



MINISTRY OF ENERGY AND ENERGY INDUSTRIES

Opening Address

By

Senator the Honourable Conrad Enill
Minister of Energy and Energy Industries

At the

**TRINIDAD AND TOBAGO PETROLEUM
CONFERENCE 2008
HOSTED BY THE STCIC & GSTT**

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Hilton Trinidad and Conference Centre

- Thank you Mr. Chairman;
- Fellow Ministers;
- Members of the Diplomatic Corps
- Mr. Rampersad Motilal, President of the South Chamber of Industry and Commerce;
- Mr. Derek Meighu, President of the Geological Society of Trinidad and Tobago;
- Captains of Industry;
- Members of the Media;
- Ladies and Gentlemen

I am delighted to be able to participate in this forum where a distinguished gathering of policy makers, industry professionals, and academics meet under the direction of the South Trinidad Chamber of Industry and Commerce (STCIC) and the Geological

Society of Trinidad and Tobago (GSTT) to challenge our thinking on matters related to the energy sector. Each year the industry looks forward to the exchange of ideas that arise from the deliberations at this conference. This year however we also celebrate 100 years of success in the business of commercial oil production. It was in 1908 that we began this journey, and in that year according to some research: -

??" Mothers day was celebrated for the first time,

??SOS became the standard radio distress symbol,

??the first ever beauty contest was held in Folkestone, England,

??Henry Ford developed the first model T automobile in a revolutionary process that cut the cost of manufacturing sufficiently to make the automobile affordable for the average family at a price of \$850,"but also

??The first airplane passenger was killed- Lt Thomas Selfridge of the US Army

??The first true skyscraper was built-the Singer building ,in lower manhattan reaching 47 stories

??Devastating earthquake hits Messina killing 100,000

??and therefore in our reflection, are our issues today significantly different from those in the past or is it same issues different players.

I therefore congratulate the organisers of this conference on providing a forum for the industry to strategically review its direction based on the new realities of our ever-evolving energy sector.

100 years of oil production

The theme of this conference -“The Future of Energy” is important as it ask us to think about the future of our country’s most strategic economic sector - the energy sector. The importance of the theme is further underpinned by the fact that we are commemorating the centenary of commercial oil production and also because globally we are aware of the twin challenges

of high commodity prices and high environmental concerns. We are therefore fortunate to be here at this point in Trinidad and Tobago's history where we can look back at 100 years behind us and the look forward and ask - what should the future look like and how should our past experiences inform our strategic foresight? Consider this in circumstances where 100 years after commercial production commenced we continue to discover hydrocarbons in Trinidad and Tobago and our energy sector continues to attract new companies and significant investment.

In our consideration it is important that we reflect on the contribution of the energy

sector to national development. The energy sector since the commencement of commercial production has been the main contributor to economic development. In particular the economic rents from the boom period of the late 1970s to early 1980s were utilised to transform the sector.

The governments policy at that time was characterized by its direct involvement in commercial activity as a means of generating economic activity and the creation of employment opportunities. One of the success stories of this policy was the creation of the Point Lisas Industrial Estate.

Today Government's policy on economic activity is based on a facilitatory role, except in strategic industries, where there is a strong development objective and Government's participation is necessary to safeguard the national interest.

There has also been a change in the composition of our resources. In 1990 gas production averaged 110,000 barrels of oil equivalent per day as compared to oil production of 160,000 barrel of oil per day. By 2007 gas production increased to 681,000 barrels of oil equivalent per day compared to 123,000 barrels of oil. Therefore approximately 85% of the current production of our hydrocarbon reserves is in

respect of natural gas. Recent discoveries in the North Coast Marine Area and South East Coast Area suggest that this trend will continue in the future.

The future of the energy sector must be viewed in the context of Government's developmental objectives and based on our new reality. In particular Government has adopted a strategy to achieve developed country status by 2020.

In this regard, the vision for energy is that of an integrated and fully developed and environmentally conscious energy sector that is a key driver of a sustainable and flourishing local and regional economy while

attaining global competitiveness in all of its sub-sectors by 2020.

In the framework for success five key drivers have been identified, namely:

- ✍✍ Resource development
- ✍✍ Management of the Sector
- ✍✍ Development of the Human Resource Capability
- ✍✍ Empowerment of local players within the sector
- ✍✍ Development of the physical infrastructure
- ✍✍ Environmental Preservation

Resource Development

Trinidad and Tobago is a mature hydrocarbon province producing approximately 4 Billion cubic feet of natural gas per day and 123,000 barrels of oil per day. However there are large unexplored tracts in the deep-water areas and undeveloped marginal fields in the shallow marine areas, which have the potential to significantly add to the country's reserves.

The country also possesses substantial heavy oil reserves which to date remain largely un-exploited. It is estimated that there are 100 million barrels of oil in place remaining to be produced in the on-shore area. Estimates of heavy oil in place in the

offshore areas range from 2,600 million barrels to 5,000 million barrels. To this end Government has agreed to engage a consultant to conduct an audit of the heavy oil resource and to advise on operational strategies for its development. The oil audit will complement the annual gas audit.

The sustained development of our hydrocarbon resources is critical to national development. Government is therefore seeking to devise strategies to unlock these resources. The industry, in the 2007 Energy Conference and in recent discussions with a Government Appointed Team and an independent consultant engaged by Government, has maintained that a review

of the fiscal regime at this time is necessary to achieve this objective.

In particular it is our view that the fiscal regime needs to be tailored to meet the distinct needs of the marginal fields, the deep-water areas and heavy oil. These matters are under review and there will be continued dialogue with the industry in fashioning the appropriate fiscal regime that will meet the requirements of our policy objective.

In terms of production Government will be implementing the recommendations of 2007 Ryder Scott Gas Reserves Audit namely:

- A greater emphasis needs to be placed on the country's exploration resources, now estimated at 37.1 TCF.

- A high level of exploration activity leading to drilling of exploration prospects is now an imperative to build the probable and possible reserves base.

To this end the Bid Rounds have been scheduled for shallow blocks in North Coast Marine Area and South East Coast Area in late 2008 and for the Deep Atlantic in 2009.

In the audit, Ryder Scott also maintained that the new companies have important gas resources that can significantly impact on reserves replacement. This assessment has

been corroborated by the recent natural gas finds in excess of 2 trillion cubic feet by PetroCanada and Canadian Superior.

Management of the Sector

The present system for the management of the sector has performed reasonably well. Notwithstanding this we have undertaken a review of the current system to ensure its continued relevance. In the Energy Conference held in August 2007 there were presentations of alternative models, which have been successful in their jurisdictions. There are lessons to be learnt and Government would be closely reviewing

their experiences in the determination of an effective and efficient management system.

In the interim Government is taking steps to improve the efficiency of the various agencies and institutions that contribute to the sector's management.

In this regard the Ministry Of Energy & Energy Industries is pursuing an organisation transformation which is designed to make the Ministry more customer focus and efficient in the delivery of services. Other initiatives include the establishment of an integrated oil company and the review of performances of

regulatory agencies in the servicing of the sector.

An important element of the management of the sector is its legislative framework. The Petroleum Act and Regulations govern both oil and gas operations within the sector. Given that the Act and regulations were principally designed to treat with oil operations they do not effectively address the ambit of gas related issues.

Accordingly Government will be engaging the services of a consultant to develop a Natural Gas Governance Framework .

HUMAN RESOURCE CAPABILITY

Education and training are key elements in the further development of energy sector. However, there continues to be a critical shortfall in the number of qualified and experienced professionals and technicians in the sector.

We have sought to close this gap with the establishment of the University of Trinidad and Tobago whose mandate includes the fostering of a strong research and development capacity locally and the training of nationals to meet the requirements of the sector.

The Government also through its contractual relationship with the industry annually finances several tertiary scholarships in energy related programmes. These interventions and strategies have not met the requirements for talent required for the sector.

As we pursue further programmes in the energy sector whether upstream, midstream or downstream the need for skilled professionals will be a challenge. In planning for this requirement Government is currently reviewing this matter and will be adopting strategies for closing this skills gap. However, we are of the view that a partnership between Government and the

Energy Sector in the identification of appropriate solutions is the only way to effectively treat with this issue, and in this regard we intend to continue the dialogue.

Empowerment of local players within the sector Local Content and Local Capability

Crucial to the “Future of Energy” is the local content initiative. The Government of Trinidad and Tobago considers local content and local capacity development to be an important building block to sustainability in the energy sector. We are aware that there is a strong cadre of local energy service companies that already provide services to the State owned and Multi-National upstream companies.

These local energy service companies are managed, in most cases, by nationals of Trinidad and Tobago who bring to the service sector their work experience with the multi-nationals or with the State energy companies. Such entrepreneurial spirit is to be encouraged. Trinidad and Tobago is indeed fortunate to have some of the top energy professionals in the world as its citizens. Wherever you go in the oil and gas industry in the world you will find citizens of Trinidad and Tobago who are world class. It should follow logically that if our individual citizens can go out into the world and succeed then our local energy service companies should be able to do the same - as some of them have already done.

In support of the local content initiative, four years ago at this conference, the Prime Minister of Trinidad and Tobago announced the establishment of the Permanent Local Content Committee. That committee subsequently produced a ***Local Content and Local Participation Policy Framework*** document. Since that time there has been some progress towards increasing local content and local capability. The most notable success has been the establishment of a platform fabrication industry in Trinidad and Tobago. This industry was established in recognition of the need to increase the “in-country spend” on upstream projects and to increase the range of activities that are done in Trinidad and Tobago. There are few

who will disagree that the platform fabrication industry has been a success. We moved from a point of tacit support to a point where the oil and gas companies are saying that any platform jacket or topside that can be built in Trinidad and Tobago will be built in Trinidad and Tobago.

At the same time, the structure of the energy sector is also changing. A decade ago there were only a handful of upstream companies - today there are some 13 upstream companies and other upstream companies are expected to commence operations in the short term. The net effect of this is that there is more business activity and more customers for our local energy service companies.

Local Content and Vision 2020

While there has been some success in terms of local content there is still a lot of work to do if we are to see our local energy service companies emerge as globally competitive firms. It may be timely to consider taking the local content initiative to the next step. In taking local content to the next step we need to determine what would be the role of the Government and organizations like the South Chamber and the Geological Society. The U.K. and Norwegian examples have shown that strong Government -Industry collaboration buttressed by a supportive regulatory environment is needed to lift indigenous

service companies to a level where they can become globally competitive.

It has been argued that the “Barriers to Entry” for the Trinidad and Tobago energy services industry is too low. This maybe something that we must consider from a policy perspective. I would like to however add that governments do not create competitive industries. That is the responsibility of firms. Government’s role is to shape and influence the context and institutional structure within which firms operate.

It was for this reason that we embarked on the Vision 2020 process. Our Vision in this matter require that we sustain a competitive world class energy sector with a high level

of local involvement. To accomplish this, we must maximize our in-country expenditure and activity and the level of local participation and equity ownership in the sector value chain.

The local energy services sector represents one of our most competitive sub-sectors and one of our best chances at being successful at exporting a service. Local energy service companies can take advantage of the reputation of Trinidad and Tobago's energy professionals who have gone on to do this country proud in the global energy business. On the topic of competitiveness, HS&E standards are a source of competitive advantage for energy service companies. In this regard the work of the South Chamber

and other organization such as the Point Lisas Executives Association (PLEA) on developing uniform HS&E standards for the energy sector is commendable

The Government's thrust to maximise local content and local participation in the sector is two-fold. We aim to maximise the development opportunity presented by the large and mainly foreign direct investments in the economy and to foster economically productive local industries.

This policy has worked well in the development of service industries for the energy sector. However outside of the State, the local private sector has limited

participation in the upstream. This is an area, which is to be addressed.

Let me now turn to the development of the physical infrastructure.

The National Energy Corporation has been mandated to develop and maintain reliable and affordable infrastructure for utilization by the sector.

This infrastructure includes industrial estates and port facilities, which are funded by the State. Given that land for industrial use is limited, projects must meet the policy requirement of the Government in that they must be strategic and add value. In this

regard the metal and plastic industries have been identified as strategic industries.

Government has also agreed that there will be no addition of new petrochemical plants unless their production goes downstream

Let me address the issue of environmental preservation.

Protection and preservation of our natural environment is of paramount importance in our thrust towards building a truly sustainable energy industry in Trinidad and Tobago.

The domestic energy sector has proved to be a proponent of this objective through its observance and compliance with the environmental management standards

administered by the Environmental Management Authority.

Future - leadership role in the region

In attempting to paint a picture of the future of energy we may want to consider our immediate neighbours in the Caribbean. Barbados is due to have a bid round in April of this year and drilling activity may soon commence in Guyana while Suriname already has an oil industry on land. What then is the future of the Trinidad and Tobago energy sector with regard to Barbados, Guyana and Suriname? Is the future one where Trinidad and Tobago with its 100 years of experience can play a role in exporting services to these countries? I

wish to congratulate the South Chamber on its efforts to promote the export of energy services with specific reference to the trade missions that it hosted to Guyana and Suriname in 2007. The Government of Trinidad and Tobago has taken the decision to make our 100 years of expertise in the energy sector available to a number of West African countries. Is there an opportunity here for our energy service companies to supply services to the oil industry in Africa?

Diversification

The Government is aware of the economy's dependence on the energy sector and the need to diversify the economy. In diversifying the economy we have also

considered the diversification of the energy sector and how this diversified energy sector can be linked to other economic sectors. In 2004, the Government took the decision that approval would only be granted for gas-based projects that had a value added component. The thinking here is that we select those projects that give us the most value for each molecule of natural gas. The AUM, Polypropylene, Polyethylene and the metals projects will all produce products that can be used by the local manufacturing sector. The linking of the energy and manufacturing sectors will allow our manufacturers to leverage on the competitive advantage of the energy sector. The onus is therefore on local entrepreneurs

to make the most of these opportunities. There is also the potential to develop linkages to the information technology providers, the financial services sector, the maritime services sector and the tourism sector.

In terms of the refining industry, the Government has decided that the time has come to expand this industry and to take advantage of the global shortage of refining capacity. The proposed new refinery will have a capacity of about 200,000 barrels of oil per day and would cost approximately \$3 to \$4 billion dollars. This new refinery together with the existing Petrotrin Pointe-a-Pierre Refinery would increase our refining capacity to 368,000 barrels per day. This

would expand the domestic refining industry and would make T&T a hemispheric refining hub.

Bridging the Gap

Managing the energy sector in the future will require a different approach. It will require more Government - Industry dialogue and collaboration. It will also require that we start the process of bridging the gap between the wider public and the energy sector. This is important if we are to have alignment between the national community and the energy sector. This gap has led to a lot of misunderstanding about the energy sector and its operations. It is also

important that as a sector you dialogue with communities in which you operate or in which you seek to operate and align your Corporate Social Responsibility activities with the needs of these communities.

Over the remainder of today and tomorrow I anticipate that speakers will address in more detail some of the issues that I have raised.

In closing let me congratulate the South Chamber and the Geological Society for hosting this important conference. I also want to take the opportunity to wish all the international delegates a fruitful stay in Trinidad and Tobago.

Thank you.

