

A wooden gavel with a dark handle and a light-colored head rests on a stack of several thick, old books. The books have yellowed pages and worn spines. The background is a warm, textured brown. A semi-transparent white rectangular box is overlaid on the center of the image, containing the text.

*5th Annual
Arbitration and Investment Summit
– Caribbean, Latin America and Other Emerging Markets
and Other Emerging Markets*

Factors driving choice of ARBITRATION in ADVERSERIAL Energy Sector context

Litigation

Judge or jury - court issues binding decision

PROS

- Formal. Evidence / time to support argument.
- Verdict is final and binding. **Winner / loser.**
- Open and transparent process.
- **Enforceable** in same jurisdiction.
- Creates precedent for similar disputes.

CONS

- National Courts – no **neutral ground**
- Judges (or jurors), are **‘foreign’ parties** to the dispute. **No detailed expertise.**
- Lack awareness of oil industry technicalities.
- Very high cost and time consumption.
- Open to appeal, added **cost and time**
- Open to the public – Oil industry closely knit demanding **confidentiality.**
- Detrimental to the **relationship** - business divorce
- Binding decision –no middle ground / mutual consensus.

Arbitration

Binding - mutually agreed third-party / institution. Neutral.

PROS

- Select arbitrator or institution based on expertise. **(40%)**
- Private - confidentiality is maintained - often crucial. **(33%)**
- Outcome has global enforceability. New York Convention.
- Finality. Relationship maintained. **(65%)**
- Lower **cost** likely consumes less **time.**
- Flexible / Customised. choose venue / platform. Neutral ground

CONS

- One party can prolong the proceedings. Increasing cost.
- Potential to be as formal as litigation in case of adverse parties.
- Limited scope of appeal.

Expert determination

Expert or umpire vast knowledge. Technical / financial claims.

PROS

- Expert - well aware and knowledgeable. Confidence.
- Confidentiality maintained. The business relations maintained.
- Potentially binding.
- Faster and cheaper. Less formal - set of rules and regulations.

CONS

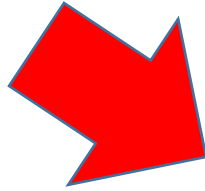
- Not easily challenged.
- No interpretation of law. Expert rules - no natural justice.
- Not easily enforceable.

ARBITRATION in Energy Sector

- Fundamentally HAS to be attractive Proposition

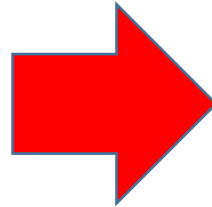
1. Cost and Time - Efficient

- *Institutional*
- *Ad Hoc*



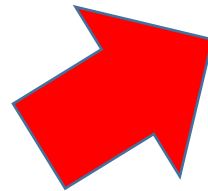
2. Integrity - Certainty

- *Expertise - Technical*
- *Track Record / Reputation*
- *Confidential*
- *Enforceable*



3. Practical

- *Infrastructure*
 - *Human*
 - *Physical*

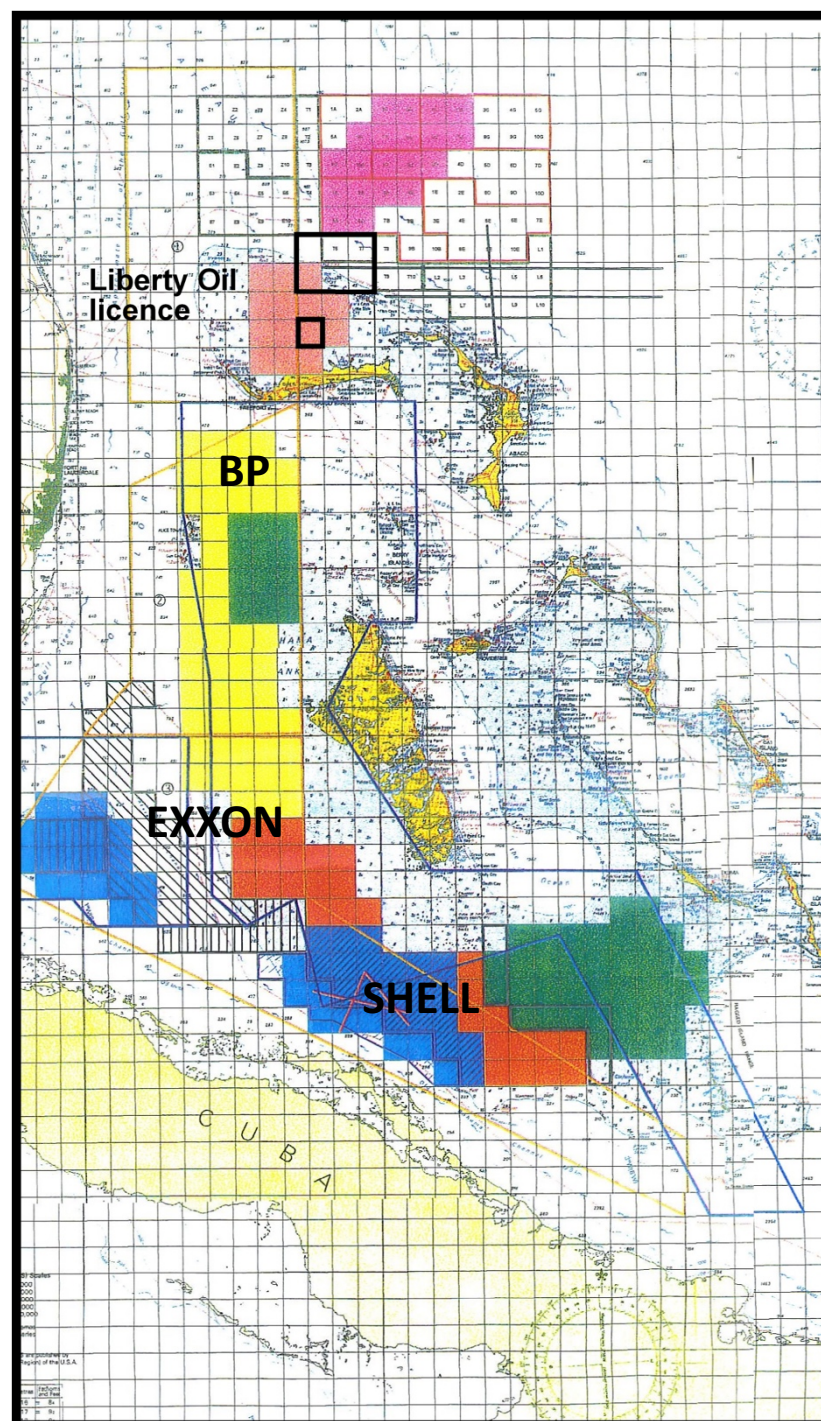


• **Specialist Energy Sector Knowledge**

• **Size of market, Sector Capital Flows**

• **Reputation / Track Record - Routinely enforced**

MAP SHOWING PREVIOUS PETROLEUM EXPLORATION LICENCES IN THE BAHAMAS

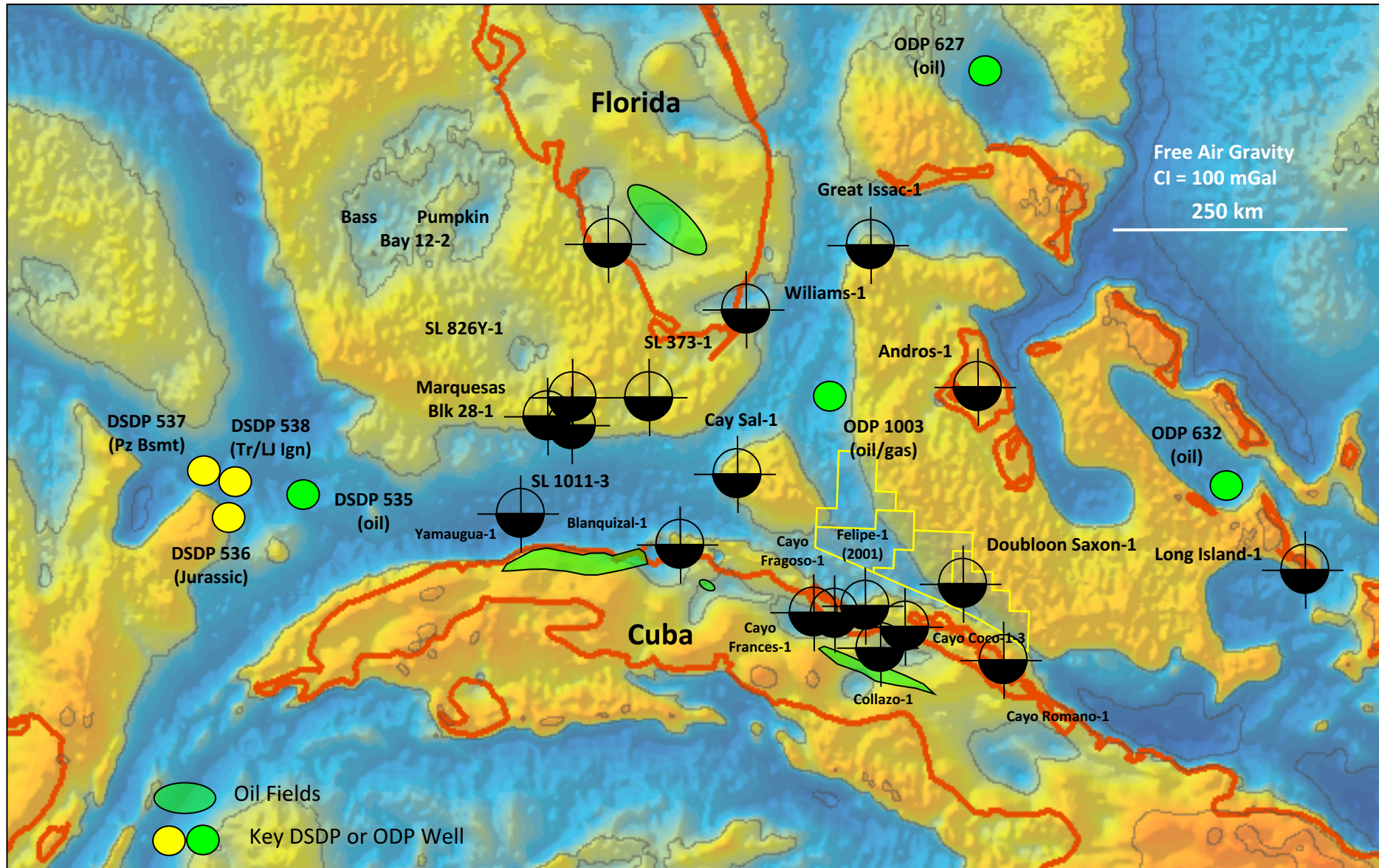


LEGEND

- Amoco Production Co
- Tenneco Oil Co
- Getty Oil (Bahamas) Inc.
- Pecten/Lonrho
- Liberty Oil & Refining Association
- Atlantic Petroleum Exploration & Production Co
- Kerr-McGee Bahamas Ltd
- Pure Resources
- Arco (Bahamas) Inc.
- ① Petroleum Services (Bahamas) Ltd
- ② Petroleum Services (Bahamas) Ltd
- ③ Petroleum Services (Bahamas) Ltd
- Pecten Guatemala Co.
- Breco Ltd
- Natomas Petroleum (Bahamas) Ltd
- Esso Exploration Bahamas Inc & Chevron Oil Bahamas Ltd
- Western Exploration Bahamas Ltd
- Natomas Petroleum (Bahamas) Ltd (additional blocks)
- Tenneco Oil Co (applied for)
- Tenneco Oil Co

Source: The Commonwealth of The Bahamas

Regional Hydrocarbon Distribution Map ... shows & production



Gravity Data from Sandwell et al. (2013); image processing courtesy of Stephen Leslie

Local Activity

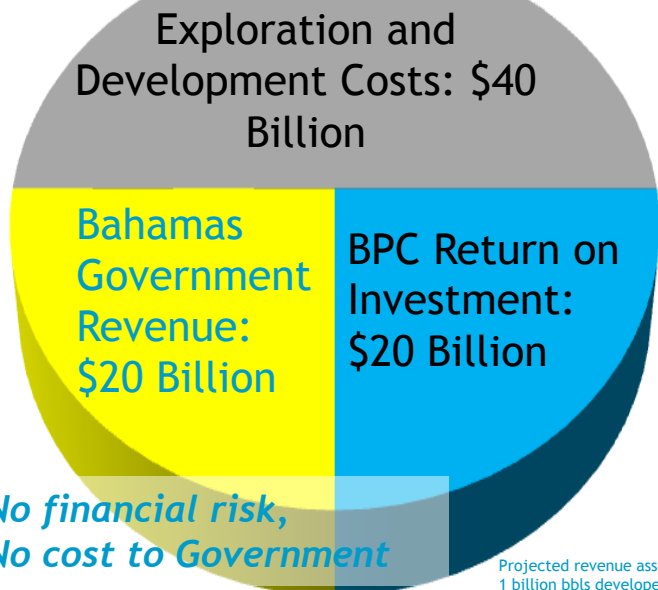
→ Knowledge / Financials



What Would The Project Benefits Be?

→ Financials

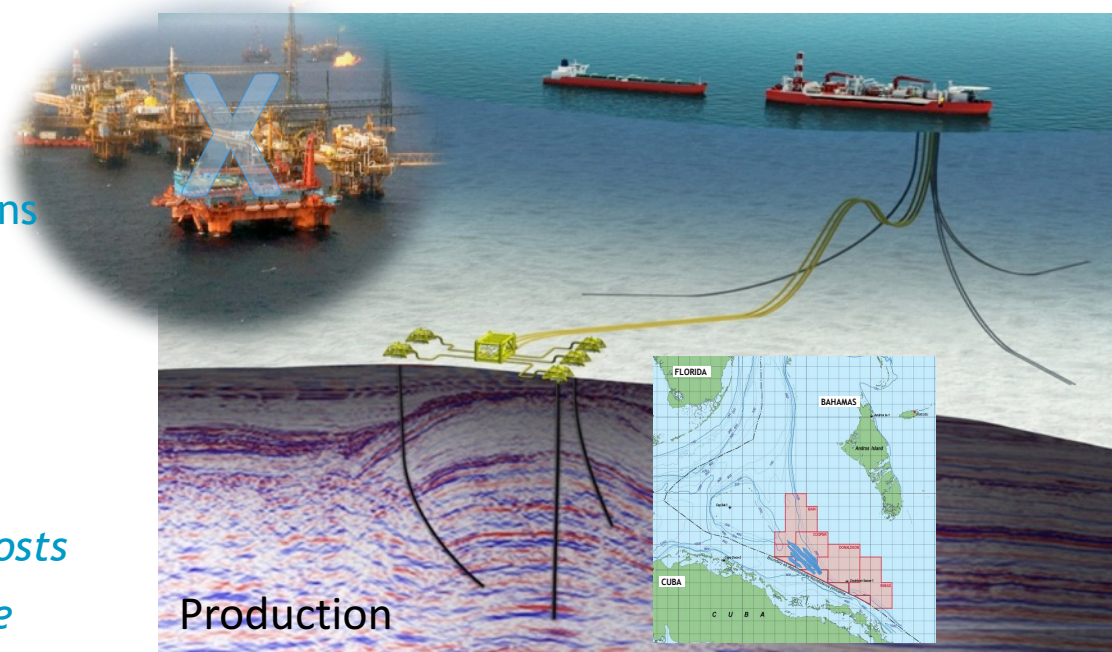
Dividing the Pie

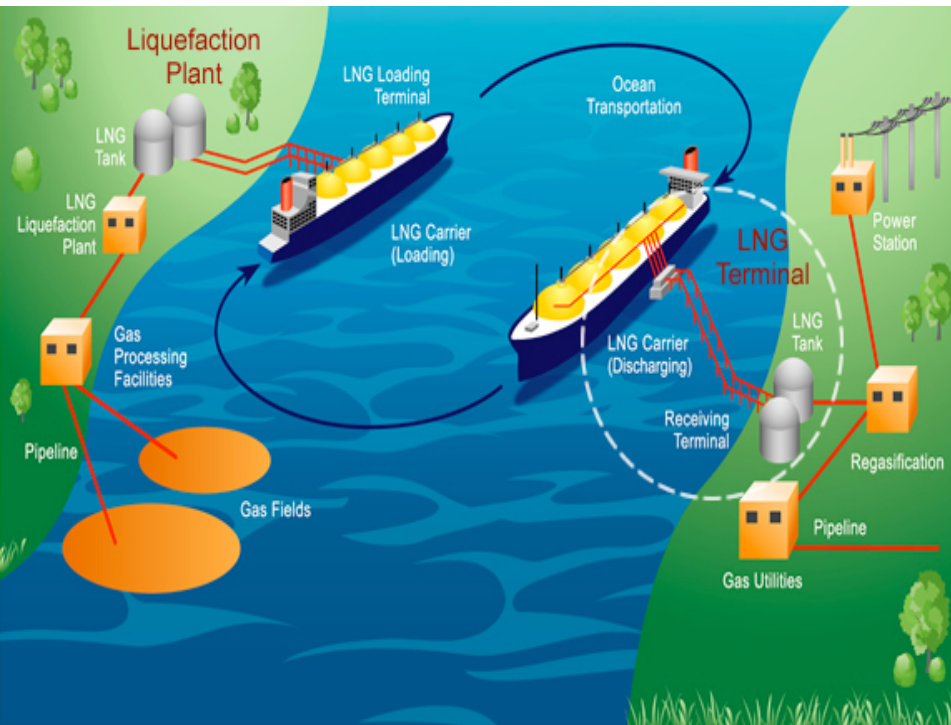


	~ 5 - 10+ years	~ 1 year	~ 1 - 3 years	~ 3 - 6 years	~ 20 - 40 years
Phase	Seismic & Geologic Studies	Exploratory Drilling	Appraisal Drilling	Development Planning & Construction	Development and Production
BPC	\$50 million	\$60 - 160 million	\$400 - 600 million	\$multiple billion USD	
Gov.	\$0	\$0	\$0	\$0	~ \$ tens billion revenue
	Completed	In Progress	Estimated Typical Costs Based upon Exploration Success		

- Supply contracts: Rigs
- Education: Opportunity
- Training: Jobs; International options
- Royalties: Long term revenues

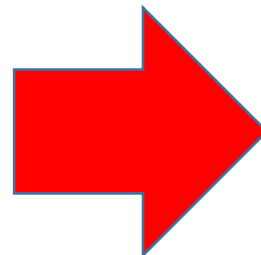
- *Debt burden: Relief*
- *Development: Growth*
- *Fuel and Power: Cheaper, lower costs*
- *Wealth Fund: Generations to come*





Licence / Oil Field Boundary Disputes - Unitisation

- Oil price - long term contracts
 - Cancelled projects
- Increasing level of trade and competing projects
 - Falling demand in context of excess supply
- Complex value chain
- Long term relationships

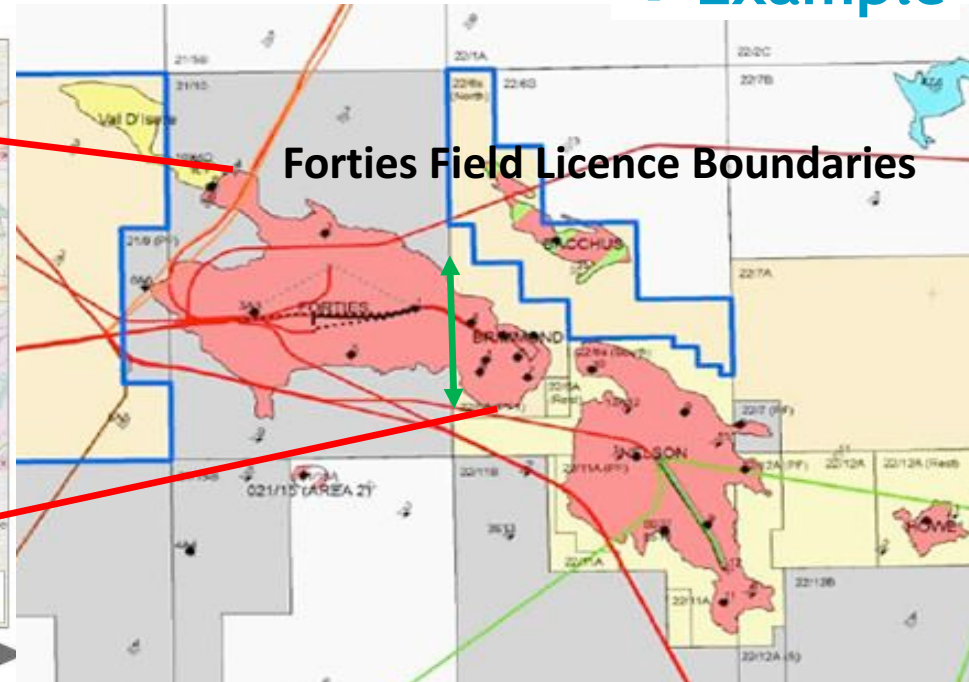
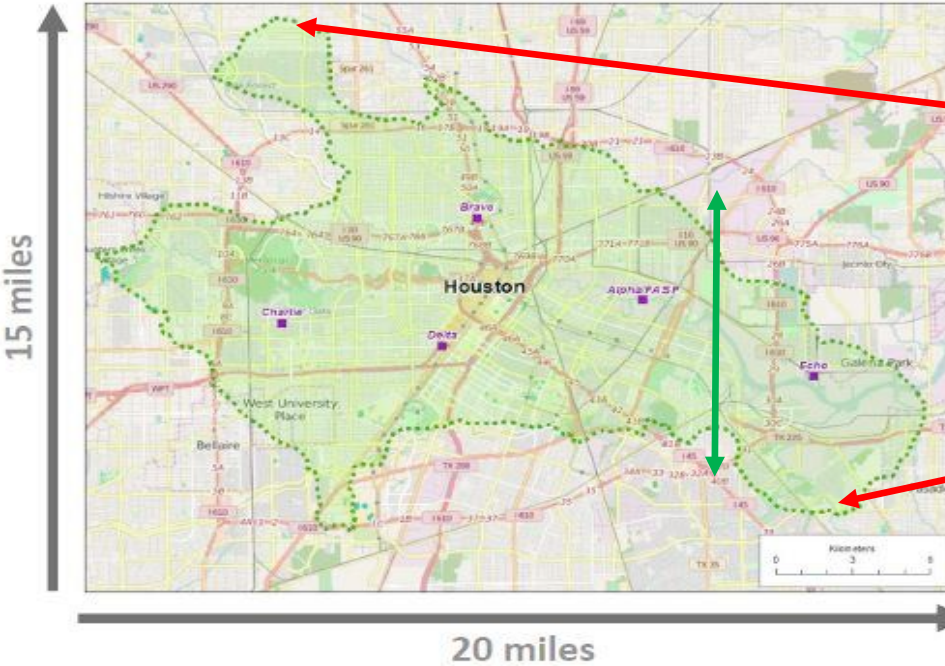


Commercial disputes

- Complexity
- Contractual, Financial, Technical

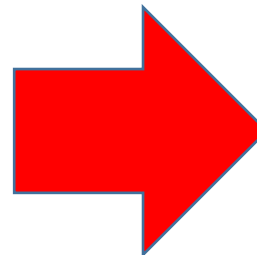
→ Expert Determination

Forties Field Overlaid On Map of Houston



Licence / Oil Field Boundary Disputes - Unitisation

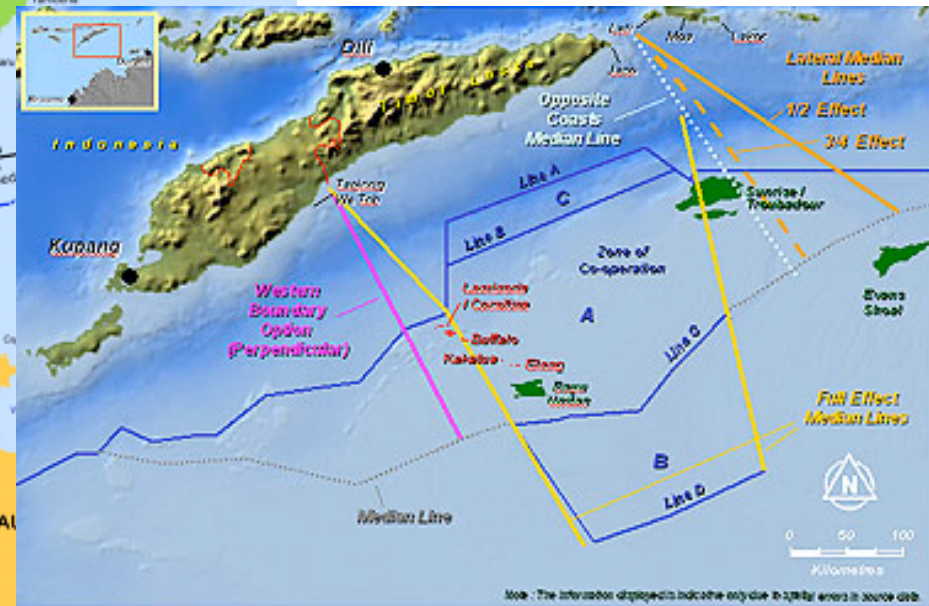
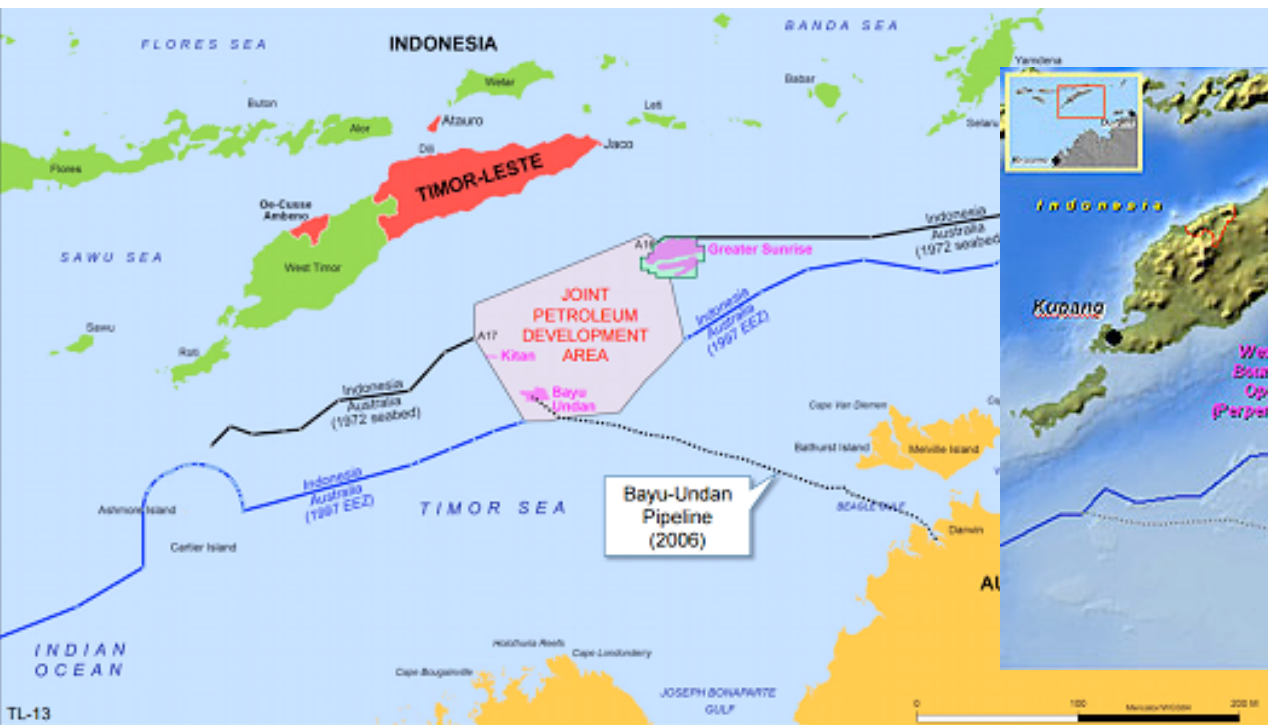
- Geology / Nature deciding factor
- Maximise economic realisation
 - Efficient operations
 - Single field operator
 - Common reservoirs
 - Well locations
- Global relationships



Unitisation disputes

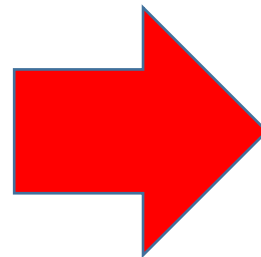
- Legal, Technical, Tenure
- Dominant partner

→ Litigation



International Boundary Disputes - Determination

- Changing nation status / Government
- International relationships
- Sovereign Wealth Fund
- International precedent
- Other examples
 - China - Spratly Islands
 - Nigeria - Sao Tome
 - Caspian Sea

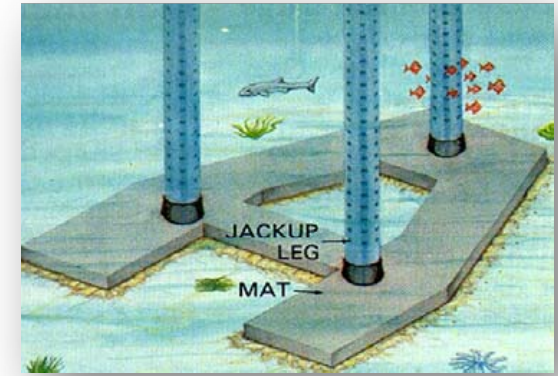
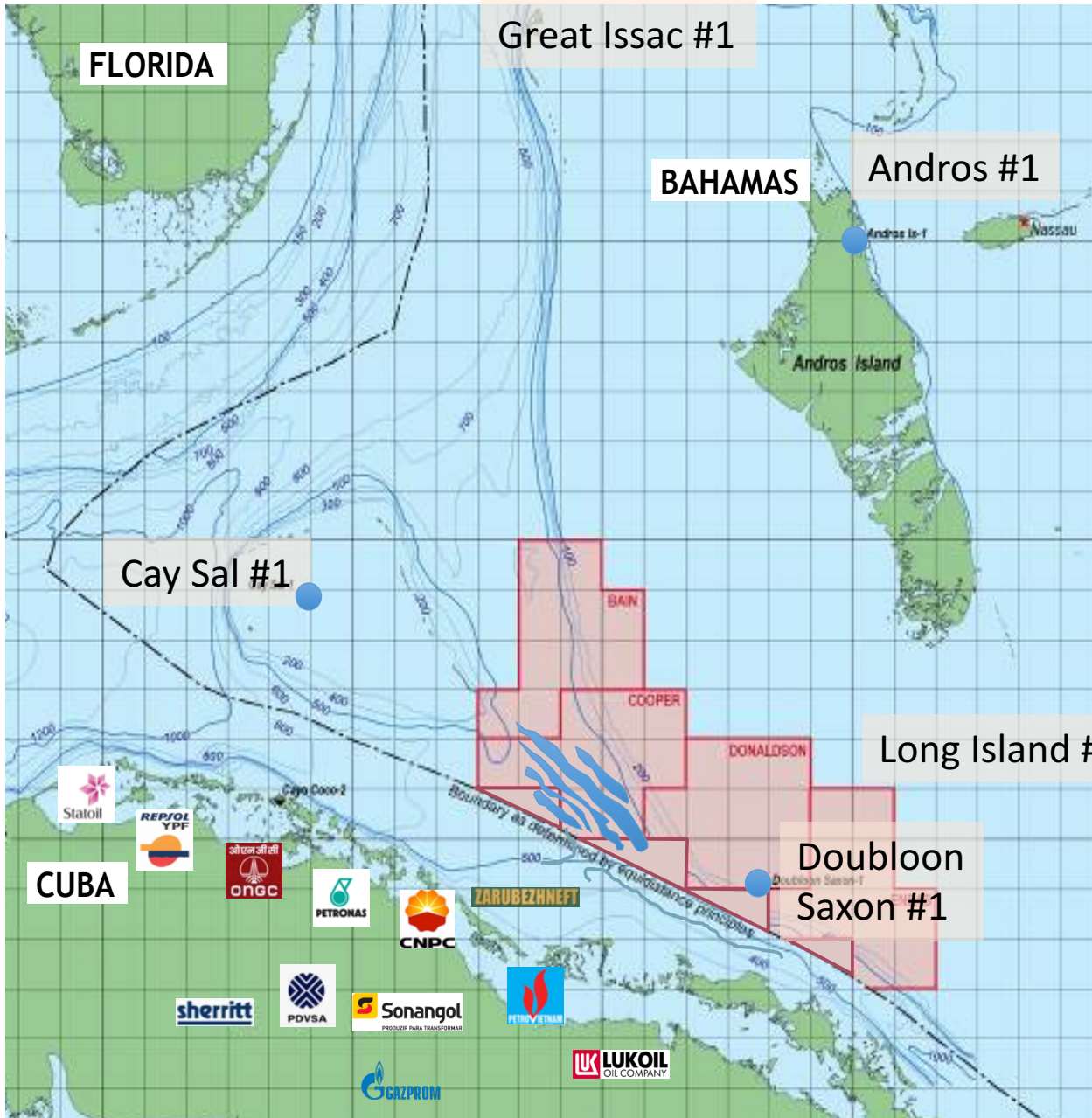


International disputes

- Fairness?? Reputation

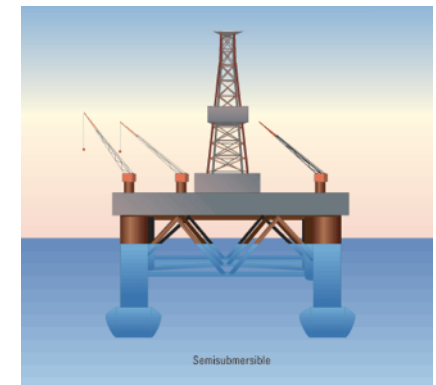
→ Arbitration

Oil Exploration – Oil Development Potential in The Bahamas?



➤ Attractive to BPC

- Size of fields
- Low cost environment
- Legislative and fiscal stability
- Technology application



➤ Licences 2007- renewed 2013

- Drilling to commence 2015

➤ +\$80 million spent to date

➤ Nassau based office & staff

1. Specialist knowledge

- *Centre of expertise – Technical, Legal and Financial*
- *Demonstrated industry activity and capital investment*

2. Specialist knowledge

- *Centre of expertise – Technical, Legal and Financial*
- *Demonstrated industry activity and capital investment*

3. Specialist knowledge

- *Centre of expertise – Technical, Legal and Financial*
- *Demonstrated industry activity and capital investment*

4. Conventions

- *National signatory*
- *Global enforceability*

5. Confidentiality / Confidence

- *Integrity of institutions / system*

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