

THINK EMERGING MARKET OPPORTUNITIES
THINK SURINAME. THINK STAATSOLIE

STAATSOLIE



Staatsolie is the state petroleum company of Suriname, charged by the Constitution with the ownership and control of all the country's hydrocarbon resources. Now Staatsolie is developing exploration and production partnerships with international companies, in particular for offshore fields that could contain many billions of barrels of oil. Earnings and profits hit record levels in 2011 and the company is expanding refining and thermal generation capacity. It is also looking at hydropower generation and biofuels, all while keeping corporate responsibility high on the agenda.

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SURINAME

Reaching out to the world

As the smallest and youngest independent nation in South America, Suriname is now emerging from some difficult early years to build a better economy. Plans to grow and diversify are designed to attract foreign investment and help spread wealth.

The strength of the country's turnaround can be seen in a July 2012 report from the International Monetary Fund: "The economy continues to recover at a steady pace, buoyed by strong activity in the oil and gold sectors, as well as public investment," the IMF said, predicting growth of about 5 percent in coming years.

Both the Fitch and Standard & Poor's ratings agencies recently upgraded Suriname's sovereign debt. At 19 percent of gross domestic product (GDP), the country's public debt is

among the lowest in the region.

"On the macroeconomic side, we have been doing extremely well," said Gillmore Hoefdraad, governor of the Central Bank. "With sound economic policies, we have attracted foreign direct investment (FDI) during the macroeconomic disaster that happened around the world."

"There are strong investments coming in the mining sector, so if we take into consideration such areas as gold, bauxite and oil, we could envisage GDP doubling in coming years," Hoefdraad said. Suriname is now classed as a middle-income country, with per-capita GDP around the level of South Africa.

The Central Bank is planning to create a sovereign wealth fund to save revenues when commodity prices are high, providing a cushion for any future fall.

"We have to speed up diversifying the economy," said Marc Waaldijk, the managing director of Staatsolie, the state-owned oil company. "Agriculture and ecotourism are two sectors that—given good management—could overtake mining in the next decade." Ecotourism will naturally focus on the 1.6 million hectare Central Suriname Nature Reserve in the heart of the country, while traditional tourism principally

means the capital city of Paramaribo, a lost-in-time colonial jewel and cultural kaleidoscope that reflects Suriname's English, Dutch, and Portuguese legacy, further influenced by Indian tribes and African slavery and overlaid more recently by immigration from China, India, and Indonesia.

Rural riches

With a population less than half the size of Dallas, Texas, Suriname knows that foreign investment will be geared mainly toward exporting.

Congresswoman Jennifer Simons, chairperson of the National Assembly, sees potential for foreign investment in agriculture. "We have the land, but we lack certain capabilities," she said. Exporting to the world's leading markets requires achieving high standards, but it also offers the potential for improving rural incomes. Sustainable forestry is very much on the radar, as well.

"We had a small but strong agriculture sector, but it deteriorated over the past forty years," so that many youngsters now equate farming with a life of poverty, Simons said. Foreign companies could help with research and setting up a modern agricultural sector. "We need the investment. ... We are at the very beginning of this road, and it is important to

work with some foreign companies."

Boosting rural incomes is important, in particular for the Maroons—up-country communities descended from runaway slaves—who have largely missed out on Suriname's development. Winston Caldeira, the CEO of the Investment and Development Corporation in Suriname, is charged with privatizing a dozen state concerns, including the national banana, dairy, and shrimp companies. Caldeira thinks government can work with national and international investors to gradually improve the lot of these less-developed rural communities: "If a company sets up an agriculture project, they can have satellite farmers. Of course these people in the interior may not be immediately ready for that, so it has to happen gradually."

A gateway to South America

Suriname has long looked to the Caribbean and Europe rather than to its landward neighbors. But now, significant recent investments will boost international and regional links.

Eastern Suriname has a revitalized river port at Moengo, some sixty miles east of Paramaribo. Formerly a bauxite exporting center, Moengo has been substantially modernized

SURINAME KEY FACTS



- **Full name:** Republic of Suriname
- **Population:** 560,000
- **GDP:** US\$4.73 billion (official exchange rate)
- **GDP/capita:** US\$8,500
- **Capital:** Paramaribo (pop. 260,000)
- **Exports:** alumina, gold, crude oil, lumber, shrimp and fish, rice, bananas
- **Imports:** capital goods, oil, foodstuffs, cotton, consumer goods
- **Currency:** Surinamese dollar (SRD)
- **Exchange rate:** US\$1.00 = SRD 3.27



Marc Waaldijk
Managing Director, Staatsolie

“Staatsolie will remain a strategic asset with majority state ownership”

The U.S. Geological Survey estimated some years ago that the Suriname-Guyana Basin could have 15.2 billion barrels of off-shore oil. How is exploration going?

Kosmos Energy (based in Dallas, Texas) has signed agreements for two areas. First drilling could take place as early as 2014. Murphy Oil (El Dorado, Arkansas) has rights to three blocks and will acquire 2D seismic data in the 2nd quarter of 2013. And Tullow Oil (London, England) has an evaluation drilling program.

Staatsolie is 100 percent owned by the Surinamese government, but we understand you might float a minority stake.

We have a US\$1.6 billion investment program, 2012–2015, and a shares sale is a potential long-term source of funding. A specialized committee will be set up to determine if this could be beneficial for Staatsolie and Suriname. Shares would be widely distributed within Surinamese society, but Staatsolie will remain a strategic asset with majority state ownership.

How are your biofuel plans coming along?

In terms of sugarcane ethanol, our feasibility studies are now complete. The preferred plant configuration has been selected and we have identified sugar and electricity production as valuable additions to the product portfolio. The next step will be to approve the plans and then start detailed studies and design. The decision on whether to go into the engineering, procurement, construction, and commissioning phase is scheduled for the second quarter of 2013.

Anything else, besides sugarcane ethanol?

We have chosen to focus on technologically proven renewable energy sources, which can adapt to Surinamese circumstances and provide a commercial yield. Our studies have looked at a long list of all energy crops that could have potential in Suriname, to enable the selection of the most promising and commercially attractive ones.

For more information, please visit us at www.peninsula-press.com

and upgraded by Traymore N.V. to handle containers and dry and liquid bulk. The internationally certified facility reduces overland freight cost and time to destinations in the resource-rich eastern region: it's now a fuel bunkering center supplied directly by tankers from Trinidad and Tobago.

Traymore CEO Eugene Profijt also sees Moengo as a freight option for western French Guiana, which is currently supplied via Cayenne and a lengthy truck journey. “The French have already approached me because they have some problems with the depth of their harbor,” Profijt said. “We see the future as very positive in this regard.”

Another potential customer could be Newmont, a major U.S. gold mining company that is looking at a sizable investment near Moengo—up to US\$800 million has been reported locally.

At the end of 2010, Suriname signed memoranda of understanding with China Harbor and Cheng Don International for a deep-water harbor and road and rail links through the forest into northern Brazil, along with other infrastructure works and construction of eight thousand public housing units. It is not clear how quickly the package, worth a reported US\$6 billion, might move ahead, but it highlights the growing Chinese presence in Suriname.

Dubai Ports World, a global logistics leader, last year acquired a controlling interest in companies that manage services at two Surinamese ports. One is a general cargo and container facility at Paramaribo Port, now redeveloped and modernized, and the other is a private terminal for minerals, oil, and forestry products.

Brazil, meanwhile, has expanded its highway links into neighboring Guyana with construction of the US\$5 million Takutu River Bridge, opened in 2009, and into French Guiana with the US\$50 million, 378-meter cable-stayed Oyapock River Bridge, due to open next year. These are helping create infrastructure backbones for a resource-rich northeast Amazon area the size of France and Spain combined. Both Suriname and Guyana are vying to become trade hubs, linking this region to North America, Europe, and beyond.

Suriname knows that closer links with its giant neighbor could be beneficial, for example in biofuels and hydropower technology. “Brazil has a tremendous capacity to address our problems,” said Caldeira. But he is also wary: “In Suriname we make jokes about the ‘big brother’ Brazil—we have to be careful it doesn’t swallow little sister Suriname.”

Mining still the mainstay

Despite the drive to diversify, Suriname’s enviable underground wealth remains essential.

Alcoa, the U.S. giant, is the biggest player in alumina. Its Suralco subsidiary produces over three thousand tonnes a day at Paranam, near the

capital.

Sergio Akiemboto, CEO of the State Mineral & Mining Company (SMMC), said one goal is to broaden activities away from stalwarts like gold and bauxite to “nontraditional” minerals like copper and manganese. Also, SMMC will seek to increase the local benefit of foreign companies. This means finding ways to increase the value added by local partners and workers: “If we want a bigger share of these deals, we have to participate actively and transfer knowledge to local people.”

But Tom Ohring, general manager in Suriname of the Toronto-based Iamgold Corporation, said that recruiting and retaining qualified local staff is a major challenge. The country’s largest producer, Iamgold extracted 395,000 ounces at Rosebel south of Paramaribo in 2010, and last year paid the government over US\$300 million in taxes, royalties, and dividends.

A further issue for Suriname is the swarm of unofficial gold panners, many of who sneak through the forest from Brazil and pollute rivers with mercury, sometimes working alongside Indians and Maroons. Some estimates suggest the country could be losing US\$1 billion a year. ■

