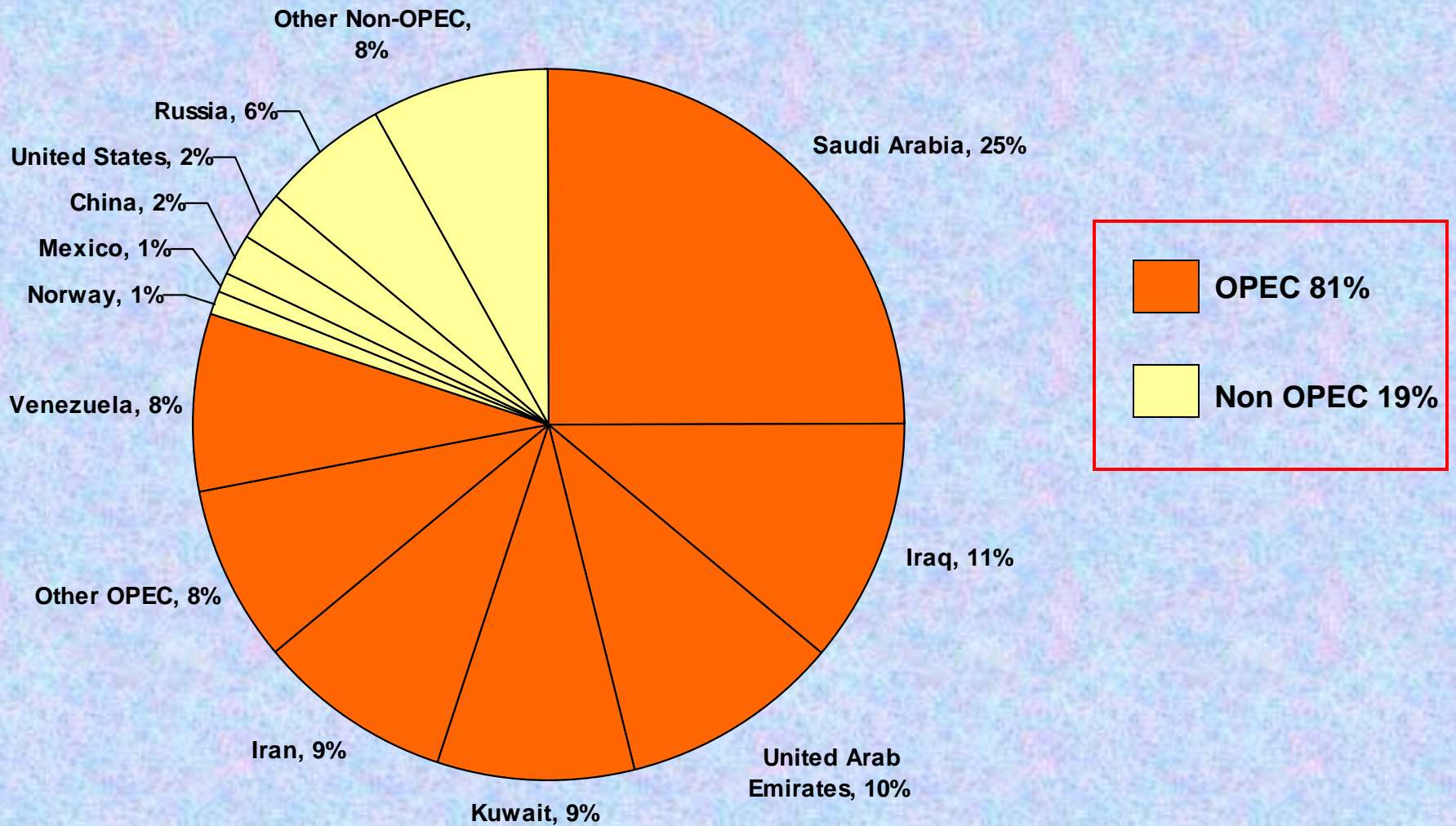


# **Developing our Petroleum Industry, safeguarding our Natural Resources and Protecting the Environment**

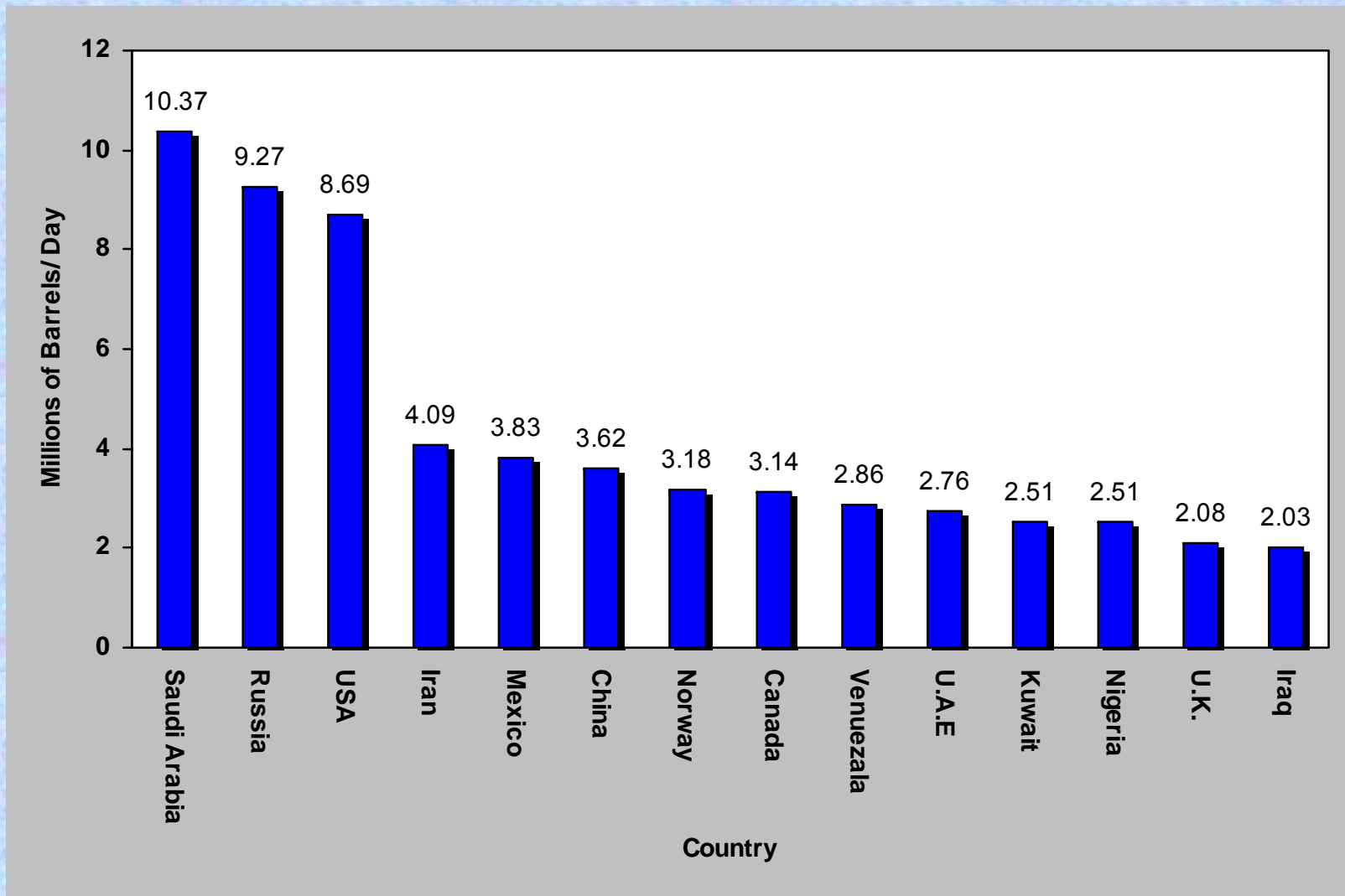
**An Overview by Hon. John Briceno, Minister of Natural Resources and the Environment**

# Proven World Oil Reserves

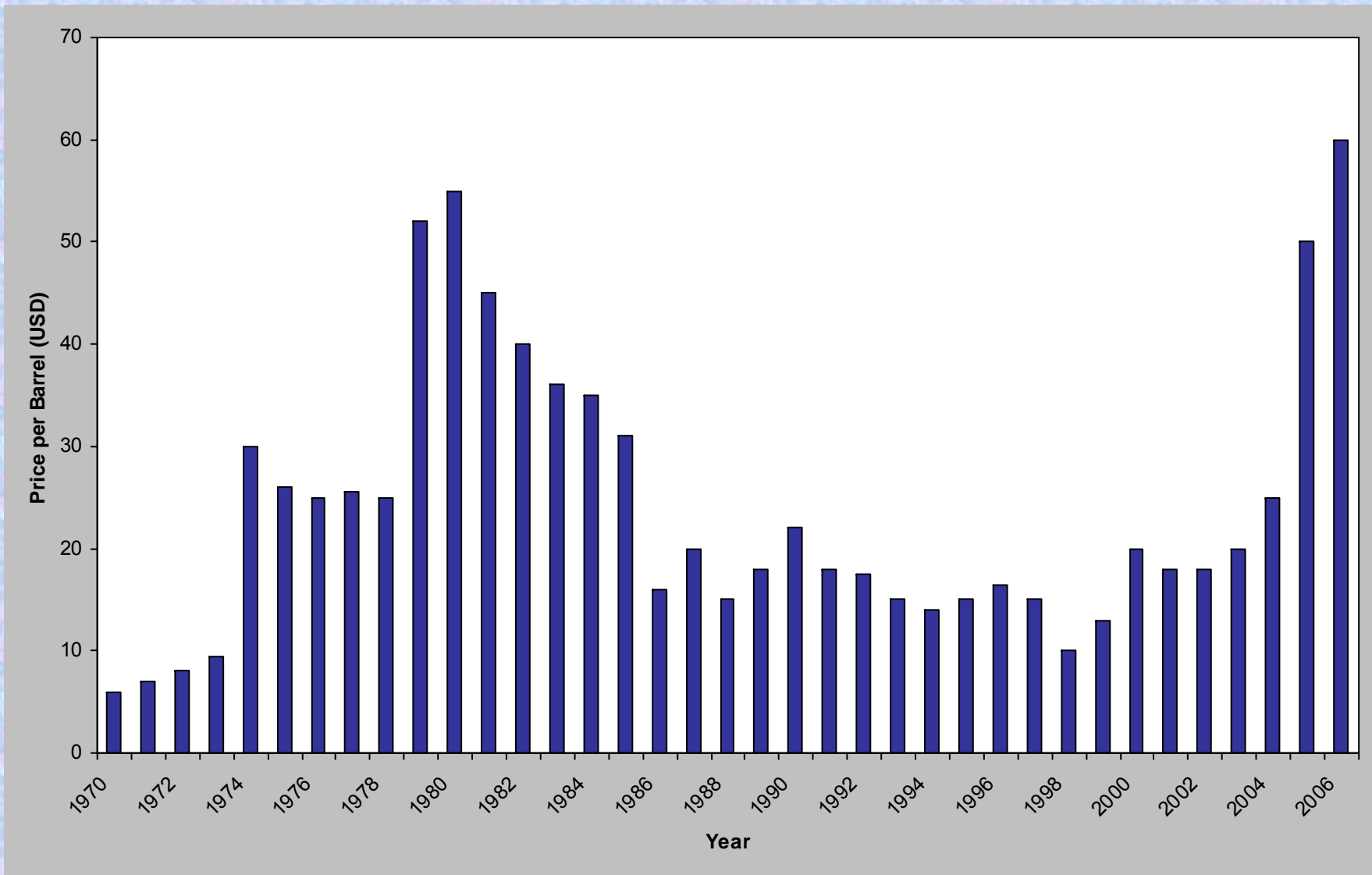
(Percent of Total: 1,212.9 billion barrels)



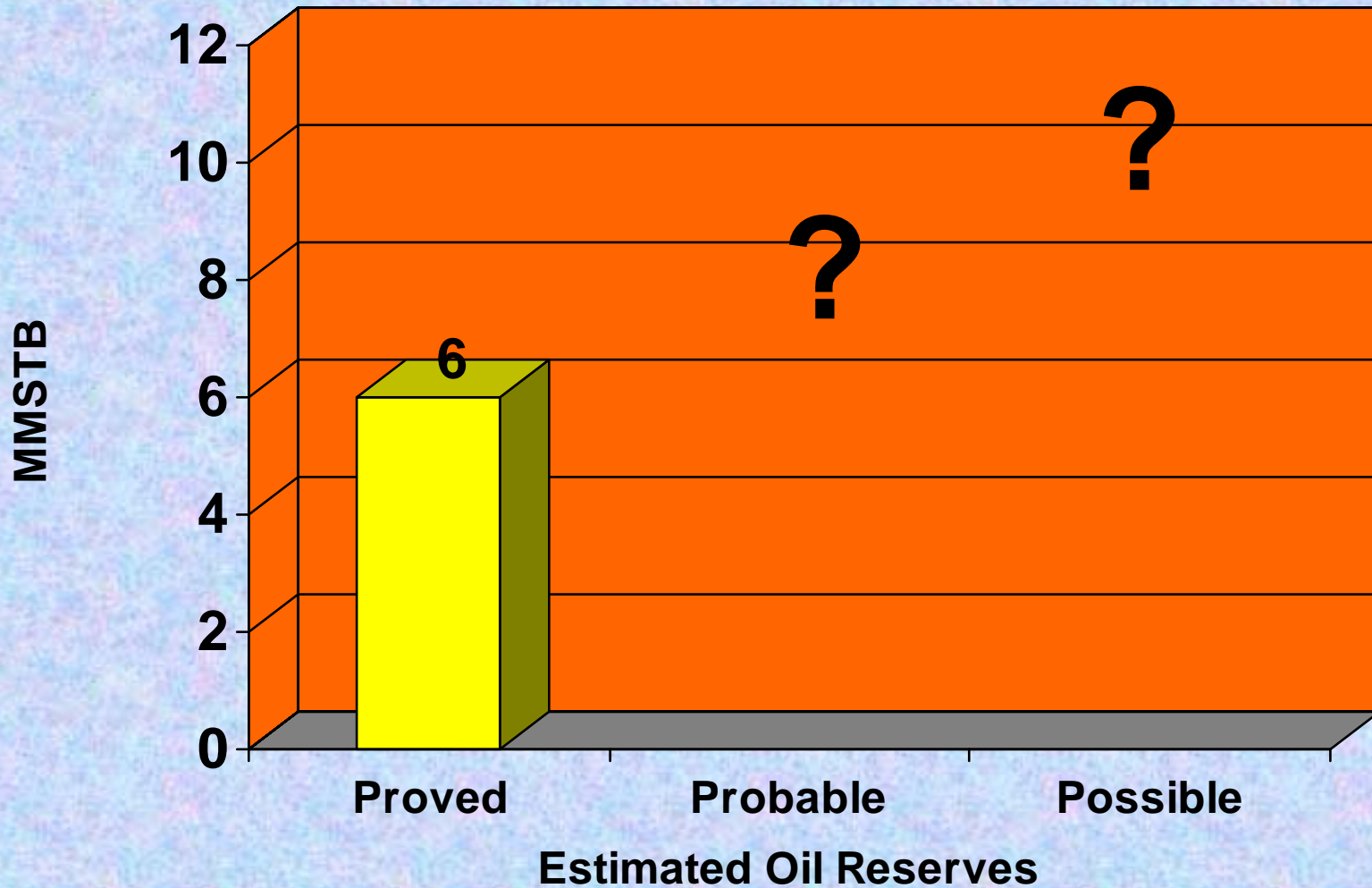
# World Major Oil Producers



# Average Crude Oil Spot Price



# Spanish Lookout Field, Belize



# Spanish Lookout Oil

- Very good quality oil
- Light crude oil - 38°API gravity
- Low sulphur
- Similar in quality to the West Texas Intermediate (WTI) crude oil
- Therefore Spanish Lookout oil is priced at WTI bench mark  $\approx$  US\$64 per barrel

# Major Challenges Before us

1. Government's revenue expectations
2. Taxation
3. The Petroleum Fund
4. Strengthening the Department of Petroleum
5. Belizean Participation in the Industry

# Major Challenges Before us

## I. Government's revenue expectations

» Royalties

» Production sharing

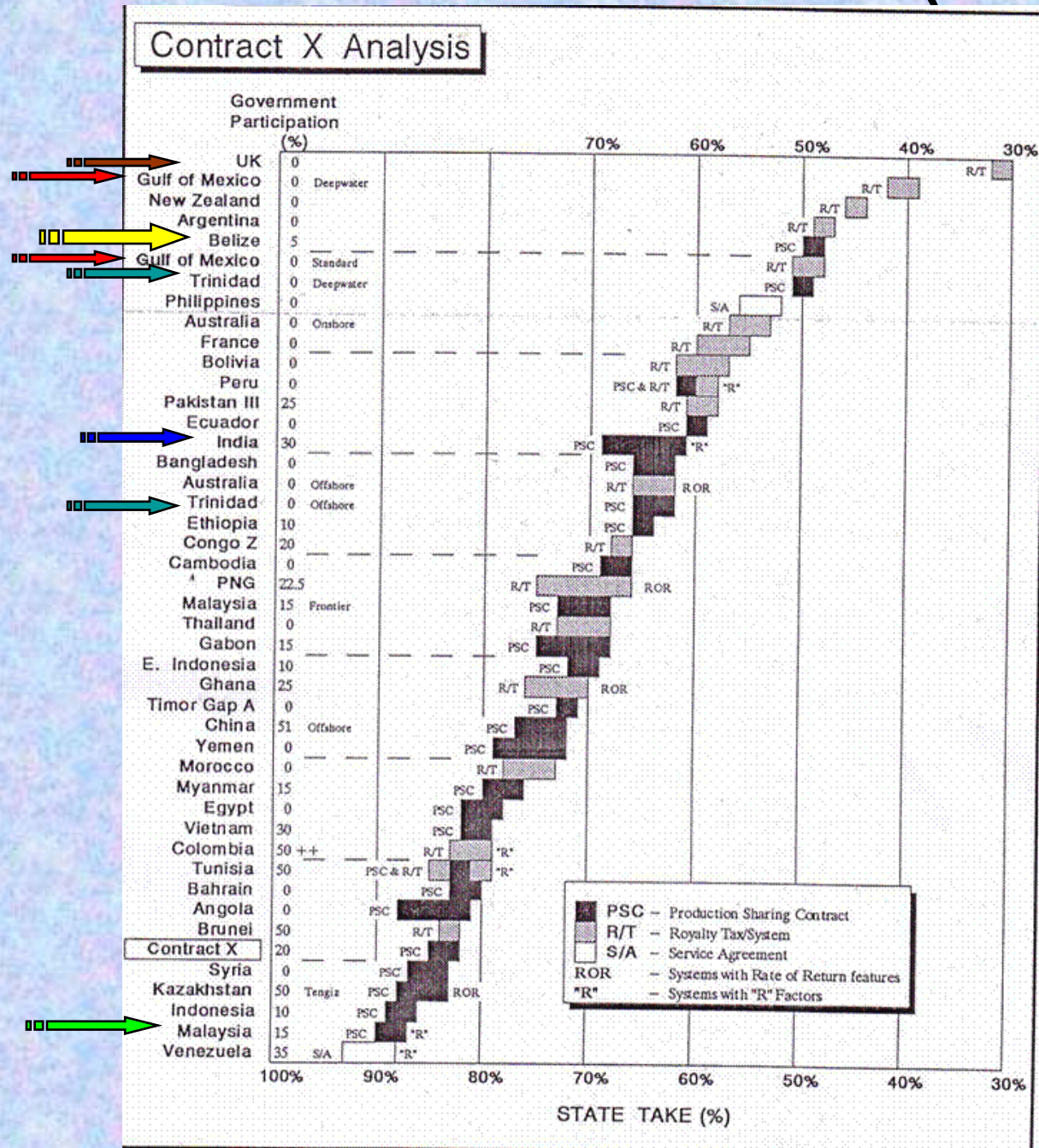
» Government Participation

# Major Challenges Before us

## II. Taxation

- What will be the rate of taxation that government can and should collect?

# Government Take % Worldwide (Pre-1998)



# Taxation

- Income Tax (Amendment) Act enacted in 1991 for taxation on profits arising from petroleum – rate of income tax was same rate applicable to all other companies on net chargeable income.
- Income and Business Tax Act enacted in 1998 – business tax supersedes income tax therefore Part II (income tax on profits arising from petroleum) is not applicable; petroleum was overlooked; current business tax applicable to petroleum (other) – 1.75%.
- Therefore, being a non-renewable resource, the issue of taxation needs to be addressed ensuring a minimum take of 50% for the Government yet creating a stable environment to promote investment.
- Overall objective: Fair and Equitable rate of taxation.

# Major Challenges Before us

## III. The Petroleum Fund

### **Petroleum Fund**

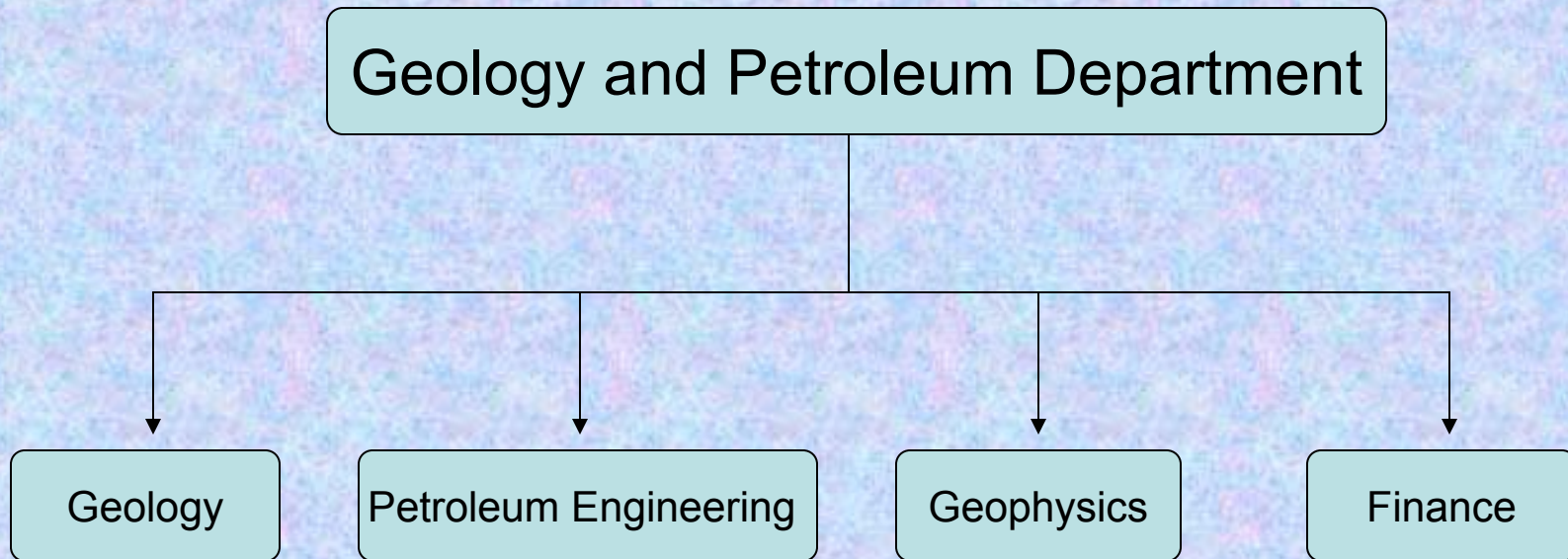
- Managed in Transparent manner.
- All revenues derived from petroleum to go into one single Fund.
- Monies allocated each year in National Budget for specific programs such as poverty alleviation, health, education, environmental conservation education.

# Major Challenges Before us

## IV. Strengthening the Department

- Employ 2 additional Geologists
- Employ 2 Petroleum Technicians
- Employ Consultants to provide assistance to Department:
  - Petroleum Geologist
  - Petroleum Engineer
  - Petroleum Accountant
- Train National Staff

# Future Structure of Department



# Major Challenges Before us

## V. Belizean Participation in the Industry

### The Petroleum Advisory Board

- **What is the Petroleum Advisory Board?**

**Group of Government and Private Sector individuals to assist in guiding the development of the industry.**

# Major Challenges Before us

## Activities completed

- Recommend an Exploration Strategy to maximize revenues for the Government – approved by Cabinet.
- Provide recommendations for Government to exercise its option to acquire a 10% working interest in the field to increase Government revenues – approved by Cabinet.

# Ensuring that Belizeans Benefit

## Belizean Participation

- Government presently conducting research for models from other countries which allow for public participation – make shares available for Belizeans keeping in mind petroleum exploration is risky.
- Need a strong Middle Class to develop Belize.
- Other ways of Belizean participation – provide services to the industry.

# Protection of the Environment

## Environment Laws

- Current EIA Regulations – EIA required for petroleum operations;
- Environmental clearance and ECPs given for drilling wells and installation of tank storage facilities.
- BNE has begun EIA for the production phase.

# Protection of the Environment Petroleum Laws

- Section 15(1) of the Petroleum Regulations provide for the Minister to appoint an environmental pollution control board to ensure all petroleum operations comply with the requirements of environmental standards and relevant laws at an appropriate time as he deems fit.
- Section 15(2) provide for the Minister to establish a Common Fund to which each contractor contributes for the sole purpose of indemnification against environmental damages from petroleum operations.
- BNE has contributed an additional 1% royalty in PSA:
  - 1/10<sup>th</sup> to be contributed to the Common Fund.
  - 9/10<sup>th</sup> to be contributed to a Trust Fund to be established for the sole purposes of environmental conservation and education (Board of Trustees to be comprised of no more than 49% foreign nationals).

**The End**