



MEDIA RELEASE

EPA's Response to Misconstructions published in Kaieteur News Article on March 8

The Environmental Protection Agency (EPA) stresses that its work is guided first and foremost by the Environmental Protection Act and its suite of Regulations. The EPA has noted the repeated and deliberate publication of glaring **misconstructions** of several facets of its work. Considering their frequency and magnitude, the EPA moves to correct these **misconceptions** in the public's interest.

Provisions of the Liza 1 and Liza 2 Permits and improvements to date

The Permit for the Liza 2 Project is indeed almost a replica of the Liza 1 Permit. Clearly, the EPA saw merit in repeating in the Liza 2 Permit, almost all of the conditions of the Liza 1 Permit.

As an example, the EPA from the onset, prohibited routine flaring in the Liza 1 Permit and this stipulation which was retained in all Permits. Subsequently and after 2020, the EPA has continually improved its regulation of flaring. For instance, the EPA imposed a tax for flaring under non-routine upset conditions. This environmental control instrument is congruent with the Environmental Protection Act Cap 20:05 and is a deterrent commonly used in regions across the world to achieve environmental compliance.

As another example, the Liza 1 Permit stipulated that produced water discharges meet the World Bank/IFC standards for oil in water at 42 mg/L per day and 29 mg/L average per month. This condition was also retained and in all subsequent Permits.

Beyond the examples mentioned, many other conditions stated in the Liza I Permit have been retained in the subsequent Permits. The key point is that the EPA is always learning and improving, and its work is not about any one person within or external to the EPA.

As anyone will appreciate, with new and improved understanding of the oil and gas sector, a modern regulator will make appropriate changes as necessary to improve and ensure robust regulation of the sector. This is clearly demonstrated in the Permits issued subsequent to the Liza 1 and Liza 2 Permits, such as, the Permit for the Yellowtail Project and the Renewed Permit for the Liza 1 Project. The latter Permits both reflect significant improvement through the inclusion of the following requirements:

- Requirement for a phased reduction of oil content specification of produced water to levels lower than the current international standard of 42 mg/L per day and 29mg/L average per month.
- Requirement for the application of the Oslo and Paris Conventions (OSPAR) Harmonized Mandatory Control System (HMCS) for use and reduction of offshore chemical discharges. This system requires incorporating a Chemical Use and Management Plan and OSPAR's Harmonised Offshore Chemical Notification Format (HOCNF) among other aspects.
- Requirement for a physical *Capping Stack* to be available in Guyana and the maintenance of subscription for access to another one overseas. This was not a requirement in either the Liza 1 nor Liza 2 Permits. A Capping Stack is a new technology that is used to cap a well in event of a loss of well control, and failure of the blowout preventer (BOP).
- Requirement for mandatory simulations of the entire Oil Spill Response Plan (OSRP) with relevant stakeholders as approved by the Agency.
- The requirement for environmental effects monitoring related to biological, physical, and socio-economic resources within the Area of Influence (AOI) of the project, including targeted and updated environmental baseline studies.
- Requirement for annual independent external compliance audit on all embedded controls, including the Operations Integrity Management System (OIMS), the Oil Spill Response Plan (OSRP), and controls relating to critical drilling and production operations.

- The requirement for submission of safety case information, including a risk assessment prior to drilling and development of wells. Neither the Liza 1 nor 2 Permits provided for this requirement.
- Requirement for a Grievance Mechanism in keeping with the World Bank's Approach to Grievance Redress, to ensure that environmental complaints from individuals and communities who may be affected by a Project are received and addressed. Neither the Liza 1 nor Liza 2 Permits provided for this Mechanism.
- A requirement for the Permit Holder to indemnify and keep indemnified the Government of Guyana for liabilities and that Financial Assurance be guided by an estimate of the sum of the reasonably credible costs, expenses, and liabilities for a worst-case oil spill scenario.

Self-insurance

The Liza 1 Permit indeed relied on self-insurance. This was entirely congruent with the terms of the 2016 Production Sharing Agreement (PSA) which was entered into with the Petroleum Contractors. Further to this, it was understood that this form of Financial Assurance was customarily used in the international petroleum industry, and indeed it is. A precursory search of "financial assurance for oil spills" will show that this is a commonly accepted form of assurance.

Further, it is unheard of to this day, to reasonably require "unlimited coverage" insurance. Insurers are disinclined and have never provided this level of coverage. Clarification sought from local insurers would confirm that there is nothing like unlimited or full cover insurance where liability is concerned because one cannot put an exact number to future/potential claims. If there is any insurer that provides or there are examples of unlimited Insurance or a Guarantee already given, the EPA is open to receiving this information towards informing its current negotiations.

Further, it must be emphasized that beyond Permit conditions, and the Environmental Protection Act which address the liability of Permit Holders and ensure that environmental damage will not go unpunished or unremedied, through the vicarious liability principle, a Parent Company can be held liable for unfulfilled obligations (default) of its Subsidiary.

The EPA assures the public that it has not and will not shy away from examining and identifying appropriate and other effective forms of Financial Assurance for oil spill and other environmental liabilities. This work is ongoing and when completed, the public will be duly updated.

End statement