



Feature Address

by

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Minister of Energy and Energy Industries

at the

South Trinidad Chamber of Industry and Commerce

Annual Energy Conference

Hyatt Hotel

January 25, 2010



Salutations...

I am delighted to welcome you to Trinidad and Tobago for our annual Energy Conference 2010, hosted by the South Trinidad Chamber of Industry and Commerce under the theme “Energy and Entrepreneurship.”

This theme is very consistent and also relevant at this time as it supports one of the key objectives of our Vision 2020 plan. The Government of Trinidad and Tobago is pursuing policies in order to create a society in which the quality of life of all our citizens are continuously improving. This conference allows us therefore to stop and reflect on where we are at this point and our options for the future.

In that context, it was just a few short months ago, in 2009, that Trinidad and Tobago along with most of the world’s countries faced an unprecedented financial crisis . The projections for Trinidad and Tobago at that time was that GDP would decline by about three percent overall.

In 2010 we are now advised by the Central Bank that the local economy is predicted to grow at a rate of 2 per cent this year, with private sector demand beginning to build momentum in the second quarter.

Ladies and gentlemen, as the global economic recovery continues, it is projected that the world oil market should gradually tighten in 2010 and 2011.

While non-OECD countries lead 2010 demand recovery, OECD countries should begin to show significant oil demand growth in 2011 in response to improving economic conditions.

Projected economic growth in the OECD more than doubles from 1.2 percent in 2010 to 2.7 percent in 2011. What does this mean for Trinidad and Tobago? Well, it is very simple actually. These countries represent the destinations of our most valuable exports. Positive economic growth in these countries helps to bolster consumption and that in turn helps to secure our markets and resultant revenue stream.

Concerning the world oil market, analysts have projected that crude prices, which have been trending upward since mid-2009, will continue to increase in 2010 and 2011. Although global oil inventories and spare production capacity remain very high by historical standards, expectations of a continued global economic turnaround have continued to support oil markets and prices.

When we look at natural gas, we see that the Henry Hub spot price averaged \$5.50 per thousand cubic feet (Mcf) in December 2009, \$1.73 per Mcf higher than the average spot price in November. Prices were affected by the colder-than-normal weather in December.

According to the United States Energy Information Administration, the Henry Hub spot price averaged \$4.06 per Mcf in 2009, and the forecasted price in 2010 is \$5.36 per Mcf and \$6.12 per Mcf for 2011. Continued high storage levels in the United States combined with their domestic production

capabilities and slow consumption growth are expected to keep prices from rising dramatically through the forecast period.

Meanwhile, recent additions to global liquefied natural gas (LNG) supply in Russia, Yemen, Qatar, and Indonesia are projected to cause U.S. LNG imports to increase by almost 0.5 Bcf/d in 2010 to 1.76 Bcf/d.

U.S. LNG imports are projected to increase slightly in 2011, as growing global demand for LNG absorbs the new supply growth.

What this means, ladies and gentlemen, is that the world economy is forecast to get into recovery mode this year, resulting in increased demand for products and services.

This suggests that we have withstood the challenge of the global crisis and today we are able to plan for a more sustainable future. Building on this platform the government has considered a number of relevant matters and I propose to update you on some of these.

Ladies and gentlemen, the energy sector of Trinidad and Tobago continues to have direct relevance to the future economic growth and sustainable development of the economy of this country, accounting as it did for about 48% of GDP in 2009.

Our objective as a Government is to maximise our revenue potential (especially that which is generated by the energy sector); to create wealth,

and to encourage greater distribution of this wealth for the benefit of our population.

In energy the platform for our further development is being carefully constructed and with the widest possible involvement designed to create activity in the sector . Our focus at this time includes :

- The revised Fiscal terms designed to stimulate activity
- The priority use of gas resources
- The ability of Petrotrin to boost local oil production and;
- Our renewable energy agenda.

Ladies and gentlemen, the Government has completed the review of the fiscal system and is at this time awaiting comments from the industry.

When the announcement to undertake this review was made in January 2008, the economic and financial climate substantially differed from what it is today. Projections for the oil and gas prices and market accessibility were very buoyant then.

By the time the initial fiscal proposals were presented to the sector, market forces had changed drastically, both oil and gas prices had fallen; increasing supplies of natural gas were more readily available. This latter fact was compounded by the potential growth and commercialization of

Shale Gas in the United States and this has revolutionized conventional thinking that only LNG imports could satisfy growing US demands.

Almost simultaneously, the world economy faced a major financial upheaval. Many industrialized countries entered recession, several financial institutions and companies failed. Access to investment tightened and fiscal stimulus packages were created to re-activate growth.

Against this background, we had to review our initial fiscal proposals, particularly the contractual arrangements that will be offered under future competitive bid rounds as well as the concessionary (tax/royalty) arrangements.

This we did and what has emerged from that process is that the production sharing contract remains our preferred form of arrangement that will be offered to potential investors under future competitive bid rounds. Our new PSC will be similar to the 1995/6 models in which companies were allowed to evaluate their risks and offer an adequate share of Profit Petroleum. This is intended to reduce some of the inherent risks and encourage potential investment.

With respect to the concessionary arrangements, emphasis is placed on those areas and activities where incentives for revitalization and

sustainability are required, such as in the mature offshore oil acreages and on land where enhanced oil recovery projects are undertaken. Specifically, the incentives will directly impact on the Supplemental Petroleum Tax rates that will be payable by companies. In so doing, it will provide companies with additional financial flows to re-invest in the upstream sector.

This new regime will address small, mature fields and tail-end production and will allow for a situation intended to encourage new investment while allowing current production levels to be sustained.

Ladies and gentlemen, this review is being done in a highly collaborative manner with the inclusion of all the industry players and we are at the final stage and I expect that the comments of the industry and work programmes has been submitted for consideration. If not there is still an opportunity to provide these over this week.

Last year, we announced the results of the latest audit of our natural gas resources, and as usual, there was much comment on the remaining life of the existing resource. As I have just outlined, the Government is pursuing the auction, via competitive bidding, of new acreage, firstly in shallow water and then later this year, in the deep water acreage.

There was also quite a bit of discussion in several fora on the use to which this resource was being put, both at present and in the future. The Government, in a very deliberate strategy, continues to review our gas

sector development plans and I am now pleased to announce our updated priorities for gas development as follows:

The first priority will be to allocate gas for the new approved projects including Alutrint, Essar Steel and Gas to Polypropylene. The next priority deals with existing plants and their future needs for defined periods. Priority is next provided for debottlenecking of the current LNG trains subject to several matters including Government determination of the project structure and marketing arrangements. The fourth priority deals with ammonia and related downstream facilities which must be part of any proposal as well as several other conditionalities.

Distinguished guests, the local energy sector has experienced several policy adjustments over the past few years in an effort to ensure that the challenge of attaining sustainable development is being appropriately addressed as the industry evolves.

We recognise that oil production has been on the decline and the country has become gas based, however, we would like to encourage a mix that is more balanced. We believe that Petrotrin has an important role to play in delivering on this objective and we have challenged its leadership to organise in such a way as to support this requirement for increases in oil production. Petrotrin in response has begun to deliver on this mandate. As you know seven sub-licences for fields located in eastern Trinidad were granted in October of last year. I am advised that three of the Service Contracts have been signed and work is about to commence and the other four will be signed by the end of January, 2010. We anticipate that gains in

production volumes will be realised from this initiative. Petrotrin also has been mandated to develop a program for the efficient and effective management of the Trinmar asset.

Petrotrin will also be acquiring a 3D seismic programme over its assets in their North West District and API's Oropouche farmout area of South Trinidad in February 2010 and that the work would be completed by December 2010. The survey is intended to guide the future exploration on land and is intended to result in the identification of more oil drilling locations.

Ladies and gentlemen, before the recently concluded Copenhagen summit world leaders were in agreement that a lot remains to be done if the perils posed by global warming are to be reversed.

They were also in agreement that there is a need for the international community to take concrete and cohesive action to combat climate change.

Developing countries went to Copenhagen hoping for firm and binding commitments from developed countries, especially towards funding and technological exchange. There was hope that the conference would, among others, set clear targets on emission reductions from developed countries, and most importantly, extract firm and binding commitments from developed countries towards providing financing and technology transfer for mitigation and adaptation in developing countries.

In the end what was produced was a short "accord" that sets down no specific limits for future emissions beyond those that its signatories

volunteered. There is an argument about measuring carbon emissions on a per capita basis and using this as a yardstick to determine who should take the greater action and bear the costs to bring the climate change threat under control.

This, I wish to say very clearly, is something Trinidad and Tobago completely *rejects*.

The facts are clear. According to Carbon Monitoring for Action (CARMA) Asia (5.75), North America (3.09) and Europe (1.88) they account for over 10.72 ***Billions*** Tonnes of carbon emissions annually. The ***Rest of the World*** accounts for just about 700 ***million*** tonnes per year!

In addition, the use of coal has been clearly proven to be one of the greatest contributors to global carbon emissions. Trinidad and Tobago produces 99% of its electricity from natural gas and 0% from coal. By comparison the US produces 49% of its electricity from coal, the UK 33%, India over 70% and China over 75%. In this regard, ladies and gentlemen, we believe that the figures clearly speak for themselves.

In the context of Trinidad and Tobago being a small-island state, there is a view that countries such as ours will be the first to feel the effects of climate change, the most dramatic and disastrous being sea-level rise. Some of the forecasts point to massive increases in sea levels from as early as 2050.

This is an issue that we will have to address.

We have also done a few things. We switched to all unleaded gasoline several years ago. We are in the midst of reducing our natural gas consumption in electricity generation by a programme to have all of our power generation converted to combined-cycle generators by 2016.

In addition, the South Chamber in collaboration with the Ministry of Energy and Energy Industries and the Ministry of Planning Housing and the Environment are currently working together to collaborate and conceptualise a Carbon Capture and Storage project for Trinidad and Tobago. This project will outline, the role and responsibility of each organisation, the technology to be employed and the implications of the Carbon Capture and Storage project for existing plants.

We are also planning for a large reduction in diesel and gasoline consumption via the expansion of the Compressed Natural Gas programme.

That being said, I am pleased to advise that the Government is developing a renewable energy policy for Trinidad and Tobago which should be available for public comment shortly. Additionally we are in the process of developing a framework for partnering with the United States through its Department of Energy (USDOE) in the development of a Renewable Energy Research Centre and a Framework for Partnership under the Energy and Climate Partnership of the Americas (ECPA).

The Partnership was first announced at the Fifth Summit of the Americas in Port of Spain, where President Obama invited all countries of the Western Hemisphere to be a part of a united effort in this critical area. Since the Summit in April, regional response has been positive across all five ECPA elements: energy efficiency, renewable energy, cleaner fossil fuels, critical infrastructure, and energy poverty alleviation.

Moreover, the Renewable Energy Research Centre would provide an excellent opportunity to broaden our joint activities while building needed capacity in the region.

The Centre would benefit from being networked to other regional energy centres that have already been established in Chile, Peru and Colombia, and other centres that might be established.

Distinguished guests, the progress of Trinidad and Tobago as a nation depends on our ability to use our energy resources in ways that provide maximum benefit to all the people of our country. The Government has embraced a sustainable development methodology that aims to improve our standard of living and expand our nation's opportunities for tomorrow as we move towards developed nation status.

The key strategies developed and deployed by this Government for the current and long-term vibrancy of the gas sector revolve around the deliberate selection of a mix of gas-consuming projects which will provide

for diversification, balance and maximum value-adding potential for our economy.

Trinidad and Tobago is entering a new era and in keeping with the theme of this conference, we are quite conscious of the importance of entrepreneurship as small and medium sized entities are the backbone of most economies.

In addition, we have taken cognizance of the need for cooperation from all sectors of our economy so that we have a comprehensive platform on which to make decisions.

These actions are required to give us success in our current attempts to efficiently and effectively shape the fortunes of the energy sector and the national economy over the medium to long term. This is all with a view to making Trinidad and Tobago a preferred business partner in today's global village as we strive towards Vision 2020.

In closing, I wish to formally thank the South Trinidad Chamber of Industry and Commerce for their successful hosting of this annual event and it is my desire that you achieve success in your deliberations.

Ladies and Gentlemen, I Thank You.