



**Government of the Republic of Trinidad and Tobago
MINISTRY OF ENERGY AND ENERGY INDUSTRIES**

Remarks

**THE HONOURABLE NICOLE OLIVIERRE
MINISTER OF ENERGY AND ENERGY INDUSTRIES**

Workshop

**Global trends and technology for sharing and collaboration in the
offshore upstream industry**

Residence, British High Commissioner

Maraval

August 3, 2016

Salutations:

Tim Stew, British High Commissioner,

Other members of the Diplomatic Corps;

Dax Driver, CEO, Energy Chamber of Trinidad and Tobago;

Officials, Petersen Integrated Logistics;

Other invited guests;

Members of the Media;

Distinguished citizens;

Ladies and Gentlemen.

Good morning, everyone.

I would like to thank the British High Commission and Commissioner Stew for organising this workshop on behalf of Petersen Integrated Logistics so that our energy sector players can explore the potential of shared services in their operations, with the hope that any benefits gained will eventually be to the benefit of not only the companies, but to Trinidad and Tobago as a whole. I certainly welcome this chance to speak to you as a group.

After the oil price approached \$50 per barrel earlier this month, some may have thought that the worst was over. However, it seems that we are in for another cycle of unpredictability.

Energy prices continue to fulfill the current mantra of “lower for longer” and recent and current global events outside of the energy sector continue to keep prices volatile, despite data that suggests that the oil market is coming into balance between demand and supply.

One positive development has been that despite the fluctuations in energy prices, activity continues in Trinidad and Tobago. The fact that our country continues to feature in the long term plans of your companies is a reflection of the continued confidence that energy sector companies have in the potential of our country.

This is even more important when one recognizes that current economic conditions remain challenging, even beyond the energy sector. The reduced economic activity and lower prices in the energy sector has had significant knock-on effects on the rest of the domestic economy.

Just to cite one example, total foreign direct investment inflows declined by 33% in 2015 largely due to inflows to the energy sector falling by 24%. Given our leading indicators, that trend has not reversed in 2016. The net effect of all of this has been a reduction in our overall growth.¹ Therefore, any initiative or idea to make our energy sector services sector more competitive, and enable it to generate more revenue, is to be welcomed.

We are now seeing a new side of the oil and gas industry. Companies are resorting to innovation, collaboration and introduction of new technology with the objective of reducing unit costs of production and ultimately increasing unity margin and achieving higher return on capital employed.

¹ UNECLAC: *Economic Survey of Latin America and the Caribbean, 2016*. In 2016 Trinidad and Tobago is expected to post negative growth for the third year in a row, with the economy set to shrink by 2.5%, following contractions of 1% in 2014 and 2.1% in 2015.

Some examples of new technology include BP's use of OBC seismic. In terms of collaboration we have BP's JV with EOG in drilling the Sercan wells.

As can be seen, the initial negative impact is forcing the industry to become more resilient, stronger and efficient.

In an environment of growth, our industry has been less than prompt in managing costs, as generally efforts in the sector are focused on improving production and maximizing revenue generation. Consequently, producers only concentrate on managing and optimizing supply chains when prices fall.

Optimization of supply chains is not necessarily a core competence. As a result, it is an area open for several innovations that can have a significant positive impact on costs. One such is the sharing of services between companies, each using the same provider.

The idea of shared services is not new, since I understand that it is one that has been practiced by Peterson Integrated Logistics in other jurisdictions.

I view the introduction of such services in Trinidad and Tobago as a natural evolutionary step for our industry. For example, in the past offshore operators would optimize the use of expensive rigs through scheduling their drilling days to take advantage of the rig's availability in Trinidad and Tobago.

While it sometimes necessitated the juggling of drilling schedules in some companies, it generally avoided the need for rigs to have to leave the country and incur the additional time and money expensive of having to come back into the country to service another supplier.

More significantly, it points to what may be the next phase in our country maintaining parity in what is a global competition in the provision of energy services.

While the evidence may be anecdotal at this point, we have seen some signs that companies located here may be expanding their services from what they have traditionally provided to encompass "one stop shop" types of offerings in Trinidad and Tobago.

It is my hope that the trend towards greater collaboration among companies to reduce costs continues. It ensures that Trinidad and Tobago remains competitive as a location for energy services globally by combining logistics and other services.

Moreover, it will enhance the desirability of Trinidad and Tobago as a base for the provision of higher level energy services. For now, this may be confined to Trinidad and Tobago, but in time, those services may extend to Guyana and other regional hydrocarbon provinces.

I therefore wish today's workshop all success. I know that in a challenging operating environment for oil and gas producers, companies will make every effort to maximize the value gained from every penny spent while attempting to minimize their expenditures.

In local parlance, companies don't want to "bad spend". The use of shared services among producers seems to be an additional way of ensuring that, as far as possible, nonessential expenditure is minimized. Greater collaboration among companies can only be a positive sum equation in the long run. This seems to bring us further along the road towards that goal.

Before I go I must speak to my pet subject – Local Content. In Trinidad and Tobago we have a strong and capable energy services sector. As we move into deep water exploration and production, it is incumbent on the upstream producers to facilitate the transfer of technology to local service companies so that they can be equipped to service this new frontier.

Investment in local capability development must include the local professionals employed in the industry and partnership with the state technical agencies which produce the technical personnel for the sector. This includes ensuring that requisite provisions towards scholarships are met.

In closing I wish to state that, without a doubt, the industry requires greater collaboration among the parties, and the ministry will do whatever it can to provide that enabling environment to foster greater adaptation of sharing of services amongst the players.

I thank you.