“THE NATIONAL ENERGY SECTOR IN A TIME OF CHANGE”

Speech by the Minister of Energy of the Republic of Trinidad and Tobago
Senator the Honourable Kevin C. Ramnarine
Trinidad and Tobago Energy Conference
Hyatt Regency, Port of Spain
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1. My Cabinet Colleagues
2. Members of the Diplomatic Corps
3. President of the Energy Chamber, Mr. Roger Packer
4. President of BPTT, Mr. Norman Christie
5. Distinguished delegates
6. Members of the media
7. Ladies and Gentlemen

50 Years of Independence

Almost fifty years ago Trinidad and Tobago shook off the bonds of colonialism and became a free nation with the sovereign right to choose our own destiny. We celebrate our Golden Jubilee on the 31st of August of this year. As we celebrate fifty years of Independence we must also celebrate the journey that has created our national energy sector - the source of our prosperity.

Fifty years later we find ourselves again in a time of change with an industry typified by:

1) Ageing infrastructure
2) Maturing oil and gas fields
3) Competition from shale gas in the United States
4) Competition for talent
5) Competition for international capital.

The world of 1962 is not the world of 2012. The thinking of 1962 cannot be applied in 2012. In these fifty years there have been fifteen Ministers of Energy and we have changed Government on five occasions. Our success, however, in our national energy sector is not rooted to any one Minister or any one Government. It is rooted in a set of core principles and values that have transcended these fifty years. Some of these core values include: respect for the rule of law and the sanctity of contracts, cooperation with other energy producing countries and investment in education and training.
**Internationalization of the T&T Energy Sector**

Our economy is an open one – we embrace cooperation with companies from other nations. I have noted that the sponsorship of this event is a reflection of this international cooperation. The world is changing rapidly all around us and we must understand this change and what it means. The emergence of Brazil, India, China, Russia and emergence of new players in energy in Africa has not gone unnoticed. I recognize the Angolan delegation present here today. Indeed the Energy Chamber has played a leadership role in the promotion of the export of energy services from Trinidad and Tobago to Africa, the wider Caribbean and the Latin American region. This initiative is also supported by the Government through the NEC and the NGC.

On the regional front, we here in Trinidad and Tobago are looking on with great interest as exploration for oil takes place in the waters off Guyana. The Guiana Basin, comprising the offshore acreage of Suriname, Guyana and French Guiana, is considered by the US Geological Survey to have a 15 billion barrel of oil potential. The discovery of oil in French Guiana in 2011 has served to further de-risk the basin and make it more attractive to explorers.

In the past 21 months the Government of the Republic of Trinidad and Tobago has responded to the changing global business environment and has built bridges with the Republic of India, the Federative Republic of Brazil and with countries in Sub-Saharan Africa such as Ghana, Tanzania and Mozambique. Last year the NGC and the NEC signed an historic Memorandum of Understanding with the Tanzanian Petroleum Development Corporation.

The vision of our Prime Minister is that we look towards strengthening south-south cooperation. The United Nations Conference of Trade and Development in its 2011 report has noted that in 2010, developing countries absorbed close to half of Global FDI inflows and also generated record levels of FDI outflows. FDI outflows from the developing world now account for 29% of global FDI and this share of global FDI is expect to increase. I again reiterate that the world has changed and we must understand this change and its consequences for the way we do business in Trinidad and Tobago.

I place on the record my commendation for the work being done by my colleague, Dr. Surujrattan Rambachan, the Minister of Foreign Affairs and Communication. The recent signing of an MOU for a steel plant by Servestal of Russia and Metaldom of the Dominican Republic with the National Energy Corporation is evidence that the Government’s decision to waive the visa requirement for Russian nations has borne fruit.

As a country and as a sector, we will continue to look outwards. At the end of this month there will be a Trinidad and Tobago energy sector road show in Houston. At this event we expect to receive in two days some two hundred (200) oil and gas companies who have an interest in investing or in partnering with Trinidad and Tobago. We will also use this opportunity to promote the next Deepwater Bid-Round which is on target for March 2012. The Ministry has completed the reprocessing of its seismic data for the deepwater acreages and this is available to interested companies.
Oil Production

While we surge into the deepwater off the east coast we remain cognizant of the low hanging fruit in the mature oilfields managed by Petrotrin. The decline in oil production is most worrying aspect of the energy sector. Oil production has been in decline since 2006. In 2011 oil production (and this is inclusive of condensate production) averaged 92,000 barrels per day. Oil production in the year 2011 was hampered by planned shutdowns, unplanned shutdowns and maintenance activity. Any gains in Government revenue that could be realized as a result of increased oil prices are being negated by falling production. This is hurting the national economy and the country at a time when we should be benefiting from high oil prices.

The main player in any strategy to increase national oil production is Petrotrin. Of note here is the fact that the licence for Trinmar expires in July 2012. This is a once in a lifetime opportunity to get things right in Trinmar – where much of the potential for increasing oil production resides. It is a time for bold, innovative and game-changing decisions.

At the Ministry we also wait with bated breath for the completion by Petrotrin of the processing of the 3D seismic data that was acquired from 2010 to 2011. This we believe holds the key to unlock resources in the deeper horizons on land and this will lead to a drilling campaign on land in 2013. I am advised that to meet our objectives of increased oil production, we need to have at least five land rigs drilling simultaneously in 2013. This is not at all farfetched and is achievable.

The smaller upstream companies, both local and foreign also have a very important role to play in the optimization of the oil-prone acreage in Trinidad because of the maturity of this acreage. It is in the national interest to attract smaller companies who have more manageable cost structures and are more nimble. A number of these companies are currently doing exciting things in the oil industry and we should see the positive results of their efforts shortly – I speak of course of companies like Bayfield, Range, Leni, Parex, Territorial, Niko, Fram of Norway and our very own Trinity (a platinum sponsor of this conference). In this regard it should be noted that the lease operatorships and farmouts produce approximately 30% of land oil production at present.

Upstream Activity on the Increase in 2012

In 2012, exploration drilling will again spring to life after four years of low to moderate activity. This year there will be a total of 15 exploration wells drilled in Trinidad and Tobago. The majority of exploration activity centres on the efforts of Parex Resources of Canada, Bayfield Resources of the U.K. and Niko Resources also of Canada. All this exploration activity will no doubt lead to an increase in demand for energy services. The Energy Chamber in its January 12 2012 Business Guardian column says and I quote:

"Levels of optimism in the energy services sector increased significantly in the final quarter of 2011, to levels not seen since mid-2007. The increase in optimism reflects, in particular, an
At present there are five rigs operating in the waters of Trinidad and Tobago and six separate seismic programmes either continuing from 2011 or expected to start in 2012.

In addition to exploration drilling, there are substantial developmental drilling campaigns on the way – the most significant of which is the drilling to be done by the West Jaya semi-submersible rig on behalf of BP. In 2012 BP is expected to spend around $US 850 million in Trinidad and Tobago. In my meeting with the company’s CEO Bob Dudley, he made it clear to me that Trinidad and Tobago was BP’s largest asset in terms of volumes.

I wish to congratulate BP for its partnership with the Trinidad and Tobago Olympic Committee and the Trinidad and Tobago Para-Olympic Committee. I also want to also publicly place on the record my appreciation for the leadership of the President of BPTT, Norm Christie. In the last seven months Norm and I have agreed and we have disagreed on a number of occasions but there is always a great mutual respect between BPTT and the Ministry of Energy. Today, I want to announce that the Ministry of Energy and BPTT have concluded negotiations for deepwater Blocks 23(a) and 14. This process will now move to the Office of the Attorney General. BP’s move into the deepwater is historic and symbolic of the next evolution of our upstream energy sector. The Ministry of Energy remains in discussion with BG T&T as regards Block 5(d) and BHP Billiton as regards Block 23(b). We expect to close off these discussions by the end of this month. In total we expect that capital expenditure in the energy sector in 2012 to be between $US 2.5 to $3.0 billion. This is not inclusive of downstream investments in the Carisal project and the AUM 2 project.

**Downstream Sector Investments**

With regard to the mid-stream and downstream sectors, I have observed that these operate in twenty (20) year cycles. Big events it seems skip a decade. In the 1950s we entered the age of gas monetization with gas-based power generation and the W.R. Grace plant (now Yara). In the 1970s there was the establishment of Point Lisas with ISCOTT and Tringen. In the 1990s we went into the world of LNG. In the second decade of the 21st century the question that begs is what is our next evolution? I believe that the vision must be that we link the downstream sector to the manufacturing sector.

In this regard, the Ministry of Energy, the NGC and the NEC will hold discussions with MHTL on February 14 to determine the obstacles to the commencement of work on the much anticipated AUM 2 plant – approval for which was granted by the Government one year ago. Cabinet also currently has before it matters related to other major investments in the mid-stream and downstream sectors – announcements around these projects will be made shortly.
Conclusion

The Chinese have a saying “may you live in interesting times”. These are indeed interesting times not just for Trinidad and Tobago but the world. The challenges taking place in our sector are huge but not insurmountable. The Government has stabilized the economy, after it successfully weathered the global economic meltdown, and has positioned it on a path of growth. Confidence is all around us. That confidence will be led by the energy sector in 2012.

To the international delegates we welcome you to Trinidad and Tobago and we welcome your interest in our country. To all delegates I wish you a successful conference.

Thank you very much.