

# Energy and Energy-Related Industries

## Introduction

Trinidad and Tobago is one of the many global oil and gas producers which have been hit hard by the precipitous drop in global energy commodity prices over the last two years.

One of the main drivers of this decrease in prices has been a dramatic increase in the supply of oil and gas from shale reservoirs. There have been major discoveries, not only in the USA – who is now setting to become a dominant energy exporter – but also in East and West Africa, Israel and Lebanon, to name a few.

Consequently, world energy prices are not expected to rebound to pre-2014 prices within the mid-term horizon.

This isn't to say, however, that the energy business is no longer profitable. During the period of high prices, there was inflated demand for services and equipment, which drove costs up for energy services. New rigs, new seismic vessels etc. were built, while new supplies of steel and engineering services had to be added. The high prices allowed energy services companies to pay off financing and other operational/commercial debts. When prices dropped, there was an oversupply which has in turn led to Exploration and Production (E&P) costs coming down by over 40% overall. Thus, precipitous price decreases haven't necessarily meant equivalently precipitous drops in profitability for oil companies.

In Trinidad and Tobago's case however, in addition to lower prices, production has also declined. This has meant significantly reduced taxation revenue for the government, due to the composition of government's fiscal regime regarding the energy sector.

In order to incentivise activities to increase reserves and production, the government improved the taxation regime in favour of investors. Unfortunately, these have resulted in a reduction of government's share of revenue, without the anticipated production or reserves increase.

## Trinidad and Tobago – Potential Energy Hub for the Region

Trinidad and Tobago is a natural hub for energy investments. This is because it has a significant, installed infrastructure base, skilled manpower and very capable players in the energy services space. "The case for the country being used as a hub is easily made, as it's easy to understand why you would utilise infrastructure that already exists, with [existing] capacity, rather than duplicating expenditure," said Norman Christie, regional president, BP Trinidad and Tobago.

Additionally, as a nation, the capital costs for all the investments that the country has embarked upon over the last 20 years are now generally paid for. Trinidad and Tobago has cheaper operating costs than almost any other country in the world. Additionally, Trinidad and Tobago has had a history of operational excellence. For example,

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Ministry of Energy and Energy Industries  
[www.energy.gov.tt](http://www.energy.gov.tt)

Energy Chamber of Trinidad and Tobago  
[www.energynow.tt](http://www.energynow.tt)



Phoenix Park Gas Processing Limited, one of the largest gas processing facilities in Latin America and the Caribbean, has enjoyed an average 98% efficiency/plant availability over the last 24 years. The National Gas Company of Trinidad and Tobago Limited (NGC) has never suffered a major outage. Indeed, there has been a culture and capacity of excellence.

**There are approximately 30 world-scale natural gas plants which have been built in Trinidad and Tobago, almost entirely with local labour, being delivered within budget and schedule.**

Trinidad and Tobago ranks 14th among 89 countries in the initial publication of the Resource Governance Index (RGI) published by the Natural Resource Governance Institute. This enviable ranking was made possible by a positive enabling environment as well as good scores on value realisation. The state company, Petrotrin, ranks even higher at nine among the 74 state energy enterprises surveyed. The survey indicates that Petrotrin received, "Good scores across the board related to rules on reporting of finances and operations".

One of the most recent and notable examples of Trinidad and Tobago's capability was the completion of the fabrication of the topside of the Juniper Platform in-country at the fabrication yard at La Brea. Juniper is the largest platform structure ever fabricated in Trinidad and Tobago and represents

a US\$2.1 billion investment by BP – an offshore structure 12 stories tall (180 ft.) weighing just over 5,500 metric tonnes.

### Politics and Labour Relations

One of the challenges that the sector has been facing at times, however, is a changing and difficult political and labour relations climate in which to operate. Continuity of policy direction as well as continuing to ensure that commercial operations are competitive, productive and cost efficient will be ongoing challenges.

Another item on the watch list for Trinidad and Tobago is the issue of succession planning. Generally, there has been a lack of adequate succession planning at the level of the state sector in particular. As such, there is a threat that the industry may become starved of expert guidance in terms of regulation, leadership, management, and to a lesser extent, operations.

### Short-Term Outlook

There are more than adequate proven reserves of gas and oil to steady Trinidad and Tobago's economy for years to come. However, there has been an issue in terms of the level and timing of the investments needed to assist in recovering those reserves.

From the country's current position, there are opportunities to apply new technology to monetising new smaller oil/gas fields and get more out of existing fields, through enhanced recovery methods. There is still much potential left.


### Conclusion

While Trinidad and Tobago has so far had an enviable run in terms of its energy sector, the country's changing objective is now not only to increase GDP but also to reduce dependency on oil and gas. Increased use of technology and human capital development will

be key ingredients for sustainability in the future. Additionally, Trinidad and Tobago must have revenue management and administrative regime – fiscal, regulatory policy – that reflects the maturity of some parts of the Trinidad and Tobago basin (on land and offshore), takes into account our experiences in the energy business – failings and successes – and which maximises the impact, value and benefit to citizens of Trinidad and Tobago.


## HISTORY

**The current rate of Petroleum Tax is 50%. There is also a Supplemental Tax at a sliding scale based on oil prices. Corporation Tax rate is 35%.**




**Gas is now more important to the economy than oil.**

**First drilling was done in the 1850s, first production in 1902 and the first marine field was developed in 1955.**



**T&T was the first country to convert all its power generation to natural gas in the 1960s.**

**All the majors and leading service companies have had a presence in T&T, from as early as the 1920s.**



**T&T is one of the oldest oil and gas producing provinces in the world.**

