



Government of the Republic of Trinidad and Tobago  
MINISTRY OF ENERGY AND ENERGY AFFAIRS

## **Speech**

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**TRINIDAD AND TOBAGO ENERGY CONFERENCE 2015  
POWERING DEVELOPMENT AND ENSURING STABILITY**

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Good morning everyone and welcome to another successful Energy Conference. The world of energy is in a different place today as compared to a year ago. In the last seven months we have seen a collapse in the oil price and natural gas prices have followed oil prices. I won't spend too much time dwelling on the reasons for this new price environment – we all know about the Shale Oil and Gas revolution in the United States and how that is reshaping the world politically and economically. Some commentators in Saudi Arabia have said that we won't see \$US 100 per barrel oil again.

In the global supply/demand picture, a very interesting picture is emerging. According to data from PIRA, in 2014 global oil supply was 93.7 million barrels of oil per day and global oil demand was 92.7 million barrels of oil per day. This means supply is outpacing demand by one million barrels per day and this coupled with lower economic growth rates in India and China, a recession in Japan and stagnation in Europe has led to a collapse in oil prices. PIRA in its December 2014 “World Oil Market Forecast” further sees supply outstripping demand by 2 million barrels of oil per day by mid-2015.

I don't predict price but I know that one thing is certain and that is that a price of sub \$US 50 per barrel crude oil is not sustainable in the medium to long term. Fifty dollars a barrel is below the breakeven point for some companies here in Trinidad and Tobago. It will certainly render North Sea and US Gulf of Mexico oil production un-economic.

The low price environment is impacting the global industry as is evident by the announcements from companies like Schlumberger of the retrenchment of 9000

workers. We in Trinidad and Tobago are not immune from what is happening in the wider world.

We have been here before in the mid to late 80's and in 1998 and again in 2008/2009. Each time the price of oil has recovered and the industry has survived and moved forward. In fact the service companies that survived the downturn of the 1980's are today the largest service companies in the country. The Ministry is looking at how the fiscal regime can be adjusted to give the companies some breathing space. These recommendations would be subject to the approval of the Ministry of Finance and subsequently the Cabinet. We also need to rethink the role of Petrotrin in the future and question whether we could be making better use of its large resource base.

Our economy is strong and the energy sector is more diversified today than it was in 1986. The budget is predicated on two main assumptions – oil price and natural gas price. The oil price is better understood. The gas price is less understood. The budget is predicated on a weighted average natural gas price that is based on net back prices at the wellhead for sales to NGC and sales to the LNG industry. In the case of the NGC some of the contracts with the upstream companies are fixed price contracts while others vary according to the price of ammonia and methanol. The weighted average natural gas price realized for the first quarter of fiscal 2015 was above the \$2.75 upon which the budget was predicated. The export prices for natural gas have however trending downward and we can expect a lower weighted average price in the second quarter of fiscal 2015.

## **Investments**

With regard to investments earlier this month the Ministry of Energy conducted an exercise of polling all the major energy companies to ascertain their level of investments in 2015. We estimate FDI for 2015 in the energy sector to be around \$US 2 billion, this is a very significant number.

The main spenders in 2015 are BP and BG. At the heart of BP's capex in 2015 and into 2016 is the Juniper project for which the fabrication of the platform has commenced at La Brea. This is a \$US 2.1 billion project and will spread itself over approximately two and a half years. At \$ US 2.1 billion the Juniper Project is the most expensive upstream development in the history of Trinidad and Tobago.

BP is already working on its next major developments Angelin and Savannah both of which will be drilled next year. Savannah is an exploration well and it will be the first exploration well that BP has drilled since the Deep Ibis Well in 2006. To accomplish this BP plans to bring in the Diamond Ocean Victory semi-submersible rig. Andy Hopwood of BP told this conference two years ago that BP would be investing six billion US dollars in the next five years in Trinidad and Tobago. The company has made good on that promise.

It is also important that I comment at this conference on the seismic programme being undertaken by BHP and its partners. This is a seismic programme over 20,199 square kilometers or almost four times the size of Trinidad and Tobago. It is the largest seismic survey ever conducted by an International Oil Company in

the history of the oil and gas industry. That is historic and the country and the industry have pinned significant hope on the success of this exploration programme by BHP Billiton.

### **Gas Curtailments**

On the issue of gas curtailments to Point Lisas and Atlantic, this situation was caused by a collapse in investment from 2008 to 2010 and by maintenance work conducted by the upstream companies from 2010 to the present. During the period 2008 to 2010, BP's cushion gas was consumed and today the industry operates without cushion gas. This means that when one of the 26 gas producing platforms has to be taken offline (whether planned or unplanned) it disrupts the supply of natural gas to the NGC or Atlantic. This is not the situation we want to be in but it is the current reality. The Ministry of Energy and the NGC have worked with PLEA, Atlantic and the upstream companies to share information and coordinate turnarounds between the upstream, mid stream and downstream. This situation has been the single most challenging aspect of the energy sector in the last five years. There is no short term solution to this problem. Gas production in 2014 was further challenged by two shutdowns of the Savonette platform and shutdowns of the Dolphin platform all for reasons of operational safety. The industry and indeed the Ministry places safety ahead of production.

### **Oil production/ Oil Audit**

With regard to oil production, for the last three years 2012 to 2014, oil production has held at about 81,000 barrels of oil per day. This represents an arrest in the decline of oil production that started in 2006. In January 2015, oil production has

averaged about 84,600 barrels of oil per day and from all indications we have reversed the decline in oil production. We expect in 2015 a 4% increase in oil production over what attained in 2014. This is a great accomplishment but a lot more has to be done. The Lease Operator Farmout (LOFO) programme now in its 26<sup>th</sup> year has been major success for the oil industry. It was introduced in 1989 at a time of depression in the oil belt. Trinidad and Tobago, ladies and gentlemen, has tremendous potential remaining for oil production on land and if you want to confirm this look at the numbers posted by Leni Gas and Oil in 2014.

Further indication of the potential of oil is reflected in the oil audit conducted by Netherland Sewell as part of a consultancy for the MEEA. The Ministry of Energy and Energy Affairs (MEEA) engaged petroleum consultants Netherland, Sewell and Associates of Dallas to conduct an audit of the crude oil reserves of Trinidad and Tobago as at December 31st 2011. The report was finalized and submitted to the MEEA in 2013 and our technical staff has been reviewing this report for the past year.

It should be noted that a similar oil audit was conducted by Ryder Scott in 2007 but the findings of that report were never made public by the Ministry of Energy. Today I intend to reveal some of the findings of the 2011 Netherland Sewell report.

The results of the crude oil audit as at December 31st 2011 showed proved reserves were 199.5 million barrels of oil, probable reserves 85.5 million barrels of oil and possible reserves 124.8 million barrels. The total crude oil figure of the proved plus the probable plus the possible reserves for crude oil was 409.8 million barrels.

The country's condensate reserves, which are associated with natural gas production, were evaluated in the annual natural gas reserves audits conducted by Ryder Scott Company and at year-ending Dec 31<sup>st</sup> 2011 showed proved reserves at 43.5 million barrels of condensate, probable reserves of 24.4 million barrels of condensate and possible reserves of 30.8 million barrels of condensate. The total condensate figure therefore estimated by Ryder Scott Company at 98.7 million barrels of condensate.

The country's total crude oil and condensate reserves as at December 31st 2011 were therefore estimated to be 508.4 million barrels. At a rate of extraction of 30 million barrels per year, this equates to a reserve to production ratio of approximately 17 years on what the industry refers to as a 3P basis.

The consultants also estimated Exploration or Prospective Resources which are those quantities of petroleum which are estimated to be potentially recoverable from undiscovered accumulations by the application of future development projects. They represent exploration opportunities (identified by operating companies) and quantify the development potential in the event a petroleum discovery is made. The high estimate of prospective resources of crude oil in 2011 based on the Dec 31<sup>st</sup> 2011 report was 924.5 million barrels of crude oil. A very significant number.

It should be noted that since December 31<sup>st</sup> 2011 the MEEA has signed 21 new production sharing contracts or licenses. These would not have been included in that 2011 audit. The deepwater blocks and the three land blocks licensed in 2014 all have potential for oil.

What does this mean? It means that the country has tremendous potential to produce more oil.

In recognition of this, in 2013 the Ministry launched its 2013 onshore bid round. The Ministry has since signed licenses with Range Resources, Lease Operators Limited and Primera Oil and Gas. In total arising out of these three licenses there will be 12 land-based exploration wells and these are to be associated with the work programmes for these three licenses. This will greatly add to activity on land in coming years.

The Ministry is currently considering two bid rounds in 2015, one for land and nearshore acreage and another for deepwater acreage. We will however gauge the appetite of the companies (especially for deepwater) in this low price environment before we proceed with more bid rounds.

### **Gas Master Plan**

In November 2014, the Ministry engaged Poten and Partners to write a natural gas master plan for Trinidad and Tobago that would consider the period 2014 to 2025.

The new natural gas master plan will serve as a guide to inform policy formulation and decision making in the future as it relates to gas based industrialization. This consultancy is expected to last six months and will cost US\$ 1.4 million. A similar plan was done in 2001 and was submitted to the Ministry of Energy in January 2002 by consultants Gaffney Cline and Associates. Little or no attention was paid

to the Gaffney Cline Master Plan – although this was a very comprehensive and detailed report.

Poten and Partners have started their engagements with all energy stakeholders. Last week, at the meeting between representatives of the energy sector and the Hon. Prime Minister, many of the companies indicated their support for the decision to engage in the drafting of a natural gas master plan.

The decision by the MEEA to engage consultants to draft a natural gas master plan is driven by changes in the local and international environment for natural gas. One of these factors includes the increase in natural gas production in the United States as a consequence of the shale gas revolution and the need to ensure the continuing competitiveness of our own natural gas sector.

In addition, in the coming years there are a number of critical contractual obligations that will be up for renewal. These include the BG/Chevron contract with the NGC which expires in December of this year and for which negotiations will commence at the end of this month and the BP's contract with the NGC which expires in 2018. Negotiations between the NGC and BP will commence in 2015 following the signing of an MOU between both companies which has already been drafted. In addition, the Atlantic Train 1 contract also comes to an end in 2019 and a decision would have to be taken whether to extend the operation of this facility. Such decisions are best made against the backdrop of proper research and consultation.

The new natural gas master plan will speak to the road-mapping of our natural gas sector in the period 2014 to 2025. The plan will evaluate how gas is utilized in our

economy between competing industries and will determine the most efficient allocation of natural gas between these industries. The consultant will also examine how the natural industry can integrate with the non-energy sector.

In order that we continue to benefit from the large resource endowment of this country into the future, it is imperative that we engage in medium to long term planning. In this regard, the Natural Gas Master plan that will be submitted to the Ministry Of Energy in May of this year is critical to understanding how we chart a course for this energy based economy in an increasingly uncertain global economic environment.

### **Conclusion**

In closing I want to recognize two very important persons at this conference, firstly Lord Bowne who is no stranger to Trinidad and Tobago and who was at the helm of BP in the period of great expansion in Trinidad and Tobago. The second person I wish to recognize is Clare Short of the Extractive Industries Transparency Initiative (EITI). Trinidad and Tobago has candidate country status with the EITI and we are hoping to graduate to compliant country status in 2015. The Government is fully supportive of the EITI and its principles.

Ladies and gentlemen, this country has been in this business of oil and gas for 107 years. We will be in the business of oil and gas for a long time to come. In the last four years we have laid a strong platform for the future of the industry and indeed the country by re-energizing the upstream, re-engineering the fiscal regime, re-shaping the National Gas Company, starting the gas master plan process and completing the Galeota port. There is more to come and everyone in this room I

know anticipates the start of drilling in the deepwater in 2016. The industry is strong and it is made stronger by its human resource many of whom are in the room here today, it is made stronger by a supportive Government and by institutions like the Energy Chamber.

On behalf of the Government of Trinidad and Tobago let me take this opportunity to congratulate the Energy Chamber on another successful Conference.

Thank you.