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Region Objects Nicaraguan Oil Concessions

by LADB Staff

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The Instituto Nicaraguense de Energia (INE) has authorized offshore oil-exploration leases to four foreign companies, amid complaints from Nicaragua's neighbors. The companies were MKJ Exploraciones Internacionales; Industria Oklahoma Nicaragua; Infinity Inc.; and Greathouse Trust 2000. All are US companies. Each company will have a six-year contract to explore and exploit in Nicaraguan waters.

"During this period there will be geoseismic and geophysical operations, exploratory perforations, and it is expected that, at the end of between four and five years, there will be news of hydrocarbon reserves in Nicaragua," said Mauricio Arce, the INE's director of petroleum development. The areas in which the concessions lie are, for the most part, in the Atlantic, with some smaller areas on the Pacific side of the country. INE was careful in the announcement to clarify that the exploration zones are far from the limits currently disputed by Colombia (see NotiCen, 2002-08-08).

"These areas have nothing to do with the zones in dispute. There are no conflicts, apparent or real, because they are within our sovereignty," said Donald Espinoza, executive secretary of INE's Consejo de Direccion. The leases cover more than 23,000 sq km. MKJ won the right to explore Banco Tyra and Banco Isabel, in the outer Atlantic, each 4,000 sq km in size. Infinity got Prospecto Tyra and Prospecto Perlas, closer in, of equal size. To Industria Oklahoma went 3,400 sq km on the Pacific side; Greathouse got 4,000 sq km on the Pacific and Areas Perlas, in the outer Atlantic, of 2,000 sq km. Prospects are said to be good in these areas, some oil reserves having been found some years ago.

"With this history we think that in the search for oil we have a 50% probability of finding it. Studies done so far reaffirm our suppositions," said Arce. Legal advisor to INE Gloria Patricia Mayorga cited the legal authority for the process. Law 286 covers the exploration and exploitation of hydrocarbons, and decree 43-98 provides the legal framework authorizing the agency to offer the areas for lease. This decree also designates INE as the controlling and supervising authority for the total process, including the signing of contracts, expected within a few months.

Bolanos defends exploration

Responding to questions concerning Colombia's dispute of Nicaragua's claims on maritime boundaries, President Enrique Bolanos said, "They have said that if we authorize oil exploration in Colombian territory they would protest, but we are authorizing only in Nicaragua." To the charge that Nicaraguan politicians are stirring up conflict between the two nations with their comments on the matter, he said, "No, it is just the opposite; we are settling the differences we have with them in the International Court at The Hague. This is not to provoke discord."

The day after Bolanos's statement, however, Nicaragua's Ambassador to the International Court Carlos Arguello called Colombia's threat to send its navy to intervene in any exploration in what it claims to be its waters an act of "political desperation" that will work to Nicaragua's advantage at trial. Arguello said, "Colombia's reaction over the oil leases is a question of politics for their own reasons, because the reality is that the concessions are done, and the companies, which have very good lawyers, know where their interests lie at the moment..." He said the companies have options in zones that are in litigation but would not be exploring there for the time being. Arguello's rhetoric did not reflect the fact that Colombia, apparently satisfied that the leases did not infringe on its claims, had backed off its threat to send ships to the sites.

Colombia is not Nicaragua's only neighbor irritated over leases. Honduras has also warned that its maritime limits are not to be breached (see NotiCen, 2001-12-06). But in Tegucigalpa, Foreign Minister Guillermo Perez Cadalso Arias seemed satisfied with the extent of the leases, noting that the companies would be exploring south of the 15th parallel, the limit claimed by Honduras, and therefore there was no threat to his country's sovereignty. Nevertheless, the two nations have been in litigation at The Hague over the issue ever since Nicaragua filed suit there in 2001.

For the record, however, Honduras sent letters to the oil companies, saying that they would allow no trespass. Specifically, Honduras claims the area between the 15th and 17th parallels, and west of the 82nd meridian. Also for the record, Nicaragua made clear that its concession areas include the 17th parallel and 82nd meridian, but that these particular leases were not near there.

Costa Rica also weighed in against the leases, but its objections were on environmental grounds. Costa Rican leaders added their voices to other international drilling opponents in pointing out that an impoverished Nicaragua was headed down the wrong developmental path. The Nicaraguan Humbolt Center, a member of the Meso- American Oil Watch Network, warned of disastrous environmental results from drilling, from water and air pollution to destruction of marine habitat and disappearance of species. In a statement to The Tico Times, the organization called for a moratorium on concessions. The statement also criticized the bilateral negotiations, which did not allow for the participation of coastal communities.

Anfer Lopez Aguilar of the Humbolt Center told the Nicaraguan press, "The government, to give the oil concessions, did not consult, at any time, the Consejos Regionales of the Region Autonoma del Atlantico Sur and the Region Autonoma del Atlantico Norte. Nor have they consulted the ethnic and indigenous communities who live in the territories adjacent to the concession." She also pointed out that no provision had been made for these affected communities to share in the income from the leases. Some of the same companies that won Nicaraguan concessions were booted out of Costa Rican waters last year, and President Abel Pacheco decreed a permanent ban on exploration. But now that decree has been undermined.

"Unfortunately, in bad taste, companies take advantage of countries like Nicaragua. I'm worried about the environmental impact of drilling in Nicaragua because it's the same as if it happened here," said Costa Rica's Environmental Minister, Carlos Manuel Rodriguez. Putting a finer point on Rodriguez's worry, legislative Deputy Rodrigo Alberto Carazo cautioned, "We're downstream; we'll get all the backlash if there's any spillage all exploration techniques are risky. If there were

oil there, it would be exported to the industrialized North. The US doesn't want more oil drilled on its coasts, so they do it on ours. But the most important issue to me is the pollution of politics. Oil pollutes politics."

-- End --