



## MINISTRY OF ENERGY AND ENERGY AFFAIRS

---

### Speech By

**Senator the Honourable Kevin C. Ramnarine**

**Minister of Energy and Energy Affairs**

**TRINIDAD AND TOBAGO ENERGY CONFERENCE 2014**

**HYATT REGENCY, PORT OF SPAIN**

**FEBRUARY 3 2014**

---

It's again a pleasure to address the Energy Conference. I have been coming to this conference since 2003 and I suppose the growth in the conference and its increasing sophistication parallels what has been happening in our sector and country over the last decade. This conference is now undoubtedly the biggest event in the energy sector calendar.

The theme of this year's conference is "Winning in an Evolving Energy World". I reflected on this and my own personal experiences during last three years. In the last 52 years there has never been an easy time to be Minister of Energy. But I believe the last three years must rate among the hardest.

But the theme is "Winning in an Evolving Energy World". So let us examine how the world of energy is evolving.

Change has always been a constant of the world. What is variable is the pace of change. The challenges of today are not the challenges of 1974. Although we have the same intention as those who led in 1974, the challenges are now more diverse and complex.

In early 1974 the world was reeling from the Arab oil embargo of the Western world which sent oil prices spiraling upward and ushered into being the period we here call "the oil boom". In response to the Arab oil embargo, President Richard Nixon launched an initiative called "project independence". Its goal was to make America energy independent by 1980 through energy conservation and alternative energy sources. Of course naturally this failed.

Fast forward to 2014 and according to Daniel Yergin America is on the verge of achieving energy independence. This is being achieved not through energy conservation (although very important) or wind, nuclear and solar (although very important) but through the commercial exploitation of shale oil and shale gas. To illustrate the point - in 2005 the United States was importing 60% of its crude oil by 2013 that number collapsed to 35%. America's lessening dependence on energy imports also has serious consequences for American foreign policy. That is part of the evolving world that we must understand.

On the other side of the world Japan's fifty nuclear reactors are still offline following the Fukushima disaster making that country more dependent on imports of oil and gas. There is also growing opposition to nuclear power in Japan and in Germany.

In India and China economic growth continues and hence demand for energy grows and this is being met mainly by coal although both countries are ambitious about importing and producing more natural gas. Later this month Prime Minister Kamla Persad-Bissessar will visit China. Energy will no doubt feature prominently in her discussions with the Chinese Government. Both China and India aspire to enter what the International Energy Agency calls “the golden age of gas” and see Trinidad and Tobago as a strategic partner.

Other long term game changers include:

- The re-emergence of Mexico as a major destination for investment as a consequence of the policies of President Enrique Peña Nieto.

and

- The nearing of completion of the Panama Canal expansion project. This will have consequences for the international trade in LNG.

So how does one win in the context of evolution? Evolutionary biology tells us that it is not the biggest that survive. It is not the strongest that survive. It is in fact those organisms that best adapt to change that survive.

### **Adapting to survive and prosper**

In this environment we as a country must adapt to survive and to continue to prosper. The local energy sector and indeed the national economy have withstood in the last six years the global financial crisis that started in 2008 and the shale oil and shale gas revolution in the United States.

In our own State sector, the NGC has had to evolve. In 2013, the NGC made the leap from a company with a narrow remit of transporting, aggregating and marketing natural gas to a fully integrated natural gas company. Later this year the 20% of the shareholding of Phoenix Park Gas Processors Limited will be subject to an Initial Public Offering. This follows on the sale by BP of its 10% stake in Powergen to NEL. That is all part of “winning in an evolving energy world”.

There are also big changes happening at home in our natural gas sector. In the next five years two of the NGC’s largest supply contracts with BG and BP will

expire. There will also be the expiration of the Train I contract in 2018. Discussions around all three will commence this year.

### **Policy formulation**

Related to such events the Ministry of Energy has gone out for and received expressions of interest from companies for a new natural gas master plan for the period 2014 to 2024. This master plan will complement the national energy policy a draft version of which will be put out for public comment shortly. The new Natural Gas Master plan will be in our hands before the Minister of Finance reads the 2015 national budget.

I want to also stress, ladies and gentlemen, the importance of local content in our energy sector. There is a local content policy that is dated 2006. This will be updated in 2014 following public consultations and serious consideration is being given to legislating local content in the energy sector as has been done in Norway. Local companies in the energy services sector must be afforded a fair chance to benefit from the resurgence of activity in our upstream sector. This too is how we win in an evolving energy world.

### **Increase in Exploration and Production Activity**

Ladies and gentlemen, the fiscal incentives provided by the Government over the last four years have led to resurgence in investment in the upstream component of the energy sector. We must understand that we compete for oil and gas related capital with other countries – capital goes to where it is best treated and where it gets the best return.

2013 was a very busy year for the upstream sector and that continues into 2014. In fact we can expect the rest of the decade to be a busy period. A good proxy for this level of activity is to observe what is happening with our two major helicopter service providers – National Helicopter and Bristow. Both companies have ordered new helicopters and are expanding their facilities in Couva and Piarco respectively in anticipation of the overall upstream work programme in the coming years.

### *CYCLE SLIDES 2 to 5*

In the last days 2013 the Seadrill West Freedom arrived in Chaguaramus. The West Freedom brought to eight the number of offshore rigs in Trinidad and

Tobago. It sets the stage for one of the busiest years in the history of the sector as it relates to exploration, appraisal and development drilling.

### *SAVONETTE AND OCEAN LEXINGTON SLIDES*

A few weeks ago I visited the Rowan EXL II Jack up rig which is working for BP in the Savonette field. At the time they were bringing online Savonette 6 and drilling Savonette 7. When Savonette 7 is brought into production the Savonette facility will have the capacity to produce close to 900 million standard cubic feet of natural gas per day – making this, in the words of Norman Christie, the most expensive real estate in Trinidad and Tobago.

Last Saturday together with Garvin Goddard I visited the Ocean Lexington a semi-submersible which is drilling on behalf of BG and Chevron four wells in the Starfish field. We expect first gas from Starfish in October of this year. Savonette and Starfish will add to natural gas supply in 2014 as well as backfill for declining natural gas output in already producing fields.

For this year 2014 a total of eleven (11) exploration wells are expected to be drilled with ten (10) being in offshore locations and one (1) on land. A lot has been said about deepwater and BP and BHP will have more to say at the conference. We now have seven deepwater production sharing contracts between these two companies valued at some \$US 1.9 billion in work programmes.

In 2014 we also expect BP to commence work on the Juniper field. You would recall at this conference last year Andy Hopwood of BP spoke about BP's plans to invest six billion US dollars in the next five years – Juniper is central to this investment profile. We at the Ministry are also happy with the preliminary results of the processing of BP's OBC seismic which will inform the future of the Columbus Basin already considered to be one of the world's prolific natural gas provinces. This is good news for our natural gas reserves. In the last two years, as the slide would show, we have greatly slowed the decline in our proven reserves.

### *SLIDE ON PROVEN RESERVES HERE*

This stabilization of reserves was mainly due to upward revisions for bpTT, arising from the drilling of the Savonette 4 well in 2012. There was also positive movement in the reserves of assets operated by EOG and BG. We are also happy that we have received the nominees to populate the committees

under the agreement with the Venezuelan Government as it relates to the Loran-Manatee development. These nominees are from the companies involved and the Governments of T&T and Venezuela. This is an example of collaboration and partnership between two Governments and involving three multi-national companies. I want to personally thank the Prime Minister for resuscitating discussions on Loran-Manatee through her intervention with President Maduro at Caricom last July. Collaboration and partnership will feature prominently in the future of our industry.

## **Oil Production**

### *SLIDE ON OIL PRODUCTION HERE*

With regard to oil production for the period 2006 to 2012 the annual decline rate was 8.7%. In 2013 oil production averaged 81,200 bopd. This was a marginal decline of 0.7% compared to 2012. This demonstrates that we have been able to arrest the decline in oil production. But there is a lot more to do and Petrotrin is central to making this happen. Central to that is the ongoing work at South West Soldado. Ladies and gentlemen, there is no logical argument against focusing on increasing oil production. The analysis shows that of all the variables, Petrotrin's profits are most sensitive to the percentage of equity crude that is supplied to the refinery. Put simply the more crude the company produces the better the refinery margins.

What is needed however are new discoveries and the application of enhanced oil recovery techniques to mature oil fields. Oil production has suffered from decades of low investment and this is related to the availability of acreage to the private sector. In recognition of this in 2013 the Ministry launched its 2013 onshore bid round. This was another success and will lay the foundation for new oil and gas discoveries on land in the coming years. The Ministry has completed the process of evaluation of bids and has advised the successful companies by letter from the Permanent Secretary. The St Mary's block was awarded to Range Resources, the Rio Claro Block to Lease Operators Limited and the Ortoire Block to Primera Oil and Gas. In total there will be 12 land-based exploration wells associated with these successful bids as well as associated seismic programmes. This will greatly add to activity on land in coming years.

## **Industry Collaboration**

In September 2013 the natural gas sector went through the largest maintenance programme in its history. This was planned, coordinated and scheduled. Maintenance and asset integrity work is not optional. It is mandatory. Last September's maintenance involved the BP Cassia B hub, the BG Dolphin Platform, nine major plants at Point Lisas and Atlantic Train III. At one point 25% of the country's natural gas production was offline. This is now behind us and overall it went well. Of course there were challenges related to contractor and equipment availability but the level of collaboration between the Ministry, BP, BG, PLEA, NGC and Atlantic was admirable and speaks volumes about our industry. The planned coordination started in early 2013. The Ministry of Energy also sought to keep the Ministry of Finance and the Central Bank informed of developments.

In 2014 with the major maintenance works of BP behind us there is a forecast for an increase in natural gas output. The forecast is also supported by the coming online of Savonette 6 and 7. I would caution however that simply maintaining the plateau rate of approximately 4.2 bcf/d requires constant investment.

### **Mitsubishi Methanol/DME Project**

In the downstream sector we continue to work with the Mitsubishi and Neal & Massy on their methanol to di-methyl ether project which is to be located at the Union Industrial Estate at La Brea. There are other downstream projects at various stages of development. These include another joint venture between Metaldom of the Dominican Republic and Neal & Massy which proposes to construct a metals-processing facility at the Union Industrial Estate. It is good to see one of our major conglomerates take such an ambitious approach to energy investment.

National Energy is also pursuing the development of a project by Chemtech Limited which will utilize melamine as one of its inputs. The project is also air marked for location in Union Industrial Estate.

The Government has also given its approval for the Gasfin project which is a proposal for a medium-scale LNG plant to produce 500,000 tons per annum of LNG for the Caribbean region. This is also carded for the Union Industrial Estate. In total there are four industrial projects at various stages of development carded for the Union Industrial Estate in La Brea. The vision of La Brea as the next Point Lisas is emerging.

These initiatives “dove tail” with Government’s vision for the South West peninsula and will be supported by the TGU power plant, the highway to Point Fortin and the upgrade of the port facilities at Brighton.

### **Facilities Audit**

As we seek to win in this evolving world of energy – we must pay attention to the integrity of the facilities that underpin our energy sector. Our industry has been around for 106 years. Much of our asset base is ageing. To prolong the economic life of our mature fields there must be a renewed focus on safety and the environment. Coming out of the unfortunate oil spill last year there will be lessons learnt. These lessons must be applied to existing policy and regulations. Our new licenses and production sharing contracts will place increased emphasis on the security and integrity of assets. The Ministry of Energy will this year embark on a facilities audit of all energy assets in Trinidad and Tobago. The energy sector can only emerge stronger from this experience.

### **Public Education**

Ladies and gentlemen, it is also clear to me and everyone here would agree that there is a dire need for public education about the energy sector. Our people need to be better informed about their most important economic sector. It is also imperative that the media be given the opportunity to better understand and appreciate the energy sector. The Ministry and indeed the leadership of the sector must be proactive in this regard and work to ensure that opportunities are given to our journalist to better understand the energy sector.

As we adapt to win in an evolving energy world we must remember the central ingredient is people. We can only win if we continue to produce the best professionals. Our Universities and technical schools are critical to this. The Government has invested heavily in training people for this sector. We will continue to do that and will partner with industry to make it happen.

### **Conclusion**

In closing let me congratulate the Energy Chamber for once again hosting this conference which has become one most sought after conferences internationally. I also take the opportunity to wish the participants a successful conference and to assure you that Trinidad and Tobago values your enterprise and we look forward to doing business with you.

I thank you.



Government of the  
Republic of Trinidad and Tobago  
**Ministry of Energy and Energy Affairs**

# Trinidad and Tobago Energy Conference 2014

## *“Winning in an Evolving Energy World”*

**Senator the Honourable Kevin Ramnarine**  
**Minister of Energy and Energy Affairs**

**February 3<sup>rd</sup> 2014**





Government of the  
Republic of Trinidad and Tobago  
Ministry of Energy and Energy Affairs

## Offshore Rigs Operating in Trinidad and Tobago



Diamond Ocean Lexington

WSL Rig 152





Government of the  
Republic of Trinidad and Tobago  
Ministry of Energy and Energy Affairs

## Offshore Rigs Operating in Trinidad and Tobago



Rowan Gorilla III

WSL Rig 110





Government of the  
Republic of Trinidad and Tobago  
Ministry of Energy and Energy Affairs

## Offshore Rigs Operating in Trinidad and Tobago



Seadrill West Freedom

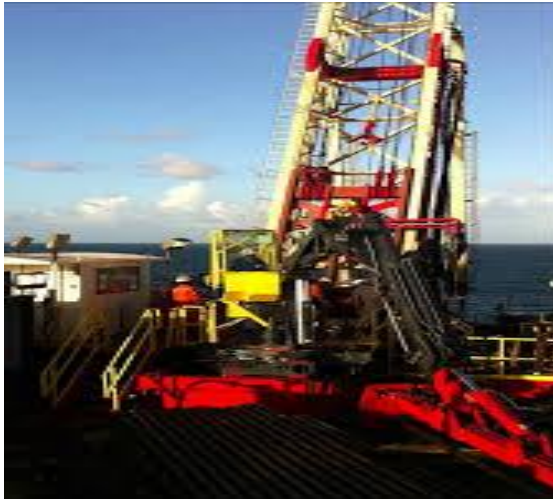
Rowan EXL II





Government of the  
Republic of Trinidad and Tobago  
Ministry of Energy and Energy Affairs

## Offshore Rigs Operating in Trinidad and Tobago



Rig 2 (Slant Rig)

West Jaya



# BP Savonette Platform - Jan 18 2014

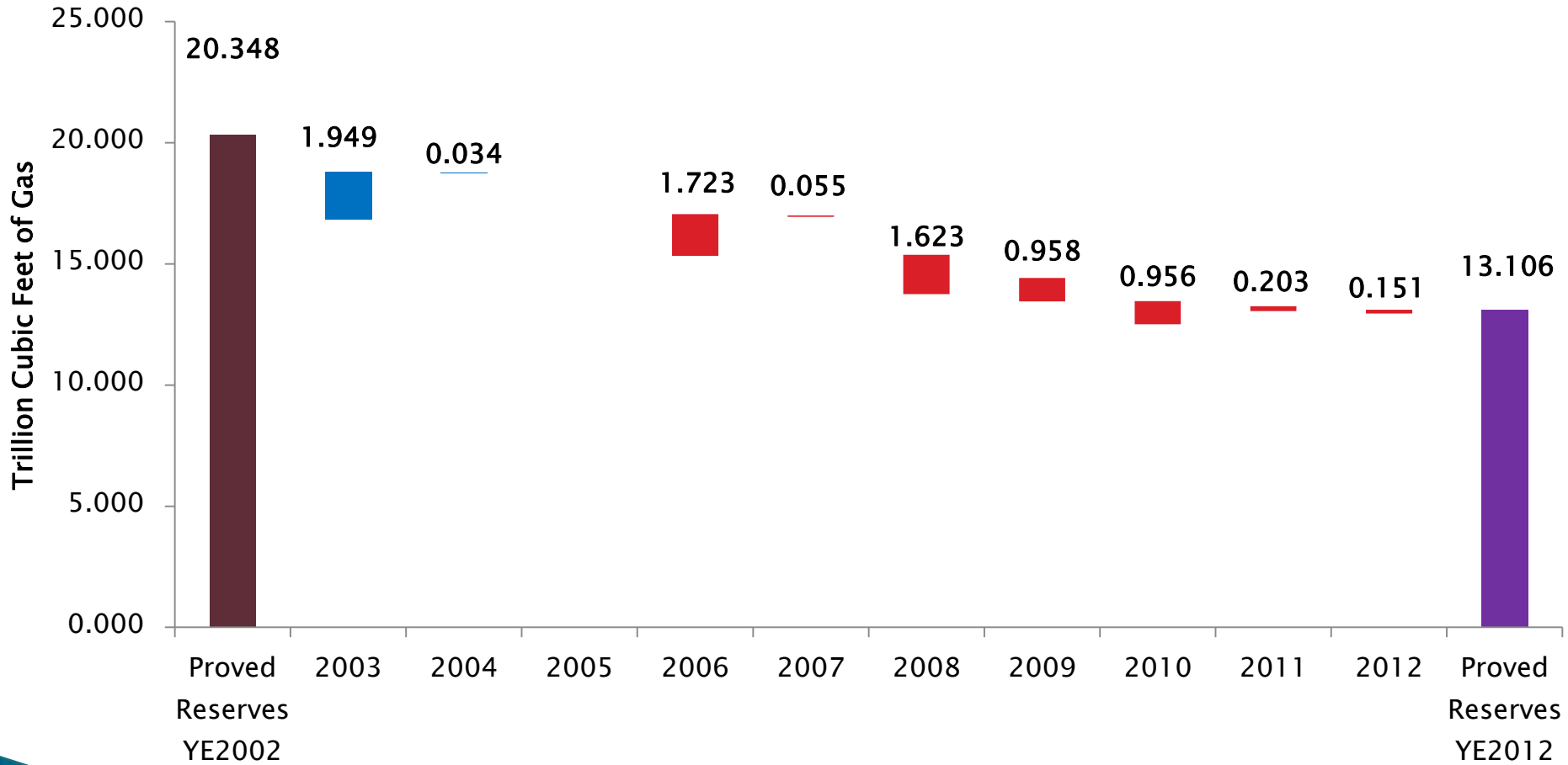


# Ocean Lexington - Feb 1 2014





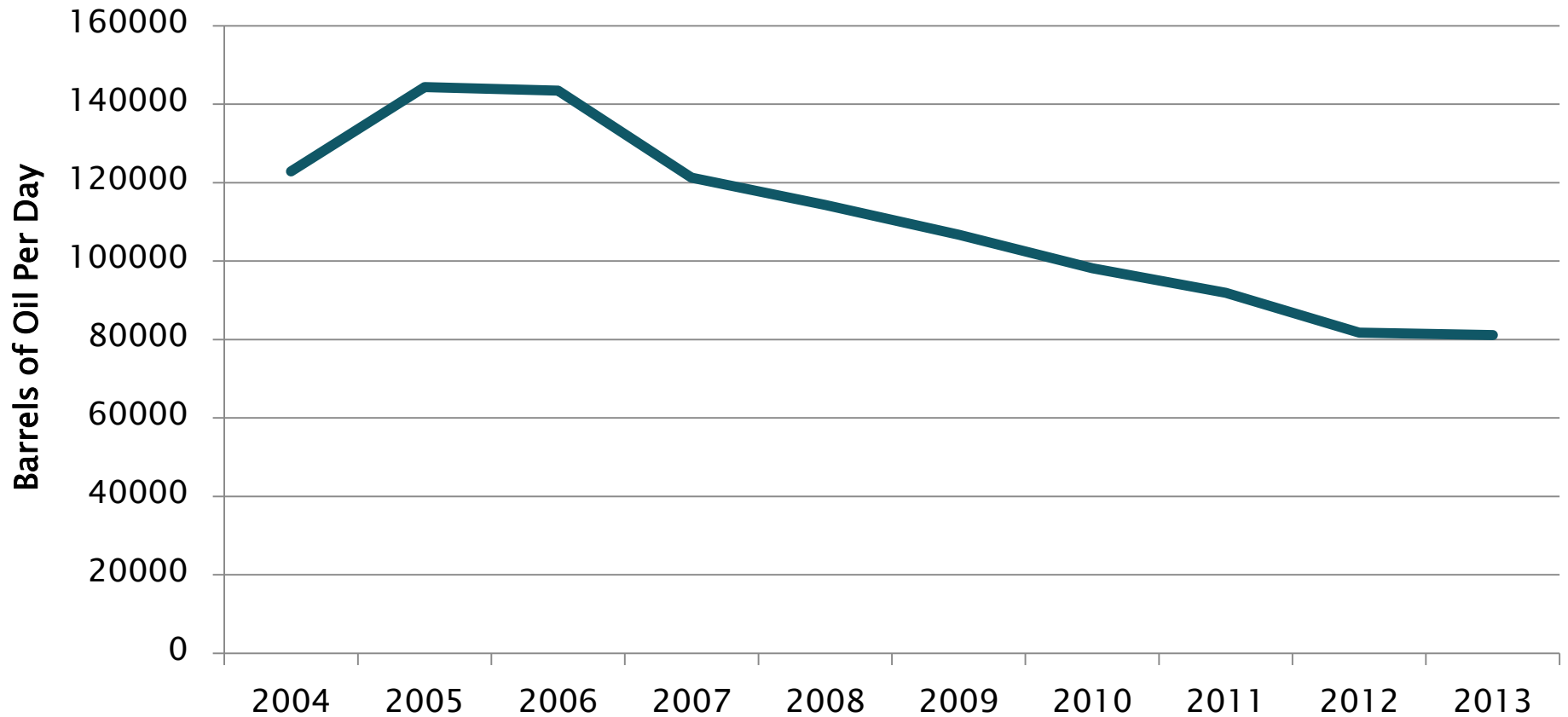
## Change in Proved Natural Gas Reserves 2000 – 2012





Government of the  
Republic of Trinidad and Tobago  
Ministry of Energy and Energy Affairs

## Crude Oil & Condensate Production 2004–2013





Government of the  
Republic of Trinidad and Tobago  
**Ministry of Energy and Energy Affairs**