

Economic Risks of Offshore Oil Exploration and Drilling

The value of Belize's coastal and Marine Resources

WRI, WWF, with Government Departments, NGOs and local Universities

- **Coastal and marine ecosystems provide vitally important goods and services to the country**

The value of Belize's coastal and Marine Resources

- Three valuable services
- Critical protection against erosion and damages from tropical storms;
- Support artisanal fishing communities for generations;
- Stand at the center of a vibrant tourism industry (snorkeling, diving, sportsfishing,etc)

Protection by Coral Reef

- Annual value of avoided damages through shoreline protection services by coral reefs is estimated at US \$120 – 180 million for Belize.

Protection by Mangroves

- The Value of shoreline protection services provided by mangroves is estimated at US \$111 – 167 million per year.

Tourism and Recreation

- In 2007, reef and mangrove associated tourist spent an estimated US \$150 to 196 million on accommodation, reef recreation, and other expenses (12% - 15% of Belize's GDP).

Fisheries

- Approx 1.2 million pounds sold to the Belize's Fishermen's Cooperatives on 2007
- 80% was exported, earning US \$11.2 million in gross revenue

Fisheries

- Coops earned US \$1 million in sales to the local market
- Fishermen also sell their catch to local markets, restaurants, to family and friends contributing US \$1.9 to \$3.5 million per year to the economy.

Fisheries

- Total Reef and Mangrove associated fisheries have a direct economic impact of US \$14 to \$16 million per year.

Estimated Coral Reef and Mangrove Contributions to the Economy (US Dollars)

	Coral Reefs	Mangroves	Combined Contribution
Tourism	\$135-176m	\$60-78M	\$150-196m
Fisheries	\$13-14m	\$3-4m	\$14-16m
Shoreline Protection	\$120-180m	\$111-167m	\$231-347m
Total			\$395 – 559 m

Economics of Oil Production in Belize

- Production Cost for exploration and drilling the first well – Approx \$3,625,000
- Shared risk among shareholders
- Drilling a second well cost around \$2,100,000
- Once the first well has been proved commercial the oil company can easily raise funds for a second and other wells

Benefit Sharing

Daily Average Production	GOB Share %	Oil Company Share %
First 30,000 barrels	7.50%	92.50%
Next 20,000 barrels	12.50%	87.50%
Any volume over 50,000 barrels	17.50%	82.50%

BNE is producing 2,700 – 5,000 barrels daily

Taxes on Oil Production

- 23% of gross revenues
- Versus 40% of net income
- BNE claims GOB is getting 58% of profits but it is still 23% of gross revenues
- Additional exploration expenses are deducted from the income thereby reducing profits significantly
- The Windfall Tax based on US \$90/barrel is zero

Benefit Sharing BNE's Case

2006 - 2010 Figures for BNE	
Total Revenues	US \$326.10 million
Total Expenses	US \$265.34 million (59%)
GOB/BZE Take	US \$75.8 million (23%)
BNE/CHx	US \$55.5 million
BNE Trust Fund	US \$2.7 million

Estimated Annual Revenues

Assuming production of 1.8 m barrels at US \$87/barrel

BNE Expenses	\$92 million
GOB/BZE Take	\$36 million
BNE CHx	\$26 million
BNE Trust Fund	\$1.5 million

Oil Production vs Tourism	
GOB Oil Revenues/company/Year	US \$36m
GOB revenues for 8 companies	US 288 m
GOB revenues for 4 companies	US \$144
Tourism value from reef & mangrove	US \$150 -US \$196m
Fisheries value from reef & mangrov	US \$14 -US \$16m
Total Reef and Mangrove	US \$395 - US \$559m

Employment

BNE	160
17 Concessions x 160	2720
Fishermen	4,000
Tourism	16,000 to 20,000

Cost of Oil Spill

- The risk of an Oil spill is very real even with the best prevention measures and the strictest regulatory standards
- Even if there is no spill the oil spheres floating on the water and the beach can kill or significantly reduce the tourism industry

Cost of Oil Spill

- **Tourism owners will lose their investment**
- **Tourism workers will lose their employment**
- **Fishermen will not be able to fish their traditional fishing waters**
- **Who will compensate these people for their lost of investment and revenues**
- **Tourism workers/Fishermen turned beggars overnight**

Cost of Oil Spill

- After 42 day the US Gov and BP have not been able to stop the oil spill
- BP has spent US \$360 m to stop and contain the oil spill without success
- US Gov has spent over US \$100 m, is frustrated and cannot stop the oil spill
- That adds to US \$460 m with no success

The Question?

- Can the GOB, Geology, DOE, Nemo come up with US \$460 m to save the tourism and the Fisheries industry in the case of an oil spill
- Can we afford to risk our barrier reef, coral reef, atolls and other marine resources?
- Can we afford to risk (gamble) our Tourism Industry and our Fisheries Industry