

Press Release

Office of Robert A. Sirleaf (ORAS)

Dear Editors-

There has been much discussion about the National Oil Company of Liberia, the Block 13 contract with Exxon-Mobile and Canadian Overseas Petroleum Limited (COPL) and my role in the award of that contract. Unfortunately, much of the public commentary in the Liberian press, the Global Witness report that precipitated the current discussion, and the discussion on social media reflects little understanding of the facts underlying the decision of the Government of Liberia to enter into that contract.

The recent focus is all on the bonuses paid by NOCAL to the members of the HTC, NOCAL senior personal and the technical team that negotiated the Block 13 contract.

Lost in the debate is the FACT that we replaced an unqualified (technical nor financial) holder of the Block 13 contract, Broadway Peppercoast, with one of the world's most technically skilled companies, Exxon-Mobil, renegotiated an improved contract, and brought \$50 million United States Dollars to Liberia at a time at which our country desperately needed additional revenues.

The background of the Exxon-Mobil Block 13 contract is as follows.

1. In late 2010 or early 2011, the then-President of NOCAL informed Broadway-Peppercoast that it had failed to comply with the terms of the contract entered into back in 2005/2006, and that it needed to give up the contract or transfer it to a more-qualified operator. (I refer to Broadway Peppercoast because the holder of the Block 13 contract was originally named Broadway Consolidated plc. In 2011 a new group acquired control of Broadway Peppercoast and changed its name to Peppercoast Petroleum plc. There was no transfer of the contract from one company to another, as has been alleged in some reports, and thus under the original Block 13 contract no ability of NOCAL to block this change.)
2. In the spring of 2011, Peppercoast informed NOCAL that it proposed to transfer a controlling interest in the Block 13 contract to COPL. NOCAL informed COPL that it did not believe that COPL had the financial or technical capacity to serve as the operator under the Block 13 contract.

3. Peppercoast then threatened to seek international arbitration if NOCAL sought to terminate the Block 13 contract. NOCAL knew that Peppercoast was backed by an English investment fund with deep pockets, and was advised by outside counsel both that a Peppercoast demand for arbitration would probably lead to a multi-year proceeding that could consume several million of dollars in legal fees., and that NOCAL could not be confident that it would succeed in an arbitration -- because there was not clear evidence of wrong-doing in the initial award of the contract and because the prior NOCAL administration had treated the contract as valid during the period from its award until the dispute first arose in 2011.
4. At substantially the same time, COPL proposed that instead of acquiring a controlling interest, it would accept a transaction in which it acquired a minority interest and permitted a recognized major oil company to acquire a controlling interest and proposed that Exxon-Mobil acquire the interest.
5. NOCAL thus was in the position of choosing between an expensive arbitration with an uncertain outcome and a transaction that would yield a major windfall (financially & a world class oil/gas operator) to Liberia. NOCAL elected to accept the windfall and avoid the uncertainty and expense of an international arbitration.

The NOCAL – ExxonMobil/COPL transaction bought in a record US\$50,000,000 signature bonus to the Government of Liberia in 2013. (This payment was stipulated in the Production Sharing Contract that was ratified by the National Legislature and approved by the President of Liberia in April 2013.) This US\$50,000,000 signature bonus is the largest signature bonus EVER received by a non-oil producing country in the world.

Further, it was larger than the sum of all signature bonuses received by NOCAL acting on behalf of the Government of Liberia from ALL the previous exploration contracts combined.

Of this total, US\$45,000,000 went into the Government of Liberia Consolidated Fund held at the Central Bank of Liberia to support the Government’s annual budget, while US\$5,000,000 remained with NOCAL to support the its operating activities, as stipulated in the NOCAL ACT.

The fact that some funds received by COPL may have ultimately gone to persons who may have behaved inappropriately in connection with the original award of the Block 13 contract is unfortunate, but the choice before Liberia was to receive US\$50,000,000 and watch some funds going to possibly undeserving persons, or to receive absolutely nothing and be faced with a costly arbitration with an uncertain result.

In addition, during lengthy negotiations with Exxon-Mobil during the second and third quarters of 2012, Exxon-Mobile agreed to a complete revision of the original contract on terms more favorable to Liberia, including a 10% carried interest in favor of the Government of Liberia and an additional 5% carried interest in favor of the state to be used to fund broad citizen benefit programs such as education or health care. (The "carried interest" reference means that the Liberia 10% and 5% shares would receive that share of operating revenues, less operating expense, without having to bear any of the costs of exploration or, following a discovery, the immense capital costs required to move a deep-water discovery to commercial production.)

As for the "bonuses" which are the subject of the current discussion, I am aware of no discussion relating to the payment of a "bonus" during the negotiations with Peppercoast, COPL or Exxon-Mobil. It is my recollection that in late April of 2013, about a month after the completion of the landmark oil and gas exploration agreement between the National Oil Company of Liberia (NOCAL) and ExxonMobil-COPL, the CEO of NOCAL recommended to the NOCAL Board of Directors that members of the Hydrocarbon Technical Committee ("HTC" – the interagency committee established under the then existing Petroleum Law to assist NOCAL in the negotiation of petroleum exploration and development contracts), the technical support team, and NOCAL's senior officers deserved the payment of a bonus "for the hard work and dedication to ensuring the successful completion of the transaction." (The negotiations during that time, all led by the HTC, occurred in Washington, Accra, Paris, and London, and involved major commitments of time. I believe the Washington negotiations alone stretched out over six or seven days of continuous discussions.)

Subsequently, the Board of Directors under my chairmanship agreed that the recommendation of a payment of bonus was reasonable, though I stressed ONLY so long as all NOCAL employees (i.e. from the President/CEO down to the drivers, janitors, secretaries and clerks) received a bonus.

This approval was consistent with Section 3 (g) of the NOCAL Act of 2000 - "**To take any and all actions determined by the Board of Directors to be necessary or desirable to carry out the functions of the Corporation.**" and Section 8 (e) - "**To set the stipend to be received by the members of the Board of Directors.**" and (f) **To set the salaries, benefits and other compensation to be received by management of the Corporation.**"

After the Board of Directors of NOCAL approved the payment of the bonus, NOCAL sought from the Ministry of Justice and received from the Ministry of Justice an opinion that payment to members of the HTC, some of whom were Ministers and Heads of Agencies of Government did not run contrary to the Laws of Liberia. NOCAL was also advised by

the President of the Republic of Liberia that other State-Owned Enterprises commonly paid bonuses. (A copy of the opinion of the Minister of Justice is attached.)

Moreover, the payment of the bonuses was not hidden. The payment of the bonuses was made from NOCAL's general corporate funds and was appropriately documented and disbursed consistent with NOCAL's approved internal financial guidelines and controls. The below steps were followed:

- i. The Board deliberated and approved the decision to pay bonus to the members of the HTC, Board of Directors, Senior Officers and Staff of NOCAL. The decision was documented in the Board Minutes and a Board Resolution was drawn up and approved by the Board of Directors authorizing the transaction.
- ii. The total amount approved to be distributed as bonus was US\$500,000.
- iii. The payment of bonuses to the best of my recollection was broken down as follows:
 - HTC Members (i.e. Ministers and Heads of Agencies), US\$35,000/person
 - HTC Support Staff (i.e. HTC technical committee, comprising of technicians from HTC members institutions and outside advisors, US\$15,000/person
 - Members of NOCAL Board of Directors, US\$35,000/person
 - The management of NOCAL was charged with the responsibility to distribute appropriate remaining amount of the bonus to senior officers and staff of NOCAL consistent with a formula to be established by the management.
- iv. To the best of my recollection, the disbursement of the bonus to each category of people named above followed NOCAL's internal financial disbursement procedure and was drawn on NOCAL's operating account held with ECOBANK.

Moreover, in 2017, the General Auditing Commission (GAC) completed the fiscal audit of NOCAL for the period covering July 1, 2011 to June 30, 2015, a period that included the Exxon-Mobil transaction. The GAC did not suggest that the payment of the bonuses was improper and did not find any wrongdoing on the part of NOCAL's officials and the Board of Directors related to the decision to pay bonuses.

In fact, neither the bonuses nor any part of the NOCAL-Exxon/COPL transaction were flagged, identified as a matter a matter for further investigation, nor referred to as violation of any law or policy of Liberia.

For the record, the payment of bonuses is not unique to NOCAL. As a matter of fact, all state-owned enterprises (SOEs) of the Government of Liberia pay bonuses including the Liberia Petroleum Refinery Company (LPRC), National Port Authority (NPA), Liberia Maritime Authority (LMA), Liberia Telecommunication Authority (LTA) to name a few. Also, the payment of bonuses by state owned corporation did not start with the previous government.

In addition, unlike the original Broadway transaction, where the President's investigative commission could not recover documents that supported that, the transaction between NOCAL-ExxonMobil/COPL under my chairmanship was appropriately and painstakingly documented, copies retained at NOCAL, and shared with the committee during the investigation. This is a further testament of the openness, transparency, and accountability that characterized NOCAL's actions in connection with the renegotiation of the Block 13 contract during my chairmanship.

Finally, the suggestion that the payment of the \$500,000 of bonus payments somehow led to the financial crisis that hit NOCAL in 2014, I would like to point out that NOCAL had approximately US\$18,000,000 in its accounts at the time I resigned in September 2013, after the payment of the bonuses, and received an additional \$8,000,000 in connection with the renegotiation of certain seismic data revenue sharing agreements in late 2013. That's a total of a documented \$25,000,000 it had at its disposal after I left the NOCAL Board.

We must all understand how monumental this transaction was not only to the oil and gas program in Liberia, but also the Government of Liberia that in 2013 desperately needed revenue to address the enormous challenges of the country.

I am very pleased to have cooperated with the special presidential committee appointed by the President to investigate the Global witness claims. I answered the questions asked by the committee and provided the necessary information to aid the committees in its investigation.

Robert Sirleaf

May 31, 2018

