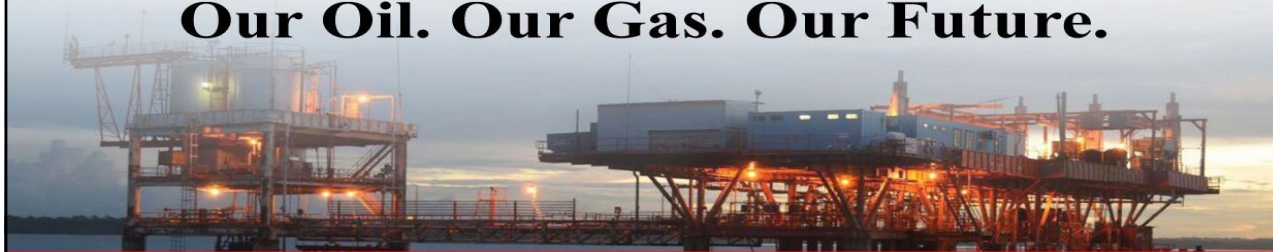


# **SPOTLIGHT on ENERGY**

## **Our Oil. Our Gas. Our Future.**



### **Capturing More Value for T&T: Local Content, Capacity Development & Value Addition**

Anthony E. Paul  
Chairman, Permanent Local Content Committee  
Port of Spain, 14<sup>th</sup> March 2018

### **Outline**

1. Where is the Value in Oil & Gas?
2. Local Content & Value Addition
  - What it is
  - Supporting National Development & Diversification
3. Where we are:
  - Local Content Policy & Implementation
4. Going Forward
  - How we plan to improve performance

## Converting Oil & Gas to Sustainable Development

### Investors:

Have a **single Goal**:

Transfer as much of the country's wealth to their shareholders, as quickly as possible!

### Countries can Increase and Retain Value through:

#### 1. Operations:

- Extracting more of the resource commercially
- Improving operational efficiency
- Reducing costs
- Getting a higher price

#### 2. Fiscal & Monetary Policies:

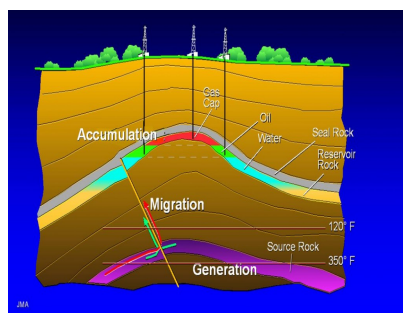
- Increasing in-country investments and activities
- Increasing taxes
- Improving revenue collection

#### 3. Adding Value:

#### 4. Good Governance

3

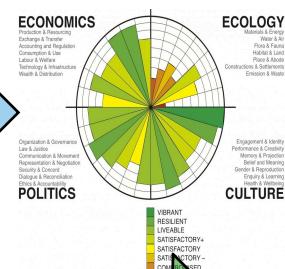
## Converting Oil & Gas to Sustainable Development



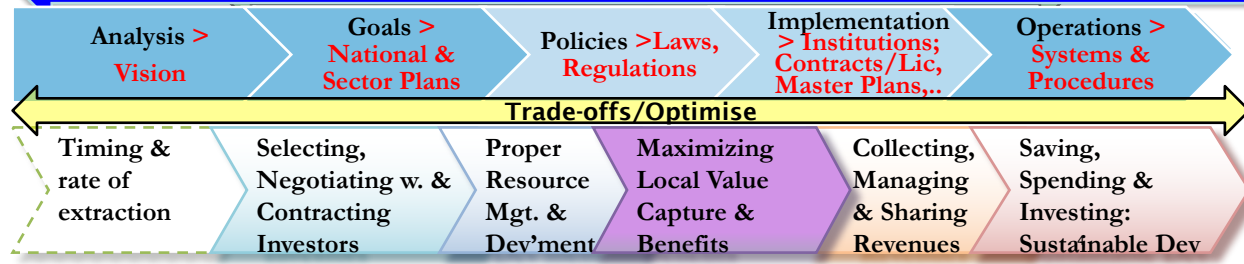
Convert to Above Ground Value

Good Governance

### Sustainable Development



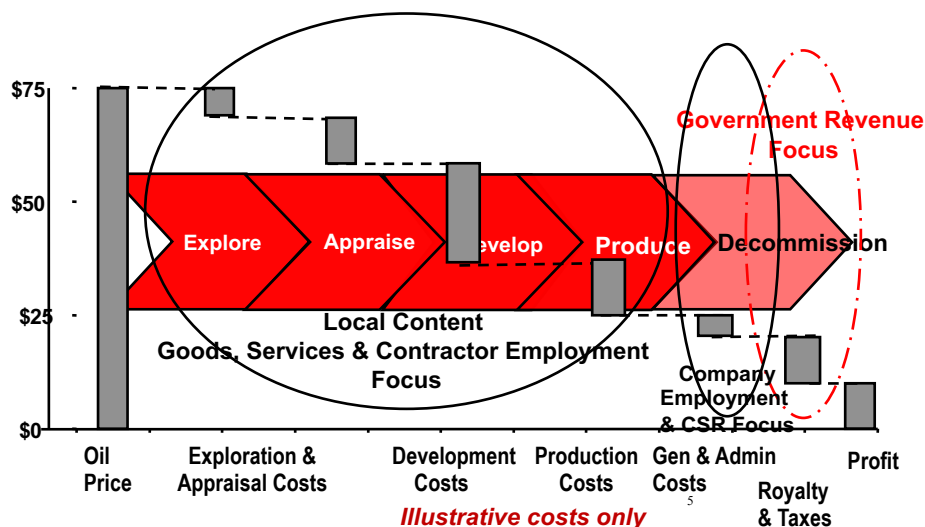
Monitoring, Reporting, Learning, Improving, Citizen Inclusion



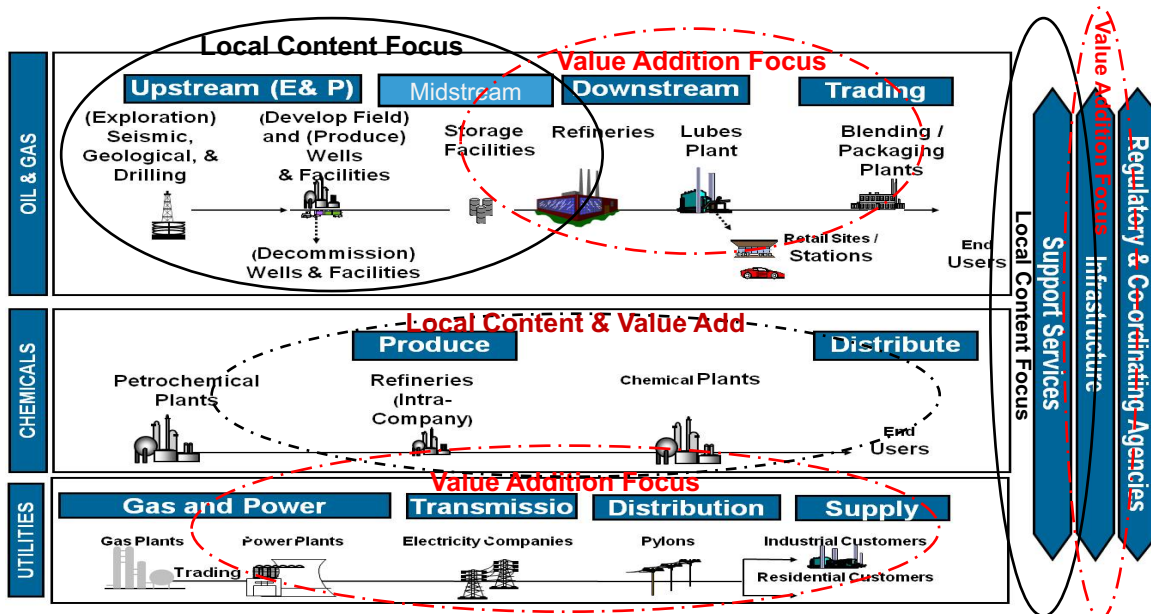
## Exploration & Production

- Where is the value?

80% of Upstream spend on 3<sup>rd</sup> Party Goods & Services

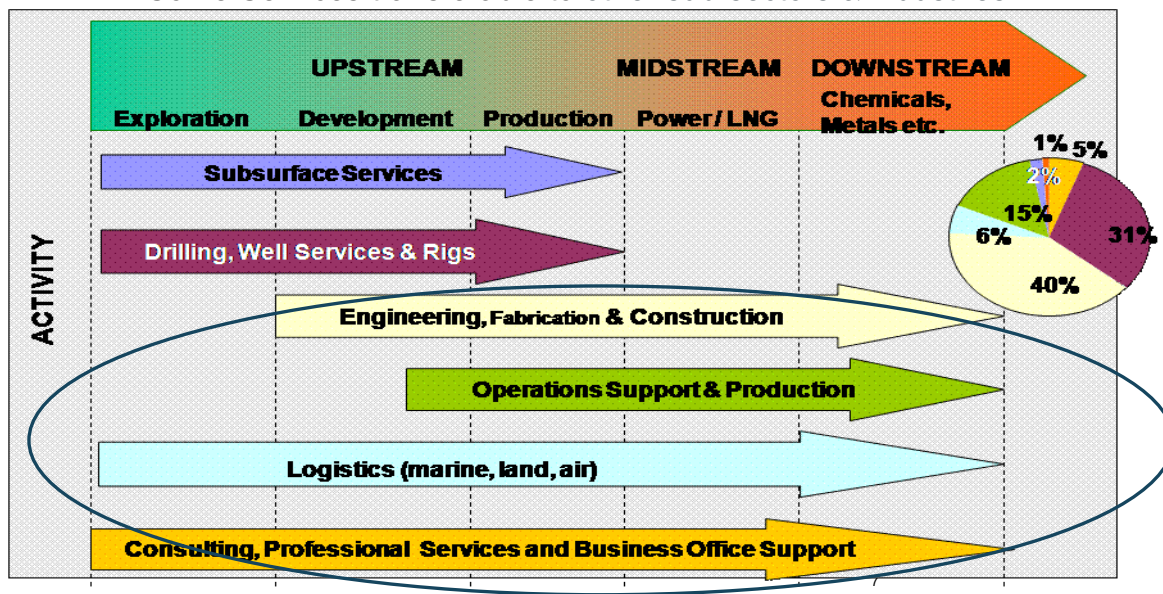


## Oil & Gas Activities & “Full” Value Chain



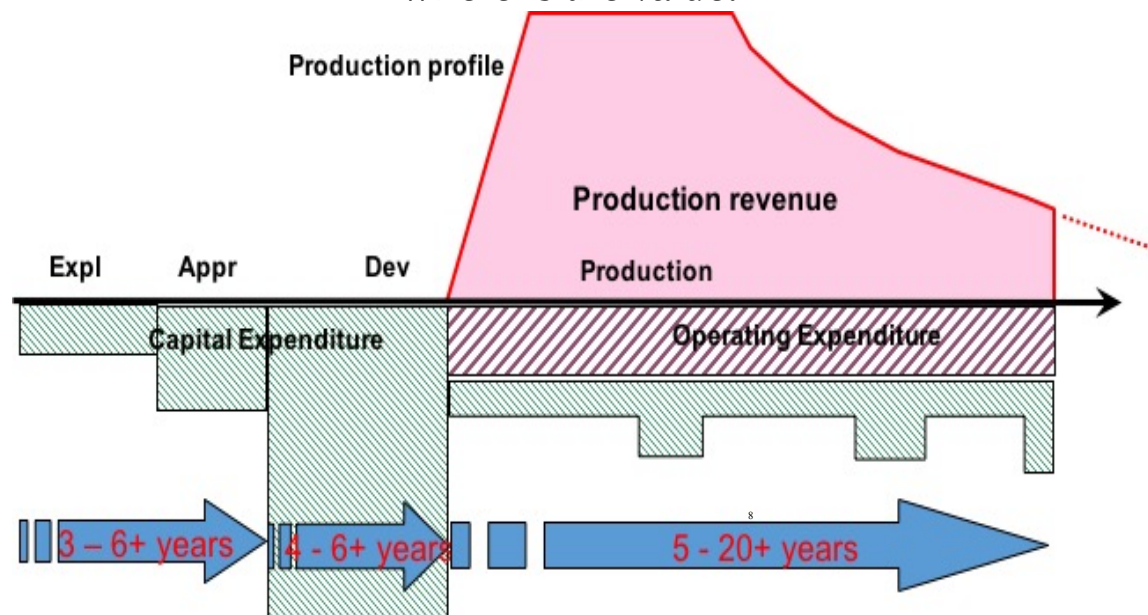
## Major Upstream Third Party Service Areas

Some Services transferable to other sub-sectors & industries



## Exploration & Production

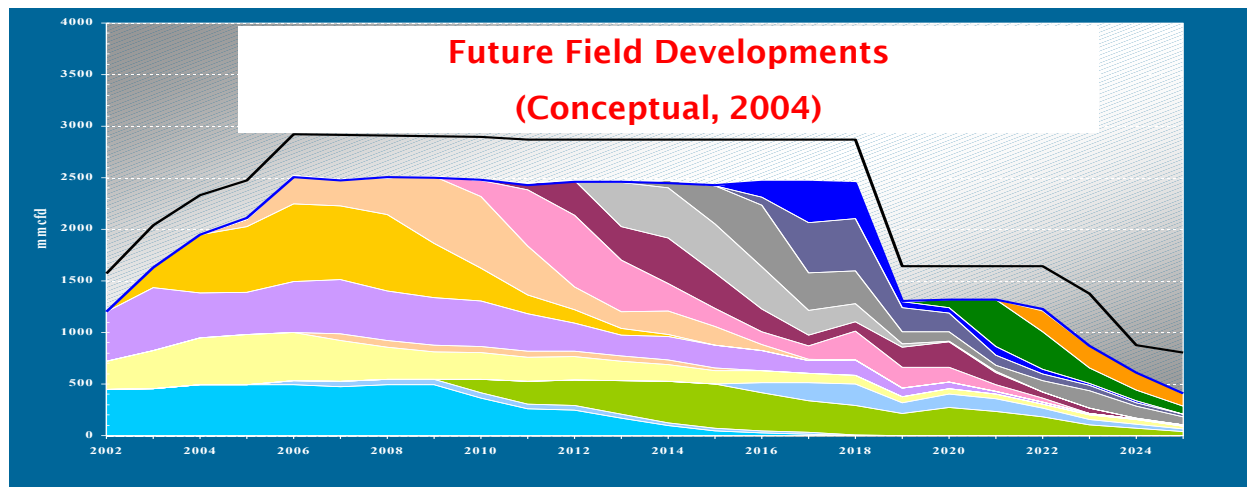
- Where is the value?



## Leverage Upstream Opportunity (Early 2000's)

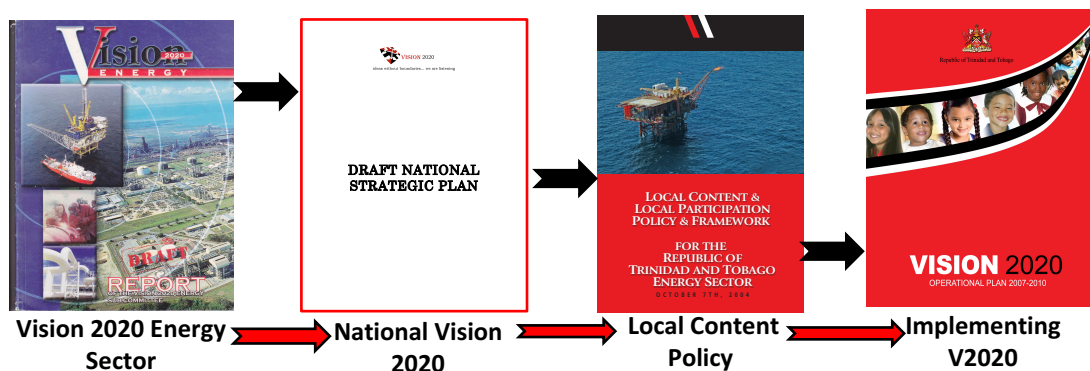
Continuous Upstream Growth & sustained gas production allow for:

1. access to repeated exploration & development spend
2. sustainable level of activities and employment



## Petroleum Sector - Supporting National D'vlpmnt

2003-2004: Local Content Policy from Vision 2020

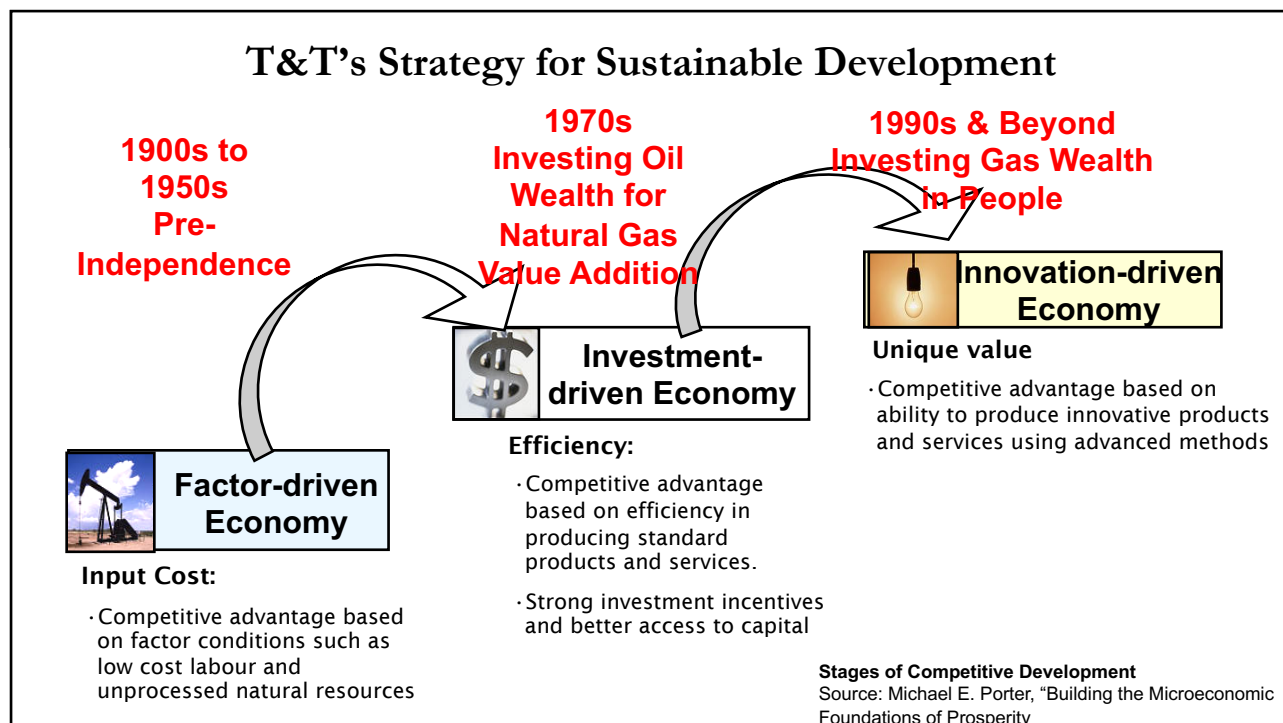


Similar approach taken as 1960s:

- **Link sector to national development** objectives,
- Increase local participation & value addition



## T&T's Strategy for Sustainable Development

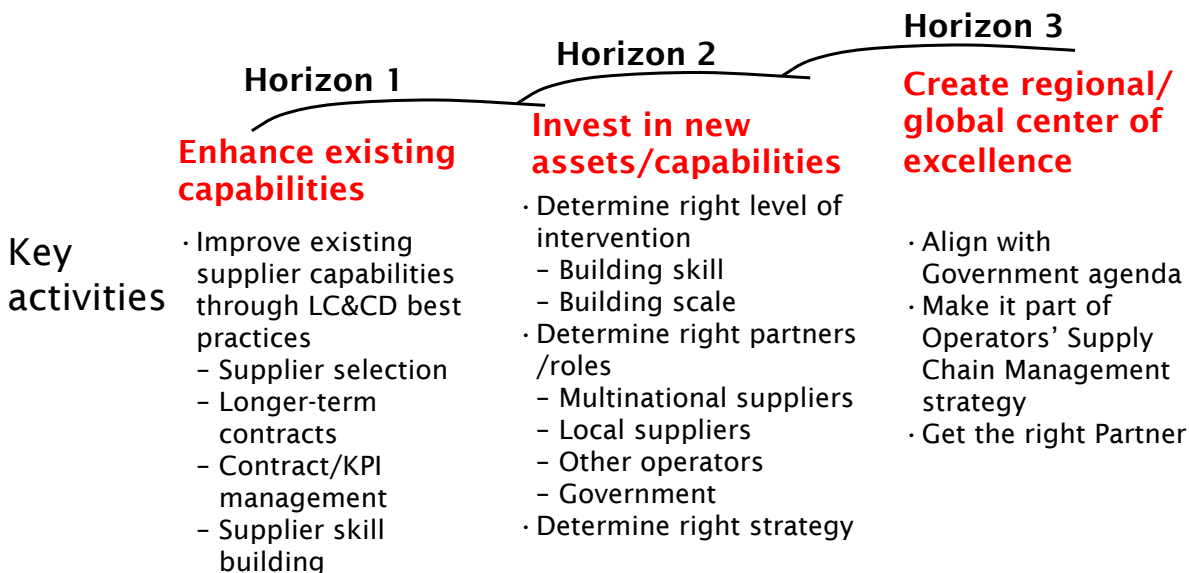


## Stages in Local Content Implementation

To achieve its Objectives, Local Content must be:



### 3 Horizons of Local Content Strategy



A.E. Paul 2010

### Potential for Local Supply Chains

- Access, Transfer, Lateral Linkages

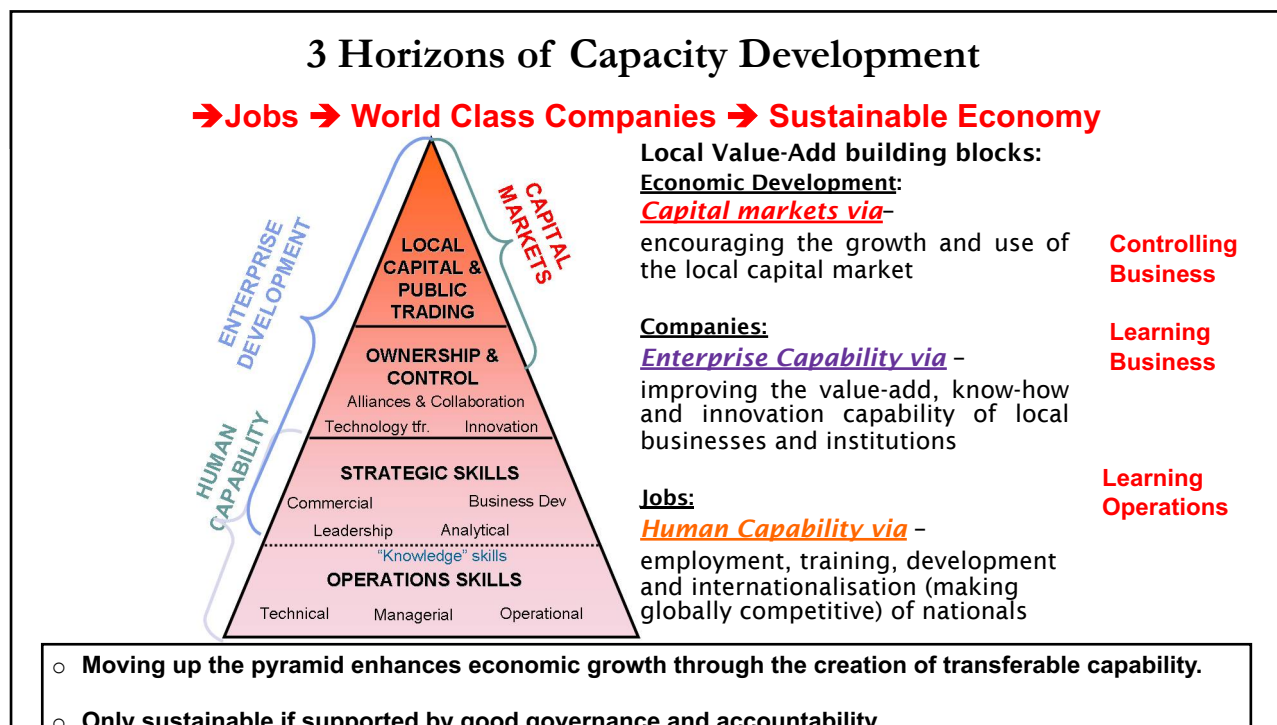
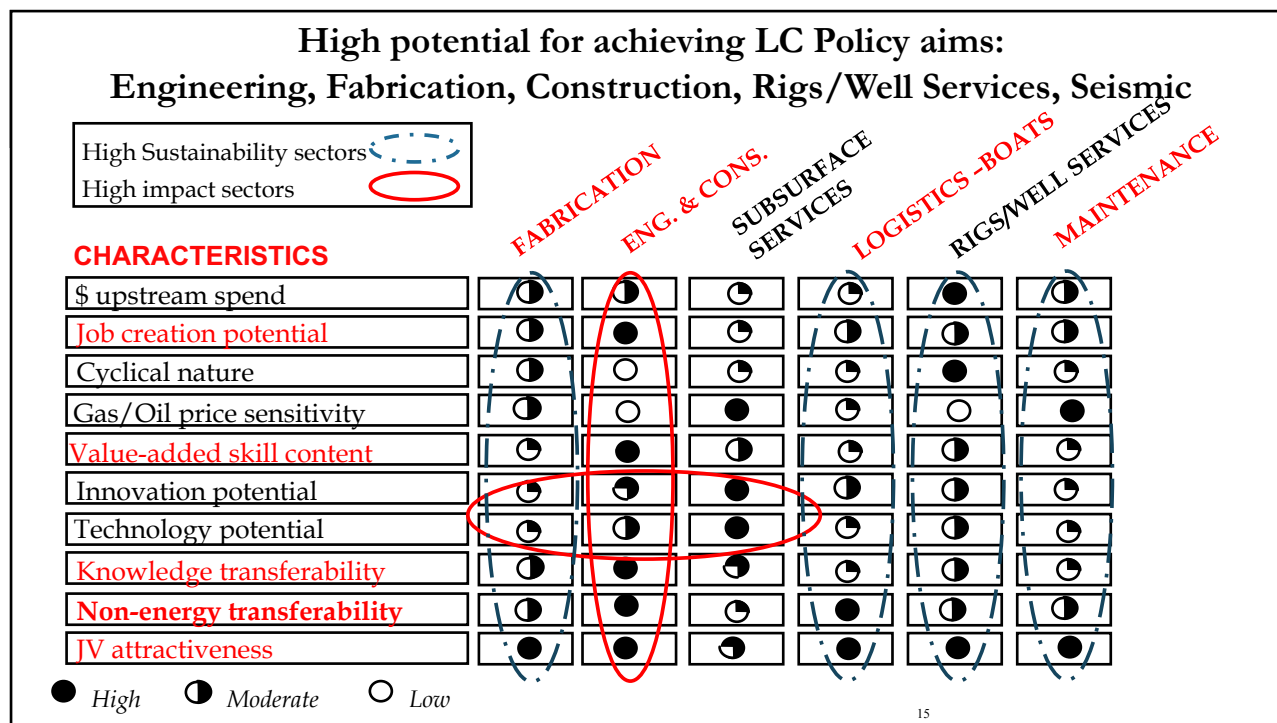
#### UPSTREAM ACTIVITIES

##### CHARACTERISTICS

	FABRICATION	ENG. & CONS.	SUBSURFACE SERVICES	LOGISTICS -BOATS	RIGS/WELL SERVICES	MAINTENANCE
\$ upstream spend	●	●	●	●	●	●
Job creation potential	●	●	●	●	●	●
Cyclical nature	●	○	●	●	●	●
Gas/Oil price sensitivity	●	○	●	●	○	●
Value-added skill content	●	●	●	●	●	●
Innovation potential	●	●	●	●	●	●
Technology potential	●	●	●	●	●	●
Knowledge transferability	●	●	●	●	●	●
Non-energy transferability	●	●	●	●	●	●
JV attractiveness	●	●	●	●	●	●

● High    ● Moderate    ○ Low

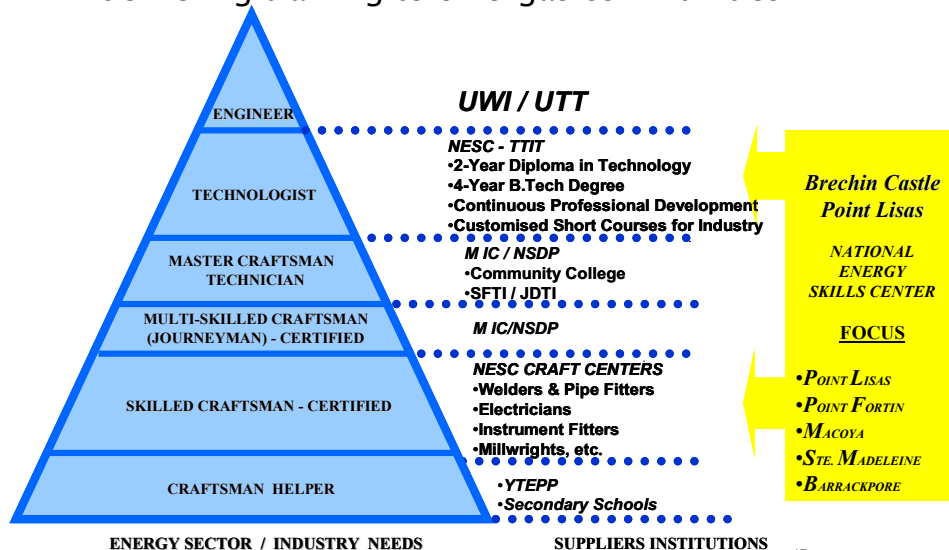
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## Training & Skills Development Programmes

- Articulation from the bottom up;
- delivering training to oil & gas communities



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## Priorities People

### High value-added skills

- Technical
- General management
- **Design engineering**
- **Project management**
- **Seismic processing**
- Human resource development

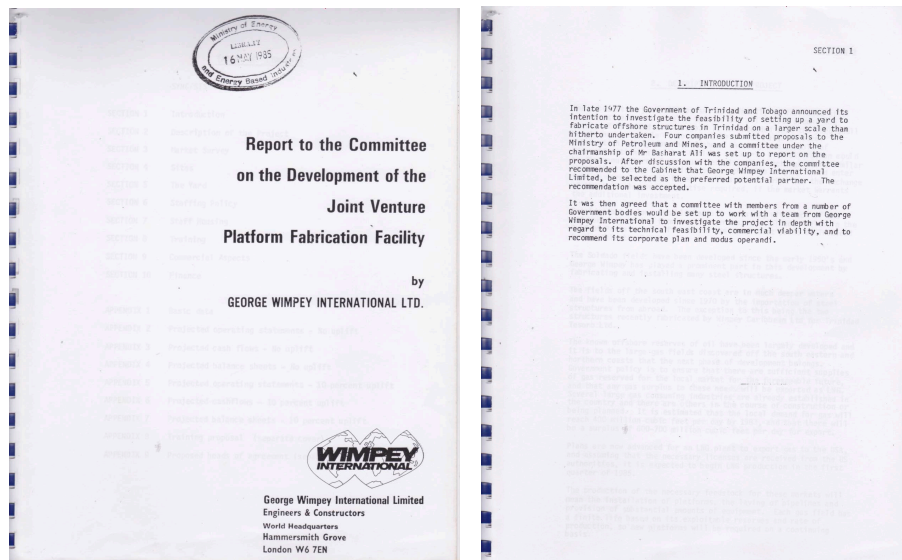
### Business Strategic skills

- Leadership
- Business development
- Commercial
- Analytical
- Negotiating
- Strategy development
- Trading

## Priorities Technology & business know-how

- **Fabrication;**
  - **Seismic data management**
  - **Operations and Maintenance**
  - **Maritime Services**
- Business support services:
    - Accounting,
    - HR Services,
    - **IT support**
    - Consulting
    - **Financing**
    - **Logistics**

## Fabrication: Seeking Upstream LC Opportunities since 1970s Boom



## In Spite of Policy: Capable Local Companies Displaced instead of Enhanced

	HLO/ Heli Admin/Deck	Painting	Scaffolding	Lagging/Insulation	Blasting/ Cleaning
Platform Support Services	Kenson Cecil Campbell RBL Specialised Services	Carl King Cameron Damus RBL	Carl King Safeway Access (SASSL) Scaffolding Manufacture	Caribbean Insulators	Kardway Quintana Kreekon Wilcox Moore's Hydrocarb Unus Contracting
Maintenance Services	Techs - Mech/ Elec/ Inst Kenson Cameron Esperanto	Ronald Maint Kenmay IAL	O&M Techs Kenson Carl King Kenma Moore's General	Automation/ Metering Hydro Tech Kenson Carl King Kreekon Honeywell Esperanto	HVAC Kreekon Climate Control Servair Instrumentation Cameron Phillips Esperanto Insertech
Engineering/ Modifications	IAL Wood Group	MFS Insertech Carlton Worley	Carl King Wilcox Process Sys. Ltd Damus Hydro Tech	RBL Kreekon D2F	IAL Kenesjay
Rotating Equipment	Engines Tracmac Ronald Maintenance	Power Generation Cameron United Engineering Standby Power Ronald Maintenance	Tropical Power NSK		
Valves	Process Safety Valves Cameron IAL Procom Phillips Insertech	Control Valves Cameron Phillips Ronald Mtce Kenmay	Moore's General RBL Esperanto	Isolation Cameron RBL QTL PetroValve	Trinpet Trinvalco Halliburton IAL
Reciprocating Equipment	Pumps and Mechanical Seals N&M Engineering Cameron	Compressors Tracmac N&M Engineering Standby Power	Tropical Power Cameron		
Mechanical Handling	Crane Operators/ Maintainers Miquel Cameron	Carl King Damus Hydro Tech	Lifting Gear/ Rigging FT Farfan		
Chemicals, Inspection & Corrosion Management	Supply of Chemicals Baker Petrolite	Corrosion Management CP Surveys Baker Petrolite	Inspection Trinidad Inspection Services In-Corr-Tech NDT Caribbean Petrochemical Baker Petrolite		
Platform Safety Services	Supply of PPE Caribbean Safety Products	Safety Equipment Services Cameron ROSE Equipment	Industrial Rubber Products	Lifeboat Maintenance Caribbean Safety Products	Carl King

Caribbean Safety Products

SSI

## Local Content is a Means to an end, not an end in itself

- The purpose is to **increase national wealth** through
  - Economic growth
  - More employment of locals
  - Value creation in the country/region/community
  - Local Participation/ Investment and capital aggregation
  - Induced expenditure in the local economy
  - Enhanced human capacity and higher value skills
  - Enhanced business capacity
  - Technology transfer
  - Innovation growth

**Support National Development**

## Permanent Local Content Committee (PLCC)

### Approach:

- Using existing legislation & regulations
  - Develop systems, procedures, tools and guidelines for reporting
  - Support MEEI in implementing recommendations
- Update Regulations as required
- Using industry methodologies to improve/support improvement of:
  - Competencies
  - Access to opportunities for locals
  - Knowledge transfer
  - Supplier development
  - Cost tracking
  - Local Employment & Procurement;
  - Monitoring & Reporting
- Standardise for ease of administration
- Embed into Ministry standard operating procedures
- Engagement & Transparency: to inform, educate, receive feedback

## Key Areas of Local Content & Value Addition addressed in Act, Regs & PSCs

1. **Definitions**
2. Minister's powers to administer control instruments
  - Licences
  - Rules
  - Orders
3. **General Obligations** of Licencees
  - Transparency & Accountability
  - Reporting
  - Inspection & Monitoring
4. Conditions Specific to **Local Content and Value Addition**
  - Hiring & Training of Locals;
  - Procurement - Use of local goods, services, capital
  - Making product available for local value addition
5. Conditions specific to **other sector activities that can be extrapolated to LC via Regulations, Licences, Rules or Orders,**
  - Use of Work Permit to build capacity

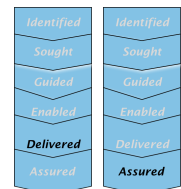
## Provisions of Petroleum Regulations: Capacity Building



- 42.2. (g) prepare, in consultation with the Minister, **programmes for industrial and technical education and training**, including the grant of scholarships, and carry such programmes out diligently with a view to **training nationals of Trinidad and Tobago to replace foreign personnel** as soon as reasonably practicable and to affording nationals of Trinidad and Tobago **every possible opportunity for occupying senior positions** in the operations of the licensee;

*[capacity building; transfer of know-how, management, skills across the entire business]*

## Provisions of Petroleum Regulations: Opportunities/Reporting & Monitoring



42. (2) A licensee shall —

(d) **maintain appropriate and proper records containing full data of all operations;**

(e) keep in Trinidad and Tobago correct and intelligible **books and accounts in a form from time to time approved by the Minister**

*[allow for monitoring, validation and evaluation]*

(f) **minimise the employment of foreign personnel**, ensure that such employees are engaged only in positions for which the operator cannot, after reasonable advertisement in at least one daily newspaper circulating in Trinidad and Tobago, find available nationals of Trinidad and Tobago having the necessary qualifications and experience; determine the rules of employment including salary scales in such manner as to **ensure that all employees in the same category enjoy equal conditions irrespective of nationality;**

*[Opportunities / reporting & monitoring re compliance]*

## General Obligations (Regs) - Reporting



**83.** Within sixty days after the end of each calendar year a Petrochemical Licensee shall furnish to the Minister a report, in such form as the Minister shall by Order prescribe, containing the information listed hereunder, in respect of the preceding year—

- (a) the quantity, source and price of indigenous and foreign hydrocarbon raw materials received in the licensed area;
- (b) the output of each licensed petrochemical product;
- (c) the quantity, destination and price of licensed petrochemical products sold in Trinidad and Tobago and exported;
- (d) the number, nationality, duties and remuneration of persons employed;
- (e) such other particulars as the Minister may from time to time require.

## Public Procurement and Disposal of Public Property Act, 2015

### Definitions:

- “**local content**” means the local value added to goods, works or services measured as the amount of money or percentage of each dollar of expenditure remaining in Trinidad and Tobago after the production of the good or the performance of the work or service.
- “**local industry development**” includes those activities that serve to enhance local capacity and competitiveness by involvement and participation of local persons, firms and capital market and knowledge transfer during the conduct of the programme of goods, works or services that are being procured;

**28. (1)** A procuring entity may limit participation in procurement proceedings to promote local industry development and local content.



## Increasing Local Content

**Increasing local content** means increasing local inputs/factors of production\*

• Level of local content is dependent on level of local capacity of:

- *People*
- *Businesses*
- *Access to Finance, Better Capital markets*

• **Ability to capture local value** is dependent on:

- *Implementation*
- *quality of governance and management*

• **Increasing local content therefore requires:**

- *Enhancing local capabilities and increasing local capacity*
- *Ensuring procurement facilitates/favours locals*
- *Improving local content governance, oversight and assurance:*
  - i. Stakeholders have clear roles, responsibilities, relationships and reporting procedures
  - ii. A coherent & effective measurement system
  - iii. Setting practical & transparent metrics, targets, actions and assurance processes
  - iv. A capable and empowered regulator

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## Some Observations

- The T&T Local Content Policy:
  - Is seen internationally as **best in class and used as a model** by several countries
  - Was founded on a **robust analysis** of the state of the sector and country and the aspirations of the nation
  - Was **supported in existing legislation and regulations**, which themselves were founded on similar principles, even though 40 years earlier
- **Government invested billions in building capacity** and supporting investment through incentives and contract terms to support LC
- Implementation stalled because of **limited Regulatory capacity**
- **Investors used the opportunity to:**
  - **Move value offshore**

## Permanent Local Content Committee (PLCC) Approach

- Provide **Technical & Operational support to Ministry** to implement LC provisions of existing Regulations & Contract terms
- **Using industry methodologies** to improve/support enhancement of:
  - Competencies
  - Access to opportunities for locals
  - Knowledge transfer
  - Supplier development
  - Cost tracking
  - Local Employment & Procurement;
  - Monitoring & Reporting
- **Standardise** for ease of administration
- **Embed** into Ministry standard operating procedures
- **Engagement & Transparency**: to educate, inform, receive feedback, improve, build trust

## Implementing LC Policy: PLCC Action Plan

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Develop &amp; deploy, with MEEI:               <ul style="list-style-type: none"> <li>– Databases</li> <li>– Portal</li> <li>– Orders</li> <li>– Rules/Guidelines</li> <li>– Systems/Procedures</li> <li>– Tools</li> <li>– Templates</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Recommend changes to Regulations:               <ul style="list-style-type: none"> <li>– Petroleum Act</li> <li>– Petroleum Taxes Act</li> </ul> </li> <li>• To address:               <ul style="list-style-type: none"> <li>• Timely access to demand data</li> <li>• Incorporating/formalising PLCC &amp; Secretariat in MEEI</li> <li>• Updating Reporting requirements</li> <li>• Integrating international service companies</li> <li>• Local Content performance reporting</li> <li>• Mechanism for setting Targets</li> </ul> </li> </ul> |
|---|--|

## Enhancing Regulatory Capacity - Petroleum Impost

### Petroleum Act:

- **11.** Without prejudice to any other terms and conditions upon which a licence may be granted by the Minister, the financial obligations to which licensees are to be committed by the terms of licences shall include—
  - (c) petroleum impost as **a levy intended to cover the expenses of the public administration of the petroleum industry;**

### Petroleum Regulations:

- **72 (1).** Every licensee shall pay a petroleum impost in respect of all petroleum won and saved, at such rates as the Minister may determine by the issue of a Rating Order
- **73.** The rates specified in the Rating Order shall be so calculated and determined as to **provide in the aggregate the funds necessary to cover all the annual expenses of the Ministry, including salaries, pension contributions, maintenance and other expenses of or incidental to, the due administration of the petroleum industry.**

## Conclusion

– Dis is

1. **We Country!**
2. **We Oil!**
3. **We Gas!**

– We should be the **major beneficiary**

– We will only get

- **We Future & We Fair Share**, if
  1. All Play by **We Rules!**
  2. We Behave like:
    - We **Own and Control**
      - **We Resources**
      - **We Destiny**
    - rather than **recipients of Goodwill or reward**
  3. **We Regulators** are
    - Empowered
    - Supported
    - Accountable

# Thank You

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## Definitions - Petroleum Regulations (1971)

- THIRD SCHEDULE - DIESEL AND GAS OIL (FISHERIES COMPANY)
- “**national control and ownership**” means, in relation to a trawler, that the trawler
  - (a) is owned by nationals or by a company in which nationals **beneficially own** shares carrying between them, directly or indirectly –
    - (i) the **right to exercise more than one-half of the voting power** in that company;
    - (ii) the **right to receive more than one-half of any dividends** that might be paid by that company; and
    - (iii) the **right to receive more than one-half of any capital distribution** in the event of the winding up or of a reduction in the share capital of that company, or otherwise;
- “**nationals**” means citizens of Trinidad and Tobago and persons who under any law relating to immigration are regarded as belonging thereto or having the status of residents, and includes companies controlled by such persons or by companies so controlled and partnerships the majority share in which and the management of which are owned and performed by such persons;

## Definitions - Production Sharing Contracts (2010)

“2010 Model Production Sharing Contract (PSC)”

- 1.41 **“Local Content”** means the local component of goods, services and human resources employed in the conduct of Petroleum Operations under this Contract.
- 1.42 **“Local Content Policy”** means the policy of the Government with respect to Local Content as stated in this Contract and in the relevant policy documents.
- 1.43 **“Local Enterprise”** means a person, firm or entity performing works, services and/or supplying goods and materials to Contractor, whether as a Subcontractor or otherwise, whose business enterprise is incorporated or otherwise organised under the Laws of Trinidad and Tobago and whose **principal place of business is in Trinidad and Tobago** and which is **effectively owned and controlled by nationals of Trinidad and Tobago**.
- 1.44 **“Local Goods”** means materials and/or equipment mined, grown or produced in Trinidad and Tobago, whether through manufacturing, processing or assembly. An article, which is produced by manufacturing, processing or assembly, must differ substantially in its basic characteristics, purpose or utility from any of its imported components. Manufactured goods would be considered to be of local origin if the **cost of the local materials, labour and services used to produce the item constitute not less than fifty (50) per cent of the cost of the finished product**.
- 1.45 **“Local Services”** means works or services performed or supplied by a Local Enterprise.

## General Obligations (PSCs - 2010)

10.4 Local Content Commitment: Contractor shall comply with the Local Content Policy in effect from time to time. In performing Petroleum Operations under the Contract, Contractor shall provide for the **maximum utilization of Local Goods, Local Services and local facilities** available in Trinidad and Tobago in accordance with the provisions of Article 25.2. Contractor shall **employ with priority nationals in all aspects of Petroleum Operations** and shall **undertake the training and development** of such personnel in accordance with the provisions of Article 25.6. **The Work Programmes and budgets submitted and reported pursuant to Articles 14 and 15 should indicate Contractor’s estimate of the Local Content component of ongoing Petroleum Operations.** -

***(goods, services, training, all aspects, reporting)***

23.3 Contractor shall **give preference to the use of locally manufactured or locally available Materials** when such are comparable with the competing imported Material in quality and availability and the price thereof does not exceed the c.i.f. price (including import duties where applicable) of the imported Material delivered to the Contract Area. In this regard Contractor shall **maintain records and accounts and provide reports in accordance with the provisions of Article 12 of the Accounting Procedure.**

***(use local goods, record keeping)***