

Govt feels vindicated

By Curtis Williams

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Heritage Petroleum in Santa Flora.

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State-owned Heritage Petroleum Company Ltd has recorded a profit \$1.4billion for 2019, which represents the first ten months of operation.

In the release of the company's financial statements, the chairman Michael Quamina noted that the company "has performed remarkably."

For the period ended, September 30, 2019, the company also recorded \$5.4 billion in revenue.

In an interview with Guardian Media, Energy Minister Franklin Khan said he feels proud of the company's performance.

Khan articulated the revenue and profitability of the company has "vindicated the government's decision to restructure Petrotrin into its various components."

He continued: "Petrotrin as it was currently structured was losing \$2 billion dollars per annum, and we have turned that around within one year, from a \$2billion loss to a profit of \$1.4 billion."

According to Khan, it has always been our view that the exploration and production (E&P) arm of the company was a profitable business, nonetheless, its profitability was masked by the huge losses in the consolidated accounts of Petrotrin refinery business segment.

Khan commented: "Heritage was mandated to focus on production with a laser beam approach, that they have done successfully - they have been able to climb their production every quarter."

According to Khan the company was also asked to reduce its operating costs, where the operating costs on a per barrel basis is approximately US\$28.

He said that the average oil price, that was received for the highlighted period was US\$61 per barrel, hence the reason for the increased profitability.

Meanwhile, Quamina remarked that the 2019 results have been accomplished while funding a capital program of \$193 million and contributing \$821 million to the Government of T&T in related taxes, licenses, royalties and levies due for the period.

Quamina explained that the company also had to simultaneously ensure that quarter-on - quarter production continued to trend upward and settle the debt obligations to lenders which originated in legacy Petrotrin in a timely fashion.

Khan confirmed that Heritage's cash flow was able to service all of the debt of the legacy oil company.

The total assets of Heritage as at September 30, 2019 was \$10.96 billion. The company's cash at bank at the end of the period amounted to \$1.17 billion.

The company chairman said that in the current economic climate, along with the challenges now faced by commodity markets, the ongoing task of the board will be to sustain this profitable business with free positive cash flows.

Recently, Heritage noted in a statement that it has not been insulated from all that is occurring in the global energy markets and has resorted to selling obsolete assets including scrap iron and supply boats to generate revenue.

In light of the recent historic oil price lows, Heritage has indicated that it is pursuing a strategy of storage of oil production which will be sold as the oil market improves.

Nevertheless, the company said, in the release, that the first 5 months of the fiscal year was very profitable for Heritage, which would leave the company well positioned with the prudent management of its business, to meet out debt commitments and fund our activity for the rest of the fiscal year in the presently challenging environment.

According to Khan, “in this new COVID world, obviously we will be taking a heavy hit.”

He said that the company does not expect 2019’s profitability in the coming months, but the company has been asked to keep the operating costs as low as possible, without removing staff while keeping production as high as attainable.

The minister said that as the company’s plan has migrated from selling crude to storing crude for the next two and half months—it is hoping for an upturn in the market in the interim.