable international operators and services companies to identify local employees and suppliers from within Guyana and in the diaspora.

## 8.4 Capacity Development

**Identifying and Closing Gaps** - The Government of Guyana will work with stakeholders, including development partners, investors, financiers, and skills development agencies to determine deficiencies, design and deliver training programmes and support services to individuals and firms that are relevant to the sector's needs.

There will be a focus on:

- i. **developing** existing capabilities;
- ii. **extending** the programme into related or complementary areas;
- iii. **promoting** international competitiveness.

## 8.5 Employment & Procurement

**Success in implementation** - will require *Supply Chain Management and procurement strategies* by Operators and their international contractors, which will be characterised by local capacity development and local content strategies and plans for all major programmes of work at all stages of the petroleum life cycle, inclusive of:

1. *Procurement strategies* which will support this national policy and strategy
2. *Capacity development* programmes for local employees and contractors
3. *Support for national education, training and research and development* programmes and institutions
4. *World class supplier development strategies* by sector participants that seek to facilitate access by Guyanese through mechanisms such as:
  - unbundling of contracts to reflect the state and growth potential of the local market
  - market conditioning, including early notification of intended activities
  - preferential treatment of locals
  - contract management with supplier performance improvement strategies
  - facilitating partnerships between Guyanese and international suppliers
  - providing contract terms that facilitate access to competitive financing and opportunities to learn and grow
  - transparency of and accountability for decision making in procurement
  - measuring and reporting on local content policy implementation and achievements
  - benchmarking, best practice sharing and continuous improvement.

## 8.6 Contributing to National Sustainable Development

For expansion of the supply chain in Guyana and among Guyanese, priority will be given to those goods and services that are sustainable in demand and which can provide viable investment opportunities. Through the participation of individuals and mutual funds, this will enable capital aggregation and sharing of the benefits of the sector by a wider section of the population.



Recognising that certain limitations may constrain Guyanese from participating in all aspects, the approach to local participation will focus primarily on those areas that align with existing local capabilities and/or support national development objectives, especially industrialization and the enhancement of other sectors of the economy.

Supply chain development will address national development by investing in skills, training institutions equipment, technology, infrastructure, facilities, capital aggregation and services that can support the enhancement and safety and security of mining, manufacturing, construction and other industries and economic sectors that are strategic to Guyana's national interests.

By demanding high a standard and offering support to suppliers, quality of services will increase along with competencies and competitiveness of our local firms.

To continue on this trajectory, the Government of Guyana shall do its part by:

- regularly reviewing the implementation of this policy to capture additional value for Guyanese, particularly in terms of mid- and down-stream beneficiation.

### **8.7 Measurement & Assurance**

To ensure compliance with this policy, there will be a governance framework, inclusive of institutions and legal and regulatory control instruments for overseeing the various stages of the business, projects, and operations life cycles. These may comprise of several legislations, regulations, contracts, licenses, permits, approvals, reporting requirements, guidelines, operating policies, and procedures. To safeguard enforcement, elements of the regulatory framework will be developed and implemented in parallel with capacity building of the respective regulators.

Until a comprehensive system is in place, existing laws and contracts will be supplemented, as required, with relevant instruments which will place emphasis on the key requirements for successful delivery of the policy - capacity development, procurement and reporting for projects, plans and operations.

New and existing contracts for International Oil Companies and major international services companies (contractors) will be administered using similar approval, reporting and oversight tools, so as to reduce the administrative burden on the regulators. Similarly, plans and projects submissions for approval and reporting formats and content will align with industry best practice for project and operations management and cost control, so as to minimize the burden on operators and contractors.

### **8.8 Key Performance Indicators**

The performance of Operators and their Primary contractors can be measured by the impact on the components of local capacity development and local content at the various stages of their

Supply Chain Management cycle. Metrics may be quantitative, qualitative or a combination thereof:

1. **Local Market Preparation:** Data and Information made available to local market:
  - a) **What** - Data and information on upcoming requirements re – goods/services, quantity, quality, timing, standards, certification, procedures etc.
  - b) **When: In a Timely manner, allowing locals to properly prepare and respond,**
  - c) **How: In Accessible manner/formats (easy to get and understand)**
2. **Capacity Development:** To enhance the competitiveness of local market
  - a) **Individual Competencies** - skills, experience, certification, attributes, numbers, etc.
  - b) **Businesses** – equipment, technology, know-how, financing, infrastructure, business process improvement, standards, certification, numbers, etc.
  - c) **Institutions** – capacity development for individuals and businesses, regulatory agencies, training & research institutions, professional and business associations, etc.
  - d) **Supporting ecosystem** – Ease of doing business, fiscal & other incentives for locals, Infrastructure, Facilities, Utilities, etc.
3. **Employment** – Numbers, kinds, value (in \$ and % of all spend by categories)
4. **Procurement** – Contracts for Goods & Services – Numbers, kinds, value
5. **Lateral Benefits** in support of Guyana’s Development agenda and sustainability:
  - a) Existing capacity enhanced to support oil and gas sector and can improve competitiveness of other sectors
  - b) New capacity added/developed and potentially accessible to other economic sectors
  - c) Capacity built for new economic sectors, such as in the Green Economy or to support the 4<sup>th</sup> Industrial Revolution.

## 9. The Role of Operators

Local Content will only happen when a Guyanese is employed, or a Guyanese company is contracted to deliver goods or a service. To qualify to be engaged, Guyanese must be capable of undertaking the tasks or participating in the activities, with at least enough basic knowledge and/or experience to learn on the job.

To get prepared, Guyanese must know what goods and services are needed, what capability and competencies these require, how many, when and for how long the goods or services will be needed. Only then can Guyanese institutions design and deliver training and development programs efficiently and effectively or can businesses invest in equipment, materials, facilities, technology, etc. or parents invest with a sense of comfort in their children’s higher education.

Access to accurate, up-to-date, and appropriately granular data and information are critically important to decision making for this range of stakeholders at this early stage. The limitations

of the current demand are further compounded by an absence of information and uncertainty as to the future potential level of activities and demand for goods and services required.

In this uncertainty, any investment to facilitate and support capacity building for Guyanese participation and value addition in Guyana must be well considered, strategic and flexible to respond to changing circumstances around the state of the petroleum resource base, activity levels and the capacity of the local supply chain. Notwithstanding, data should be accessed and integrated into the planning process at the earliest point, even if this means including caveats as to uncertainty.

## 9.1 Responsibility for delivering Local Content

Ultimately, under their Petroleum Agreements, *Operators are responsible for delivering local capacity development and local content. They may outsource their activities to Contractors or sub-contractors but cannot outsource their responsibility.* How they shape and manage their projects and operations therefore have a significant bearing on the delivery of local content. This is driven by the *Supply Chain Management Strategy and Procurement Processes.*

### 9.1.1 When to start

A major flaw in the design of local content strategies arises when the demand for goods and services is derived from procurement plans from Operators or Contractors. Prudent project value management requires that local content and capacity development be a factor of every project from the very earliest feasibility (appraisal) stage. Unless local capacity development and content are factored in at this and the rest of the Front-End stages, opportunities are lost and the ability to change direction is greatly reduced, as it will likely involve extra time and cost.

### 9.1.2 What to Consider

As project teams are judged by their ability to deliver projects on time and within budget, their best tool is risk management. As bringing on new, untested and/or inexperienced suppliers introduce risk, project managers are known to design the work programmes, procurement plans and service bundles to mitigate these risks. The best way to mitigate a risk is to avoid it. Project managers and teams need to be supported and incentivized for enhancing local capacity and increasing local content.

Additionally, the added risk and cost of investment by new service entrants may make engaging one for a single project unfeasible. Programme managers in companies and in the Government of Guyana, should find ways to spread costs over multiple projects, so as to incentivize investment in local capacity.

Recognizing that our investment partners may have more experience and preferred ways of doing business, the government will seek to influence them by making it clear that *all decisions must first consider the best interests of all Guyanese*, including future generations. Acknowledging that the use of new or unfamiliar suppliers introduces an element of risk, the

Government of Guyana will work with industry partners to *mitigate those risks, rather than completely avoiding them.*

We are confident that, given the industry’s hallmarks of innovation and risk management, along with our partners, we can come up with mutually beneficial solutions that will convert those challenges into opportunities for our people.

### 9.1.3 Where to Focus

Recognizing the *status quo* of the country’s readiness, the pace of development and existing arrangements in place, these measures will be implemented in a pragmatic and staged process:

- Recognizing that circumstances will change over time, all decisions and priorities will be based on robust, *ongoing* analysis of:
  - a. the demand and supply bases; these will be underpinned by easy accessibility to reliable and up to date information on planned and ongoing projects and operations and the local supply chain
  - b. national development priorities
- Starting with areas where Guyana has existing capabilities or where some of its service providers can readily transform to meet the industry needs; these will be determined in consultation with stakeholders, as will commitments to enhance the available capacity.
- Working in collaboration with industry to identify the roles required to conduct their activities and the requisite competencies and certifications so that Guyanese are prepared in advance for future opportunities. Use this information to work with other stakeholders, including international partners, educational and training institutions, professional bodies, Contractors/services companies, civil society, and individuals, to inform training and other capacity development programmes, infrastructure and facilities development and local financing and investment in the sector.

### 9.1.4 Desirable Practices

- i. Apply incentives for capacity building or increasing local content.
- ii. Applying lessons learnt and successes in other jurisdictions that may be relevant to Guyana.
- iii. Identify an Accountable Officer who is charged with overseeing, supporting internal teams, and/or reporting on local capacity development and content.
- iv. Lead or participate in industry forums for collaborating around common systems, standards, and procedures in order to reduce the burdens on local suppliers and the regulator.
- v. Have in place a locally based supply chain management and procurement team to build capacity in Operator’s local staff and relationships with local suppliers.
- vi. Develop a Supply Chain Management Strategy that identifies specific goods and services that are of requisite quality, quantity, and standards to be ring-fenced for only locally sourced.
- vii. Collaborate across projects in your portfolio and with your peers on procurement and supplier development.

## 9.2 Implementation Planning

Implementation of this policy requires a thoughtful and disciplined approach for success. The first stage of implementation will be designing a plan of action to give life to this policy through the strategy articulated. This will be done in collaboration with industry and other stakeholders so that there will be sharing of ideas, experiences and resources and a clear, common understanding of the approach, roles and requirements of stakeholders and the state of play at any point.

The detailed implementation plan will identify the Measures and Initiatives to achieve the Policy's Objectives and will be in alignment with Guyana's sector development plans. Operational tools, templates, procedures for local content regulatory implementation will also be developed as will an organizational structure and needs for the Regulator.

## 10. Collaboration, Governance and Oversight

Recognising that development of Guyana's petroleum sector requires stewardship and collaboration for managing the risks involved, governance of the sector will require policies and strategies that engender and leverage partnerships between the Government of Guyana and other participants.

For assurance, this policy will be:

- a) Enforced through appropriate legislative mechanisms and
- b) Regulated by a capable, well-resourced, and accountable institutions/agencies

Regulations will be promulgated under, *inter alia*, the Petroleum Commission Act when that comes into force.

### 10.1 Institutional Framework

Under the legislation, the Petroleum Commission of Guyana (PCG) will be created as the **Regulator**, which will:

1. Report to the people of Guyana through their elected representatives in the Parliament of Guyana, as provided for in the Constitution of Guyana.
2. Require international operators and contractors to manage their procurement through local content policies and strategies that align with the national policy, for every:
  - a) Licence or contract awarded by the GoG
  - b) Major Exploration, Appraisal or Development Plan, Programme, Project and Operation

The PCG will undertake these tasks through a dedicated **Local Content Secretariat** which will be responsible for implementation of this Policy and the pertinent regulations, facilitating access by locals to opportunities, ensuring that locals are given the appropriate opportunities by Operators and Contractors and measuring and reporting on the performance of Operators and the industry in setting and meeting local content and capacity development objectives. The Unit will:

1. **Monitor, evaluate, report, review, learn and improve**, via:
  - a) Requiring **registration** and **licensing** of suppliers

- b) Transparent and accessible **databases** of:
  - i. Suppliers
  - ii. Guyanese professionals and technicians, within Guyana and the diaspora
  - iii. Demand – projects, activities, and timelines
- 2. Be responsible for certification of suppliers:
  - a) Competency based
  - b) Local content level re beneficial ownership and level of inputs of suppliers
- 3. Use work permits and the licensing/registration of international firms as tools for capacity development and knowledge transfer, rather than barriers to entry of skilled personnel and competent companies
- 4. As progress is made and market conditions evolve, will set targets to drive performance, which are realistic and developed in consultation with industry and capacity development agencies
- 5. Measure performance and report using Key Performance Indicators and targets set in appropriate instruments – *“What gets measured gets done”*:
- 6. Ensure that these targets and performance against them are made public and participants held accountable for performance
- 7. Ensure reporting will be:
  - a) kept simple, consistent, measurable, and transparent
  - b) supported, monitored, and reported with common reporting guidelines, templates, and procedures
  - c) based on standard industry practice, as far as possible.
- 8. The Local Content Unit will be overseen by the **“Inter-Agency Coordinating Committee,”** made up of senior officials of the various government ministries and agencies that will be charged by the Minister to oversee the implementation of this Local Content Policy, by:
  - a) Reviewing and supporting the work of the Local Content Unit
  - b) Coordinating research and development and other capacity development programmes
  - c) Coordinating and supporting collaboration among the Local Content Unit and other government stakeholders
  - d) Promoting local supplier and enterprise development
  - e) Removing administrative barriers to local participation in the sector
  - f) Reporting on local content and capacity development activities and achievements
  - g) Managing development and periodic review of this local content policy
  - h) Recommending changes to other government policies, legislation and/or regulations that impact on local content and capacity development

A **“Multi Stakeholder Working Group on Local Content”** will be set up and chaired by Government, involving representatives of key stakeholders’ groups, including the major Operators, international services companies, local private sector including the financial sector, education and training institutions, non-governmental organisations, labour and civil society. The Working Group will advise the Inter-Agency Coordinating Committee and support

collaboration and coordination among and between stakeholder groups and allow for early action on critical items required for operationalizing of this Local Content Policy.

### **10.3 Regulatory Framework**

This Local Content Policy will be enforced under Regulations to the Petroleum Commission Act, once that is promulgated. These Regulations will make provisions for:

- The Institutional Framework for oversight, coordination and reporting of Local Content
- Guidelines that standardise reporting requirements, procedures and the form, timing, and content of reports
- Schedules that will set targets for local content in selected goods and services and will be reviewed from time to time
- Measures, including those described hereunder, to guide implementation of the activities related to the various stages of local content and capacity development.

#### **10.2.1 Regulatory Provisions for this Local Content Policy**

##### **A. Market Analysis and Setting Priorities**

1. Assessment of local capacities
  - a. Local Skills database
    - Provision for collecting data on Guyanese and making available to potential employers and regulators, charged with approving work permits, etc.
    - Standardisation of job Competencies and progression matrices to compare like for like and clarify capacity development programmes for each job category, so as to normalise the capabilities of individuals for ease of comparison in selecting for employment and building capacity and knowledge transfer
  - b. Local supplier database
    - Standardisation for measuring and comparing competencies, qualifications, certification of skills, goods, and services
    - Standardised Codification of goods and services
    - To help Operators and Primary Contractors design procurement to align with domestic market
    - To assist in partnering
    - Identify goods and services which Guyanese can currently provide competitively
    - Identify goods and services which Guyanese can be upgraded to become competitive in the short or medium term
  - c. Local Institutional Capacity – programmes, curricula, faculty, equipment
    - To understand existing capabilities, identify gaps so as to assist in enhancing capacity
2. Assessment of Local Demand for Skills, Goods and Services
  - a. data collection and analysis
  - b. creation, preservation and sharing of databases

3. Setting priorities, minimum levels, and targets:
  - a. Identify and make provision for goods and services that can be ring-fenced for exclusive access by Guyanese
  - b. Make provision for a minimum level of Guyanese inputs for specific goods and services
  - c. Make provision for increasing the minimum level of Guyanese inputs for specific goods and services over some given time frame
  - d. Make for provision for Guyanese inputs to be used to the extent available (such as food, banking, and insurance)
  - e. Make provision for Guyanese participation via Joint Ventures and other partnering mechanisms
  - f. Clarify conditions under which these provisions will apply, including independent certification of Guyanese content, quality assurance and avoidance of price gouging and “fronting” (acting for or on behalf of an undeclared third party, so as to mislead as to beneficiary ownership)
  - g. Providing for Schedules to Regulations to give effect to these conditions, with provision for regular review to reflect changing circumstances.

***B. Capacity Development (Persons, Companies, and Institutions)***

1. Education and training for Guyanese persons
  - a. In collaboration with industry, academic sector regulatory bodies and training institutions
  - b. review and reform local training curricula, equipment, and facilities of training facilities to be fit-for-purpose
2. Implementation of strategies to promote knowledge and skills transfer
  - a. Make provision for and facilitate the formation or entry into alliances, joint ventures and partnerships between Guyanese persons and foreign operators or supply companies
  - b. Identify specific goods and services that must have Guyanese participation and make provision for setting minimum levels
3. Set up Local Content training and capacity development fund
  - a. For education and supporting business development and capacity enhancement
  - b. For providing access to finance at competitive rates

***C. Increasing Levels of Employment & Participation***

1. Employment of Guyanese persons at all times except where it can be proven that no Guyanese with the requisite competencies is available
2. First consideration and Preference for Guyanese employees
3. To ensure that all employees are offered equal treatment, regardless of nationality
4. To ensure that, where a non-Guyanese is employed, the employer has an obligation to ensure that the competencies of one or more Guyanese are enhanced during the stay of the non-Guyanese, so that the gap is closed, aiming towards filling the role with a Guyanese in some agreed timeframe



5. Enabling and increasing Guyanese equity ownership through the minimum local participation and joint venture requirements
6. Setting targets for minimum levels of Guyanese Participation and Content, by goods, services, or projects, progressing over time, in specific/strategic sub-sectors, as appropriate.

#### ***D. Procurement***

##### **1. Supply Chain Management**

- a. Operators to manage the local supply chain activities, including scope of goods/services, contract terms, invoicing, payment schedules, and supplier development efforts from operator or connected entities, in a manner that facilitates and enables entry by local suppliers to match their initial capacity and allow for investment to grow.
  - First consideration for Guyanese goods and services
  - Preferential treatment to Guyanese to be manifest via suitable mechanisms, including, but not limited to Price advantage, at levels to be set by Regulation
  - Ensuring a fair opportunity to Guyanese to participate and gain experience so as to improve and reach the required standard
  - Facilitated by dedicated, in-country Supply Chain Management team, with the full scope of resources to service the local supply chain
- b. Procurement strategies will be developed to include local content and capacity development at every stage of the Project Life Cycle and submitted to the Regulator for approval.
  - In-country project planning and management teams to understand supply chain and design procurement with that in mind
- c. Procurement to align with Government Procurement guidelines, where practical

##### **2. Databases, Qualification and Registration**

- a. Companies providing goods and services will be required to register with the Regulator, indicating the nature and level of the goods and services they provide, their experience, standards, certification, qualification, and level of Guyanese Beneficial ownership
- b. The Regulator will maintain a standard system of codes to define individual or packages of goods and services for ease of comparison across suppliers and simplification of procurement across buyers.
- c. Information on individuals, companies and the demand for goods and services will be readily available to stakeholders for procurement, forming alliances and employment purposes.

#### ***E. Monitoring, Evaluation & Reporting***

1. Submission and approval of local content plans

- a. Local Content plans will be submitted for approval for:
    - The entire project life cycle
    - Annual operations
  - b. Local content plans will include:
    - Procurement Plan, with strategies at the various stages of the project planning cycle
    - Standards and certifications required for provision of goods and services
    - Qualification requirements for employment
    - Employment and skills development plan, with forecasts of specifications of skills needed, local workforce gaps anticipated, and training needed
    - Succession plan for positions not held by Guyanese
    - Supplier Development Plan
    - Research and Development plan
    - Estimate of the value of local content
  - c. Treatment of Local Content Plan:
    - Published locally to make stakeholders aware in time to participate
    - Reviewed and approved or suggestions made for amendments by Regulator
2. Submission of local content performance reports
- a. From company to Regulator to Public
    - Quarterly
    - Plans, KPIs, Outcomes, expenditure, remedies
    - Annually
  - b. From Regulator to Public on aggregated efforts of all Operators
    - Impact – Outcomes, expenditure, etc.
3. Local content certification
- a. The Minister will prescribe:
    - rules on local content measurement and certification
    - a methodology for determining the percentage of local content in goods and services acquired or delivered in Guyana;
    - the metrics to be applied in determining the achievement of the minimum local content levels and in-country spend for the provision of goods and services. <sup>[1]</sup><sub>SEP</sub>
  - b. The Regulator will be responsible for measuring and certifying the level of local content
    - In fulfilling its role, the Regulator may licence or otherwise empower Independent entities to undertake such audits as may be required for certification.
    - The Regulator will determine the mechanism for establishing the spend on local content.

- The Regulator will have the authority to investigate claims of misrepresentation
4. Regulator will have the right to inspect any facilities, documents, books, records, contracts, invoices, and other information related to procurement and local content and payments to local and non-local suppliers and employees.
  5. Any partner, contractor, subcontractor, or any other connected entity of the Operator must be contractually bound to report local content information
  6. There shall be established a mechanism for determining breaches of the Regulations and a Schedule of penalties for such breaches.

#### ***F. Oversight Continuous Improvement***

1. Role of the Minister
  - a. Set priority areas of focus
  - b. Set minimum levels of local content
  - c. Set targets for capacity development and local content
  - d. Empower the Regulator
  - e. Keep Regulations current
  - f. Champion Local Content
  - g. Facilitate collaboration across government agencies
  - h. Set fees and penalties associated with this Policy
2. Role of the Regulator
  - a. Oversee implementation of Policy
  - b. Research and analyse market, recommend updates to policy, regulations, and schedules to Minister
  - c. Maintain databases and collaboration platforms for stakeholders
  - d. Set standards for certification and competencies
  - e. Maintain a Register of qualified suppliers
  - f. Review and recommend approval of/approve Local Content plans
  - g. Report to the Parliament and people of Guyana
3. Role of LC Oversight/Inter-Agency Working Group
  - a. Support the Regulator and Local Content Unit
  - b. Oversee and approve plans and reports of Regulator and Local Content Unit
4. Stakeholders - Collaborative review of Policy, Priorities, Targets, Levels of Equity Participation, Minimum Local Content, etc.

### **10.3 Policy Review**

This policy will be reviewed every 2 years, to ensure its adequacy and effectiveness, in light of changing local and global circumstances.

## **11. Conclusion – Optimal Local Content Requirement Policies**

Guyana's local content requirement policies for the advancement of the petroleum sector will be for the GoG to characterise optimal beneficial strategies in the context of our economic growth path. The optimal local content requirement policy will serve to monetise the positive impacts from foreign investment which is a first-best policy, but the incremental volume of business which it will induce is a function not only of the size of these benefits, but also of the response of local suppliers to new business opportunities. The GoG aim will focus on providing high-powered incentives for investor compliance, harvesting the investor's superior information, managing the government's administrative burden, and mitigating the risk of infantilising local suppliers.

Therefore, the development of the local content principles for the petroleum sector is one of the important policy levers in the industrial policy plan for Guyana as it leverages public expenditure and respond to a myriad of economic challenges and opportunities. Localisation is an extremely important policy tool for industrialisation. Through local content procurement, a policy lever is provided amongst others, to minimize import leakages which represent an outflow of funds whilst at the same time attempting to increase both aggregate demand and supply in Guyana. The economic objective of this policy is for local manufacturers to receive a substantial share of the emerging businesses, where sustainable growth will contribute to the development of local industries and the creation of jobs.