



FEATURE ADDRESS BY
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MINISTER OF ENERGY AND ENERGY AFFAIRS
AT THE INAUGURAL CEREMONY FOR THE 720 MT AIR
SEPARATION PLANT COMMISSIONING
CARIBBEAN DRIVE, POINT LISAS
WEDNESDAY 09 FEBRUARY 2011



SALUTATIONS

I am extremely pleased to be with you at the commissioning of Air Liquide's 720 Metric Tonne Air Separation Unit here at the Point Lisas Industrial Estate. And may I thank you for your invitation to deliver this feature address and to share with you the Government of the People's Partnership forward strategy.

I trust that I will be able to articulate for you exactly how deeply companies such as yours factor into our transforming Energy Sector and also, into this Government's bold thrust forward to create a more stable, sustainable and diversified sector.

Ladies and gentlemen, I took some time to view your corporate website before coming this morning and for the benefit of stakeholders and my friends in the media, it would be worth

discussing, briefly, the role of companies such as yours in Energy.

An Air Separation Unit (ASU), separates atmospheric air into its primary components – typically Nitrogen and Oxygen – sometimes Argon and also other inert gases.

The separation of air into its constituent parts at high purity requires a cryogenic distillation process and a large amount of electrical energy to drive air compressors to make the refrigeration cycle work.

In addition to the separation of gases to produce the gaseous and liquid products, the plant will also produce them in the desired purity and quantity.

Ladies and Gentlemen this is an extremely important process and can be considered the backbone of a downstream sector

that relies on nitrogen and argon to sanitise its operations and ensure the unhindered production and supply of many of our industrial products including methanol and ammonia in a safe and reliable way.

In addition, all process plants which contain hydrocarbons will utilise large amounts of Nitrogen for various purposes, especially during Plant Turn-Arounds when various hydrocarbon-bearing systems have to be purged and gas freed for 'hot' or welding work.

Therefore the commissioning of this plant will minimize the major concerns that operators have whenever they have to bring their plants down for maintenance. No longer will process plant downtime be incurred because of a shortage of nitrogen and argon.

It is my expectation that the addition of this Air Separation Unit will significantly reduce, if not entirely eliminate, delays in plant

Turn Around schedules and also increase the efficiency of the plants it will service.

In our Iron and Steel Plants, pure oxygen is added to obtain high quality iron and steel from blast-furnace iron (pig iron).

So one can see how crucial a safe and reliable supply of industrial gases is for Trinidad and Tobago's economic stability and continuity. You will note the two areas in particular that your business supplies services to – productivity and efficiency.

Let me assure you that this sits well with the Government of the People's Partnership and links comfortably into the new policy framework that will govern and drive our Energy Sector.

Ladies and Gentlemen as you know the Energy Sector contributes 45 percent to Trinidad and Tobago's Gross

Domestic Product. It is also the key earner of foreign exchange for our nation, accounting for 63 percent of all such earnings. This sector is therefore crucial to the well-being of each and every citizen.

It is for these reasons immediate steps were taken, post May 2010, to rejuvenate the sector by jump-starting the upstream with a re-commencement of exploration activity, which will prove up the natural gas we need to power a downstream expansion.

As you may by now be aware, the Government has committed significant human, technical and financial resources to a comprehensive expansion in the downstream sector. As the oldest energy producing nation in the Western Hemisphere, we felt that it was of critical importance to take charge of our energy resources in a manner that ensures we can go beyond

well-head prices and actually benefit from the use of produced commodities in the local manufacturing sector.

But inspiring an upstream re-birth, thereby bridging the gap to an aggressive downstream expansion, required a complete revision of the conditions under which we were asking local and foreign entities to invest.

I therefore moved immediately to implement a globally competitive fiscal regime backed by a number of significant measures aimed at enhancing our sector as a fertile destination for investment.

These measures included the transfer to the conventional Production Sharing Contract model for shallow and average water exploration; a revised PSC model for deep water exploration with a reduction in the PPT; a reduction in SPT rates

for mature marine or small marine fields, and investment credits on qualifying capital for both land and marine or for enhanced oil recovery projects, for example steam, carbon dioxide or water-flood injection.

Associated strategies to energise this policy shift also involved the development of a clear and transparent framework for evaluating projects requiring natural gas. This evaluation framework awarded points for specific criteria aimed at delivering maximum value.

Ladies and gentlemen, this new framework aims to create the conditions which will sustain the Energy Sector by achieving:

- 1) Transparency in the assessment of projects, and therefore greater global confidence in the sector.
- 2) Consideration of the environmental impact of projects.

- 3) Clear incentives to increase local content in projects and therefore broader local ownership and participation in Energy.
- 4) Impetus for use of energy efficient processes.

You will be happy to know that this framework has also, already been put through a most demanding and thorough test. And in addition to the thousands of jobs the framework has been able to attract in the proposals received, it has also been able to ensure minimal environmental impact in terms of carbon as all of the Carbon Dioxide produced would be used in the downstream manufacturing processes.

The framework has also ensured that local content would be maximized to the extent that local financial institutions will be encouraged to participate in the financing of this project.

Further, this framework, through its focus, will maximise the use of local resources such as engineering works and will also benefit the deepening of project management capabilities, as well as logistics and marketing capabilities.

With the enabling environment created, and the strong hands of the Government returning stability and confidence to the Energy Sector, it is now for the stakeholders to take up these incentives and take the sector forward.

Future growth and expansion calls for innovation; an increased appetite for risk; a greater commitment to strategic partnerships and a clear understanding of the cyclical nature of energy.

Indeed, today's environment calls for a level of boldness in taking on challenges and holding strongly to your ground.

Therefore, I must say that your company's decision to build a new US\$60m air separation unit, to increase your capacity to service your industrial customers, is an example of the forward thinking that we need right now.

It shows foresight and confidence in the Trinidad and Tobago's Energy Sector and I wish to congratulate you for this. In fact, I also noted from your corporate website that your company's history dates back to 1902. This means that our nation and your company share a vast amount of history and indeed experience that when combined has the potential for the formation of a beneficial and successful business relationship.

In fact ladies and gentlemen the Government is right now negotiating with international investors who are interested in setting up a Methanol to Olefins plant right here in Point Lisas. Air Liquide's investment therefore is a prudent one as it is clear

that your market will soon increase and you could, no doubt, be a potential service provider to this new plant.

Ladies and gentlemen, in the short time since assuming office, we have undertaken a significant amount of work in order to ensure that the platform upon which our Energy Sector and our total economic diversification programme stands, is solid!

Confidence in the Trinidad and Tobago energy sector is rebounding and the fact that confidence and competitiveness are now trending upwards is directly linked to investments such as yours which have helped to nudge our confidence ratings upwards and we must not let that fact escape us. Of great significance to the confidence boost, however, is the stabilising effect this Government's new policy initiatives have had.

One of the policy initiatives has been keeping to our commitment to the development of a National Energy Policy that will guide and govern how we monetize our natural resources in an environment of transparency and openness. We have taken to living up to this commitment through the ongoing National Energy Policy Consultations which continues next Monday in Sangre Grande.

But merely driving continued Capital Investment in our Energy Sector while vital is not enough. For too long, the Energy Sector of Trinidad and Tobago has been characterised by lethargy and a pervasive sense of doom and gloom over concerns for depleting reserves.

In fact, I maintain that our energy sector has for too long remained the domain of a few when in fact and I have taken on the challenge myself, of lifting that cloak of secrecy that has stifled our sector for decades.

As I have mentioned, the Government wants to see a narrowing of the gap between the energy sector and the manufacturing sector. This will help deepen and broaden the energy mix in Trinidad and Tobago, allow our country to hedge against the cyclical nature of commodity prices and will lead to the creation of more employment and investment opportunities in our manufacturing sector.

And this brings me to another very aggressive thrust that the Government has begun. You may be aware that last year Methanol Holdings Trinidad Limited started its Melamine plant.

Following a challenge I issued to Energy stakeholders to take Trinidad and Tobago beyond simply Melamine-exporter status, to that of Melamine-consumer, we brought together a conference aimed at bringing together opportunities for manufacturing and energy services in the use of this commodity.

This is the first time as a country that we have gone further downstream of the energy sector and we are now at the cusp of linking the energy sector with the manufacturing sector. Through this linkage we anticipate that local ownership in energy will grow, with the support of the Government.

And I think it is a widely known fact by now that this Government takes very strongly the view that Local Content must feature prominently as we reposition our Energy Sector for growth and expansion.

In that regard, I am pleased to tell you that by the end of May 2011, the National Energy Corporation will deliver to the Ministry of Energy and Energy Affairs a full product profile for going downstream of Melamine. This will be one way that the energy sector can be used as the plank upon which to launch a total economic diversification programme.

In addition, this expansion of the downstream Energy sector will lead to more opportunities for you and for your 46 employees as well as your colleague companies. I agree with Mr Graff that this could well be a new beginning!

In fact, we expect that in the not too distant future we will be in a position to announce the construction of another downstream plant as this Government moves to rejuvenate the sector.

So ladies and gentlemen, having given this outline of where the Trinidad and Tobago Energy Sector is aspiring to, let me assure you that your investment has been well made. Your foresight will pay off!

Let me also encourage you, and by extension your partners in this sector, not to settle for mediocrity and fall into a “*good is good enough*” stasis.

Be bold! Ensure that your competitiveness can withstand the international market place.

Be innovative! Think beyond the conventional and become creative in the manner in which you do business.

Be vigilant! Understand the opportunities which present themselves and will continue to present themselves and extract from them beneficial value.

And most of all, be prepared! As I told the participants of the Annual Energy Conference on Monday, our nation’s best days are still in front of us. And the Government of the People’s Partnership stands ready in 2011 and beyond to deliver, deliver, deliver!

Ladies and gentlemen, before I conclude, permit me to acknowledge the passing of one of our nation's, and indeed, one of the Caribbean's leading Journalists – Mr Keith Smith.

After a long battle with prostate cancer, Keith passed away yesterday at his home in Port of Spain. I will certainly miss his entertaining and penetrating commentaries on national issues. He had a way, his own unique way which blended humour with his 'point-blank' approach in always bringing the point home.

I know my good friends in the Media fraternity will be a bit distracted now over the loss of someone who has mentored and be-friended many of our senior journalists.

In fact, I read with deep sadness that his mother Pauline is also left to mourn. In a brief interview, she said: "*He was a beautiful*

son. He was...my friend, everything to me. I loved him very much. I still love him."

It is one of the most devastating moments in any mother's life when she has outlived her child. And on behalf of my family as well as my team at the Ministry of Energy and Energy Affairs, I extend condolences to Pauline Smith, the members of her family, Keith's friends and his colleagues at the Trinidad Express Newspaper and bid you all God's speed in coming to terms with your loss.

As we celebrate today, my friends, we also mourn the passing of veteran Journalist, Keith Smith. May he rest in peace!

With those few words, ladies and gentlemen, I thank you and wish you good success as we move forward.