

INDICATORS INSIGHT BRIEF: ESSEQUIBO REGION DISPUTE

06/04/2024

Indicator

On the 3rd of April 2024, the Venezuelan President Nicolás Maduro signed into law the creation of the Venezuelan state of Essequibo ('Guyana Essequiba'). Alongside this, he proclaimed that the elected President of Guyana "does not govern Guyana, Guyana is governed by the [US] Southern Command, the CIA and ExxonMobil".

Context

The Essequibo region is subject to a territorial dispute. Following arbitration in 1899, the mouth of the Orinoco and land on either side was awarded to Venezuela, and the remainder until the Essequibo River was awarded to British Guiana. In 1962 Venezuela informed that it considered there to be a dispute, which British Guiana rejected. Under the 1966 Geneva Agreement, the parties agreed to international mediation. Following attempts by successive UN Secretaries-General to mediate, in 2018 Guyana applied to the International Court of Justice (ICJ) for a ruling on the binding effect of the 1899 Award. The ICJ is unlikely to decide until 2026.

On the 21st of September 2023, the Venezuelan National Assembly called for a referendum on Essequibo. The referendum was held on the 3rd of December 2023. There were five questions on the ballot, including whether voters agreed to reject the 1899 Award, whether they rejected the jurisdiction of the ICJ over the dispute, and whether they opposed Guyana's claim to the sea offshore Essequibo. The voters overwhelmingly backed the Government's positions on the dispute. Though the National Electoral Council of Venezuela announced 10,554,320 votes were cast, this might have only reflected votes cast over the five questions, and that the number of voters was a fifth of the declared number.

Following the referendum, Brazil strengthened its 18th Mechanized Cavalry Regiment deployed in Roraima State, bordering Venezuela and Guyana; the US conducted military flights over Guyana, and the UK deployed HMS TRENTO to Georgetown, Guyana, where it participated in exercises. In response, Venezuela ordered its armed forces to hold exercises; 5,600 soldiers took part in these on Venezuela's eastern Caribbean and Atlantic coasts.

On the 15th of December, Maduro met with Guyana's President Irfaan Ali in a summit in St Vincent and agreed to not threaten or use force against each other and to set up a joint commission to discuss the issue. No public mention was made of offshore concessions. Ali has criticised Maduro's approval of the new 'Venezuelan state'.

Since May 2015, there have been significant oil finds offshore Guyana. The Stabroek Block, which stretches the width of the exclusive economic zone, has an estimated gross recoverable resource of more than 11 billion oil-equivalent barrels. ExxonMobil operates the block and holds 45%, Hess Guyana Exploration owns 30% (subject to a disputed sale to Chevron) and the China National Offshore Oil Corporation (CNOOC) holds the remaining 25%.

Maduro's six-year term is ending. Venezuela will hold its presidential election in 2024. He is expected to run against a Unitary Platform candidate. On the 27th of June 2023, Maduro government officials announced they had banned the leading candidate, María Corina Machado, from running for office for 15 years. On the 22nd of October 2023, the Unitary Platform held a Presidential Primary election. María Corina Machado ran and won an overwhelming 92% of the vote on a turnout of approximately 2.4 million. Following her nomination, she submitted an appeal to overturn her ban. Following the referendum, the Attorney General issued arrest warrants for several opposition leaders, including Henry Alviárez and Claudia Macero, both of whom were close to Machado. They were accused of being part of an ExxonMobil conspiracy to disrupt the referendum. Failing to overturn her ban, Machado and the Unitary Platform selected Corina Yoris as their candidate but has been unable to register.

Analysis

Ambrey assesses the dispute is unlikely to result in a conflict, but it could result in business disruption. The US support of Guyana is assessed to be sufficient to deter any attempts to annex Essequibo by force. The Venezuelan armed forces are under-resourced, and their operational readiness is assessed as inadequate. Any armed intervention would also jeopardise a thawing of US-Venezuelan relations which have allowed the resumption of oil exports in return for democratic concessions. In October 2023 the Maduro government and the Unitary Platform agreed on some democratic reforms, and in return, the US suspended some sanctions on Venezuela. Further, there is little infrastructure that the Venezuelan armed forces could seize/disrupt offshore, at least in the short term. The FPSOs LIZA DESTINY, LIZA UNITY, and PROSPERITY are clearly inside the exclusive economic zone to the east of Georgetown, Guyana. This may have a greater bearing on future offshore operations. In similar disputes elsewhere, militaries have been used as a blunt tool to demonstrate resolve over sovereignty, through the blocking of assets, and occasionally the detention of assets. This could be used as a lever to reactivate the issue and manufacture an excuse to confront private entities, particularly ahead of the Presidential election.

It is assessed more likely that these moves by Maduro are aimed at re-election. The referendum was an opportunity to test the election machinery and mobilise the Venezuelan electorate around a largely uncontentious issue nationally. This was likely a disappointment. Neither the government-organised referendum nor the opposition's Presidential primary demonstrated the levels of public mobilisation desired ahead of the Presidential elections. Though disputed, in the last Presidential election there were 20,526,978 registered voters, and a reported 9,209,777 turnout; and if the sceptics are to be believed, the turnouts at both the referendum and the primary election did not exceed two million. The government has attempted to use the Essequibo issue to disrupt the opposition and attempt to tarnish them by association with foreign investors in Guyana. This could land politically as a future Unitary Platform government would seek to attract foreign investment through debt restructuring and privatisation, which would diverge from Maduro's United Socialist Party of Venezuela. The agreement in St Vincent has enabled Maduro to reactivate the issue at intervals and might even open the prospect of the 'compellance' of a revenue-sharing agreement with Guyana over the offshore development, which would be a politically significant win.

Implications

Vessels engaged in offshore oil and gas activities off Guyana's Essequibo region are advised to receive security assurances and clauses that would recognise the risk of business disruption. War cover is now available: on the 18th of December 2023, the Lloyd's Joint War Committee adjusted its listed areas to include parts of Guyana. These included offshore installations inside Guyana's exclusive economic zone but outside its territorial waters. The location of the operations relative to Essequibo should be recognised in the rates; it should be argued that the risk is not the same throughout the exclusive economic zone. It is also advised to monitor the situation through the continuous engagement of an industry-recognised intelligence specialist. This would regularly assess political and security risks to create a comprehensive, dynamic, risk profile for ongoing operations.