



## Belize's Oil Boom Threatens To Escalate Border Dispute

By Louisa Reynolds

Belize's decision to grant four oil contracts in a border area known as the Adjacency Zone, which extends one kilometer on either side of the 1859 treaty line, could reignite tensions with neighboring Guatemala.

During the past two years, Belize has granted 17 oil-exploration contracts--four in the Adjacency Zone--to a wide range of US, British, Irish, and Taiwanese corporations.

"Right now, the only corporation actually producing oil is BNE [Belize National Energy]," says André Cho, director of Belize's Geology and Petroleum Department. RSM Production Corp. drilled two wells in the Orange Walk area, but they turned out to be dry. Meanwhile, French corporation Perenco Limited is about to undertake seismic studies close to Orange Walk.

During the next two years, the Chinese Petroleum Corporation (OPIC), a Taiwanese state-owned corporation, will begin to drill for oil below the ocean.

In Toledo, in southern Belize, US Capital is planning to carry out further seismic studies and has been granted a 40-km area in the Sarstoon National Park, in the Adjacency Zone. "They haven't started drilling yet", says Cho.

Corporations carrying out such studies are granted an eight-year period to strike oil and 25 years to begin commercial production, but, if no crude is found within the exploration period, the contract is immediately annulled.

### **The border conflict**

Guatemalan Foreign Minister Haroldo Rodas explains that his country is currently claiming Belize's entire land, insular, and maritime territory, which is why it is important to monitor all oil-exploration activity in the Adjacency Zone.

Rodas admits that there are no legal impediments for Belize to grant oil-exploration licenses in the border area but that Belize's activities cast doubt on its will to preserve a peaceful relationship with Guatemala as stated in the Framework for Negotiations and Confidence Building Measures Between Belize and Guatemala, signed by both countries in 2005 under the auspices of the Organization of American States (OAS).

The agreement states, "The parties will cooperate to avoid land incidents that could lead to tensions between them."

Former foreign minister Gabriel Orellana said, "The spirit of the agreement was to avoid new situations that could lead to tensions in the area," which has been deliberately broken. "The concession of these oil-exploration licenses is a political maneuver so that Belize can later claim that Guatemala has simply remained silent on the issue."

In short, Orellana argues that, if Guatemala remains silent on oil drilling in the Adjacency Zone, this could be used as proof that the country has relinquished its claim on the area. "Guatemala ought to reflect on the implications that its silence could have in the future, especially when it comes to taking the case to the International Court of Justice (ICJ)," said Orellana, who is critical of the administration of Guatemalan President Álvaro Colom for being "lazy" when it comes to calling a referendum on whether the dispute ought to be taken to the ICJ.

For the dispute to be resolved once and for all by the ICJ a referendum needs to be held simultaneously in Belize and Guatemala, but María Eugenia Villagrán, president of Guatemala's Tribunal Supremo Electoral (TSE), estimates that a referendum could cost up to Q500 million (US\$64 million), which the country cannot afford unless it is held in 2012 on the same date as the general elections.

However, this is unlikely since the Belizean government fears that holding the referendum on the same day as the elections would politicize the border dispute because political parties could seize it as a campaign issue (although no candidate has shown even the slightest interest in this).

### **Belize's oil boom**

Since 1956, the Belizean government has granted 49 exploration licenses but it was not until 2005 that BNE found oil in Spanish Lookout, a Mennonite community, 30 km from the Guatemalan border. The discovery of quality oil (40 degrees on the American Petroleum Institute scale) sparked off a wave of investment in Belize's energy sector.

Cho says the extraction of up to 500 barrels a day of oil in Spanish Lookout has "stimulated the national economy and brought the country great benefits.

Community leader Norman Dyck says that what used to be a quiet Mennonite community is now "bustling with activity".

Twyle Reimer, another Mennonite leader, adds that many people have come to the area in search of employment in the oilfields.

Last year, BNE found a new but smaller oilfield in Never Delay, near Belize's capital Belmopan. "This new field contains some five million barrels of oil compared with 16 million found in Spanish Lookout," says Cho, who adds that the quality is lower, 38 degrees.

### **On the other side of the border**

The discovery of good quality oil so close to the border has prompted Guatemala to search for petroleum on its side. Vice Minister for Energy and Mining Arturo Letona says the Guatemalan government is currently trying to identify the areas near the border that could contain oil reserves.

Geologist Fernando Chacartegui adds that the geological characteristics of the area indicate the presence of hydrocarbons.

Fredy Gudiel, a spokesperson for Perenco Guatemala Limited, says that these reserves tend to be large, including areas on both sides of the border, which means that finding oil on Guatemala's side of the Adjacency Zone is more than feasible.