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Of petroleum exploration and multinational scandals

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The global oil prices have now hit an all time high of US$ 107.90. It is also unknown whether it will still increase from there or whether it will stabilise or reduce. Either way, Sri Lanka cannot afford that as a bulk of our power generation is based on the fuel prices. This is bound to have a cascading effect on the electricity prices.

The Ceylon Electricity Board has already announced an imminent increase on the tariffs and one does not know where it will stop. To add to the woes, the United States Dollar is also depreciating due to the recession in its markets and the Sri Lanka rupee which is also depreciating, is directly linked to it. The US economy is affected and we are affected both ways. Unfortunately a bulk of Sri Lanka's industries are also dependent on electricity especially industries such a ceramics and rubber. Some instances show that the energy costs account for as much as 30%- 40$ of the production costs while in some it is as high as 50% or more. On the contrary, countries s such as Bangladesh, irrespective of how poor they are, but which have their own electricity are opening up their markets with foreign investment and Sri Lanka gets beaten there as well. The name of the game is competition. Governments have to be held accountable for this power crisis. No decision has been taken to implement any of the proposed projects. Resource personnel such as Economists, Engineers, Planners and Accountants, technocrats *et al* have implored and alerted Governments on the need to fast track power projects without which it will be inevitable economic suicide. Even if a 300 Megawatt coal fired plant is erected, it will take at least another four years by which time the energy demand would even be greater. Also energy policies should not be shifted on an ad- hoc basis with each different political party coming to power.

The Government should also consult all the stakeholders in this process, which are chiefly the industrial and trade chambers. There are also instances where people tell Governments what they like to hear which invariably spell out disaster. Then, whims and the fancies of the all mighty CEB has also to be broken which India has done.

There is also a proposal where the Government can allow the private sector to wheel their energy which is a concept where a private power operator could get his energy in a factory in one location which he successfully supplies the national grid where he could get the same quantum of energy in another location from the CEB elsewhere.

The Free Trade Zones should be allowed to generate their own energy as well. Projects such as Dendro are also interesting but who can borrow money with borrowing costs at a staggering 32 per cent ?

Quest for Petroleum

A Sunday English newspaper reports quoted Petroleum Resources Minister A.H.M. Fowzie as having said that Sri Lanka will be exporting its first oil barrel by 2010. He has also said that there were three bids from ONGC Videsh of India, London listed Oil Exploration Company, Cairn of India and Niko Resources of Cyprus.

Minister Fowzie's enthusiasm in making such a proclamation of this nature is well understood. What any rational thinking mortal would be at a loss to understand is how is how we received three bids after the offer being there for two years. Petroleum experts believe that the project has not been marketed effectively. On the other hand, ONGC Videsh is the only one of the bidders that is at least known as it is a part of the state owned Oil and Natural Gas Corporation of India.

There are also possibilities of there being oil in abundant quantities and no one would grudge the Minister his enthusiasm. But what is unknown is whether there are sufficient oil reserves with the adequate quantities to make it commercially viable.

An oil facility

Comments

The winning bidder might want to do further tests and there is still no guarantee that oil will be found in the very first well itself. Even if the oil has been found then production platforms have to be erected and a whole process has to be set in motion.

What could augur well for the country is an opinion of Sri Lanka born petroleum expert Dharmasiri Weerasinghe who has opined that Sri Lanka has much more oil than its needs. He has explored oil in the foothills of the Andes mountain range in Columbia to the deep-sea sites in Angola. He has also worked in the oil fields close to the Red Sea in Egypt.

In an interview published in the feature pages of the *Sunday Observer* Edition of November 6, 2005, he has said in an interview headlined: " Black Gold aplenty" that Sri Lanka's ancient sedimentary rock formations contain more oil and gas formations than the country's present needs. He attributes the reasons for his conclusion that satellite surveys which are not very definite and done by a Swedish firm called Petroscan, have indicated that Sri Lanka has more hydrocarbon reserves in the Cauvery Basin which it shares with India, the latter which is already producing petroleum. There is supposed to be oil from Chilaw to Jaffna and Jaffna to Trincomalee as well both on shore and off shore in shallow waters.

Weerasinghe, an Imperial College of Science and Technology Graduate and who has been employed in multinational corporations such as Bechtel Corporation, Kelloggs Construction and Foster Wheeler Corporation which is an oil prospecting company, also says that some seismic tests done by Norwegian have indicated that the same reserves are extending off shore to the south of Sri Lanka near Hambantota. Getting the services and signing agreements with reputed multinationals for petroleum exploration or otherwise and whether they are Fortune 500 listed or not, have to be treated with utmost caution.

Their credentials have to be thoroughly investigated. Multinationals are not paragons of virtue all the time.

This development comes to light, hot on the heels of US petroleum giant Chevron Texaco in its 28 years in Ecuador's rain forest, has dumped in excess of 18 billion gallons of toxic waste to save production costs, more than 30 times the pure crude oil spilled in the Exxon Valdez disaster.

The toxic dump has created a major risk of cancer and other health hazards to the estimated 30,000 persons living in the affected area, which is said to be the size of Rhode Island. It has spoilt the once pristine lands and waterways of five ancestral indigenous groups while being likely to have caused the disappearance of the sixth. The clean up is said to cost over an astronomical US$ 6.14 billion.

The writer is a former Business Editor of the Daily News.

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